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August 20, 2011

Is the US Government Bankrupt?

Standard and Poor's may seem to think so. After all, the reputed rating agency downgraded the US government's credit rating from AAA to AA+, an act that drew plenty of protests from politicians. Recently, the New York Times reported that the Justice Department has been investigating the business practices of Standard and Poor's, a process that has been going on since 2008 when the rating agency highlighted the sorry state of the country's mortgage securities that resulted in the sub-prime mortgage crisis that year. Apparently, the investigation has intensified in the last few weeks and its focus has also changed.

However, it is surprising that our politicians are dissatisfied with S&P's evaluation of the credit rating of the country when the amount of public debt is plain for all to see. The US government owes \$14.5 trillion and long-term entitlement liabilities of over \$100 trillion but taxes collected amount to only \$2.2 trillion per year, which goes to pay salaries of all government servants, maintenance of all public assets and funding government projects. How do we even begin to pay off any part of that mountainous debt?

It does not seem like the US government has any sincere desire to pay off any of the public debt. Neither the Democrats nor GOP has put forth any credible game plan to seriously tackle the problem. So far, all the budgets that have been proposed have only served to add not lessen the public debt. With each budget deficit, the zeros keep being added to the debt figure.

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The amount of debt has become so much that we would not be able to bring it down even if there was political will to do so. Right now, there is no such will in Washington.

Our Congressmen should not investigate whether S&P's did the right thing in downgrading the US government's credit rating, they should investigate whether the downgrading was sufficient to reflect the true nature of the nation's ability to repay its debt. In light of the above, perhaps the downgrading should have been more than just AAA to AA+.

Given the grave condition of our public debt, most of the US government's bonds and promissory notes should be rated junk. Don't be surprised if the amount of returns you get when you redeem your government bonds is much lower in value compared to the amount of capital you invested.

In view of this, the only investigation that should be carried out is on our politicians on how and why they allowed America's financial condition to deteriorate to what it is today.