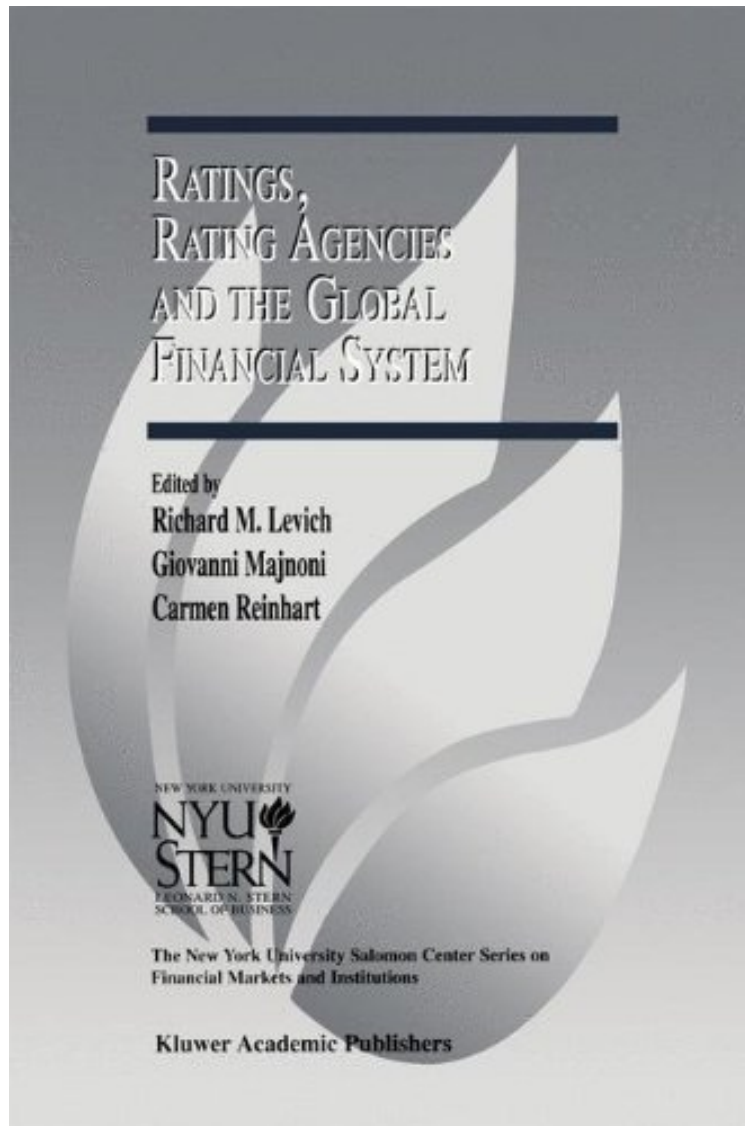


[Library ebook] Ratings, Rating Agencies and the Global Financial System (The New York University Salomon Center Series on Financial Markets and Institutions)

Ratings, Rating Agencies and the Global Financial System (The New York University Salomon Center Series on Financial Markets and Institutions)

Richard M. Levich, Giovanni Majnoni, Carmen Reinhart
*DOC | *audiobook | ebooks | Download PDF | ePub*



DOWNLOAD



READ ONLINE

#4581046 in eBooks 2012-12-06 2012-12-06 File Name: B000VI1CP8 | File size: 50.Mb

Richard M. Levich, Giovanni Majnoni, Carmen Reinhart : Ratings, Rating Agencies and the Global Financial System (The New York University Salomon Center Series on Financial Markets and Institutions) before purchasing it in order to gage whether or not it would be worth my time, and all praised Ratings, Rating Agencies and the Global Financial System (The New York University Salomon Center Series on Financial Markets and Institutions):

2 of 2 people found the following review helpful. All of the essays are excellent; however, the last essay by Herring is the best. By Michael Emmett Brady: This is an excellent book of collected essays. The various essays examine the rating agencies and the alleged, claimed, use of mathematically advanced, quantitative risk management techniques that banks claimed they were using that could identify the different levels of risk that would result from the various different kinds of bonds available for purchase. This would bring into play differing levels of capital requirements and new ways of supposedly insuring against the risks of default. The most important essay in the book is the last essay by Richard J. Herring. In fact, the so-called advanced, risk management models designed by economists and Subjective Expected Utility (SEU) Decision theory practitioners of Bayesian probability theory only works against high frequency hazards with outcomes that have low severity. Risk management models "... are ill-equipped to deal with low frequency high severity events that are likely to be the next severe threat to financial stability..." (2002; p.345). The author makes it crystal clear that he is talking about the Keynes-Knight distinction between risk and uncertainty in Section 4, starting on p.353 of his article. The banking industry is suffering from "disaster myopia". This involves the belief that there is no such thing as uncertainty. Herring ties his analysis to a famous Keynes article, published in August, 1931 in the Evening Standard newspaper in England, that demonstrated the utter and complete failure of bankers and their economic advisors to recognize the nature of the worldwide threats emerging in the period 1930-31. Exactly the same thing is now occurring today. One minor flaw in the paper is that Herring is unaware of the technical analysis Keynes had developed in his 1921 A Treatise on Probability book in chapters 6, 15, 17, 20, 22, and especially in sections 6, 7, and 8 of chapter 26, that allowed one to deal with the problem of uncertainty in a technical manner. Instead, Herring attempts to find the answer in the work of Tversky-Kahneman. Keynes had provided a full technical account long before Tversky and Kahneman were born. It is unfortunate that Volcker, Greenspan, Bernanke, and Paulson were not familiar with the issues raised by this book. They are repeating the same errors made by bankers in the very early 1930's by concentrating only on bailouts and massive injections of liquidity into the global financial system—it takes BOTH additional liquidity AND a renewal of CONFIDENCE in order to make a recovery possible.

Ratings, Rating Agencies and the Global Financial System brings together the research of economists at New York University and the University of Maryland, along with those from the private sector, government bodies, and other universities. The first section of the volume focuses on the historical origins of the credit rating business and its present day industrial organization structure. The second section presents several empirical studies crafted largely around individual firm-level or bank-level data. These studies examine (a) the relationship between ratings and the default and recovery experience of corporate borrowers, (b) the comparability of credit ratings made by domestic and foreign rating agencies, and (c) the usefulness of financial market indicators for rating banks, among other topics. In the third section, the record of sovereign credit ratings in predicting financial crises and the reaction of financial markets to changes in credit ratings is examined. The final section of the volume emphasizes policy issues now facing regulators and credit rating agencies.