At Any Rate

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Supersudaca

While the Cold War was dominated by geo-political tensions, our current world seems to be tenuously tied together by finance. In making the judgment of who gets good loans and who gets bad ones, credit rating agencies have stumbled into a curiously powerful position. In one single rating, they can cast a country to the economic periphery, or ensure its position as a central global player. Supersudaca explore this new global superpower and ask the question, where's the accountability?

After the fall of the Berlin Wall, politics became no longer the forefront of a country's destiny; market dynamics and tensions have replaced the confrontations and impulses of the old superpowers. No more East versus West; not even South versus North. The world is more homogenous; countries are not divided between 'good' and 'bad'. We understand the world through the lens of numbers overlaid with geography no longer affected by political signs.

Market sensitivities have become the main theme of the discussion in the city. Not long ago these discussions were merely based on the performance of the stock exchanges or the value of foreign currencies. But lately the most influential gossip in town is the upgrading and downgrading of countries on the world financial rating system.

Returning quickly to the start: are credit rating agencies the new superpowers? Can we blame them for our current tensions? While they aren't countries, they do resemble what political lobbies were for the politics of the recent past; in both cases their campaigns are a means to promote or degrade a certain worldview, according to their own ideology, differentiating between what is good from what is evil in economic terms. The main difference between political lobbyists and rating agencies is that political lobbyists campaign openly and negotiate privately to achieve such goals while rating agencies research privately and their final judgments are public but not meant to be negotiable, thus are meant to be without politics. Is that believable? OK, the question is not only about finding out how trustworthy and unbiased the rating agencies' judgments are, but about realizing who gave them so much power and why. Who actually pays them when they rate countries without being requested to obtain their services? And if you did request to be rated, can you claim neutrality of judgment when a payment is pending to be transferred?

Back to school

Credit rating agencies first emerged in the US, and have actually been there for a while – since the American railway expansion to the west in the nineteenth century. The two most important agencies, Standard and Poor's and Moody's, have a long established history; but it's only since the nineties that their expansion to the rest of the world accelerated at a growth rate of twenty-five percent per year[1], coinciding nicely with the fall of the Wall. Their epicenter located in Manhattan expanded their branch offices to Japan and Europe in the eighties while the current network now spreads over many countries. Yet their spatial presence in Costa Rica, Guatemala, or other non-'global cities' such as Calcutta point to their increasing need for outsourcing of data processing. In any case the presence of offices worldwide indicates how increasingly it's not just companies being rated, but countries as well.

Towards an obedient world

It is worth noting that on average, despite all the stressful news we are confronted with on a daily basis (or perhaps because of it), the average inhabitant of the world is actually rated within the A range and actually that average has improved since the crisis of 2008. However, you could also conclude that countries are now more than ever obedient to the orthodoxies of what is considered to be responsible financial management dictated from the epicenters of panic: Wall Street and the rating agencies. While most countries' ratings reflect that they are strongly capable of respecting their financial obligations, to take a policy step in what rating agencies consider the wrong direction could instantly cost a country exponentially more fiscal punishment, reflected in higher costs of borrowing, higher amounts of debt, tougher payment conditions, and ultimately might lead to the loss of sovereignty over political decisions to control their internal budgets. Spain and Greece are the latest exemplary cases that are presented to the world with a clear message: no one will be safe from agencies' judgmental power and their lethal influence on the markets.

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So why play the game, why is it so critical to be in the club of the rated? For one, without a rating record, countries and companies cannot obtain credit in many financial institutions, especially in the US. A good rating for a country meanwhile could improve its negotiation capacities for acquiring credit at fairer rates. The absence of such a record or a negative outlook on the other hand could mean that borrowing costs escalate in accordance with the rating reports. That is why countries are proud

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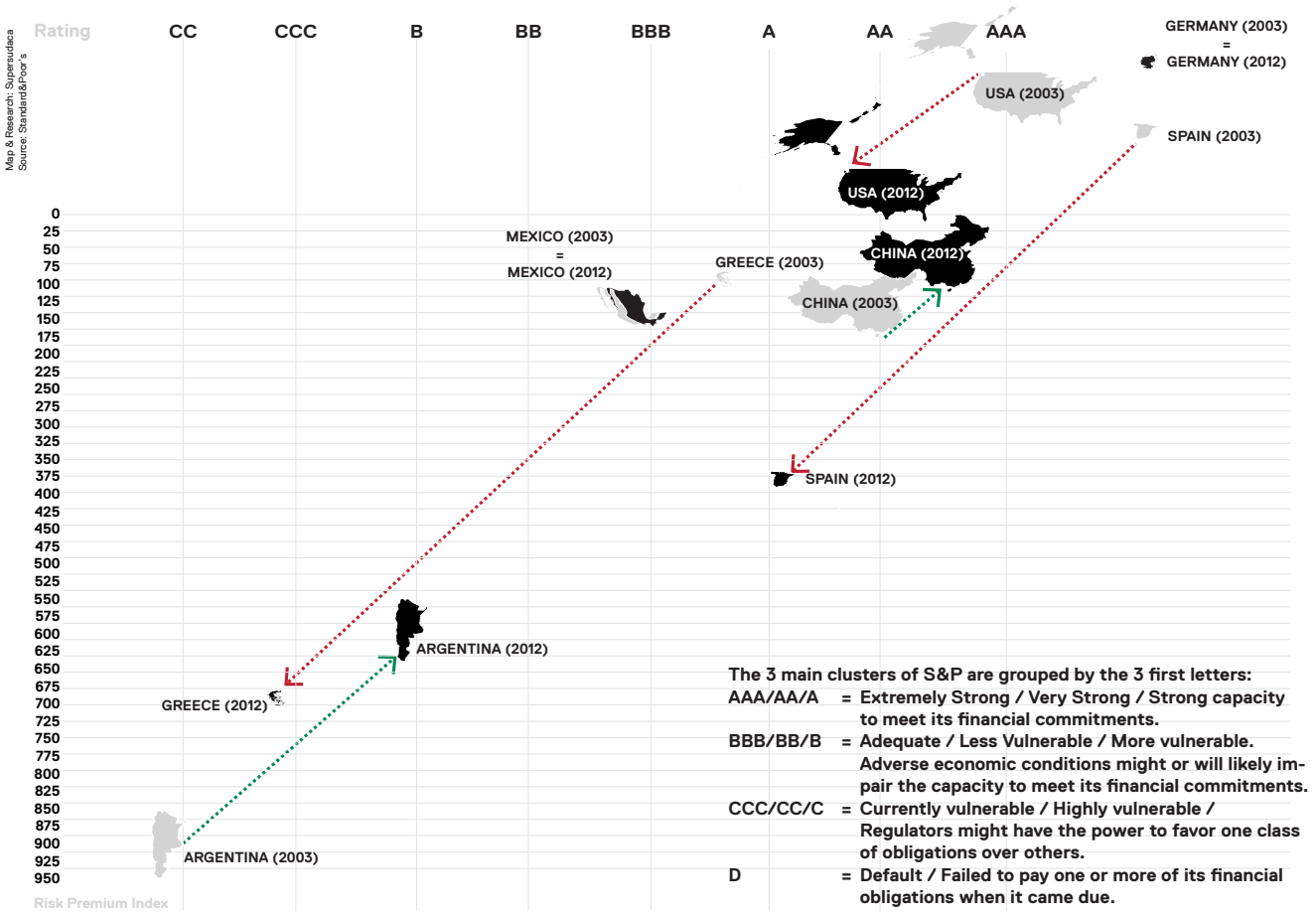
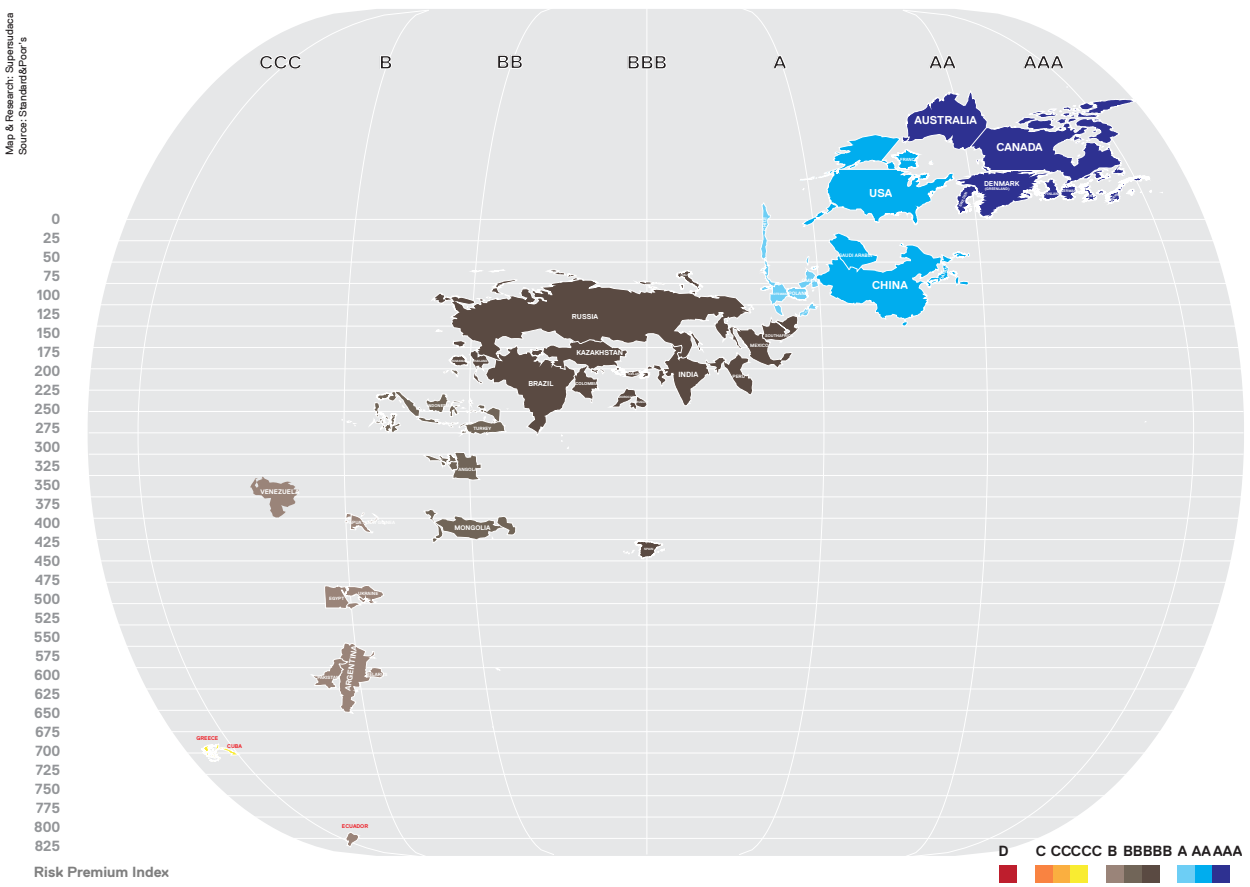


Sovereign rating vs premium risk by Standard and Poor's



Sovereign States rated by Standard and Poor's 2012

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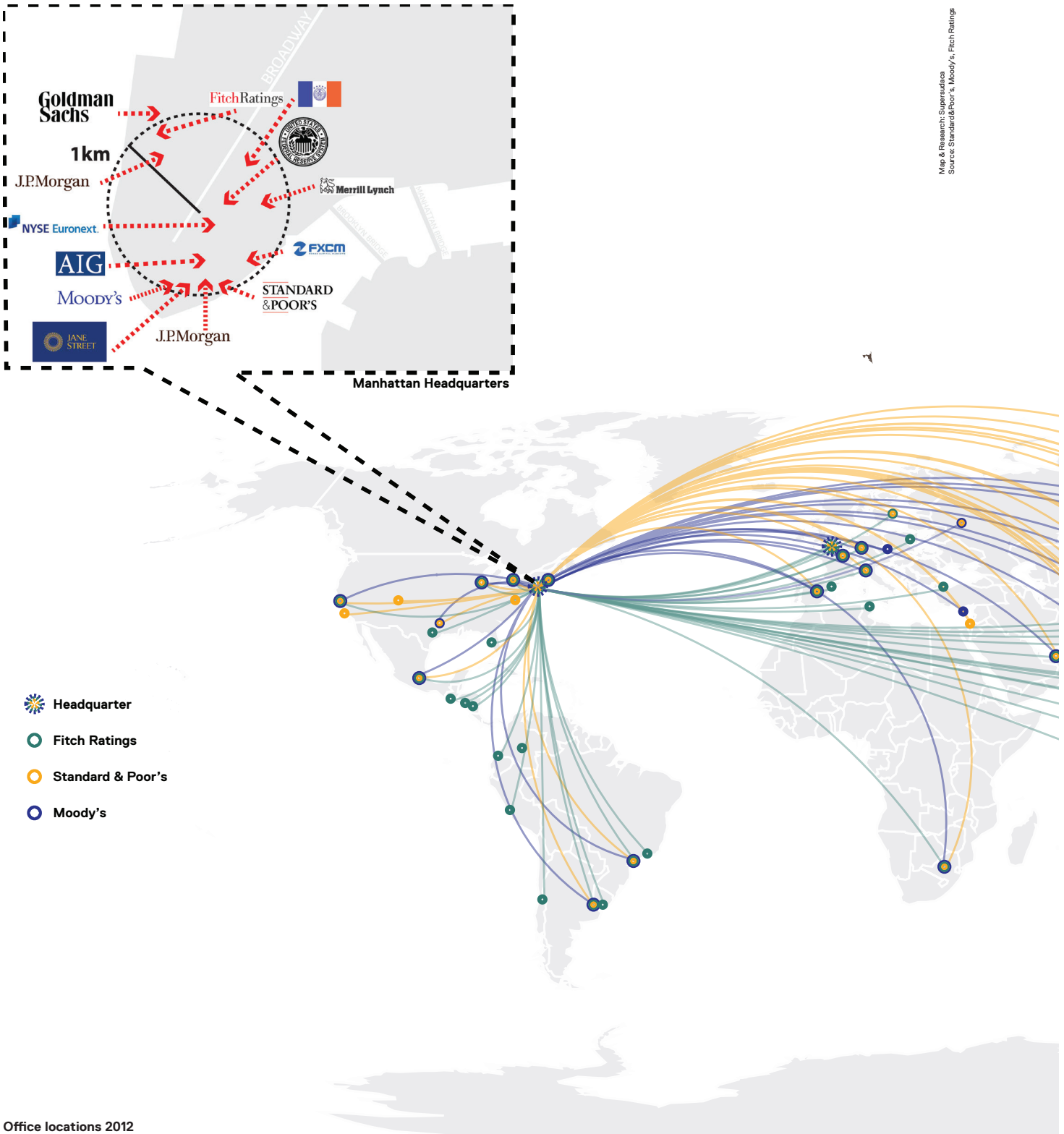

Map & Research: Supersudaca
Source: Standard&Poor's, Moody's, Fitch Ratings

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to show the triple assessment of the experts to calm any source of alarm for potential investors, turning rating agencies into a great business without real competitors.

Disclaimer

The rating agencies have a protected status within the US and therefore have no responsibilities concerning the damages they could cause to companies or countries for inaccurate ratings. To achieve this status has meant that only three rating agencies dominate the rating world: Standard and Poor's, Moody's, and Fitch Ratings. The ratings themselves are only opinions of the mentioned companies intended to inform investors on the willingness and capacity of a country or companies to honor their debts and interest payments on time.

Myth and power of the rating agencies

It is not that we expect credit rating agencies to be perfect, or neutral, nor even censored. But why don't we at least expect our governments to monitor them more strictly? It is no secret that rating assessments do include a high degree of political judgment over which type of government is more likely to honor its debts. Their rating methods are hardly transparent in this regard. They also rely largely upon gossip heard at world summits, with rating agencies relying on their agents much as secret agents of the past. So crucial are their 'opinions' that billions of euros and more absurdly millions of people depend on their fair judgment – all the more reason not to let them get away with it so easily.

**This text is part of ongoing research to be shown at Haus der Kulturen der Welt in Berlin as part of the exhibition 'Between Walls and Windows. Architecture and Ideology' opening in September 1st, 2012.*
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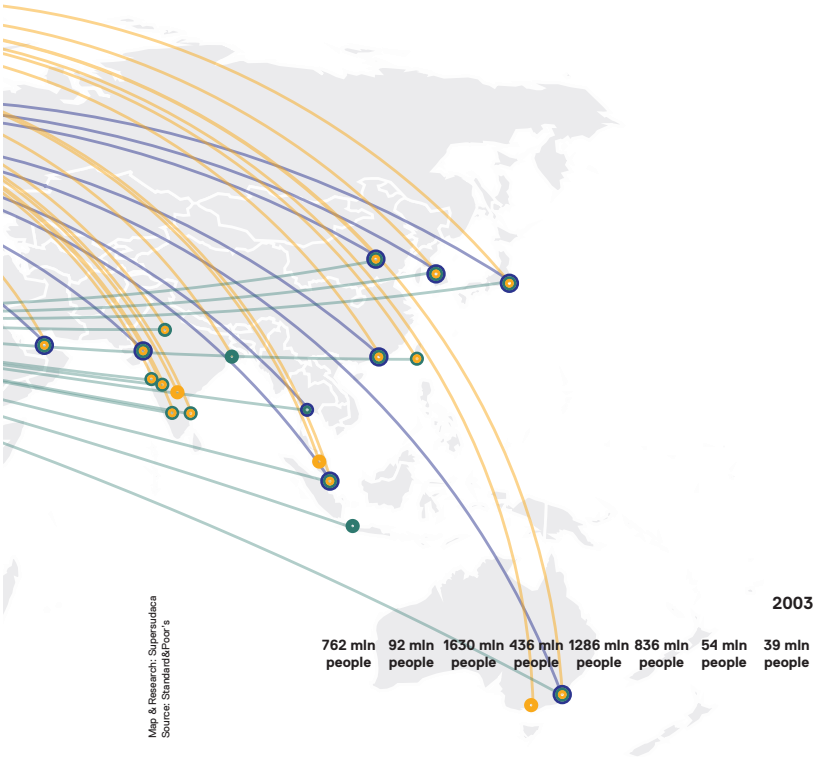
1 Andrew Fight, *The Ratings Game*. (John Wiley & Sons, 2001)



Map & Research: Supersudaca
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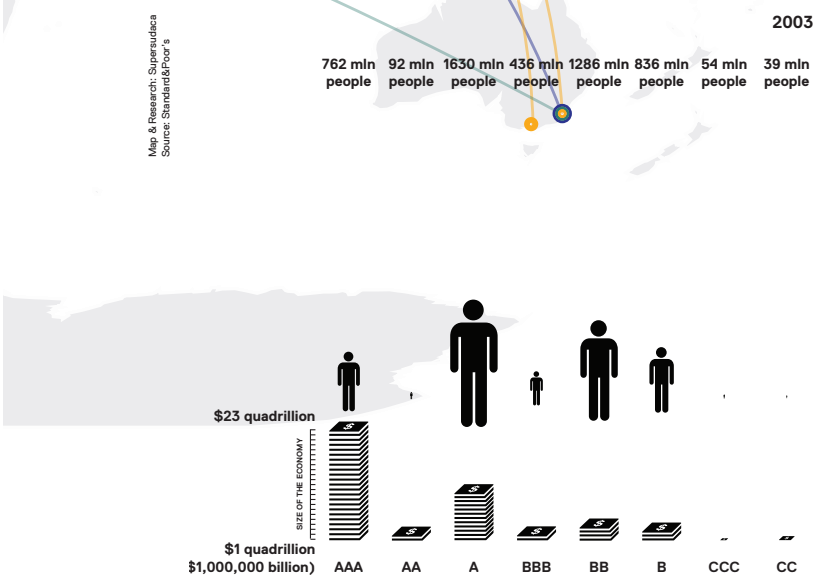
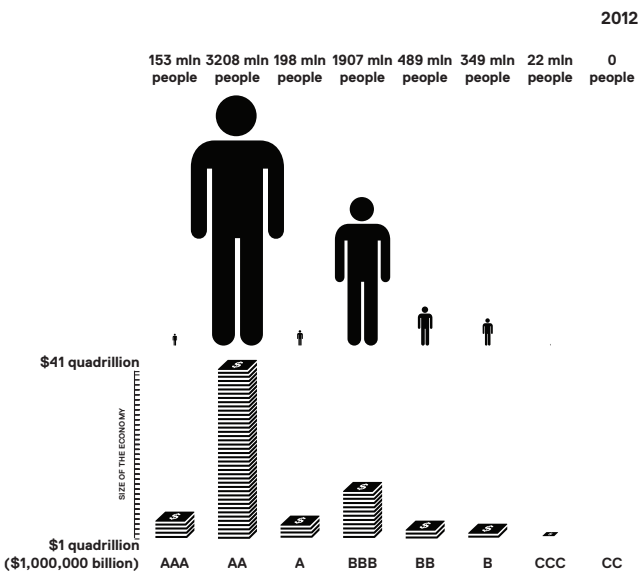


People Rated: 5 138 556 969
World Population: 6 310 549 064
Average Person Rated: A negative ↓
Average GDP per Capita: AA positive ↑



People Rated: 6 326 436 000
World Population: 7 021 163 986
Average Person Rated: A negative ↓
Average GDP per Capita: AA positive ↑

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