

The S&P debt warning: Wall Street extortionists demand savage cuts

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Five days after the US Senate Permanent Subcommittee on Investigations released a voluminous report detailing the criminal activities of the banks and credit rating firms that precipitated the 2008 Wall Street crash and global recession, one of the named culprits, Standard & Poor's Credit Ratings Services, issued an ultimatum to the White House and Congress demanding an agreement on savage austerity measures ahead of the 2012 elections.

In lowering its outlook from "stable" to "negative" on the top AAA rating for US Treasury bonds, S&P spoke Monday for the entire financial mafia that is headquartered on Wall Street. The ratings firm declared in a press release that failure to reach an agreement in the coming months to reduce the federal deficit by at least \$4 trillion over the next decade "could lead us to lower the rating."

This amounts to a threat to crash the US and global economy and undermine the status of the dollar as the world reserve currency. The move is part of an internationally orchestrated drive by the major banks and speculators to push through devastating attacks on the living standards of the American working class.

They are applying to the United States the extortionate methods used previously to stoke up speculative attacks on the sovereign debt of a number of European countries, including Greece, Ireland, Portugal and Spain. S&P and its major ratings rivals Moody's and Fitch have issued strategically timed credit warnings and downgrades to create a crisis atmosphere, which governments have then utilized to override popular opposition and impose mass layoffs and wage cuts and shred social programs.

John Chambers, chairman of the sovereign ratings committee at S&P, virtually admitted as much, according to a report in Tuesday's *Wall Street*

Journal. The *Journal* wrote: "If the US reaches a British-style resolution, S&P will restore the US outlook to stable, Mr. Chambers said."

In May of 2009, S&P lowered Britain's credit outlook. It reversed the action 17 months later after the newly elected Conservative-Liberal Democrat coalition government announced a program of draconian cuts that will shatter the country's social safety net.

Readers can make their own judgment as to S&P's standing to be issuing such ultimatums. The Senate report on the Wall Street crash describes the corrupt process by which S&P routinely slapped AAA ratings on worthless securities marketed by the banks as follows: "Credit rating agencies were paid by Wall Street firms that sought their ratings and profited from the financial products being rated... The ratings agencies weakened their standards as each competed to provide the most favorable rating to win business and greater market share. The result was a race to the bottom."

Senator Carl Levin, the chairman of the subcommittee, described what the investigation uncovered as "a financial snake pit rife with greed, conflicts of interest and wrongdoing."

By rights, the top S&P executives who presided over this fraud and pocketed multi-million-dollar salaries in the process should be sitting in prison. Instead, still at their posts and having suffered no consequences, they are using the disaster of their own making to gut bedrock social programs such as Medicare, Medicaid and Social Security upon which tens of millions of people depend.

The statement issued by S&P on Monday described both the Republican fiscal year 2012 budget plan and that outlined by President Obama last week as a basis for cutting the federal deficit by \$4 trillion. However, the two sides had to come to an agreement before the

national election in 2012, the company insisted.

This demand underscores the anti-democratic character of the so-called budget debate. It is an elaborate charade, behind which stands the dictatorship of the banks. The deal to eviscerate what is left of the social reforms of the 20th century has to be sealed before the elections to make sure that the vote in no way becomes a referendum on austerity and the electorate has absolutely no say in the matter.

The mass opposition to the measures being proposed by both parties is well known to Wall Street and its political servants in Washington. On Monday, the same day as the S&P announcement, McClatchy Newspapers published the results of a McClatchy-Marist poll showing that voters by a margin of 2-to-1 support raising taxes on incomes above \$250,000, with 64 percent in favor and 33 percent opposed. They oppose cutting Medicare and Medicaid by 80-18 percent.

S&P intervened at the behest of the banks to shift the phony budget debate even further to the right and create the conditions for even deeper cuts than those being currently proposed. Interviewed Monday on Bloomberg Television, David Beers, S&P's global head of sovereign finance ratings, said the \$4 trillion deficit-cutting target was "not enough to ultimately halt the rising trajectory of US debt." It was, he said, merely "a useful starting point."

The establishment media immediately signaled that it had gotten the message. The *Los Angeles Times* editorialized that "Congress and the White House can't afford to ignore this warning shot." The *Financial Times* of London published an editorial that declared, "S&P's warning shot should galvanise America's leaders."

Democratic leaders rushed to reassure Wall Street that they were on board. Speaking at a community college in Virginia Tuesday, Obama said, "I believe that Democrats and Republicans can come together to get this done."

Steny Hoyer of Maryland, the No. 2 Democrat in the House of Representative, said Monday, "Today's revised outlook shows the urgent, bipartisan action needed to put our nation on a serious path to reduce deficits."

Erskine Bowles, a former White House chief of staff for Bill Clinton and co-chair of last year's bipartisan fiscal commission, was even more emphatic. Speaking

to the *Financial Times*, he said S&P had been "absolutely right" in lowering its outlook on US debt. "If anything, they understate the extent of the problem," he said.

Only a mass, independent movement of implacable opposition by the working class can defeat this criminal conspiracy. The *World Socialist Web Site* and the Socialist Equality Party urge workers and young people to reject the entire framework of the so-called budget debate. There must be uncompromising opposition to any cuts in jobs, wages or social programs and services. The working class bears no responsibility for the crisis of the capitalist system.

We propose an alternate policy. As a down payment, to begin to recoup the wealth plundered by the financial elite, we propose a 50 percent tax surcharge on all household wealth over \$5 million.

This should be supplemented by raising the income tax on households taking in more than \$500,000 a year to 90 percent.

These measures will not only generate hundreds of billions of dollars for jobs, schools, health care, housing and pensions, they will attack the profligate squandering of resources and contribute mightily to the moral as well as the economic health of society.

These initial steps lead inexorably to the nationalization of the banks and major corporations and their transformation into public utilities under the democratic control of the working population. This is a socialist program. It requires that the working class break politically from the two parties of big business and build a mass movement to fight for a workers' government.

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