# Credit Rating Agencies versus the 'Pink Tide': Lessons from the Experiences of Brazil and Argentina

**Pedro Lange Machado***

**Abstract**: This paper examines the behaviour of credit rating agencies (CRAs) during the ebbing 'pink tide'. It claims that the actions of S&P Global, Moody's and Fitch contributed to dismantling left-wing regimes in Latin America, to the benefit of their right-wing competitors. The methodology draws on case studies of Brazil and Argentina, where the governments of Dilma Rousseff and Cristina Fernández de Kirchner were replaced by those of Michel Temer and Mauricio Macri, respectively. The research is based on sovereign ratings, reports and press releases the agencies issued during those transitions, which are analysed in the light of critical theories of their *modus operandi* and confronted with the political processes unfolding in both countries. This allows us to draw conclusions that are consistent with the presented argument, thereby contributing to advance the research agenda around the CRAs and to shed light on Brazil and Argentina's recent critical presidential transitions.

**Keywords**: credit rating agencies; pink tide; democracy; Brazil; Argentina.

## Introduction

The recent cycle of electoral victories by left-wing governments in Latin America has led to comparisons between this moment and the experience of the 'pink tide'[1]. At the dawn of the 21st century, this term was coined to designate the wave of progressive governments that covered most of the subcontinent (e.g. Castañeda 2006; Levitsky and Roberts 2011). In the 2010s, however, these regimes suffered crises signalling that the phenomenon was waning. In some cases, this heralded the rise of right-wing governments, which revitalized the neoliberal agenda in countries, such as Brazil and Argentina, where it seemed to have been surmounted (Da Silva 2018; Lavinas 2019). This process was marked by turmoil between governments of the pink tide and actors of the international financial system. In order to understand it and to grasp the prospects for a new pink tide, the interaction between the pink tide and financial market actors has to be clarified.

* Universidade do Estado do Rio de Janeiro (UERJ), Rio de Janeiro-RJ, Brazil; pedrolangenm@gmail.com. ORCiD 0000-0003-2457-946X.

This article addresses the issue in the light of the actions of credit rating agencies (CRAs). In the context of financial globalization, S&P Global (S&P), Moody's Investors Service (Moody's) and Fitch Ratings (Fitch) function as gatekeepers for States' access to financial resources available on capital markets. This is because their sovereign ratings of government bonds, which inform investors of governments' ability and willingness to honour their debt commitments[2], influence the conditions of State financing and capital flows in their country. In other words, the actions of these three CRAs, which constitute an oligopoly in the rating sector, are highly consequential to national economies[3] (Cash 2019).

However, the academic literature has noted controversies in their *modus operandi*. Attention has been drawn particularly to its political bias, which is manifest in different ways, but is always detrimental to governments that reject the neoliberal agenda. While quantitative research (Barta and Johston 2017; Vaaler, Schrage and Block 2006) and theoretical studies (Sinclair 2005, 2021; Paudyn 2014) converge in this diagnosis, there is a gap regarding the intricacies of this process, which this article intends to help fill. Thence the questions that guide it: how do the CRAs behave in relation to developing countries ruled by left-wing governments? What role did they play in the ebbing of the pink tide? What may be the implications of their actions for supposedly democratic national political and economic processes?

Accordingly, this study examines the CRAs' behaviour during the collapse of the pink tide process. The main argument is that they contributed to dismantling it, by boosting the crises experienced by left-wing governments, for the political and electoral benefit of its right-wing competitors. This is supported by theories critical of CRAs' *modus operandi*, which regard them as vectors of investors' interests in the order of financial globalization (Sinclair 2005, 2021; Paudyn 2014).

The research methodology draws on case studies of Brazil and Argentina during their transitions from the governments of Dilma Rousseff and Cristina Fernández de Kirchner (CFK) to those of Michel Temer and Mauricio Macri, respectively. These are convenient cases to illustrate both the antagonistic behaviour of CRAs towards the left-wing governments (Rousseff and CFK) and their favourable bias regarding the right-wing ones that succeeded them (Temer and Macri). The analysis is based on ratings, reports and press releases from S&P, Moody's and Fitch for the two countries in this period. These materials are analysed in the light of theories that explore the role played by CRAs in the current international financial system, as well as the ideological foundation for their actions – which are provided by previous International Political Economy (IPE) studies on these issues. This analysis is then confronted with the political processes underway at the time, thereby allowing our conclusions to be drawn.

This paper makes three main contributions. First, it advances IPE research agenda around the *modus operandi* of CRAs, drawing on a critical analysis of their reports on rated countries – which are a source of data still rarely used academically, despite its relevance to grasp the logic behind CRAs' actions (Barta and Makszin 2020). Second, this research functions as empirical subsidy for agendas aimed at understanding the power dynamics that underlie the current financial order in a more systematic and comprehensive way, especially in its consequences for domestic policy space and democratic

processes (e.g. Mader, Mertens and Zwan 2020; Alami et al. 2022). Third, it also offers a new prism through which to observe critical processes in the recent political and economic trajectories of Brazil and Argentina, which become more understandable in view of the CRAs' involvement.

The article is structured into four sections in addition to this introduction. The second explores the political dimension of CRAs' actions, by presenting the literature on the subject and the theories underpinning the analysis to be developed here. The third section turns to the cases of Brazil and Argentina. The fourth reflects on the working hypothesis, focusing especially on the tensions between capitalism and democracy that arise from the cases considered. The last section concludes the paper.

## The politics of rating agencies

A first step in the argument is to understand the political dimension of CRAs' actions. In the IPE literature, this is framed in three ways: firstly, in the light of the ideology underlying the formulation of sovereign ratings by S&P, Moody's and Fitch; secondly, from their *modus operandi* towards party politics and electoral processes; and thirdly, based on the role they play in their interactions with national governments. These three points are developed in the following subsections.

### Neoliberalism as ideological foundation

The first aspect of note is that the process of elaborating sovereign ratings is guided by an identifiable worldview, which inevitably discredits other competing perspectives on socioeconomic organization. In the 21st century, S&P, Moody's and Fitch have been more transparent about their methodologies for assessing countries' creditworthiness. The documents where this process is explained (Fitch 2020; Moody's 2019; S&P 2017) list a series of variables, as well as the parameters that guide their measurement and the conclusions to be drawn from them[4].

The literature is convergent in diagnosing this process as informed by neoliberal[5] tenets (Paudyn 2015; Sinclair 2005; Ywata 2012). It thus responds to the imperatives of monetary stability and control of inflation, in order to cast a favourable light on, for example, an agenda of fiscal austerity and reduction of the 'size' of the State, which translates into pro-market measures and the de-politicization of economic policy[6]. This is reflected in the choice of variables and metrics used to generate one of the sovereign ratings presented in Table 1[7].

As a result, governments whose agendas diverge from neoliberal prescriptions tend to obtain worse ratings for their countries. Of course, as argued by Barta and Johnston (2023), the motivation behind it is not purely ideological, also arising from the CRAs' need to avoid rating failures since they are profit-motivated business organizations. Moreover, as will be discussed in section 'CRAs as vectors of financial market interests,' it also stems from their defence of investors' interests, who are central in CRAs' business model. In any case, this means that any developmentalist strategy – which consists of

public spending and indebtedness, and aligns monetary and exchange rate policy with its own objectives – is penalized by CRA evaluations. In other words, since sovereign ratings influence States' financing conditions on capital markets (Cash 2019), they evidently act as a disincentive to any agenda at odds with neoliberal orthodoxy. Ultimately, a government that insists on confronting that orthodoxy may have to seek sources of financing other than the capital markets in order to achieve its economic policy purposes, as well as to suffer from the adverse effects of capital flight triggered or boosted by downgrades (Sinclair 2005; Ywata 2012).

Table 1. S&P, Moody's and Fitch rating scales.

| Investment grade | | | | Speculative grade | | |
|---|---|---|---|---|---|---|
| S&P | Moody's | Fitch | | S&P | Moody's | Fitch |
| AAA | Aaa | AAA | | BB+ | Ba1 | BB+ |
| AA+ | Aa1 | AA+ | | BB | Ba2 | BB |
| AA | Aa2 | AA | | BB– | Ba3 | BB– |
| AA– | Aa3 | AA– | | B+ | B1 | B+ |
| A+ | A1 | A+ | | B | B2 | B |
| A | A2 | A | | B– | B3 | B– |
| A– | A3 | A– | | CCC+ | Caa1 | CCC–D |
| BBB+ | Baa1 | BBB+ | | CCC | Caa2 | – |
| BBB | Baa2 | BBB | | CCC– | Caa3 | – |
| BBB– | Baa3 | BBB– | | CC | Ca | – |
| | | | | C | C | – |
| | | | | SD | – | – |
| | | | | D | – | – |

Source: prepared by the author from data on the S&P (2021), Moody's (2021) and Fitch (2021) websites.

## Partisan discrimination

One consequence of the foregoing is that CRAs have been discriminating countries by their governments' party ideology. As ratings are long-term prospective assessments, S&P, Moody's and Fitch seek to avoid having to make frequent changes to their ratings. For this purpose, due to party ideology, they issue worse ratings to countries governed by left-wing parties, as a kind of 'insurance' against the possibility that less credit-friendly policies may be introduced (Barta and Johnston 2020). This occurs in both advanced economies (Barta and Johnston 2017) and emerging ones (Vaaler, Schrage and Block 2006).

This practice has serious consequences for the countries being rated. First, left-wing governments may find it more expensive to rule, because, *ceteris paribus*, investors are led to demand higher interest rates to hold their bonds. Second, it can be regarded as an instrument by which CRAs 'vote' in electoral processes, through which they demonstrate

their preferences and put a price on citizens' democratic choices (Vaaler, Schrage and Block 2005). Third, eventually, public opinion is affected by ratings: in addition to their function as a source of information for investors, they serve as an indicator of governments' performance in economic policy management (Paudyn 2014). This tends to cause left-wing (right-wing) governments to be seen by voters as less (more) competent in this regard.

These effects tend to be even more dramatic for emerging economies, where the dubious quality of publicly available information means investors trust CRAs' opinions even more in their decision making (Block and Vaaler 2004). This creates a scenario that is already restrictive of these countries' policy space in the context of financial globalization, because they are monitored with greater caution by financial market actors, who see in them greater risk of default (Mosley 2003). Hence, their room for manoeuvre to implement agendas alternative to those of neoliberal orthodoxy is subject to the vicissitudes of the international environment, like commodities prices (Campello 2015).

Note that it is not only ratings that signal the political preferences of S&P, Moody's and Fitch, but also their press releases and the reports they issue on the country being rated (Barta and Markszin 2020). In fact, it is in this discursive dimension that their criticism and pressuring of governments become evident, as does their interference in national political and economic processes. The CRAs' motivations for this behaviour are clarified in the following subsection.

### CRAs as vectors of financial market interests

A more critical perspective regards the CRAs as echo chambers for investors' interests. They perform this function by issuing ratings and reports, whose goals include promoting the orthodox agenda in countries integrated into financial globalization. In other words, their activities cannot be seen as merely technical or politically neutral since they spread a specific worldview favourable to investors' interests. Moreover, CRAs' actions intertwine with capital market expansion, which is central to their own profitmaking as private companies. That interpretation is supported by Sinclair's (2005, 2021) theory.

One important point is his diagnosis of CRAs as embedded knowledge networks in capital markets. Their origins date from the early twentieth century, when S&P, Moody's and Fitch were founded to meet internal demands of the then incipient United States' bond markets. From then on, they evolved in step with the expansion of those markets, of which investors see them as a constitutive part. With financial globalization and the global projection of US financial norms, practices, and institutions, CRAs began to operate on a global scale. Outside the Anglo-Saxon world, however, they have also been guiding and disseminating practices and rules to be followed by financial agents, and thus organizing the context in which capital markets are expanding. In the process, they shape and homogenize the institutional frameworks of countries integrated into financial globalization, bringing them into line with neoliberal tenets.

To achieve this, they have at their disposal three forms of power (Sinclair 2005). First, there is relational power, which can be seen at work when governments are punished with lower ratings when they fail to adopt policies recommended by the CRAs.

Secondly, a form of structural power is revealed when a government implements a policy in anticipation of punishment by CRAs. Thirdly, they also exercise power through their epistemic authority in financial markets. This is because, in that environment, the ratings issued by S&P, Moody's and Fitch constitute social facts[8] which affect agents' behaviour even if they are known to be wrong. As a result, a left-wing government, for instance, even if it disagrees with the evaluations of its country, inevitably ends up being constrained to incorporate them into its rational calculations regarding management of the economy, because it knows that financial agents will do so.

In this light, it is noteworthy that, with contemporary capitalism, comes an 'increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies' (Epstein 2005: 3) – a comprehensive definition of what the literature terms 'financialization'. In one of its political dimensions, this phenomenon is characterized by the disproportionate presence of an agenda of financial market interests in national political processes and by its predominance in government economic policy (Palley 2013; Pagliari and Young 2020). This is facilitated by the size of the financial sector and its institutions, its highly networked structure, and its technical complexity (Nölke 2020) – factors embodied in the *modus operandi* of CRAs.

Ultimately, this means that the CRAs can be seen to contribute to the crisis of democracy studied by the academic literature. One of its symptoms is the difficulty that national governments encounter in implementing the measures demanded by voters in view of pressure from investors for the orthodox neoliberal agenda (Rodrik 2012; Streeck 2014). This situation is even more dramatic in emerging economies, given their vulnerability to global financial dynamics (Paula, Fritz and Prates 2015). The role played by the CRAs in this scenario can be observed in the collapse of the pink tide in Brazil and Argentina, to be analysed below.

## Credit rating agencies versus the pink tide

Once the political bias of the CRAs' *modus operandi* has been identified, it is possible to examine how their antagonism to the left-wing governments prevailing in Latin America in the first two decades of the 21st century took shape. That said, this section will explore the experiences of Brazil and Argentina in light of our argument. In both cases, a left-wing government's decline took place in the midst of turbulent relations with the international financial system. In that context, the CRAs played a role in the crisis affecting the Dilma Rousseff and Cristina Fernández de Kirchner (CFK) governments, as well as in the rise of the right-wing presidents, Michel Temer and Maurício Macri, who succeeded them.

Notably, these transitions happened in an adverse international environment for both countries, which amplified financial market constraints on their policy space, to the detriment of agendas not aligned with neoliberal tenets. As theorized by Campello (2015), in the benign context of the first decade of the 21st century, when high commodity prices and high financial market liquidity predominated, the scope for investors – and presumably their 'echo chambers', such as the CRAs – to discipline Latin American

governments was greatly reduced. In the early 2010s this was reversed, however, coinciding with the waning of the pink tide (Campello and Zucco 2021).

In the two cases presented in the following subsections, the narrative examination begins years before the transition from the left- to right-wing governments in question, so that the CRAs' behaviour in the process can be observed. The analysis below seeks to show, in line with our argument, how the CRAs acted in antagonism to the former and to promote the latter. As indicated in the previous section, this was done by using the tools at their disposal – sovereign ratings, reports and press releases – to interact with the national political process, benefiting from their strategic position in the international financial system. After the following (mainly) descriptive sections, the section 'Credit rating agencies versus democracy' will examine the main aspects of the processes in light of the presented argument and theories.

## Brazil: endorsement of Dilma Rousseff's impeachment

The CRAs' actions during the crisis affecting the Rousseff government can be divided into three stages. First, in 2014, election year, they opposed the president's re-election. Second, in 2015, when an economic and political crisis took hold, S&P, Moody's and Fitch acted to intervene in economic policy while often criticizing the government in their reports and press releases. The third stage came with the impeachment process, from December 2015 to August 2016. In that period, the three CRAs repeatedly positioned themselves critically of the president, who was from the Workers' Party (PT), while showing themselves to be sympathetic to the rise of her vice president, Michel Temer, to the presidency. The following paragraphs examine these three stages.

Regarding the first one, it is noteworthy that the year 2014 represented a watershed for Brazil's ratings during the PT governments. After improving for more than a decade until Brazil attained investment grade[9], the country entered a phase of successive downgrades. Figure 1 depicts this reversal.

In March and July 2014, S&P downgraded Brazil's rating twice. In the first instance, the CRA's report drew attention to the fiscal deterioration situation in the country (S&P 2014a). In the second, in addition to considerations about the economy, S&P expressed its electoral preference in the coming presidential race, suggesting that an Aécio Neves or Eduardo Campos government – who were then Rousseff's right-wing competitors – could be better for the country (S&P 2014b):

> We believe that the policy profile of Dilma's second term will be similar to that of her current government, with the President continuing to oversee political decisions intensively. While we expect certain staff and economic policy changes, we foresee generally 'more of the same' as regards uneven policy. We believe that an Aécio or Campos government would seek a more consistent and market-oriented economic policy, with stronger initial focus on domestic and international investor confidence.
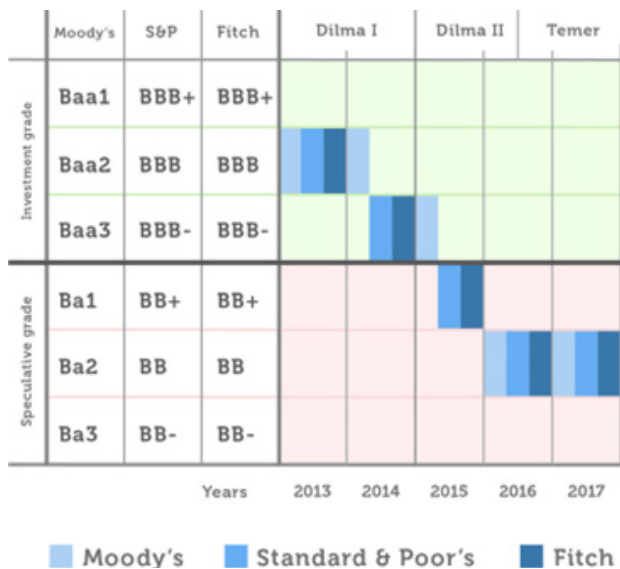
Figure 1. Sovereign ratings, Brazil, 2013–2017.
Source: prepared by the author from Trading Economics (2022).

Brazil's creditworthiness profile continued to deteriorate in the following months. In September, for example, Moody's announced a negative outlook[10] for the sovereign rating, which it attributed, in part, to the government's 'interventionist' economic policy (Moody's 2014a) – thereby evidencing its neoliberal approach to the creditworthiness evaluation. Once Dilma's re-election was confirmed, it released a report with a reminder that this was not the result preferred by financial markets:

> In the run-up to the final vote, both stock and currency markets signalled a clear preference for regime change, and the immediate aftermath of the election has seen a significant correction in both the Ibovespa index and the Brazilian real (Moody's 2014b).

During Rousseff's second term, the economic crisis – which had been taking shape since mid-term of her first government – became into one of the worst recessions in Brazilian history, adding to a severe political crisis (Carvalho 2018). During this period, as shown in Figure 1, Brazil's rating was downgraded several times, slumping to speculative grade. This deterioration was accompanied by discursive manifestations critical of the government from CRAs taking advantage of its difficulties in applying orthodox measures in the economy.

Rousseff's government did indeed move to the right in economic policy, appointing Joaquim Levy, a financial market representative, as Minister of Finance. During his turbulent administration, Levy's actions were guided by the thesis of 'expansionary fiscal contraction'[11], which proved ineffective in fostering economic recovery (Saad-Filho and Morais 2018). Nonetheless, the CRAs exempted him from any criticism, with Fitch

even threatening the country with a downgrade if Levy were removed from the ministry (Valor 2015).

In this second stage of their interaction with the growing crisis in Rousseff's government, S&P, Moody's and Fitch's strategy consisted of repeatedly questioning the government's willingness and competence to reverse the scenario of fiscal deterioration. In August, for instance, Moody's (2015a) downgraded its sovereign rating, claiming that 'there is a lack of political consensus in Brazil on the possibility of addressing budget rigidities more aggressively and enacting reforms that address the increase in mandatory spending'. In September, S&P (2015) withdrew its investment grade, declaring that there was 'less conviction regarding fiscal policy in the President's office'.

This return to the speculative grade had great repercussions in the political arena and among the main Brazilian newspapers, giving rise to government reactions. On 23 September 2015, for example, Folha (2015) reported that, in reaction to the loss of the investment grade, the government was trying to approve a package of fiscal measures to 'calm down the CRAs and avoid a further downgrading of the country's investment grades' – the ones from Moody's and Fitch. In this occasion, CRAs' attempts to interfere in the course of economic policy became evident again when they defended the (re) adoption of the CPMF financial transactions tax (Folha 2015). At the same time, former president Lula downplayed the event, claiming that 'it doesn't mean anything. It just means that we can't do what they want. We have to do what we want' (Infomoney 2015). On the other hand, Senator Aécio Neves, who had been Dilma's main opponent in the 2014 elections, declared that 'unfortunately, the loss of Brazil's investment grade and the prospect of a negative review over the next twelve months show that President Dilma's government is over' (Exame 2015).

As the crisis scenario worsened and articulations began for Rousseff's impeachment, her vice president, Michel Temer, and his political party announced a government program based on neoliberal reforms and fiscal austerity (Carvalho 2018). From December 2015, when the impeachment process was admitted by the Chamber of Deputies, CRAs' criticism of the government soon included positive references to Temer. In other words, in this third stage of the process, the declarations by S&P, Moody's and Fitch were conditioned by the ideological alignment between the CRAs and Rousseff's likely successor.

In this same direction, while Brazil's rating was repeatedly downgraded, Rousseff's political decisions came in for further criticism in the reports and press releases. For example, following her choice of Nelson Barbosa to replace Levy as Minister of Finance, Fitch (2015) stated that 'the appointment of Barbosa is likely to signal compromises by the Rousseff administration on its fiscal agenda and a move away from severe austerity measures, given the minister's prior support of expansionary fiscal measures.' In February 2016, after another downgrade, S&P (2016a) offered its diagnosis that 'the President's office is less sure about fiscal policy.' It then defended the legacy of Levy's management:

> Once this [the impeachment process] takes place, restoring macroeconomic balance and advancing microeconomic reforms will be key factors [*sic*] in fostering investment and growth. In 2015,

the government reduced off-budget spending and removed several economic distortions, including artificially contained administered prices.

On 16 May, as part of the impeachment process, Dilma was suspended from office and Temer assumed as interim president. Immediately, S&P (2016b) expressed its approval of the new leader:

> [...] the new government should benefit from an initial vote of confidence from the private sector, given the strength of the economic team, which includes former president of the Central Bank, Henrique Meirelles, as Minister of Finance, and former Central Bank director, Ilan Goldfajn, as governor of the Central Bank, in addition to the political signal already sent by Vice-President Temer.

After Rousseff's official removal, at the end of August, S&P (2016c) posted and answered 'Frequently Asked Questions: Brazil's challenges after the impeachment of Dilma Rousseff'. In this report, it again recalled that an important difference between the Temer and Rousseff governments was 'that Temer's economic team benefits from greater credibility in the financial markets, which gives it some time to manoeuvre.' From then on, the CRAs' perceptions of the Brazilian government would become less hostile.

Indeed, the neoliberal agenda of Temer's administration would often be praised by the agencies. For instance, in the context of the approval of the Constitutional Amendment 95[12], S&P analyst Lisa Schineller stated that 'the initial approval of a limit of public spending is a step in the right direction, but it will still take years and other difficult reforms will be necessary for Brazil to recover the investment grade' (Folha 2016). In 2017, another report of S&P made the ideological convergence between CRAs and the Temer government even more explicit. While analysing its economic policy, S&P (2017) declared that 'the solid economic team of Brazil, which includes representatives of banks and public sector companies, gains more broadly the respect of the Executive, the Parliament and the private sector.' In this vein, it praised Temer's agenda, by summarizing many of its actions (S&P 2017b):

> The government has articulated a comprehensive macro and microeconomic agenda, aiming to generate conditions for stronger growth and fiscal performance in the coming years. The Congress has already approved part of the agenda: a constitutional ceiling for spending, two phases of the labour reform, the migration law, the reopening of the oil and gas sector with fewer local rules, and a fiscal recovery regime for the highly indebted, [and] without resources, [is] willing to carry out expenditure reform.

It is worth noting that the 'stronger growth and fiscal performance' expected by the CRA never came close to becoming reality. In fact, the Brazilian economy would remain stagnant for the remainder of Temer's term – and also during the far-right Bolsonaro

government, which maintained Temer's economic policy[13] (Oreiro and Paula 2021), after being enthusiastically defended by the CRAs in the Brazilian presidential elections of 2018 (Machado 2022), but such developments are beyond the scope of this work.

## Argentina: 'collusion' with vulture funds?

In the case of Argentina, the CRAs' role in the Kirchnerism crisis process became evident when, in 2012, the CFK government, in response to the deteriorating international environment, tried to return to sovereign debt markets as a debt issuer. This action would put an end to the strategy of debt reduction ('*desendeudamiento*') and self-isolation from the international financial system that until then had marked Kirchnerist economic policy (Kulfas 2016). However, this was thwarted by conflict with vulture funds, featuring prominent participation by S&P, Moody's and Fitch. Amid the political damage caused by the worsening socioeconomic crisis, Mauricio Macri was subsequently elected president with an explicitly neoliberal agenda (Vommaro 2019), which was enthusiastically supported by the CRAs.

Figure 2 plots the course of Argentina's ratings. In 2014, the country was classified as in default by the three CRAs and remained so until the end of the studied period. Ratings thus ceased to be an instrument at their disposal to pressure the government or interfere in the national political process – although its default condition would be explicitly contested by CFK government, as the following analysis will show. As a result, the discursive dimension of declarations by S&P, Moody's and Fitch gained even greater relevance.

Litigation with the vulture funds began in 2012, when a New York district judge, Thomas Griesa, ruled in favour of holdout creditors who demanded full remuneration for the defaulted Argentine bonds they purchased after the 2001 crisis. His injunction also prohibited Argentina from honouring contracts with other creditors until the vulture funds had received the amount demanded. Moreover, due to a Rights Upon Future Offers (RUFO) clause, this payment would require the country to offer similar treatment to all creditors who had previously accepted the debt restructuring in 2005 and 2010 (Guzmán 2016).

The government of Argentina immediately appealed to higher courts, but the problem became the basis for the CRAs' actions from then on. In October 2012, for example, Fitch (2012a) mentioned that Judge Griesa's decision, yet to be ratified by US higher courts, could have adverse impact on Argentina's rating. Soon afterwards, S&P (2012) anticipated these possible effects and downgraded its rating, claiming that:

> The downgrade reflects our view that the government of Argentina could face increasing debt management risks. This follows the ruling by the Second Circuit Court of Appeals of the U.S. affirming the judgment of the New York District Court granting summary judgment to plaintiffs on their claims for breach of an equal treatment provision in the terms of the bonds.
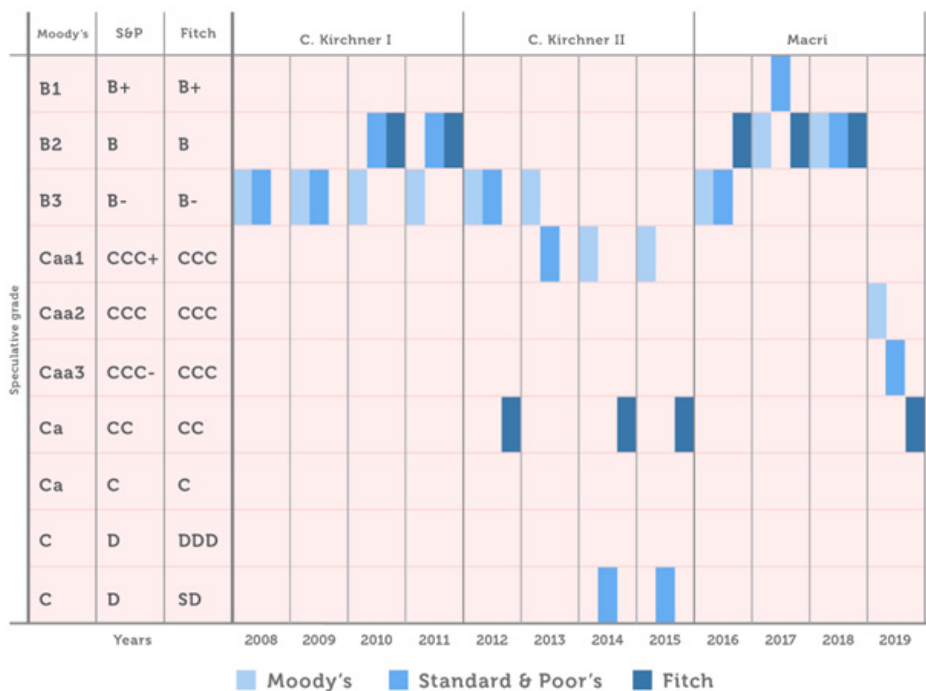
| Moody's | S&P | Fitch | C. Kirchner I | C. Kirchner II | Macri |
|---|---|---|---|---|---|
| B1 | B+ | B+ | | | |
| B2 | B | B | | | |
| B3 | B- | B- | | | |
| Caa1 | CCC+ | CCC | | | |
| Caa2 | CCC | CCC | | | |
| Caa3 | CCC- | CCC | | | |
| Ca | CC | CC | | | |
| Ca | C | C | | | |
| C | D | DDD | | | |
| C | D | SD | | | |

Speculative grade

Years: 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

■ Moody's   ■ Standard & Poor's   ■ Fitch

Figure 2. Sovereign ratings, Argentina, 2008–2019.
Source: prepared by the author from Trading Economics (2022).

In the same vein, in late November, Fitch (2012b) downgraded Argentina to CC, linking the action directly to the judicial decision, which allegedly would make sovereign default more likely.

For the remainder of CFK's second term, the CRAs continued to base downgrades on the risk of default stemming from Griesa's ruling. Meanwhile, they often criticized the government's heterodox economic policy, as well as Argentina's deteriorating macroeconomic indicators. In April 2013, for example, S&P (2013a) stated that 'the rating reflects Argentina's limited access to funding, the lack of predictability in economic policies in the context of high inflation, and growing rigidities in government spending.' In September, it justified a downgrade to CCC+ saying that 'we are lowering our ratings on Argentina because of increased risks to debt service stemming from a lawsuit over the debt the government of Argentina still maintains in default' (S&P 2013b). In December, it issued another report noting the country's rising inflation and declining international reserves (S&P 2013c). It is noteworthy that this criticism towards Kirchnerist haphazard economic policy had been recurrent in CRAs reports and releases since CFK's first term[14], but only after the commodities boom did it become consequential, due to the government's financing necessity in international sovereign debt markets. Thereby, this combined to the vulture funds crisis would become critical to the government's aspiration of returning to sovereign debt markets.

As a reaction, the government of Argentina began to allege collusion between the CRAs and the vulture funds. As early as 2012, Economy Minister Hernán Lorenzino declared that 'CRAs and vulture funds will not prevent Argentina from fulfilling its commitments' (Rio Negro 2012). Weeks later, he stated that 'people are betting a lot of money that some CRA will say that Argentina has not fulfilled its obligations, regardless of whether this is the case or not, and that this will trigger payment of insurance they purchased' (Pagina 12 2012).

The clash between CRAs and the government peaked in mid-2014, when the US Supreme Court decided to uphold Griesa's sentence. Legally, this prevented Argentina from continuing to remunerate its creditors until it regularized the payments demanded by the vulture funds. In the words of Stiglitz and Guzmán (2014), 'it was the first time in history that a country was willing and able to pay its creditors, but was blocked by a judge from doing so'. Immediately, despite all the controversies surrounding the case, the CRAs embarked on a new round of downgrades, soon classifying Argentina as in default.

In this regard, when downgrading its sovereign rating to CCC-, S&P (2014c) observed that 'the downgrade reflects the heightened risk of default on foreign currency debt following a recent decision by the U.S. Supreme Court not to hear the Argentine government's appeal against a previous decision by the U.S.' In another approach, Moody's (2014b) suggested that the nonpayment was actually a political choice: 'Moody's says that Argentina has the financial means to meet its legal obligation to litigating bondholders, which the creditors put at roughly $1.5 billion when past due interest is included.'

The CRAs declared default officially as soon as the grace period ended, at the end of July. With the three of them classifying the country as in default, the government doubled down on its strategy of denouncing collusion between CRAs and vulture funds. In the words of Economy Minister Axel Kicillof (Pagina 12 2014a):

> People are talking about aberrations: 'technical default', 'Griesa default', 'Griefault'. No one knows how to characterize it because it is new. It does not exist. This situation did not occur to anyone. This situation is not defined as default. Argentina paid. It has money. It will keep paying the next instalments. We hold Griesa responsible.

On another occasion, the minister stated that:

> [T]his is not a default. It is absurd nonsense to say that today we are in default. [...] Argentina has reserves and wants to keep paying. This money (blocked in New York) is not Argentina's, it belongs to the creditors and they have to collect it.

President CFK, meanwhile, declared that 'selective default does not exist, preventing someone from paying is not default' (RFI 2014). For the government's chief of staff, Jorge Capitanich, the declaration of default highlighted the CRAs' antagonism to the government: 'What interests them is to be a weapon to confront this government permanently' (Pagina 12 2014b).

From the perspective of the international financial system, however, the default was a reality. As a result, the unfolding socioeconomic crisis worsened, to the political detriment of the CFK government (Kulfas 2016). Thus, in 2015, election year, the CRAs continued to criticize the government's economic policy and to blame it for the imbalances in the economy. Moody's (2015c), for instance, assessed the country's situation as follows:

> Argentina's institutional weakness and expansionary fiscal policy have increasingly led to its reliance on central bank money printing and affected the ability to pay its debts. Manipulation of the country's official economic data, specifically the underreporting of inflation data, has significantly decreased the debt payments bondholders have been able to receive. Moody's said the lack of certainty about the country's economic indicators, coupled with broad government intervention in the private sector, has deterred investment and hurt the profitability of Argentine companies.

This scenario created the conditions for a government ideologically aligned with the CRAs to emerge victorious in the 2015 presidential elections, putting an end to the Kirchnerism of more than a decade. Macri's victory was celebrated by the CRAs, which expressed positive expectations for his neoliberal program, once it converged with investors' interests. Moody's (2015c), for example, immediately rated the outlook for Argentina as positive. In a report titled 'Election Outcome is Key Driver Behind Changing Outlook to Positive,' it expressed its hopes for resolution of the conflict with the vulture funds and a reversal of the 'unpredictability' of Kirchnerist policymaking. Thus began a cordial period in the relationship between the CRAs and Argentina's government, eased by the ideological convergence between them.

Indeed, following the first liberalizing reforms implemented by the Macri administration, the CRAs kept expressing their enthusiasm with the new government. As early as in the first month of Macri's term, for instance, Moody's (2015d) stated that:

> The initiatives that Argentina's (Caa1 positive) President Mauricio Macri announced this week to reduce the country's economic distortions, should boost the economy in the long run. […] Most notably, the government lifted capital controls and allowed the Argentinian peso to float freely. Initially, this has prompted a sharp depreciation of the currency, but in the longer-run it should attract increased overseas investment and help stabilize the country's foreign exchange reserves.

In the following two years, despite the absence of these expected results, the CRAs would remain optimistic in relation to Macri's administration. A relevant event in this regard was the resolution of the litigation with the vulture funds and the country's return to sovereign debt markets. However, from 2018 on, it became clear that Macri's economic policy was actually plunging Argentina into an even more serious socioeconomic

crisis, raising public indebtedness to unprecedented levels in national history (Freitas, Ghibaudi and Crespo 2021; Santarcángelo and Padín 2021). Not surprisingly then, in October 2019, Macri was defeated by Alberto Fernández, from the Peronist party, in the presidential elections – which then became one of the 'new' pink tide governments referenced in this paper's introduction.

## Credit rating agencies versus democracy

The CRAs' behaviour throughout the crises affecting the Rousseff and CFK governments shows that their *modus operandi* goes well beyond assessing national creditworthiness. In these two cases, S&P, Moody's and Fitch played a role in the collapse of these components of the pink tide. From their strategic position in the international financial system, they acted in a way that amplified the crises then experienced by Brazil and Argentina, favouring the rise of governments ideologically aligned with investor's orthodox agenda in both countries. To this end, they used the instruments at their disposal – ratings, reports and press releases – and their status as epistemic authorities in the financial markets.

In the case of Brazil, the political bias of the CRAs' actions became evident in the 2014 elections, with their symbolic 'vote' for the opposition, and when S&P, Moody's and Fitch repeatedly downgraded Brazil's rating during the process of Rousseff's impeachment, while making laudatory references to Temer's upcoming administration. Furthermore, until the president's removal was made official, they exerted constant pressure for an orthodox agenda to be implemented in line with the demands of the financial world. Following Rousseff's destitution, CRAs often praised the first measures of Temer government, whose alleged credibility, nevertheless, never translated into creditworthiness – as indicated by Figure 1.

It is true that Brazil's worsening creditworthiness profile was due, in part, to the deteriorating macroeconomic variables factored into the CRAs evaluation process[15]. However, as the ratings help shaping reality and are integral to the national political and economic process, their downgrading – regardless of immediate effects on capital flows in the country and the pricing of government bonds – can be assumed to have exacerbated the crisis. This is because the CRAs' epistemic authority and the ratings' perceived value as an indicator of government performance enables them to influence – in this case, highly adversely – related public opinion[16], as well as the opinions of the parliamentarians who conducted the impeachment. Although this causality is indirect and might not be measurable, it is a fact that this was a non-negligible part of the context where the erosion of the popularity and political support of Rousseff's government developed.

Furthermore, given the ideological convergence between the CRAs and Rousseff's then vice president, as well as the discursive actions noted, it cannot be ruled out that the CRAs wanted Temer to take power and acted deliberately to bring that about. In fact, such a diagnosis may be supported by Sinclair's (2005, 2021) theory, which understands CRAs as vectors of investors' interests. In other words, the CRAs can be seen to have acted to remove Rousseff from the position of president in order to promote investors' interests in the political process. This view is sustained by the fact that, following her

destitution, they acted to support and praise the neoliberal reforms implemented by the Temer administration.

The antagonism between CRAs and pink tide governments was much more evident in the case of Argentina. In Brazil, especially during the Lula administrations, the PT governments applied the macroeconomic policy promoted by the CRAs (Prates, Fritz and Paula 2020) and made improving sovereign ratings one of their political goals (Ywata 2012). This had the side effect of serving to legitimize the CRAs as technically and politically impartial evaluators of the country's creditworthiness. This heightened Rousseff's vulnerability to their ratings and critical discourse when their political bias became explicit and more intense. The Kirchner governments, on the contrary, were never tolerant of outside interference in Argentina's political and economic processes coming from actors of the international financial system (Kulfas 2016), which put them in a better position to criticize and denounce the CRAs' *modus operandi*.

In fact, as soon as the CRAs signalled that Griesa's decision would be incorporated into Argentina's ratings, their collusion with the vulture funds gained space in government narrative. In that process, two elements revealed the ideological motivations and political consequences of the CRAs' actions. Firstly, the ideological coalition to which they belong was illustrated by the CRAs' alignment with the vulture funds and the pressure they brought to bear on the government to pay them, ignoring the controversies surrounding the case and anticipating the US Supreme Court's decision. Secondly, in their allegiance to that coalition, the CRAs ignored the very definition of sovereign rating given in their own methodologies. This is because a foreign court order has no place in any variable conditioning the government's 'ability' or 'willingness' to honour its debt commitments[17]. To describe the country as 'in default' was thus an arbitrary choice and one not supported by the technical process that supposedly guides the formulation of sovereign ratings.

Meanwhile, the CRAs' frequent criticism of the CFK government's heterodox economic policy formed part of the scenario of crisis and electoral erosion faced by the government. This led to Kirchner's defeat in the presidential contest, resulting in the victory, unprecedented in Argentina's history, of a candidate with an avowedly neoliberal government platform. The CRAs immediately praised this outcome, basing positive outlook ratings solely on their expectations for the Macri government's future management of the national economy – which would soon prove to be mistaken. As demonstrated, the beginning of Macri's administration benefited from CRAs support for his agenda, which contrasts with the conflictual relationship between CFK government and S&P, Moody's and Fitch.

These experiences are consistent with the findings of the empirical research and theoretical studies presented in the section "The politics of rating agencies," which offer a new perspective on the political bias inherent in the CRAs' *modus operandi*. Indeed, the events presented here gain new meaning when the discursive dimension of CRAs' actions is factored in. What implications does this have for democratic processes in the countries affected by interference from S&P, Moody's and Fitch?

Firstly, the CRAs' actions clearly raise the costs of governing under the banner of the left in the context of financial globalization. This is due not only to the less favourable ratings entailed by the government's party-political or ideological coloration (and which themselves may undermine the State's financing capacity in capital markets), but also to the consequences of clashes, in public and in the media, with actors who public opinion and financial markets often regard as technically and politically neutral. Therefore, in a scenario where a government ideologically at odds with the agencies finds it difficult to achieve its economic policy objectives, it will have to deal with political opposition from the CRAs, which tends to erode its popularity and impair its interaction with other political actors.

Secondly, the imbalances this introduces into the national political process become even more marked during presidential transitions. As seen in the previous section, the CRAs have their 'voting' mechanisms for expressing support or criticism of candidates, through the articulated issuance of sovereign ratings, reports and press releases. In other words, they can also serve as a channel for direct interference by the international financial system in citizens' political choices.

Thirdly, even if a government ideologically unaligned with financial markets does take office, it will be constantly constrained to adhere to neoliberal tenets, to the detriment of its policy space. As indicated, at least in the cases of developing countries facing adverse international conditions, the CRAs are often using both their ratings and discursive tools to discipline their governments in this direction. Also, this must be seen working in tandem with the other mechanisms available to financial markets actors to discipline governments, such as the interest rates charged for holding government bonds and capital flows.

Fourthly, bear in mind that the financialization of capitalism has made these conclusions even more complex, because citizens may now be voters and, at the same time, investors in that they may hold financial portfolios as a source of income. Two things follow from this: on the one hand, as noted by Streeck (2014), they tend to have contradictory interests arising from these two conditions, as citizens and as investors; on the other hand, it amplifies the CRAs' influence on their perceptions and actions, given the position of epistemic authority that S&P, Moody's and Fitch enjoy in the financial world, as posited in theory by Sinclair (2005, 2021).

These conclusions thus offer a new perspective from which to understand the receding pink tide of the second decade of this century. In the midst of the conflicts between capitalism and democracy, the actions of CRAs as cogs in this tension should not be neglected. Although the CRAs alone are not able to directly cause any of the observed events, they benefit from their privileged position in the international financial system to act on political and economic processes, especially in developing countries. Comprehending this reality and learning how to deal with such relevant actors poses a condition for improving the prospects for democratic governance in regions like South America, as well as for sustaining future progressive developments.

## Conclusion

This paper examined CRAs' behaviour during the decline of the pink tide. Based on the cases of Brazil and Argentina, it showed how they acted in a way that helped boosting the crisis of the Dilma Rousseff and CFK governments to the benefit of their right-wing successors, Michel Temer and Mauricio Macri. From this analysis, some conclusions were drawn from CRAs' (potential) role in political transitions of developing countries and on the policy space constraints they experience. In both cases, it became clear that S&P, Moody's and Fitch took advantage of their strategic position in the international financial system to promote financial markets interests through the issuance of ratings, reports and press releases – which had repercussions on political and economic national processes.

Still, it is worth acknowledging that the methodological limitations of this research recommend caution regarding how consequential the use of these tools by the CRAs actually was. On the other hand, in the light of previous IPE studies on their power in the current international financial system, a counterfactual exercise suggests that these processes could have been less dramatic in its consequences to left-wing governments in the absence of CRAs' constraints. The measurement of this effects shall be left to future research that draws on different methods for this aim.

In any case, our findings have significant consequences for the prospects of national democratic governance, in that CRAs represent tools for interference from the globalized financial world in electors' choice of governments and in governments' implementation of their programmatic agendas. That conclusion concerns not only Brazil and Argentina and other developing countries that experienced the pink tide. Rather, it applies to all those integrated into financial globalization, which are subject, to a greater or lesser extent, to CRAs' actions.

This study thus makes three contributions in particular. First, drawing on a combination of the materials issued by S&P, Moody's and Fitch and theoretical contributions from the literature that takes them as research objects, it sheds light on the agencies' *modus operandi*. Second, from this exercise, it also contributes to updating the literature on the crisis that ended the Rousseff and CFK governments by inserting the CRAs' role in these processes. Third, in a broader perspective, our analysis helps understand one specific channel through which the structural power of finance materializes, especially towards developing economies, which are more vulnerable to global financial dynamics. This may be relevant to clarify and tackle some of the causes of the current crisis of democracy, often pointed out by studies that oppose global financial integration and national governments' autonomy (e.g. Rodrik 2012; Streeck 2014).

This paves the way for other research paths to be followed. For example, an examination of the actions of other financial market institutions or actors towards the pink tide may reveal other aspects of the constraints imposed by contemporary capitalism on national governments. Alternatively, as suggested before, application of different methodologies – for example, interviews of political actors involved or measurement of the

effects of CRAs' actions on real economic variables – to interactions between CRAs and national political and economic process may strengthen the argument advanced here. In view of current threats to democratic State governance, it appears urgent to understand these mechanisms.

## Acknowledgments

## Notes

1   From 2018 on, left-wing governments were elected in Mexico, Argentina, Bolivia, Peru, Honduras, Chile, Colombia and Brazil.

2   This is the CRAs' official definition of sovereign rating (Fitch 2020; Moody's 2019; S&P 2017).

3   It is worth mentioning that, despite the crisis of legitimacy faced by the CRAs after the global financial crisis of 2008, their epistemic authority in financial markets remains resilient, as pointed out by Sinclair (2021), who analyses the reasons behind it.

4   Despite the effort towards more transparency regarding the rating methodology, the final rating is actually decided by a rating committee, which listens to the analysts' explanations of the proposed rating, as explained by Cash (2019). Since this decision is made behind closed doors, it may cast doubts about the motivations and fundamentals of the issued sovereign rating.

5   This study does not address the dense debate around the conceptualization of neoliberalism, which will be conceived here as defined by Duménil and Levy (2005): it is a mode of social organization designed to ensure that the interests of society's upper classes prevail, which happens mainly through financial channels and institutions. This is supported by an ideology that praises the virtues of market self-regulation and proposes the commodification of further areas as a way of optimizing the use of economic resources. In this vein, Saad-Filho (2020) states that 'the most significant feature of neoliberalism is financialization', while Palley (2013) considers that 'a simple alternative definition is that financialization corresponds to financial neoliberalism'. More on 'financialization' is discussed in the subsection 'CRAs as Vectors of Financial Market Interests'.

6   Here, 'depoliticization of economic policy' refers to the delegation of the decision-making process to non-elected actors. On this subject, see Krippner (2011: 145).

7   As suggested by the table, one key distinction is between an 'investment grade' rating, which suggests greater creditworthiness, and the 'speculative grade' category, indicating more substantial risk of default. This grouping is important, because many investment funds are legally required to hold only financial assets rated as investment grade (Cash 2019).

8   This follows Durkheim's (1982: 52) definition of social facts: 'they consist of manners of acting, thinking and feeling external to the individual, which are invested with a coercive power by virtue of which they exercise control over him'.

9   Among other factors, the easy interplay between Lula's government and the CRAs may be explained by its macroeconomic policies (which were similar to the ones defended by the CRAs) and the favourable international environment, as explained by Campello (2015). About this issue, see Machado (2022).

10   CRAs also issue 'outlooks' for the sovereign ratings, which may be positive, stable or negative, depending on their prognosis for the next months. Therefore, a negative (positive) outlook indicates that a given rating is about to be downgraded (upgraded).

11   The 'expansionist fiscal contraction' thesis appears as a first theoretical basis for fiscal austerity as an economic growth strategy. However, it fell into disrepute after flaws in its empirical basis were revealed. On the subject, see Blyth (2013).

12   Constitutional Amendment 95 (12/15/2016) froze primary public expenditures in real terms for 20 years (not including debt interest payments); that is, they are readjusted by the expenditures made in the previous year, corrected for inflation rate (Oreiro and Paula 2021).

13   At least until the outbreak of the Covid-19 pandemic, which pressured the government to adopt expansionary social policies.

14   For example, see La Nacion (2008) and Fitch (2010).

15   For an analysis of the unfolding crisis, see Carvalho (2018).

16   Indeed, during the regarded period, Rousseff's popularity plummeted: in December 2013, 43% of the population supported her government, while, prior to her impeachment, only 10% did so (Folha 2022).

17   The variables taken into account by the CRAs in the rating formulation process are presented by Fitch (2020), Moody's (2019) and S&P (2017a).

# References

Alami, I, C Alves, B Bonizzi, A Kaltenbrunner, K Koddenbrock, I Kvangraven, and J Powell. 2022. 'International financial subordination: a critical research agenda', *Review of International Political Economy*, 30 (4): 1360-1386.

Barta, Z and A Johnston. 2017. 'Rating politics? Partisan discrimination in credit ratings in developed economies', *Comparative Political Studies*, 51 (5): 1-34.

Barta, Z and A Johnston. 2020. 'Entitlements in the crosshairs: how sovereign credit ratings judge the welfare state in advanced market economies', *Review of International Political Economy*, 28 (5): 1169-1195.

Barta, Z and A Johnston. 2023. *Rating Politics*. Oxford: Oxford University Press.

Barta, Z K Makzsin. 2020. 'The politics of creditworthiness: political and policy commentary in sovereign credit rating reports', *Journal of Public Policy*, 41 (2): 307 – 330.

Block, S A and P M Vaaler. 2004. 'The price of democracy: sovereign risk ratings, bond spreads and political business cycles in developing countries', *Journal of International Money and Finance*, 23 (3): 917-946.

Blyth, M. 2013. *Austerity*: *The History of a Dangerous Idea*. Oxford: Oxford University Press.

Campello, D. 2015. *The Politics of Market Discipline in Latin America*: *Globalization and Democracy*. New York: Cambridge University Press.

Campello, D and C Zucco. 2020. *The Volatility Curse*: *Exogenous Shocks and Representation in Resource-Rich Democracies*. New York: Cambridge University Press.

Carvalho, L. 2018. *Valsa brasileira: do boom ao caos econômico*, São Paulo: Editora Todavia.

Cash, D. 2019. *Regulation and the credit rating agencies*. New York and London: Routledge.

Castañeda, J G. 2006. 'Latin America's Left Turn', *Foreign Affairs*. Available at https://www.foreignaffairs.com/articles/south-america/2006-05-01/latin-americas-left-turn [Accessed on 23 March 2021].

Da Silva, F P. 2018. 'La bajada de la marea rosa en América Latina. Una introducción', *Revista de la Red de Intercátedras de Historia de América Latina Contemporánea*, 5 (8): 55-66.

Durkheim, É. 1982. *Rules of Sociological Method*: New York: Free Press.

Duménil, G and D Lévy. 2005. 'The Neoliberal (Counter)Revolution'. In Saad-Filho, Alfredo, Johnston, Deborah (eds), *Neoliberalism*: A Critical Reader. London: Pluto Press, pp. 9-19.

Epstein, G A. 2005. 'Introduction: Financialization and the World Economy'. In: G A Epstein(ed), *Financialization and the World Economy*. Northampton: Edward Elgar, pp. 3-16.

Exame. 2015. 'Aécio: Grau de investimento mostra que governo Dilma acabou'. Available at https://exame.com/brasil/aecio-grau-de-investimento-mostra-que-governo-dilma-acabou/ [Accessed on 5 November 2022].

Fitch. 2010. '*Fitch Lifts Argentina out of Default to 'B'; Outlook Stable*', Fitch Ratings. Available at https://www.fitchratings.com/ [Accessed on 24 August 2021].

Fitch. 2012a. '*Fitch Places Argentina on Rating Watch Negative*', Fitch Ratings. Available at https://www.fitchratings.com/ [Accessed on 23 March 2021].

Fitch. 2012b. '*Fitch Downgrades Argentina's FC IDR to 'CC'; LC IDR to 'B-' With a Negative Outlook*', Fitch Ratings. Available at https://www.fitchratings.com/ [Accessed on 27 January 2021].

Fitch. 2015. '*Political Risk Analysis – Unifying PT Will Not Bolster Austerity Agenda*', Fitch Ratings. Available at https://www.fitchratings.com/ [Accessed on 23 May 2021].

Fitch. 2020. '*Sovereign Rating Criteria*', Fitch Ratings. Available at https://www.fitchratings.com/ [Accessed on 13 May 2021].

Folha. 2015. '*Para acalmar agências de risco, governo envia proposta de CPMF*', Folha de S. Paulo, 2015. Available at https://www1.folha.uol.com.br/fsp/poder/234021-para-acalmar-agencias-de-risco-governo-envia-proposta-de-cpmf.shtml [Accessed on 23 March 2021].

Folha. 2016. '*Brasil está a anos de distância de recuperar grau de investimento, diz S&P*', Folha de S. Paulo, Available at https://www1.folha.uol.com.br/mercado/2016/10/1821239-brasil-esta-a-anos-de-distancia-de-recuperar-grau-de-investimento-diz-sp.shtml [Accessed on 30 April 2021].

Folha. 2022. '*Popularidade da presidente Dilma Rousseff*'. Available at https://arte.folha.uol.com.br/graficos/zzXby/ [Accessed on 14 June 2021].

Freitas, A J , J W Ghibaudi, and E A Crespo. 2021. 'Promessas de um liberalismo tardio: uma análise das políticas econômicas do governo Macri (2015-2019)', *Revista de Economia Contemporânea*, 25 (2): 1-20.

Guzmán, M. 2016. 'An analysis of Argentina 2001 default resolution', *CIGI Papers*, 110.

Infomoney. 2015. 'Não significa nada, diz Lula sobre o rebaixamento do Brasil para "junk"'. Available at https://www.infomoney.com.br/politica/nao-significa-nada-diz-lula-sobre-o-rebaixamento-do-brasil-para-junk/ [Accessed on 5 November 2022].

Krippner, G R. 2011. *Capitalizing on crisis: the political origins of the rise of finance*. Cambridge: Harvard University Press.

Kulfas, M. 2016. *Los tres kirchnerismos: una historia de la economia argentina*. Guatemala City: Editora Siglo Veintiuno.

La Nacion. 2008. '*La calificadora S&P le bajó la nota a la Argentina por el contexto político y fiscal*', Available at https://www.lanacion.com.ar/economia/la-calificadora-sp-le-bajo-la-nota-a-la-argentina-por-el-contexto-politico-y-fiscal-nid1065212/?R=942158 [Accessed on 18 July 2021].

Lavinas, L. 2019. 'Conclusions: the end of the pink tide. Now what?' In: F. Badia i Dalmases; S. Costa (Orgs.) *Condemned to Inequality*: from the pink tide to the turn to the right. Democracia Abierta, E-book.

Levitsky, S and K M Roberts. 2011. 'Introduction: Latin America's "Left Turn": a Framework for Analysis'. In S Levitskyand K M Roberts (eds), *The Resurgence of Latin American Left*. Baltimore: The Johns Hopkins University Press, pp. 1-28.

Machado, P L N. 2022. 'Financialization and the politics of credit rating agencies in Brazilian presidential transitions', *Revista Brasileira de Política Internacional*, 65 (1): e009.

Mader, P, D Mertens and N Zwan. 2020. 'Financialization: an Introduction'. In: P. Mader, D. Mertens and N. van der Zwan (eds), *The Routledge International Handbook of Financialization*. Abingdon: Routledge, pp. 1-24.

Moody's. 2014a. '*Moody's changes outlook of Brazil's rating to negative from stable; affirms Baa2 government bond rating*', Moody's Investors Service. Available at https://www.moodys.com/ [Accessed on 23 March 2021].

Moody's. 2014b. '*Political Polarization and Structural Problems to Challenge Re-Elected Rousseff*', Moody's Investors Service. Available at https://www.moodys.com/ [Accessed on 23 March 2021].

Moody's. 2014c. '*Rating Action: Moody's Places Argentina's (P)Caa2 Foreign Legislation Debt On Review, Direction Uncertain*', Moody's Investors Service. Available at  https://www.moodys.com/ [Accessed on 23 March 2021].

Moody's. 2015a. '*Moody's rebaixa rating do Brasil para Baa3 de Baa2; perspectiva é alterada para estável*', Moody's Investors Service. Available at https://www.moodys.com/ [Accessed on 23 March 2021].

Moody's. 2015b. '*Announcement: Moody's: Limited market access and low growth will pressure Argentina's next administration to adjust policies*', Moody's Investors Service. Available at https://www.moodys.com/ [Accessed on 23 March 2021].

Moody's. 2015c. '*Election Outcome is Key Driver Behind Changing Outlook to Positive*', Moody's Investors Service. Available at https://www.moodys.com/ [Accessed on 23 March 2021].

Moody's. 2015d. '*Announcement: Moody's: Argentina's rapid policy changes are credit positive; but will bring near-term challenges*', Moody's Investors Service. Available at https://www.moodys.com/ [Accessed on 23 March 2021].

Moody's. 2019. '*Sovereign Ratings Methodology*', Moody's Investors Service. Available at https://www.moodys.com/ [Accessed on 23 March 2021].

Mosley, L. 2003. *Global capital and national governments*. New York: Cambridge University Press.

Nölke, A. 2020. 'Financialization and the crisis of democracy'. In P Mader, D Mertens, and N Zwan (eds), *The Routledge International Handbook of Financialization*. Abingdon: Routledge, pp. 425-236.

Oreiro, J L and L F Paula. 2021. *Macroeconomia da Estagnação Brasileira*. Rio de Janeiro: Alta Books.

Pagliari, S and K L Young. 2020. 'How financialization is reproduced politically'. In P Mader, D Mertens and N Zwan (eds), *The Routledge International Handbook of Financialization*. Abingdon: Routledge, pp. 113-124.

Palley, T I. 2013. *Financialization: the economics of finance capital domination*. New York: Palgrave Macmillan.

Paudyn, B. 2014. *Credit ratings and sovereign debt: the political economy of creditworthiness through risk and uncertainty*. New York: Palgrave Macmillan.

Paula, L F, B Fritz and D M Prates. 2015. Center and Periphery in International Monetary Relations Implications for Macroeconomic Policies in Emerging Economies, *DesiguALdades.net Working Paper* No. 80.

Pagina 12. 2012. *Cumpliremos con quienes entraron al canje*. Available at https://www.pagina12.com.ar/diario/economia/2-208092-2012-11-18.html [Accessed on 23 April 2021].

Pagina 12. 2014a. *No es un default, no saben ni cómo llamarlo*. Available at https://www.pagina12.com.ar/diario/economia/2-251928-2014-07-31.html [Accessed on 18 June 2021].

Pagina 12. 2014b. *El equipo de los buitres*. Available at https://www.pagina12.com.ar/diario/economia/2-253842-2014-08-26.html [Accessed on 23 March 2021].

Prates, D, B Fritz and L F Paula. 2020. 'Varieties of Developmentalism: A Critical Assessment of the PT Governments.' *Latin American Perspectives*, 47 (1): 45-64.

RFI. 2014. *Cristina Kirchner: 'Impedir que alguien pague no es default'*. Available at https://www.rfi.fr/es/americas/20140801-cristina-kirchner-impedir-que-alguien-pague-no-es-default [Accessed on 15 June 2021].

Rio Negro. 2012. *El gobierno instala sus críticas en el G20*. Available at https://www.rionegro.com.ar/el-gobierno-instala-sus-criticas-en-el-g20-GRRN_999971/ [Accessed on 18 July 2021].

Rodrik, D. 2012. *The globalization paradox: why global markets, states and democracy can't coexist*. New York: Oxford University Press.

Saad-Filho, A and L Morais. 2018. *Brazil: Neoliberalism Versus Democracy*. London: Pluto Press.

Saad-Filho, A. 2020. Endgame: from crisis in neoliberalism to crises of neoliberalism. *Human Geography*, 14(1): 133–137.

S&P. 2012. *Research Update: Unsolicited Ratings On Argentina Lowered To 'B-' On Increasing Risks To Policymaking; Outlook Is Negative*. S&P Global. Available at https://www.spglobal.com/ratings/ [Accessed on 23 March 2021].

S&P. 2013a. *The Republic Of Argentina Unsolicited 'B-' Rating Affirmed; Outlook Remains Negative*. S&P Global. Available at https://www.spglobal.com/ratings/ [Accessed on 23 March 2021].

S&P. 2013b. *The Republic Of Argentina Unsolicited Ratings Lowered To 'CCC+/C' On Increasing Legal Risks; Outlook Negative*. S&P Global. Available at https://www.spglobal.com/ratings/ [Accessed on 23 March 2021].

S&P. 2013c. *Supplementary analysis: Republic of Argentina*. S&P Global. Available at https://www.spglobal.com/ratings/ [Accessed on 23 March 2021].

S&P. 2014a. *Rating do Brasil em moeda estrangeira rebaixado para 'BBB-' e em moeda local para 'BBB+'; Perspectiva alterada para estável*. S&P Global. Available at https://www.spglobal.com/ratings/ [Accessed on 18 August 2021].

S&P. 2014b. *Análise Complementar: República Federativa do Brasil*. S&P Global. Available at https://www.spratings.com/ [Accessed on 27 February 2021].

S&P. 2014c. *The Republic Of Argentina Long-Term Foreign Currency Rating Lowered To 'CCC-' From 'CCC+'; Outlook Is Negative*. S&P Global. Available at https://www.spglobal.com/ratings/en/ [Accessed on 23 June 2021].

S&P. 2015. *Rating soberano em moeda estrangeira do Brasil rebaixado para 'BB+/B'; perspectiva negativa*. S&P Global. Available at https://www.spglobal.com/ratings/ [Accessed on 13 May 2021].

S&P. 2016a. *Ratings de longo prazo do Brasil rebaixados para 'BB', dados os significativos desafios políticos e econômicos; perspectiva negativa*. S&P Global. Available at https://www.spglobal.com/ratings/ [Accessed on 14 July 2021].

S&P. 2016b. *Como o impeachment da presidente do Brasil afeta seus ratings soberanos*. S&P Global. Available at https://www.spratings.com/documents/20184/798031/GOV_SOV_Maio13_2016_Comooimpeachmentafetaratingsdobrasil/15a3a556-d6d1-4ee2-9e98-7e3a1912bf8b [Accessed on 21 January 2021].

S&P. 2016c. *Perguntas Mais Frequentes: Desafios do Brasil após impeachment de Dilma Rousseff*. S&P Global. Available at https://www.spglobal.com/ratings/ [Accessed on 30 April 2021].

S&P. 2017a. *Sovereign Rating Methodology*. S&P Global. Available at https://www.spglobal.com/ratings/ [Accessed on 21 March 2021].

S&P. 2017b. *Ratings 'BB/B' e 'brAA-' do Brasil removidos do CreditWatch negativo e reafirmados; perspectiva é negativa em razão dos atuais desafios políticos*. S&P Global. Available at https://www.spglobal.com/ratings/ [Accessed on 23 March 2021].

Santarcángelo, J E and J M Padín. 2021. 'Reshaping economic structure in Argentina: the role of external debt during Macri administration (2015-2019).' *Review of Radical Political Economics*, 53 (2): 1-13.

Sinclair, T J. 2005. *The new masters of capital: American bond rating agencies and the politics of creditworthiness*. New York: Cornell University Press.

Sinclair, T J. 2021. *To the brink of destruction: America's rating agencies and financial crisis*. New York: Cornell University Press.

Singer, A. 2018. *O Lulismo em Crise: Um quebra-cabeças do período Dilma (2011-2016)*. São Paulo: Companhia das Letras.

Stiglitz, J E and M Guzmán. 2014. *Argentina's Griesafault*. Project Syndicate. Available at https://www.project-syndicate.org/commentary/joseph-e--stiglitz-and-martin-guzman-argue-that-the-country-s-default-will-ultimately-harm-america [Accessed on 13 May 2021]..

Streeck, W. 2014. *Buying Time: The Delayed Crisis of Democratic Capitalism*. London: Verso Books.

Trading Economics. 2022. Available at https://tradingeconomics.com/

Vaaler, P M, B N Schrage and S A Block. 2005. 'Counting the investor vote: political business cycle effects on sovereign bond spreads in developing countries.' *Journal of International Business Studies*, 36 (1): 62-88.

Vaaler, P M, B N Schrage and S A Block. 2006. 'Elections, Opportunism, Partisanship and Sovereign Ratings in Developing Countries.' *Review of Developmental Economics*, 10 (1): 154-170.

Valor. 2015. *Fitch alerta para risco da batalha de Levy*. Available at https://valor.globo.com/financas/noticia/2015/05/27/fitch-alerta-para-risco-da-batalha-de-levy.ghtml [Accessed on 20 April 2021].

Vommaro, G. 2019. 'De la construccion partidaria al Gobierno: Pro-Cambiemos y los límites del "giro a la derecha" en Argentina'. *Colombia Internacional,* 99 (1): 91-120.

Ywata, R. 2012. *Ordem Mundial e Agências de Rating: o Brasil e as Agências na Era Global (1996-2010)*. São Paulo: Senac.

## About the author

**Pedro Lange Machado** holds a Ph.D. in Political Science by the Institute of Social and Political Studies of the State University of Rio de Janeiro (IESP-UERJ) with a two-year doctoral stay at the Latin American Institute of the Freie Universität Berlin (LAI/FU-Berlin), funded by the Deutscher Akademischer Austauschdienst (DAAD). He holds bachelor's and master's degrees in International Relations, from the Federal Fluminense University (UFF) and Federal University of Santa Catarina (UFSC), respectively. His research focuses on the political consequences of financial globalization and financialization, especially for developing countries. From an International Political Economy approach, his main publications address the modus operandi of credit rating agencies and its repercussions on national political processes.

# Agências de *rating versus* a "maré rosa": lições das experiências do Brasil e da Argentina

**Resumo:** Este artigo examina o comportamento das agências de classificação de crédito (CRAs) durante a "maré rosa". O argumento trabalhado é que as ações da S&P Global, Moody's e Fitch contribuíram para o desmantelamento dos regimes de esquerda na América Latina, em benefício de seus concorrentes de direita. A metodologia baseia-se em estudos de caso do Brasil e da Argentina, onde os governos de Dilma Rousseff e Cristina Fernández de Kirchner foram substituídos pelos de Michel Temer e Mauricio Macri, respectivamente. A pesquisa baseia-se em classificações soberanas, relatórios e comunicados de imprensa emitidos pelas agências durante essas transições, que são analisados à luz de teorias críticas de seu modus operandi e confrontados com o processo político que se desenrola em ambos os países. Isso nos permite tirar conclusões consistentes com o argumento apresentado, contribuindo assim para o avanço da agenda de pesquisa sobre as CRAs e para lançar luz sobre as recentes transições presidenciais críticas do Brasil e da Argentina.

**Palavras-chave:** agências de classificação de crédito; maré rosa; democracia; Brasil; Argentina.