Predation and reputation acquisition in debt markets*

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Abstract. This paper presents a model of predation based on reputational differences between the entrant and an incumbent. While the incumbent has an established reputation in the debt market, the entrants's quality is not yet known in the debt market. We show that the incumbent may have incentives to prey in order to interfere with the "reputation acquisition" of the entrant.

Keywords: Asymmetric information - Financing costs - Predation - Reputation

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