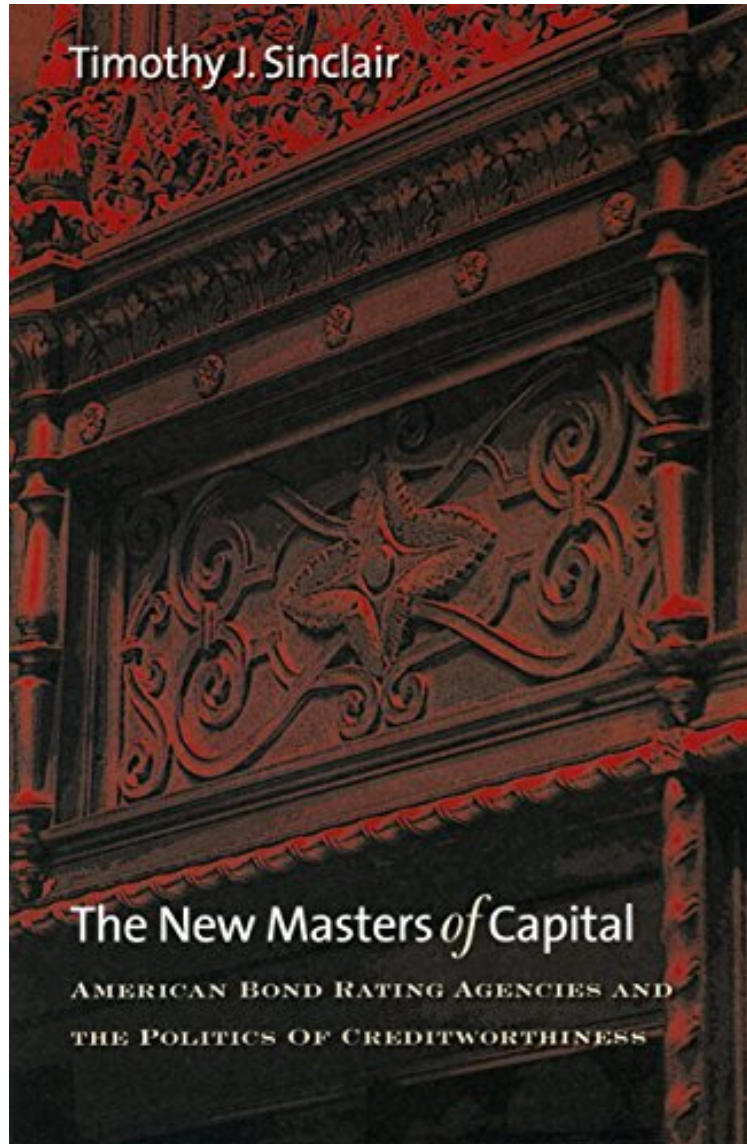


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## **The New Masters of Capital: American Bond Rating Agencies and the Politics of Creditworthiness (Cornell Studies in Political Economy)**

*Timothy J. Sinclair*

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**Timothy J. Sinclair : The New Masters of Capital: American Bond Rating Agencies and the Politics of Creditworthiness (Cornell Studies in Political Economy)** before purchasing it in order to gage whether or not it would be worth my time, and all praised *The New Masters of Capital: American Bond Rating Agencies and the Politics of Creditworthiness (Cornell Studies in Political Economy)*:

0 of 0 people found the following review helpful. Risk is OUR Business - Unmasking the Mystery of Rating Agencies By William Dahl A journey into a cavern of capitalism that is rarely explored. The assessment of financial risk in society evolves. In this volume, one gets a guide to the inner working and evolution of Moody's, Fitch and Standard Poors. Yet, it is vastly more than that. As Associate Professor of International Political Economy at the University of Warwick, Sinclair's methodology and commentary are simply magnificent. With such a paucity of books authored on this subject, I searched and selected this volume. I am very glad I did. The honesty that guides the author's analysis is refreshing: "Rating, as it exists today, is not rocket science. It attempts to meld quantitative and qualitative variables that are not commensurate and therefore cannot be placed into an equation. It is crucial to understand this point for much of the commentary in the financial media passes over the inherent subjectivity of bond rating. Ratings are not deducible. They reflect the application of rules of thumb. What follows from this observation is that ratings are judgments — the realization that ratings are actually more contestable than they may appear." (p. 176). In a society where quantitative modeling seems to lead to "leaving it to the experts" — the realization that subjectivity in risk assessment remains an all too often overlooked element within this reality. Sinclair's chapter on Blown Calls (and the footnotes therein) are tangible evidence of this fact. The chapter entitled "Unconscious Power" was absolutely fascinating. The ever-increasing global power that these entities exercise over humanity is an awareness that did not go unnoticed by this reader. This book is a gem, crafted by an incredibly capable and insightful scholar. Timothy J. Sinclair is a superb guide. I HIGHLY recommend it.

1 of 1 people found the following review helpful. Very insightful look at industry that is losing it's respect By Robert Kirk This book was written about the ratings agencies a few years before it's latest gaffe. I absolutely thought it was a useful book in writing about it's affect and power in influencing borrowing costs for all sorts of issuers. I enjoyed the stories about the power to influence global markets and how one of the ratings firm can even shut down the access to capital for so many issuers. But what I find amazing in hindsight is how the ratings agents are still respected until 2008. That is when the subprime borrowing issues cascaded and put the financial markets in turmoil. At that stage it actually became a joke whatever SP and Moody's rated and I wonder how long until they are respected again. This is a great introduction to the ratings business and it's worth reading for anyone interested.

4 of 4 people found the following review helpful. A solid introduction to the power of bond rating agencies By Rolf Dobelli Few writers have closely examined the work of bond rating agencies - even though their decisions can move markets, open or close the doors to capital, and even bring down governments. Timothy J. Sinclair manages to keep his prose relatively accessible, despite his many references to research that could only appeal to academics. Although his detailed analysis of various sociological characterizations of agency power may be of little interest to the general reader, we believe that his main point - rating agencies exercise power and influence well beyond the bond markets - deserves careful consideration by anyone interested in economics, finance, politics or the issue of globalization.

In *The New Masters of Capital*, Timothy J. Sinclair examines a key aspect of the global economy — the rating agencies. In the global economy, trust is formalized in the daily operations of such firms as Moody's and Standard Poor's, which continuously monitor the financial health of bond-issuers ranging from private corporations to local and national governments. Their judgments affect unimaginably large sums, approximately \$30 trillion in outstanding debt issues, according to a recent Moody's estimate. The difference between an AA and a BB rating may cost millions of dollars in interest payments or determine if a corporation or government can even issue bonds. Without bond rating agencies, there would be no standard means to compare risks in the global economy, and international investment would be problematic. Most observers assume that the agencies are neutral and scientific, and that they interpret their role in narrowly economic terms. But these agencies, by their nature, wield extraordinary power and exert massive influence over public policy. Sinclair offers a highly accessible account of these institutions, their origins, and the rating processes they use to judge creditworthiness. Illustrated with a wide range of cases, this book offers a fresh assessment of the role of an often-overlooked institution in the dynamics of modern global capitalism.

"Some people love them, some hate them, but no one would dispute that ratings agencies play an important role in financial markets today. Their influence is clearly evident, particularly with the recent GM and Ford revaluations. When asked the basic question 'What is a rating agency?' the names Moody's, SP, and Fitch quickly come to mind as entities in the business of rating the investment quality of bonds. But Timothy Sinclair, a professor of international political economy at the University of Warwick, goes much further. He reviews in exhaustive detail who the ratings agencies are, where they came from, how they are regulated and operate in different countries, and how their role has shifted and been strengthened as the financial markets evolve." — Ann Cullen, HBS Working Knowledge, June 2005

"In this volume, Timothy J. Sinclair systematically and thoroughly explores a major but little-known dimension of world affairs. The extensive expansion of international capital mobility in recent years has accorded bond-rating agencies a central place in the dynamics of globalization and Sinclair does a masterful job of explicating the various ways in which these new masters of capital exercise their power and perform their roles." — James N. Rosenau, University Professor of International Affairs, The George Washington University

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Sinclair investigates the world of bond rating agencies. These private institutions have immense power, as their judgments can profoundly affect the financial conditions faced by corporations, cities, and countries. Their ratings can determine whether or not poor countries or struggling municipalities can borrow on private markets, a consideration of profound importance to their economic success. Sinclair explores how the bond rating agencies function, and how they can malfunction, as part of the broader international political economy. The *New Masters of Capital* will be interesting and informative for all those concerned to understand the operation of today's global financial markets. James Carville once famously said that when he was reincarnated he wanted to come back as the bond market, because 'then you can intimidate everyone.' If Carville had read Sinclair's book, he would have chosen to come back as a bond rating agency, because then he could even intimidate the bond market!"--Jeffrey A. Frieden, Stanfield Professor of International Peace, Harvard University

"Timothy J. Sinclair offers an admirably jargon-free account of bond rating agencies. This book will be widely read, as it is the first to systematically tackle this aspect of the politics of economic globalization. The *New Masters of Capital* makes a strong and intriguing argument about the role of power and authority in the social construction of knowledge in international market settings."--Kathleen McNamara, Georgetown University

From the Inside Flap

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From the Back Cover

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