



## Surprising Video . . .

## Economist Warns . . .

newsmax.com

## ECONOMY

# Could U.S. Bully S&P Into Reversing Downgrade?

By Matt Egan

Published August 10, 2011 | FOXBusiness

[Print](#)[Email](#)[Share](#)[Recommend](#)

17

[Share](#)

1



The unprecedented decision to confiscate America's perfect [credit](#) rating has led to speculation the U.S. government could exert considerable pressure on Standard & Poor's, aimed at convincing it to reverse its controversial and costly call.

While it's unclear exactly what bullying by the government would look like, and whether or not it would ultimately be successful, some industry insiders believe it's possible.

"All is fair in love, war and politics," said Sean Egan, a founding principal of independent ratings company Egan-Jones. "You have to assume they are hard at work figuring out how they can not only prevent the other two ratings firms from taking negative action, but how to pressure S&P into reversing its actions."



### S&P Witch Hunt

Congress is coming for S&amp;P

Sponsored Links

**Capital One- \$50 Offer\***  
Superior 1.01% APY and 10% bonus on interest earned.\* No monthly...  
[www.CapitalOne.com/D...](http://www.CapitalOne.com/D...)

### New Policy In NORTH CAROLINA

Drivers with no DUIs in NORTH CAROLINA may be eligible for \$9 per...  
[YourInsuranceSearch.com](http://YourInsuranceSearch.com)

[Buy a link here](#)

Recognized Statistical Rating Organizations.

The Treasury Department did not respond to a request for comment.

### Political Pressure?

## MARKET SNAPSHOT

[Get Quote](#)

DJIA	Nasdaq	S&P 500
11,360.18	2,490.46	1,185.82
-45.75 -0.40%	-32.99 -1.31%	-6.94 -0.58%

FOX5011	Last	Change	% Change
	856.36	-2.79	-0.32%

Mouse over for Individual Member Performance



**FOX BUSINESS**

Are your investments on the right path for retirement?  
click here

Brought to you by **Fidelity**

## RELATED TOPICS

[Economic Crisis](#)[DC Report](#)[Personal Technology](#)[Stock Market](#)[Red Ink Week](#)[Federal Reserve](#)[Motorola](#)[Google](#)[European Debt Crisis](#)[Inflation](#)

**FOX5011** Our exclusive index of widely held American stocks

[Charts](#) • [Heat Maps](#) • [News](#) • [Financials](#) [Click Here](#)

## LAST 5 STOCKS

FOX50	-1.77	857.38
-------	-------	--------

It's not clear how long it will take the U.S. to recapture its pristine AAA rating, but the fastest a sovereign government has ever been returned to that level was nine years.

"Given the nature of the debate currently in the country and the polarization of views around fiscal policies right now, we don't see anything immediately on the horizon that would make an upgrade back to AAA again the most likely scenario," David Beers, S&P's head of sovereign ratings, told reporters on Monday.

Eyebrows were raised late Monday as Congressional sources told Reuters that the Senate Banking Committee is probing the S&P downgrade. However, other sources told FOX News that while the panel is studying the circumstances that led S&P to downgrade the U.S, it has not launched a formal probe at this point.

Unlike when S&P downgrades other sovereign governments, this downgrade is unique because the ratings company and its parent are based in the U.S.

"They could do something, but I don't think that would be the American way," said Ed Atorino, an analyst who covers McGraw-Hill at New York-based Benchmark Company. "That's communism. If that happened, wouldn't the press be up in arms? They didn't go after *The New York Times* after they issued [the Pentagon Papers](#)."

After Egan-Jones downgraded the U.S. last month, the company received an inquiry the very next day from the SEC, Egan said. It's not clear what the nature of the inquiry was, but the SEC has been examining the major ratings companies.

"I don't know if it was coincidental or if it represents something more," said Egan.

The Italian offices of Moody's and S&P were raided last week by Italian prosecutors who are investigating whether the companies have been following regulations in that country. S&P told Reuters it believes the probe is "groundless."

Negative notes by Moody's and S&P about Italy's budget deficits have been severely criticized in Italy for the pain they inflicted in financial markets.

### S&P Unlikely to Cave

Even if elements of the government did attempt to force S&P into reversing its downgrade, it's unclear the pressure would work.

"I don't think S&P will be pushed, bullied or encouraged," said James Gellert, CEO of Rapid Ratings, an independent ratings, research and analytics company, who testified in Congress earlier this year about ratings reform. "They've made it very clear they're going to do what they want to do."

"Is [McGraw-Hill CEO] Terry McGraw going to call up the guy in the U.K. and say, 'Fix it'?" Atorino said, referring to London-based Beers.

Caving to Washington would seem to undermine the potential benefits S&P's downgrade could generate for the ratings company's battered reputation.

"Given the flak that S&P is taking, it seems very unlikely that they will bow to political pressure," Cam Harvey, a professor at Duke University, wrote in an email. "They have been trying to restore their credibility."

Indeed, S&P, Moody's and Fitch – the Big Three ratings companies – all have been heavily criticized for giving perfect AAA ratings to complex [collateralized debt obligations](#) that ended up imploding during the financial crisis.

They have also been criticized for their "pay-to-play" business models that require them to receive lucrative fees from the very companies they are supposed to be independently judging

Instead of pressuring S&P, Washington would probably be better off using its time to reach compromises on how to get its fiscal house in order. The deal to raise the \$14.29 trillion debt ceiling called for \$917 billion in mandated spending cuts over the next decade and a mechanism for an additional \$1.2 trillion to \$1.5 trillion in cuts.

"I think Washington can influence [S&P] by being proactive, fast and deliberate in making decisions" to slash the heavy debt load, Gellert said.

FOX 50 INDEX	2:01 PM	
<b>GS</b> THE GOLDMAN S...	<b>-0.12</b> 1:47 PM <a href="#">Special Interests Are Big Backers o...</a>	116.75
<b>MSFT</b> MICROSOFT COR...	<b>-0.40</b> 1:47 PM <a href="#">Special Interests Are Big Backers o...</a>	24.95
<b>GOOG</b> GOOGLE INC.	<b>-6.69</b> 1:47 PM <a href="#">Kodak Shares Soar as Markets Eye Co...</a>	532.31
<b>XOM</b> EXXON MOBIL C...	<b>+0.17</b> 1:47 PM <a href="#">Esso Malaysia: San Miguel Corp To B...</a>	73.67

**RECOMMENDED STORIES**

- [Strip Club Stimulus?](#)
- [White House 'Birther' Strategy Backfires](#)
- [S&P Slashes Outlook on U.S. to 'Negative' Amid Soaring Debt](#)
- [Costa Rica: the New Florida for Retirees?](#)
- [A Caddie Gives Us Pause on Integrity](#)

**ALSO ON THE WEB**

- [These 5 things happen right before a market crash. See Charts.](#) *(Moneynews)*
- [CAD/JPY to Trend on USOil Correlation](#) *(Daily FX)*
- [U.S. Dollar Index Searches For Support, Sterling Weakness Ahead](#) *(Daily FX)*
- [ARM or fixed-rate? Try a hybrid instead](#) *(BankRate.com)*
- [Brazil stocks fall on weak local, European data](#) *(MarketWatch.com)*

[\[what's this\]](#)

Sponsored Links [Buy a link here](#)

**Obama's Economic Crash**  
Unemployment hits 50% and inflation soars 100%. Prepare. Watch Video  
[www.newsmax.com](#)

**Mortgage Rates Hit 2.50%**  
Mortgage Rates Plunge After White House Debt-Deal. See Rates From 2.50% (3.011% APR)  
[www.SeeRefinanceRates.com](#)

**MORE FROM FOX BUSINESS**

STOCKS	DJIA	-40.26	11,365.67	S&P 500	-6.21	1,186.55
Data as of 2:06:00pm ET	NASDAQ	-31.49	2,491.96	FOX 50	-1.46	857.69

**TOP STORIES**



Reuters

**Fed's Fisher: Central Bank's Policy Adds to Uncertainty**

In a speech in Midland, Texas, today, Richard Fisher says that uncertainty will only be made worse if businesses come to "suspect...the central bank is laying the groundwork" for future inflation.

**Markets**  
**Mutual Fund Outflows Surge After Downgrade**

**Markets**  
**Markets Slip Into the Red**

**Technology**  
**Kodak Shares Soar as Markets Eye Co.'s Imaging Patents**

**POPULAR VIDEOS**



**Who's Ignoring Ron Paul?**

Establishment media's ignoring Ron Paul

**Trader: Buffett Throwing Middle Class Under the Bus**



**Montana Gets First Waiver for 'No Child Left Behind' Law**



**Green Jobs Turn Brown**

**Congress Could Learn a Lesson From Ohio**

The Motley Fool	SmartMoney.com	YAHOO! FINANCE	MarketWatch	WalletPop	DailyFinance	247wallst.com
Eastman Kodak Shares Popped: What You Need to Know	Buy/Sell/Hold: Big Pharma Stocks	David Stockman: Rick Perry Is Right, the Fed Is "Totally Wrong"	Cadillac, Toyota capture top consumer scores	"Hot" Products to Avoid Online	Consumer Confidence Is Killing the Economy	Buffett & Berkshire Hathaway Stock Holdings, A to L (BRK-B, BRK-A, AXP, BK, KO, CDCO, COP, COST, DG, XOM, GCI, GE, GSK, JNJ, KFT, LZ)
The Genius Investor No One Is Following	On Sale: Closed-End Funds	Dow 20,000 vs. 'The End of America': Altucher Debates Stansberry	Four reasons to invest in muni bonds	Ad Rant: Chris Farley's Brother Responds	Where's the Beef? And Why's It So Pricey?	The Nine iPad Apps Changing Business
Pfizer Is Cheaper Than You Think	Gold's New est Believers	Buffett Has "Hidden Agenda" When It Comes to Higher Taxes: James Altucher	Go green before credits expire	You Can Afford Trip on New, Biggest Cruise Liner	Should Coca-Cola Raise Its Prices?	The Best Paying Jobs You Can Get With A High School Degree
Things Look Bad at Beazer	Fixed-Rate Student Loans, With a Catch	Why Banks Aren't Lending: Weak Economy, Regulatory Uncertainty	Why stocks will save your retirement	Rumor: Apple to Offer \$30 Unlimited TV Package	Fitch, S&P Clash on U.S. Rating: Who's Right?	The Nine States Slashing Unemployment Benefits
Afternoon Roundup: Today's Top Stories	Which Stocks Are Risky? Ask the F.A.A.		Why stocks will save your retirement	E.Coli Outbreaks Lead to Meat Recall	Wells Fargo's \$3 Debit Card Charge: A Sign of More Bank Fees to Come?	Berkshire Hathaway & Buffett's Stock Holdings 'M to Z' (BRK-B, BRK-A, MA, MTB, MCO, PG, SNY, TMK, USB, USG, UPS, VRSK, WMT, WPO, WFC)

---

**SECTIONS**

[Home](#)  
[Video](#)  
[Markets](#)  
[Industries](#)  
[Technology](#)  
[Personal Finance](#)  
[Home Office](#)  
[Travel](#)  
[On Air](#)  
[Small Business](#)

---

**BROWSE**

[Stock Quotes](#)  
[Video](#)  
[Anchors & Reporters](#)  
[TV Show Schedule](#)  
[Tools](#)  
[Topics](#)  
[Flight Tracker](#)  
[Mobile](#)

---

**SHOWS**

[America's Nightly Scoreboard](#)  
[Bulls & Bears](#)  
[Cavuto](#)  
[Closing Bell](#)  
[Follow the Money](#)  
[Freedom Watch](#)  
[Imus in the Morning](#)  
[Lou Dobbs Tonight](#)  
[Stossel](#)  
[Tom Sullivan](#)  
[Varney & Company](#)  
[The Willits Report](#)

---

**ABOUT**

[About Fox Business](#)  
[Channel Finder](#)  
[Advertise with Us](#)  
[Jobs at Fox Business](#)  
[Internships](#)  
[Terms of Use](#)  
[Privacy Statement](#) (Updated!)  
[Ad Choices](#)  
[Press](#)

---

**FOLLOW**

[Facebook](#)  
[Twitter](#)  
[YouTube](#)  
[RSS](#)  
[Newsletters](#)



Quotes delayed at least 15 minutes. Real-time quotes provided by [BATS Exchange](#). Market Data provided by Interactive Data ([Terms & Conditions](#)). Powered and Implemented by [Interactive Data Managed Solutions](#). Company fundamental data provided by [Morningstar](#). Earnings estimates data provided by Zacks. Mutual fund data provided by Lipper. Economic data provided by Econoday. Dow Jones & Company Terms & Conditions.

This material may not be published, broadcast, rewritten, or redistributed. ©2011 FOX News Network, LLC. All rights reserved.