By Zachary A. Goldfarb and Lori Montgomery

The ratings agency Standard & Poor's warned the United States on Monday that it could lose its coveted status as the world's most secure economy if lawmakers don't rein in the nation's nearly $14.3 trillion debt.

The finding, the first of its kind in the 60 years that S&P has been judging the country's credit quality, sent a jolt through the markets and injected a new sense of urgency into the debate gripping Washington over whether to allow the Treasury to keep borrowing.

S&P changed its outlook on the United States from "stable" to "negative" and said the federal government could lose its AAA rating if officials fail to bring spending in line with revenue.

The AAA rating identifies the United States as one of the world's safest investments — and has helped the nation borrow at extraordinarily cheap rates to finance its government operations, including two wars and an expensive social safety net for retirees.

A downgrade would drive up the cost of borrowing and throw into question the global role of the

Treasury bond. The Treasury serves as a crucial risk-free place to invest money — and has been a stalwart of stability amid the economic upheaval of the past few years.

Stock prices fell nearly 2 percent in the hours after the report's release before ending the day down about 1 percent. The dollar and Treasury bonds also slid in the wake of the report but recovered by the end of the day.

Asian stocks retreated Tuesday to their lowest levels this month, but European stocks rebounded after falling Monday after news of the revision was released.

Lawmakers on both sides of the deficit debate tried to take advantage of the warning from Wall Street, but that just highlighted the point of the report — which is that the polarization in Washington is the problem.

"We believe there is a material risk that U.S. policy makers might not reach an agreement on how to address medium- and long-term budgetary challenges by 2013," S&P said in the report. "If an agreement is not reached . . . this would in our view render the U.S. fiscal profile meaningfully weaker."

S&P is one of the nation's three major rating agencies, whose assessments influence the decisions of investors worldwide. The other two major agencies have not changed U.S. ratings.

The Obama administration responded to the report by saying that the likelihood of a compromise is greater than the agency realizes. Officials stressed that S&P essentially played the role of political pundit — and its guess was as good as anyone else's.

Speaking on CNBC Tuesday morning, U.S. Treasury Secretary Timothy F. Geithner said he disagrees that the U.S. outlook is negative. He said that there is "broad consensus" among both Democrats and Republicans on the need to shrink the deficit and that prospects for improving the nation's fiscal condition are improving.

"We believe S&P's negative outlook underestimates the ability of America's leaders to come together to address the difficult fiscal challenges facing the nation," said Mary Miller, assistant Treasury secretary for financial markets. "Addressing the current fiscal situation is well within our capacity as a country."

Last week, President Obama laid out a plan to trim $4 trillion from deficits over the next 12 years. On Friday, House Republicans adopted a budget resolution that would cut deficits by $4.4 trillion over 10 years.

Although the goals are similar, there is sharp disagreement over how to reach them. Obama wants to cut spending, including on defense, and raise taxes on businesses and the wealthy. Republicans would protect defense spending but cut deeply elsewhere, including Medicare and Medicaid. They have rejected any new taxes.

In a conference call with reporters Monday, S&P's global head of sovereign ratings, David Beers, said the agency took the action after warning for years of "what we considered to be the gradual deterioration of the U.S. fiscal profile."

The deterioration was hastened, Beers said, by December's $858 billion deal between the White House and congressional Republicans to cut the payroll tax for one year and to extend a variety of George W. Bush-era tax cuts through 2012.

S&P analysts said they had hoped that Obama's fiscal commission, which offered a plan in December to reduce borrowing by nearly $4 trillion over the next decade, would provide the needed momentum to rein in the debt. But Obama declined to embrace those recommendations and put out a budget plan in February that was "below our expectations," analyst John Chambers said.

Now, the analysts said, odds for a prompt resolution look especially grim. "When you pull all this together . . . we think the fiscal profile of the United States is increasingly diverging from a number of its AAA peers," Beers said.

The report also fed into the debate about whether to raise the legal limit on government borrowing. Republicans want spending cuts as a condition of increasing that limit; the White House has said that a vote to raise the debt limit should not be linked to other issues. The deadline is early July.

"S&P sent a wake-up call to those in Washington asking Congress to blindly increase the debt limit," said House Majority Leader Eric Cantor (R-Va.). "The debt limit increase proposed by the Obama administration must be accompanied by meaningful fiscal reforms that immediately reduce federal spending and stop our nation from digging itself further into debt."

But Rep. Peter Welch (D-Vt.) said the S&P report underscored the danger of using the debt limit as an occasion for political haggling over spending, because failure to raise the limit would leave the government in default — demonstrating the inability of the political system to manage the nation's finances.

"I hope Majority Leader Cantor and those in Congress seizing upon debt ceiling pressure as a leverage opportunity are listening to the markets today and thinking twice about their risky strategy," said Welch, who on Monday released the names of 114 House Democrats who support his position. "If Mr. Cantor persists in playing politics with the debt limit, he will be held accountable for unleashing the financial hounds of hell."

On Monday, another major credit rating agency, Moody's, issued a routine report holding the U.S. rating steady and calling it a "positive" that lawmakers are seriously discussing deficit reduction. But it also noted that the outcome of those talks is unknown and that the United States is the only major country that does not have a plan in place to curb the growth of its debt.