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Title Título Titre:	Ratings Over Lives and Futures – How Credit Rating Agencies Cement Global Injustice
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- 1 Global economic inequality is not a natural law. It is the result of historical power relations, political decisions,
- 2 and economic structures that continue to shape the world today. One central yet often underestimated
- 3 element of these structures are private credit rating agencies. Their judgments determine the borrowing
- 4 costs of states, influence global investment flows, enforce austerity measures, and thereby directly shape
- 5 the political and social room for maneuver of governments – particularly in the Global South.

- 6 From Information Providers to Political Power Brokers

- 7 Credit rating agencies emerged in the 19th century in the United States as private information providers,
- 8 initially supporting investors in assessing risks in sectors such as railways. Their original purpose was to
- 9 reduce information asymmetries between creditors and debtors.

- 10 With the globalization of financial markets, the liberalization of capital flows, and the growing importance of
- 11 capital-market-based financing since the 1970s and 1980s, the role of rating agencies fundamentally
- 12 changed. After the debt crises of the Global South, many states increasingly relied on international capital
- 13 markets instead of bilateral or multilateral loans. Sovereign credit ratings thus became a central gateway to
- 14 global finance.

- 15 At the same time, the business model of rating agencies shifted from an investor-pays to an issuer-pays
- 16 system. States and corporations now pay for being rated themselves, creating a structural conflict of interest
- 17 that persists to this day.

- 18 Oligopoly and Democratic Deficit

- 19 Today, three private companies – Moody's, Standard & Poor's, and Fitch – control around 90 percent of the
- 20 global credit rating market. This oligopolistic structure grants them enormous power without democratic
- 21 legitimacy or effective political accountability.



22 Public institutions have actively reinforced this power. Through financial market regulations such as the Basel
23 Accords, insurance and pension fund rules, and central bank requirements, credit ratings have become
24 quasi-binding benchmarks. Negative ratings trigger automatic market reactions – rising interest rates,
25 capital outflows, and declining investment – regardless of whether the assessments are substantively
26 justified or politically biased.

27 Structural Disadvantage of the Global South

28 For countries in the Global South, the effects of credit ratings are particularly severe and structurally biased.
29 Many low-income countries face significant barriers to even obtaining a sovereign rating, as the costs
30 involved are often prohibitively high. At the same time, governments are aware that a poor rating can itself
31 worsen their economic situation by increasing borrowing costs and deterring investment, creating a rational
32 incentive to avoid the rating process altogether. This already places countries of the Global South in a
33 position of disadvantage within global financial markets.

34 Where ratings do exist, they are frequently characterized by generalization and structural bias. Credit rating
35 agencies rely heavily on a narrow set of macroeconomic indicators such as GDP per capita, public debt
36 levels, or short-term growth rates. Historical responsibility, colonial exploitation, unequal terms of trade, and
37 structural dependencies within the global economy are largely ignored. As a result, entire regions –
38 particularly Sub-Saharan Africa and parts of Latin America – are systematically rated worse than
39 industrialized countries, even when economic fundamentals or long-term prospects are comparable.

40 In addition, the practice of so-called sovereign ceilings reinforces collective punishment. Companies,
41 municipalities, and public institutions are generally unable to receive a higher rating than that of their home
42 country, regardless of their individual financial stability. This mechanism effectively ties the fate of all
43 economic actors within a country to a single sovereign assessment, limiting access to credit, increasing
44 financing costs, and constraining development across entire economies.

45 How Credit Ratings Deepen Economic Crises

46 Credit rating agencies tend to react late and intensify economic cycles. During boom phases, they often
47 assign overly positive ratings, encouraging speculative capital inflows. In times of crisis, abrupt downgrades
48 follow, triggering capital flight, currency devaluation, and rising borrowing costs. This dynamic exacerbates
49 economic downturns and disproportionately affects societies in the Global South.

50 Political Pressure and Loss of Sovereignty

51 Beyond their market impact, rating agencies exert direct political pressure on governments. Because political
52 stability, fiscal policy, and regulatory frameworks are incorporated into ratings, governments are often forced
53 into anticipatory compliance. Social spending, redistributive taxation, public investment, and democratic
54 reforms are frequently subordinated to the goal of maintaining or improving ratings.

55 This dynamic undermines democratic self-determination. Private, profit-oriented actors without democratic
56 mandate effectively gain veto power over economic and social policies. For countries in the Global South,
57 this often translates into austerity policies, privatization, and weakened public services – even when these
58 measures deepen poverty and inequality.



59 The Need for Greater Justice in the Global Economy

60 As socialist, internationalist youth, we reject a global financial system in which private corporations decide
61 over the economic and social futures of entire societies. Credit rating agencies, in their current form, are
62 instruments of structural global injustice. They reinforce historical inequalities, privilege capital interests over
63 human rights, and restrict democratic policy-making, particularly in the Global South.

64 Global justice requires democratic control over financial power, the recognition of historical responsibility,
65 and the prioritization of social, ecological, and developmental needs over short-term market logic.

66 As IUSY, we call for the following measures:

67 1. Democratization and Regulation of Credit Ratings

- 68 - Binding transparency standards for rating methodologies, data sources, and decision-making
69 processes.
70 - Clear liability rules for gross negligence or systemic misratings.

71 2. Reducing Global Dependence on Private Ratings

- 72 - Systematic removal of mandatory references to private credit ratings in international financial
73 regulations.
74 - Strengthening public and independent risk assessment capacities within states, central banks, and
75 international institutions.

76 3. Creating Alternative, Non-Profit Rating Models

- 77 - Support for the establishment of independent, non-profit, and regionally anchored rating
78 institutions, particularly in the Global South.
79 - Promotion of rating models that include social, ecological, human rights, and development
80 indicators.

81 4. Expanding Policy Space for the Global South

- 82 - Protection of the right of Global South countries to pursue independent economic, social, and
83 industrial policies without fear of punitive downgrades.
84 - Opposition to austerity conditionalities driven by ratings or investor expectations.

85 5. Integrating Sustainability and Global Responsibility

- 86 - Mandatory integration of sustainability, climate risks, inequality, and human rights impacts into all
87 credit assessments.
88 - Recognition that long-term social and ecological stability is a core component of genuine
89 economic resilience.



- 90 The power of credit rating agencies is a political problem and must be addressed politically. A just global
91 order cannot exist as long as private profit-driven actors determine which countries are deemed
92 “creditworthy” and which are condemned to perpetual dependency.
- 93 As IUSY, we stand for an internationalist alternative: democratic control over finance, solidarity with the Global
94 South, and a global economy that serves people – not ratings.