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Municipal financial reporting and competition among underwriters for new issues of general obligation bonds*

EARL R. WILSON, JENICE P. STEWART

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Abstract

Abstract. This study develops and tests the hypothesis that the quality and quantity of municipal financial information are positively associated with increased competition in the primary market for new issues of general obligation bonds. A measure of market competition, the number of underwriter bids tendered, is regressed on several market-related and issue-specific control variables and a group of financial reporting test variables. A sample of 224 new issues of municipal general obligation bonds sold by competitive bid between 1978 and 1983 is examined. The results generally support the hypothesis. Employment of an independent CPA firm auditor and more extensive disclosure increase competition, as expected. However, no support was found for the argument that holding a Government Finance Officers Association Certificate of Conformance increases the level of underwriter competition.

Résumé. Les auteurs établissent et vérifient l'hypothèse selon laquelle la qualité et la quantité d'information financière municipale sont en relation positive avec l'augmentation de la concurrence sur le marché primaire pour les nouvelles émissions d'obligations générales. Une mesure de la concurrence sur le marché, soit le nombre d'offres de preneurs ferme, est soumise à

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