



Press Release

Credit Rating Agencies and the Lessons of 2008

ANDREW EVANS | MAY 21, 2020

While the Federal Reserve has begun to open the spigots and flood the economy with liquidity, not all firms will be able access the Fed's emergency relief because of their poor credit ratings. While some see a parallel between credit rating agencies' behavior in 2008 and today, AAF President Douglas Holtz-Eakin notes some key differences in a new essay. While the information we are receiving on the creditworthiness of firms right now is painful, all signs indicate these assessments are correct — and that means the credit rating agencies learned the lessons of 2008, he argues.

Holtz-Eakin concludes:

More important than the reputations of the credit rating agencies, however, is the information they provide to the economy. The agencies did not decide that companies such as Macy's cannot receive federal help — it is a policy decision that Congress made in the CARES Act. Indeed, if the agencies didn't issue downgrades in this environment, it would be a real indictment of a too-cozy relationship with issuers. The fact that the credit rating agencies are the bearers of bad news to these firms means that they are doing their job.

[Read the Essay](#)