LaRouche Hits 'Country Risk Ratings' as Corrupt

This press release was issued by the LaRouche in 2004 Presidential campaign committee on Aug. 17, 2002.

Lyndon LaRouche today condemned the fact that the U.S. and other governments regularly intervene to enforce private agreements and conditionalities, as part of the process of debt negotiations with developing sector nations. LaRouche, the renowned economist and 2004 Democratic Presidential pre-candidate, singled out country risk ratings as a transparent example of such corruption.

"For example: take country risk ratings, which are a key factor in debt negotiations, and which are a purely private-interest evaluation of the supposed credit-worthiness of a nation," LaRouche stated. "But governments are using that, through the International Monetary Fund, and they are imposing it as if it were law. So here you have governments being used to defend purely private interests—this is a clear case of corruption. The use of government, or of IMF conditionalities—which is essentially the same thing—to impose private conditionalities on countries such as Brazil, is a case of corruption of government, and corruption by the IMF."

The country risk rating is an index which purportedly measures the percentage points above the going interest rate for U.S. Treasury bills, which foreign lenders demand of a given country as a premium for the "risk" involved in extending that country a loan. The country risk rating is calculated exclusively by J.P. Morgan Chase—the major U.S. bank, that is itself skating at the edge of default, according to reliable financial sources!

For example, Brazil's country risk currently stands at 2,200, meaning that the Brazilian government is forced to pay usurious interest rates 22% greater than the rate on U.S. Treasuries, for any bonds that it issues. The *Financial Times* of London earlier this week reported that, if Brazil's country risk remains at 2,200, there is no conceivable way that it can avoid defaulting on its enormous debt bubble. The *Financial Times* suggested that the only way to lower the country risk, was by reestablishing "investor confidence," which in turn required that all of Brazil's major Presidential candidates for the October elections sign on to the terms of the IMF's recent $30 billion bailout package granted to Brazil's creditor banks.

This is a typical case of the kind of corruption LaRouche denounced.