

US Could Lose Its AAA Rating, Says Former Comptroller General

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Even though the tax and revenue fundamentals of the US are awful, it's presumed that the US can hang onto its AAA rating for awhile. For one thing, we have a great track record (which helps a bit), we have a pretty solid political system, a largely free market economy and the ultimate fallback, the ability to print up our own currency. That's a real benefit.

But as we put more and more debt from both the private sector and the states onto the Federal balance sheet, that's bound to add some pressure.

In an [FT Op-Ed](#), David Walker, the former Comptroller General of the US, lays out the scenarios by which the US could lose its AAA rating.

Obviously, our rampant spending and debt guarantees are an issue, but this is the part that we found particularly insightful:

...failure by the federal government to create a process that would enable tough spending, tax and budget control choices to be made after we turn the corner on the economy would send a signal that our political system is not up to the task of addressing the large, known and growing structural imbalances confronting us.

In other words, it's not just that our budget would be strained, it's the broken political system.

A government that's either so captured by special interests or other forms of self-serving that it can't summon the will to actually address problems in anything but a superficial way (see: this week's "big" healthcare news) is a broken one. The ram-rod approach to the Chrysler bankruptcy, trampling on the rights of senior holders, is another warning sign.

While everyone knows about our spending issues -- that's all out in the open -- the subtle breakdown in politics is perhaps the more worrisome message to our lenders. What if the Chinese fear that when push comes to shove, they'll be asked to "sacrifice" for the greater good?

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