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Most state governments have been assigned a grade by the Government Performance Project (GPP) to measure their management capacity. However, state governments' performance grades assigned by the Government Performance Project (GPP) provide a great opportunity to study how people perceive and respond to state governments' management capacity. This study finds that states with higher GPP grades tend to have higher state GO bond ratings, but the relationship may be nonlinear as people are more sensitive to the extremes of perceived performance. In particular, we observe a "performance premium" scenario in which S&P bond ratings grow at an increasing rate as state GPP grades improve.



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