

Online Appendix to “The Home Bias in Sovereign Ratings”

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Appendix A1: Translation of sovereign ratings into numerical values (21-point scale)

CI CYP (KWT)	Dagong CHN	DBRS CAN	Feri DEU	Fitch USA (FRA)	Moody's USA	JCR JPN	R&I JPN	S&P USA	Numerical scale
AAA	AAA	AAA	AAA	AAA	Aaa	AAA	AAA	AAA	21
AA+	AA+	AAH	AA+	AA+	Aa1	AA+	AA+	AA+	20
AA	AA	AA	AA	AA	Aa2	AA	AA	AA	19
AA-	AA-	AAL	AA-	AA-	Aa3	AA-	AA-	AA-	18
A+	A+	AH	A+	A+	A1	A+	A+	A+	17
A	A	A	A	A	A2	A	A	A	16
A-	A-	AL	A-	A-	A3	A-	A-	A-	15
BBB+	BBB+	BBBH	BBB+	BBB+	Baa1	BBB+	BBB+	BBB+	14
BBB	BBB	BBB	BBB	BBB	Baa2	BBB	BBB	BBB	13
BBB-	BBB-	BBBL	BBB-	BBB-	Baa3	BBB-	BBB-	BBB-	12
BB+	BB+	BBH	BB+	BB+	Ba1	BB+	BB+	BB+	11
BB	BB	BB	BB	BB	Ba2	BB	BB	BB	10
BB-	BB-	BBL	BB-	BB-	Ba3	BB-	BB-	BB-	9
B+	B+	BH	B+	B+	B1	B+	B+	B+	8
B	B	B	B	B	B2	B	B	B	7
B-	B-	BL	B-	B-	B3	B-	B-	B-	6
CCC+	CCC+	CCCH	CCC+	CCC+	Caa1	CCC+	CCC+	CCC+	5
CCC	CCC	CCC	CCC	CCC	Caa2	CCC	CCC	CCC	4
CCC-	CCC-	CCCL	CCC-	CCC-	Caa3	CCC-	CCC-	CCC-	3
CC	CC	CC	CC	CC	Ca	CC	CC	CC	2
C	C	C		C	C	C	CC	C	1
DDD				DDD		DDD		SD	1
DD				DD		DD			1
D	D	D	D	D		D	D	D	1
				RD		RD			1

Sources: Rating scales from company webpages, except DBRS and Feri. DBRS and Feri scales were obtained from the agencies via personal mail communication.

Appendix A2: Detailed sources of overview tables

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Appendix A3: Pair-wise correlation of sovereign ratings from different agencies (1990-2013)

	CI	Dagong	DBRS	Feri	Fitch	JCR	Moody's	R&I	S&P
CI	1.000								
Dagong	0.918	1.000							
DBRS	.	0.902	1.000						
Feri	0.784	0.888	0.851	1.000					
Fitch	0.957	0.932	0.977	0.794	1.000				
JCRA	0.974	0.846	0.965	0.841	0.971	1.000			
Moody's	0.956	0.937	0.975	0.805	0.981	0.962	1.000		
R&I	0.927	0.918	0.982	0.837	0.973	0.981	0.972	1.000	
S&P	0.966	0.938	0.986	0.815	0.987	0.970	0.981	0.971	1.000

Note: No correlation between CI and DBRS displayed since there is not enough overlap between the sovereigns rated by both agencies.

Appendix A4: Variables, definitions and sources

Variable	Definition	Source
Dependent variable		
Sovereign rating	Sovereign rating on a 21-point scale (see Appendix A2 for details; monthly average)	Bloomberg (via terminal); Feri (via e-mail); Fitch (http://www.fitchratings.com)
Variables of interest		
Same country	1 if rated country is the country where the headquarters of the rating agency is located	Own construction
Export interests	Home-country exports (in % of total home-country exports), 3-year average, lag	UN Comtrade via WITS (http://wits.worldbank.org/)
Bank exposure	Overall claims of home-country banks to the rated country (in % of home country's total foreign claims; all sectors; private and public banks; guarantees extended and credit commitments; all on ultimate risk basis), 1-year average, lag	Bank for International Settlements (http://www.bis.org/statistics/consstats.htm)
Geopolitical alignment (UN)	Voting alignment between home country and rated country in the United Nations General Assembly (in % of total votes), 3-year average, lag	Strezhnev and Voeten (2012)
US military interests (aid)	Military aid provided by the United States to the rated country (in % of US total military aid), 3-year average, lag	USAID (http://gbk.eads.usaidallnet.gov)
Common language	1 if common official or primary language in home country and rated country	CEPII (Mayer and Zignago 2011)
Cultural distance (language)	Language dissimilarity between home and rated country (values between 0 and 100)	Kolo (2012)
Cultural distance (ethno-racial)	Ethno-racial dissimilarity between home and rated country (values between 0 and 100)	Kolo (2012)
Control variables: Domestic Economic Performance		
GDP per capita [#]	Log GDP per capita (constant 2000 US\$), 1-year average, lag	World Development Indicators 2013 (http://data.worldbank.org/)
GDP growth [#]	GDP growth (annual %), 3-year average, lag	World Development Indicators 2013 (http://data.worldbank.org/)
GDP growth squared [#]	GDP growth (annual %) squared, 3-year average, lag	World Development Indicators 2013 (http://data.worldbank.org/)
Inflation [#]	Inflation, consumer prices (annual %), 3-year average, lag	World Development Indicators 2013 (http://data.worldbank.org/)
Natural resources [*]	Sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents (in % of GDP), 3-year average lag	World Development Indicators 2013 (http://data.worldbank.org/)
Population	Log total population size, 1-year average, lag	World Development Indicators 2013 (http://data.worldbank.org/)
Control variables: Financial Stability and Fiscal Performance		
Change in government debt [#]	Change in gross government debt-to-GDP ratio (in %), 3-year average, lag	IMF Historical Public Debt Database (Abbas et al. 2010)
Government debt	Gross government debt-to-GDP ratio (in %), 3-year average, lag	IMF Historical Public Debt Database (Abbas et al. 2010)
Default (since 1970) [#]	1 if country has experienced a sovereign debt crisis or restructuring since 1970	Laeven and Valencia (2012)
Default (last 5 years) [*]	1 if country has experienced a sovereign debt crisis or restructuring in the last five years	Laeven and Valencia (2012)

Notes: * - variable included in Archer et al. (2007), # - variable included in Hill et al. (2010)

Appendix A4 (continued): Variables, definitions and sources

Control variables: External Performance		
Trade openness*	Sum of exports and imports of goods and services (in % of GDP), 3-year average lag	World Development Indicators 2013 (http://data.worldbank.org/)
Current account balance**	Sum of net exports of goods and services, net primary income, and net secondary income (% of GDP), 3-year average, lag	World Development Indicators 2012, 2013 (http://data.worldbank.org/)
External debt**	Debt owed to nonresidents repayable in foreign currency, goods, or services (% of GDP), 3-year average, lag	World Development Indicators 2012, 2013 (http://data.worldbank.org/)
Control variables: Political and Institutional Performance		
Rule of law	Assessment of both the strength and impartiality of the legal system and of popular observance of the law on a 6-point scale, 1-year average, lag	International Country Risk Guide (http://www.prsgroup.com/ICRG.aspx)
Polity*	Regime authority on a 21-point scale ranging from -10 (hereditary monarchy) to +10 (consolidated democracy), 3-year average, lag	Polity IV dataset version 2012 (Marshall et al. 2013)
Election*	1 if presidential elections (for presidential or assembly-elected systems) or parliamentary elections (for parliamentary systems) were held in rated country during the last 12 months (DPI variables DATEEXEC, DATELEG and SYSTEM)	Database of Political Institutions (Beck et al. 2001)
Years in office*	Number of years the chief executive has been in office as of January 1 st , lag (DPI variable YRSOFFC; some errors corrected), 1-year average, lag	Database of Political Institutions (Beck et al. 2001)
Left government*	1 if the chief executive's party is defined as communist, socialist, social democratic or left-wing, 1-year average, lag	Database of Political Institutions (Beck et al. 2001)
Absence of internal conflict	Assessment of both political violence in the country and its actual or potential impact on governance on a 12-point scale, 1-year average, lag	International Country Risk Guide (http://www.prsgroup.com/ICRG.aspx)
Absence of external conflict	Assessment of the risk to the incumbent government from foreign action on a 12-point scale, 1-year average, lag	International Country Risk Guide (http://www.prsgroup.com/ICRG.aspx)
Absence of military in Politics	Assessment of the degree of military participation in politics on a 6-point scale, 1-year average, lag	International Country Risk Guide (http://www.prsgroup.com/ICRG.aspx)
Robustness check		
Euro area	1 if rated country is a member of the euro area	Own construction

*Notes: * - variable included in Archer et al. (2007), # - variable included in Hill et al. (2010)*

Appendix A5: Descriptive statistics

Variable	Observations	Mean	Std.dev.	Min.	Max.
Dependent variable					
Sovereign rating	74701	14.77	4.96	1	21
Variables of interest					
Same country	74701	0.02	0.14	0	1
Export interests	73212	1.48	3.49	0	76.37
Bank exposure	37743	1.48	4.40	0	69.61
Geopolitical alignment (UN)	74311	52.95	23.69	12.33	95.72
US military interests (aid)	36594	1.21	5.61	0	51.25
Common language	74701	0.16	0.37	0	1
Cultural distance (language)	74701	89.73	14.71	3.23	100
Cultural distance (ethno-racial)	74701	76.93	24.82	1.10	100
Control variables: Domestic Economic Performance					
GDP per capita (log)	74701	9.08	1.33	5.33	11.38
GDP growth	74701	3.53	2.89	-7.75	28.65
GDP growth squared	74701	20.82	31.56	0	820.8
Inflation	74701	0.05	0.07	-0.03	0.94
Natural resources	74701	5.88	10.63	0	65.38
Population (log)	74701	16.78	1.60	12.91	21.02
Control variables: Financial Stability and Fiscal Performance					
Change in government debt	74701	3.38	4.68	-62.19	29.09
Government debt	74701	52.19	30.96	0	233.11
Default (since 1970)	74701	0.30	0.46	0	1
Default (last 5 years)	74701	0.06	0.23	0	1
Control variables: External Performance					
Trade openness	74701	87.58	58.33	14.49	428.14
Current account balance	74701	0.04	7.24	-23.31	40.50
External debt	74701	0.20	0.27	0	1.54
Control variables: Political and Institutional Performance					
Rule of law	74701	4.33	1.28	1	6
Polity	74701	16.83	5.11	0	20
Election	74701	0.23	0.42	0	1
Years in office	74701	5.11	5.46	1	46
Left government	74701	0.33	0.46	0	1
Absence of internal conflict	74701	9.83	1.59	3.38	12
Absence of external conflict	74701	10.37	1.21	4	12
Absence of military in politics	74701	4.69	1.36	0	6
Robustness check					
Euro area	74701	0.14	0.35	0	1

Notes: This table shows descriptive statistics for the full sample that corresponds to the main regression in Table 3, column 3. It contains data from January 1990 to June 2013.

Appendix A6: Correlation between sovereign rating and variables of interest (1990-2013)

	Correlation	Partial correlation (conditional on <i>GDP per capita</i>)	Partial correlation (conditional on <i>Government debt</i>)	Number of observations
Same country	0.16	0.10	0.16	110,298
Export interests	0.30	0.19	0.31	107,580
Bank exposure	0.32	0.16	0.33	53,887
Political alignment (UN)	0.36	0.14	0.35	104,953
US military interests (aid)	-0.03	-0.02	-0.03	108,722
Common language	0.06	0.64	0.78	109,648
Cultural distance (language)	-0.21	0.06	-0.20	106,463
Cultural distance (ethno-racial)	-0.35	-0.07	-0.34	106,463

Note: The full sample contains data from January 1990 to June 2013.

Appendix A7: Home bias in sovereign ratings (pre- and post-crisis onset)

	(1)	(2)	(3) (4)		(5) (6)	
	Pre-GFC sample	GFC sample	Pre-GFC sample	GFC sample	Pre-GFC sample	GFC sample
(a) Same country	0.550 [0.125]	1.849*** [0.000]	0.655* [0.088]	1.924*** [0.000]		
(b) Export interests	-0.004 [0.849]	0.030 [0.132]	0.005 [0.805]	0.038* [0.065]		
(c) Bank exposure	0.026 [0.237]	0.043* [0.071]	0.026 [0.244]	0.049** [0.037]		
(d) Geopolitical alignment (UN)	0.042 [0.449]	0.157*** [0.001]	0.045 [0.414]	0.159*** [0.001]	0.047 [0.391]	0.159*** [0.001]
(e) US military interests (aid)	-0.007 [0.357]	0.014*** [0.007]	-0.007 [0.324]	0.013** [0.010]	-0.013* [0.066]	0.007 [0.272]
(f) Common language	0.015 [0.627]	0.099* [0.058]	0.024 [0.414]	0.105** [0.042]	0.024 [0.414]	0.105** [0.042]
(g) Cultural distance (language)	-0.016 [0.959]	0.124 [0.723]	-0.010 [0.976]	0.138 [0.690]	0.057 [0.859]	0.218 [0.526]
(h) Cultural distance (ethno-racial)	0.638*** [0.006]	0.825*** [0.004]	0.726*** [0.003]	0.923*** [0.001]	0.716*** [0.005]	0.759** [0.018]

Notes: The dependent variable is a country's sovereign rating on a 21-point scale. Each cell refers to a separate regression. The table displays only the coefficients on the respective variable of interest of each regression. All regressions contain the control variables as specified in Table 3, time and agency fixed effects. The full sample contains data from January 1990 to June 2013 (column 1 and 2). The GFC sample runs from September 2008 to June 2013 (column 3 and 4). Controlling for the same country dummy (column 5 and 6) is not necessary in the case of export interests and bank exposure as these variables are not coded for the home country. Standard errors are clustered at the sovereign level. ***, **, * indicate significance at the one-percent, five-percent or ten-percent level. P-values are displayed in brackets.

Appendix A8: Determinants of sovereign ratings (baseline models, by agency)

	CI	Dagong	DBRS	Feri	Fitch	JCR	Moody's	R&I	S&P
GDP per capita (log)	1.365** [0.013]	1.681*** [0.000]	3.560*** [0.000]	1.901*** [0.000]	2.227*** [0.000]	1.909*** [0.000]	2.267*** [0.000]	2.184*** [0.000]	2.195*** [0.000]
GDP growth	0.141 [0.294]	0.437*** [0.004]	0.566** [0.011]	0.433*** [0.009]	0.190** [0.010]	0.134 [0.288]	0.244*** [0.002]	0.415* [0.057]	0.288*** [0.001]
GDP growth squared	-0.015* [0.075]	-0.010 [0.586]	-0.027 [0.294]	-0.037** [0.024]	-0.007 [0.120]	-0.024 [0.230]	-0.007* [0.099]	-0.038* [0.088]	-0.015** [0.028]
Inflation	-17.650** [0.030]	-16.420** [0.014]	-0.697 [0.957]	-6.764 [0.224]	-8.596*** [0.000]	-14.500*** [0.000]	-8.181*** [0.000]	-9.365 [0.142]	-11.449*** [0.000]
Natural resources	-0.017 [0.501]	-0.063* [0.069]	0.108* [0.095]	-0.073 [0.142]	-0.036** [0.010]	0.070 [0.118]	-0.031** [0.027]	-0.039 [0.449]	-0.024* [0.065]
Population (log)	0.584*** [0.008]	0.495** [0.014]	1.489*** [0.000]	0.811*** [0.000]	0.706*** [0.000]	0.432* [0.082]	0.694*** [0.000]	0.776*** [0.000]	0.642*** [0.000]
Change in government debt	0.114** [0.028]	0.148* [0.062]	0.021 [0.561]	-0.023 [0.554]	-0.056** [0.022]	-0.020 [0.594]	-0.033 [0.159]	-0.007 [0.850]	-0.062** [0.015]
Government debt	-0.033*** [0.010]	-0.050*** [0.000]	-0.069*** [0.000]	-0.001 [0.784]	-0.011** [0.020]	0.012 [0.125]	-0.012** [0.016]	-0.007 [0.338]	-0.012** [0.019]
Default (since 1970)	-1.032** [0.016]	-0.306 [0.592]	-5.116*** [0.000]	-0.968 [0.113]	-1.580*** [0.000]	-1.764*** [0.008]	-1.835*** [0.000]	-1.682** [0.012]	-1.392*** [0.000]
Default (last 5 years)	-2.247 [0.298]	-5.312*** [0.000]	-1.593 [0.450]	-0.441 [0.555]	-2.100*** [0.001]	-2.933*** [0.000]	-1.794*** [0.000]	-2.265*** [0.002]	-1.804*** [0.001]
Trade openness	0.007** [0.045]	-0.011** [0.017]	0.009 [0.303]	-0.007* [0.059]	0.004 [0.221]	0.008 [0.276]	0.004 [0.207]	-0.002 [0.657]	0.005* [0.099]
Current account balance	0.053 [0.140]	0.200*** [0.000]	-0.105** [0.027]	0.245*** [0.000]	0.042** [0.031]	-0.023 [0.570]	0.051** [0.011]	0.095*** [0.009]	0.055*** [0.007]

Appendix A8 (continued): Determinants of sovereign ratings (baseline models, by agency)

	CI	Dagong	DBRS	Feri	Fitch	JCR	Moody's	R&I	S&P
External debt	-1.030 [0.160]	-3.476*** [0.001]	6.518 [0.358]	1.720 [0.127]	-0.628 [0.347]	0.558 [0.677]	-0.186 [0.764]	-0.030 [0.973]	-0.561 [0.287]
Rule of law	-0.140 [0.650]	0.214 [0.424]	0.034 [0.936]	0.472** [0.031]	0.560*** [0.000]	0.625* [0.052]	0.477*** [0.001]	0.675*** [0.010]	0.545*** [0.000]
Polity	-0.108** [0.021]	-0.101* [0.078]	0.155 [0.744]	-0.107* [0.068]	-0.022 [0.377]	0.023 [0.877]	0.028 [0.321]	-0.038 [0.409]	0.034 [0.184]
Election	-0.004 [0.973]	-0.140 [0.408]	-0.288** [0.041]	-0.172* [0.060]	-0.087 [0.202]	0.000 [0.998]	-0.083 [0.245]	-0.140* [0.079]	-0.125** [0.045]
Years in office	0.032 [0.371]	0.041 [0.209]	-0.145** [0.018]	0.075** [0.024]	0.012 [0.524]	0.025 [0.365]	-0.007 [0.756]	0.012 [0.662]	0.011 [0.430]
Left government	0.001 [0.998]	0.170 [0.686]	0.593* [0.052]	0.129 [0.608]	-0.137 [0.530]	0.158 [0.474]	-0.082 [0.726]	0.239 [0.491]	-0.029 [0.882]
Absence of internal conflict	0.076 [0.791]	0.527* [0.068]	0.811*** [0.002]	-0.051 [0.676]	-0.098 [0.317]	-0.400** [0.025]	0.039 [0.682]	-0.105 [0.517]	-0.068 [0.401]
Absence of external conflict	-0.120 [0.708]	-0.346 [0.288]	-0.143 [0.547]	0.111 [0.462]	0.277*** [0.010]	0.198 [0.235]	0.227** [0.041]	0.271 [0.145]	0.280*** [0.009]
Absence of military in politics	0.907*** [0.000]	0.714** [0.013]	0.777* [0.096]	0.494* [0.053]	0.325** [0.039]	0.286 [0.361]	0.323** [0.029]	0.302 [0.194]	0.304** [0.023]
Euro area	1.590 [0.123]	0.522 [0.348]	1.306** [0.016]	0.629* [0.087]	0.743** [0.022]	0.949** [0.035]	0.573* [0.098]	0.590* [0.076]	0.629* [0.064]

Notes: The dependent variable is a country's sovereign rating on a 21-point scale. The table displays only the coefficients on the respective variable of interest of each regression. All regressions contain time and agency fixed effects. Data are from January 1990 to June 2013. Columns (1) to (9) define the home country based on the agency's headquarters; columns (10) and (11) based on the ownership definition. Standard errors are clustered at the sovereign level. ***, **, * indicate significance at the one-percent, five-percent or ten-percent level. P-values are displayed in brackets.

Appendix A9: Home bias in sovereign ratings (all agencies pooled, ordered probit)

	(1)	(2)	(3) (4)		(5) (6)	
	Full sample	GFC sample	Controlled for <i>euro area</i>		Controlled for <i>euro area</i> and <i>same country</i>	
			Full sample	GFC sample	Full sample	GFC ample
(a) Same country	1.660*** [0.000]	1.800*** [0.000]	1.765*** [0.000]	1.831*** [0.000]		
(b) Export interests	0.011 [0.373]	0.027 [0.189]	0.017 [0.176]	0.031 [0.126]		
(c) Bank exposure	0.072*** [0.005]	0.078*** [0.001]	0.075*** [0.004]	0.082*** [0.000]		
(d) Geopolitical alignment (UN)	0.005 [0.188]	0.009*** [0.005]	0.004 [0.219]	0.009*** [0.007]	0.000 [0.992]	0.005 [0.152]
(e) US military interests (aid)	0.025 [0.138]	0.078** [0.029]	0.027* [0.099]	0.079** [0.027]	0.027* [0.099]	0.079** [0.027]
(f) Common language	0.438*** [0.002]	0.476** [0.020]	0.493*** [0.000]	0.517** [0.011]	0.409*** [0.004]	0.393* [0.070]
(g) Cultural distance (language)	-0.016*** [0.000]	-0.018*** [0.000]	-0.018*** [0.000]	-0.020*** [0.000]	-0.015*** [0.001]	-0.016*** [0.004]
(h) Cultural distance (ethno-racial)	0.001 [0.625]	0.001 [0.540]	0.001 [0.588]	0.001 [0.455]	0.002 [0.136]	0.003* [0.054]

Notes: The dependent variable is a country's sovereign rating on a 21-point scale. Each cell refers to a separate regression. The table displays only the coefficients on the respective variable of interest of each regression. All regressions include control variables, time and agency fixed effects. The full sample contains data from January 1990 to June 2013 (column 1 and 2). The GFC sample runs from September 2008 to June 2013 (column 3 and 4). Controlling for the *same country* dummy (column 5 and 6) is not necessary in the case of *export interests* and *bank exposure* as these variables are not coded for the home country. Standard errors are clustered at the sovereign level. ***, **, * indicate significance at the one-percent, five-percent or ten-percent level. P-values are displayed in brackets.

Appendix A10: Unsolicited ratings and home bias in sovereign ratings (S&P only)

	I.		II.		III.		Test for joint sign. of I. and III.
	Variable of interest		Unsolicited rating		Interaction		
(a) Same country	0.896*	[0.083]	0.042	[0.922]			
(b) Export interests	0.043	[0.117]	-0.261	[0.649]	0.148	[0.236]	(0.130)
(c) Bank exposure	0.013	[0.901]	-0.234	[0.690]	0.155	[0.199]	(0.000)
(d) Geopolitical alignment (UN)	-0.014	[0.313]	-1.483	[0.179]	0.032*	[0.065]	(0.190)
(e) US military interests (aid)	0.034	[0.323]	0.045	[0.946]	-0.269**	[0.040]	(0.070)
(f) Common language	0.815***	[0.006]	-0.351	[0.524]	0.587	[0.352]	(0.010)
(g) Cultural distance (language)	-0.032***	[0.010]	-0.229	[0.851]	0.001	[0.956]	(0.040)
(h) Cultural distance (ethno-racial)	0.004	[0.763]	2.085*	[0.088]	-0.028	[0.153]	(0.210)

Notes: The dependent variable is a country's sovereign rating on a 21-point scale. Each row refers to a separate regression. All regressions contain the control variables as specified in Table 3, and time fixed effects. The full sample contains data from January 1990 to June 2013. Standard errors are clustered at the sovereign level. ***, **, * indicate significance at the one-percent, five-percent or ten-percent level. P-values are displayed in brackets. The final column displays the p-values of a test for joint significance of the respective variable of interest and its interaction with the dummy for unsolicited ratings.

Appendix A11: Home bias in sovereign ratings
(all agencies pooled, Heckman selection model)

	(1)	(2)	(3)	(4)
(a) Same country	1.057*** [0.001]	1.040*** [0.001]	1.015*** [0.001]	1.008*** [0.001]
<i>Rho</i>	0.196	0.142	0.093	0.065
<i>Wald test Chi2 (p-value)</i>	18.861 [0.000]	7.230 [0.007]	1.980 [0.159]	0.882 [0.348]
(b) Export interests	0.011 [0.426]	0.013 [0.342]	0.015 [0.258]	0.016 [0.231]
<i>Rho</i>	0.206	0.000	0.000	0.000
<i>Wald test Chi2 (p-value)</i>	20.050 [0.000]	7.266 [0.007]	1.968 [0.161]	0.874 [0.000]
(c) Bank exposure	0.042*** [0.000]	0.042*** [0.001]	0.042*** [0.000]	0.042*** [0.001]
<i>Rho</i>	0.139	0.000	0.000	0.000
<i>Wald test Chi2 (p-value)</i>	4.301 [0.038]	1.611 [0.204]	1.480 [0.224]	1.042 [0.000]
(d) Geopolitical alignment (UN)	0.004 [0.391]	0.004 [0.370]	0.004 [0.374]	0.004 [0.361]
<i>Rho</i>	0.207	0.000	0.000	0.000
<i>Wald test Chi2 (p-value)</i>	21.586 [0.000]	8.533 [0.003]	2.774 [0.096]	1.437 [0.000]
(e) US military interests (aid)	0.046** [0.016]	0.045** [0.016]	0.040** [0.029]	0.040** [0.029]
<i>Rho</i>	0.331	0.000	0.000	0.000
<i>Wald test Chi2 (p-value)</i>	16.330 [0.000]	15.142 [0.000]	7.564 [0.006]	7.687 [0.000]
(f) Common language	0.751*** [0.000]	0.760*** [0.000]	0.767*** [0.000]	0.771*** [0.000]
<i>Rho</i>	0.176	0.000	0.000	0.000
<i>Wald test Chi2 (p-value)</i>	18.430 [0.000]	6.441 [0.011]	1.383 [0.240]	0.561 [0.000]
(g) Cultural distance (language)	-0.021*** [0.000]	-0.021*** [0.000]	-0.021*** [0.000]	-0.021*** [0.000]
<i>Rho</i>	0.179	0.000	0.000	0.000
<i>Wald test Chi2 (p-value)</i>	18.911 [0.000]	6.611 [0.010]	1.593 [0.207]	0.676 [0.000]
(h) Cultural distance (ethno-racial)	0.001 [0.840]	0.001 [0.849]	0.001 [0.833]	0.001 [0.839]
<i>Rho</i>	0.210	0.000	0.000	0.000
<i>Wald test Chi2 (p-value)</i>	23.096 [0.000]	9.246 [0.002]	2.708 [0.100]	1.359 [0.000]
<i>Exclusion variable</i>	<i>None</i>	<i>Number of rated countries in the previous period (by agency)</i>	<i>Number of "Big Three" rating a particular country in the previous period (by sovereign)</i>	<i>Both</i>

Notes: The dependent variable of the second stage is a country's sovereign rating on a 21-point scale. The dependent variable of the first stage is a dummy variable that takes a value of one if the sovereign receives a rating from a particular agency. Each cell refers to a separate regression. The table displays only the coefficients on the respective variable of interest of each regression. All regressions include control variables, time and agency fixed effects. The last row indicates the respective exclusion variables that are only included in the first-stage regression. The full sample contains data from February 1990 to June 2013. Standard errors are clustered at the sovereign level. ***, **, * indicate significance at the one-percent, five-percent or ten-percent level. P-values are displayed in brackets.