



Finance and Economics Discussion Series: Testing Conflicts of Interest at Bond Rating Agencies with Market Anticipation: Evidence That Reputation Incentives Dominate

By Paul Harrison

BiblioGov. Paperback. Book Condition: New. This item is printed on demand. Paperback. 40 pages. Dimensions: 9.7in. x 7.4in. x 0.1in. This paper presents the first comprehensive test of whether well-known conflicts of interest at bond rating agencies importantly influence their actions. This hypothesis is tested against the alternative that rating agency actions are primarily influenced by a countervailing incentive to protect their reputations as delegated monitors. These two hypotheses generate a number of testable predictions regarding the anticipation of credit-rating downgrades by the bond market, which we investigate using a new data set of about 2,000 credit rating migrations from Moodys and Standard and Poors, and matching issuer-level bond prices. The findings strongly indicate that rating changes do not appear to be importantly influenced by rating agency conflicts of interest but, rather, suggest that rating agencies are motivated primarily by reputation-related incentives. This item ships from La Vergne, TN. Paperback.



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