

Standard & Poors Downgrades U.S. Debt Rating: An Act of Treason?

By Robert McHugh, Ph.D.
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After the market closed on Friday, August 5th, 2011, Standard & Poors Rating Agency lowered the United States of America's long-term sovereign credit rating to AA+ from AAA for the first time ever. Who made S&P God? S&P has enormous power over markets, too much, and unjustified downgrade of ratings can be used as a financial weapon. Our opinion is that the S&P downgrade of U.S. sovereign debt is the financial equivalent of the attack on Pearl Harbor, or the 911 attacks on New York. The S&P downgrade is an attack on Democracy, and the U.S. political structure, which has functioned just fine for 250 years, and was carefully designed with checks and balances by the founding fathers. Stick with me here, consider this reasoning:

The founding fathers did not set up S&P to manage our nation's finances. It set up Congress, who is controlled by us, the voters. We have no vote at S&P. We can change the membership of Congress in our democracy, through the voting process. Sure, the U.S. needs to change its financial policies, but if S&P becomes the new dictator of our economy, we are sunk, this nation is finished. If we as citizens are unhappy with our nation's financial policies, we have the power to elect new representatives in Congress; we should not sit back and cheer as S&P runs things. That is abdication, not participation. Congressional disagreement is not a bad thing, it is a good check and balance that keeps our nation great, keeps us from moving too far to the left or too far to the right. Compromise is the result of disagreement, so what if the process of the debate gets ugly from time to time, and it represents a collective wisdom that one company like McGraw Hill, one individual like Deven Sharma, cannot possibly possess. We need to improve our nation's financial position through the election process, with our votes. That is where there is accountability, collective wisdom, and freedom. S&P demanded Congress cut spending \$4.0 trillion or else they would lower our credit rating. That was a loaded gun by S&P with the threat of destroying trillions in dollars of economic wealth where markets plunge from a downgrade. Do we really want S&P deciding how much is spent on Medicare, military defense, education and infrastructure in the United States? That is what S&P was demanding, the power to control U.S. spending and tax policy. That is evil and is wrong.

Standard and Poor's attack is against our democratic way of life, where elected representatives of the people make decisions. S&P wants Congress to report to them. That is an attack by totalitarianism against democracy. Even Moodys has jumped on board, insisting a permanent extension of the Bush tax cuts would be cause for them to downgrade U.S. debt. So S&P will now control U.S. spending and Moody's will control U.S. tax policy? Are they kidding? Are we the people of the United States going to let

two corporations run our economy? Instead of voters changing economic policy at the polls, which is democracy, McGraw Hill's S&P has taken it upon itself to dictate economic policy for you; instead of your right to run the country through the election process and electing representatives. No question, U.S. finances could be better, however it is dead wrong to allow one or two corporations, whose ownership includes many foreigners, to dictate our military spending budget, our spending and tax policy. Isn't it interesting that the head of Standard and Poors, Deven Sharma, was not born in America, but was born in India? That may be a politically inappropriate fact, but in light of his attack on America, maybe relevant?

As for the rating downgrade, we have the ability and willingness to pay our debts on time, and have the greatest military on earth. That deserves a AAA rating. Where are you going to place your money if all hell breaks loose? Of course it will be in U.S. Treasuries. As stock markets melted down the first day after the downgrade, August 8th, 2011, U.S. Treasuries surged 3 points as investors worldwide sought the protection of the United States. That empirical fact is proof enough that S&P's downgrade is unjustified.

Now that the U.S. has been downgraded to a AA+ rating, below a AAA rating, let's explore what nations in the world are worthy of a AAA rating according to Standard & Poor's all-knowing, all-powerful directive. Guess which nations, many of them with socialist economies, now have a higher rating than the U.S.?: Australia, Austria, Canada, Denmark, Finland, France, Germany, Guernsey, Hong Kong, Isle of Man, Liechtenstein, Luxemburg, Netherlands, Norway, Singapore, Sweden, Switzerland, the United Kingdom. If there is a war, are you going to put your money in these nations, or in U.S. Treasuries? Really, come on. Then shouldn't the U.S. have a AAA rating also? Here is an interesting fact that demonstrates that S&P's action is an attack against capitalism and democracy: According to Wikipedia's list of the top Welfare (Socialist) states, eleven of the above 18 AAA nations worthy of a AAA rating from S&P make the top 16 list of Welfare socialist nations. Is S&P using its ratings power to subtly move the United States of America toward a Welfare/Socialist state? Sure looks that way. In other words, S&P's rating downgrade is politically motivated, an attack on capitalism and the U.S. political structure – an act of treason.

The main cause of the Great Depression in the nineteen-thirties was because Congress cut spending and the Fed tightened money supply, at the worst possible time. Spending, deficits and money supply needed to grow; instead Congress and the Fed shrunk it. Take note: S&P has just tried to force Congress and the Fed to contract spending and money supply at the worst possible time, as the economy weakens. It is not S&P's place to tell our elected officials, our democratic process that our founding fathers established, that we better cut spending \$4.0 trillion now, instead of \$2.0 trillion or else they will drop our rating and wipe out trillions of world-wide wealth. In the collective wisdom of this batch of U.S. Congressional elected officials, they decided \$2.0 trillion of cuts was the right thing to do now, given everything that is going on, including national security. Hey, if Congress is wrong, we the people will figure it out and elect new representatives in Congress. That is the appropriate approach to the U.S. financial problems. Not obeying S&P's directives.

S&P is missing the point, it is not just about debts, not just about economic policy, or entitlements. It is not just about tax revenues or budget deficits. A key component of a AAA credit rating has to be military might. The fact is, whether it is politically correct or not to state this truth, whether or not anyone wants to consider it, the fact is the United States could take over the entire world militarily and confiscate all wealth if it so chose. The U.S. won't do that, but it could. That in itself, along with the fact the U.S. has never defaulted on bills or debts, is sufficient to keep its AAA rating. S&P has taken the criminal action of destroying the wealth of millions of innocents worldwide whose financial assets are taking a major hit from this unjustified downgrade.

Standard & Poors, which incestuously took fees from major corporations and then graded those same corporations' debts far higher than they were entitled to receive, who overrated Collateralized Debt Obligations and Credit Default Swaps AAA in 2008, which misled investors as those same instruments turned junk and those same corporations declared bankruptcy in 2008, that left millions of investors broke from their bad judgment, shoddy research and analysis, and questionable ethics, now lowers the credit rating of the United States? Really?

The widows, pensioners, orphans, families and businesses that will lose huge chunks of their investments due to this downgrade deserve to have our government come to their defense against this arguably corrupt ratings agency. This is an act of financial war, my friends. What would Harry Truman do? Kennedy? Lincoln? Reagan?

At the very least, a comprehensive investigation of S&P should commence immediately, with subpoenas and searches of their facilities. S&P's activities should be halted while this investigation goes on, a cease and desist. Arrests should be made where appropriate, and if gross violations of law are found, S&P should be shut down permanently. This would not be a NAZI Germany-like reaction by the U.S., but would be a very different response. It would be self defense. If McGraw Hill or S&P executives bought Put Options last week on any market on earth, if in fact a quarter or third of McGraw Hill's ownership is foreign, if in fact S&P destroyed the wealth of billions of people worldwide with an unjustified U.S. downgrade (which it did), if in fact S&P is taking away our democratic election governing process, this is a corrupt act of financial war. It would be a new war, a financial terrorist attack, not unlike 911 or Pearl Harbor. It would require national self-defense for all of us who love this country and plan on making it better at the election polls.

The smart money knew this downgrade was coming. Selling was heavy before the announcement. If I were in the U.S. Congress, I would immediately begin an investigation into possible leaks from S&P, which possibly had an affect on stock markets last week where stock losses wiped out several trillions of U.S. Dollars in wealth before the downgrade. Who regulates Standard & Poors? Nobody. Any organization which yields the kind of systemic economic power S&P finds itself with ought to be held to full accountability. S&P has shown it is a critical risk to U.S. and global (if the U.S. sneezes, the world coughs) economic stability and prosperity. Hey, even if you are not a

U.S. citizen, you are affected. Your country could be next. Your investments will plunge if U.S. markets plunge. You should be just as appalled as we are.

By lowering the rating of the U.S., S&P has subliminally placed a disincentive on the U.S. to maintain its military might since a ton of the U.S. budget and debt comes from its military spending. Again, this credit downgrade is an attack against the defense capability of the U.S. by putting pressure on Congress to appropriate less for military defense in order to reduce debt. The S&P has placed a loaded gun at the head of U.S. policymakers who deem in their wisdom, in a dangerous world, that it is in the best interests of the United States to have the strongest military on earth, to do good with it, to be policeman for the world. America has been providing this service for free for years, to the comfort of billions of innocent, and now that comes back to bite us because of some numbers geeks in McGraw-Hill's ivory tower who do not have a clue, or are politically motivated to destroy capitalism and democracy?

I hope the FBI is called to action against this threat. Congress better start hauling S&P executives onto Capitol Hill for some serious grilling now.

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Look, our finances could be better; Fed policy could be better; tax laws could be improved; entitlements need to be addressed; but it is all workable. For some corporation to attack the United States because it disagrees with government policy is an indictment on our constitution, our political process, our Republic and Democratic election process. S&P may not like fiscal or monetary policy, but too bad, the military might is there, the American people can affect change through Democratic elections. The point of this diatribe is not to argue that things could be better in the U.S., they sure could be, but that S&P is dead wrong in its downgrade, a heinous violation of what is right. All so some big shots at S&P and McGraw-Hill can feel powerful.

There is a constructive way for the U.S. to reduce its debts, to improve its economy, but it requires temporary new additional borrowing by the U.S. Treasury from the Fed, something S&P would not permit to happen if they are our financial dictator. If S&P is dictating economic policy, this fix can never happen. Here is the fix that our elected officials can enact as policy: ***The solution to all the U.S. economic problems is a massive income tax rebate and cut***, funded by the Fed lending the money to the Treasury temporarily, to be paid back out of future tax revenues from a bigger economic pie. ***QE 1 and 2 failed and TARP failed, because the household was bypassed, did not get the cash.*** The economy begins at the household consumer level, and with small businesses. Consumers create demand for small business products, small businesses create jobs and demand for large corporation products, and large corporations create jobs and the need for Wall Street capital. At every level of spending, tax revenues are generated to bail out local, state and federal government finances. A larger economic pie is the result, and prosperity for all. But, it takes the guts Kennedy and Reagan showed to cut and rebate taxes aggressively to get this ball rolling. Trickle up is the answer, not trickle down. But this will never fly if we let S&P control sovereign nations.

It is this sort of financial terrorism that is going to take the world down into the Greatest Economic Depression of all time. That appears to be starting now, six months to a year early.

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“Jesus said to them, “I am the bread of life; he who comes to Me shall not hunger, and he who believes in Me shall never thirst. For I have come down from heaven, For this is the will of My Father, that everyone who beholds the Son and believes in Him, may have eternal life; and I Myself will raise him up on the last day.”

John 6: 35, 38, 40

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