

Accepted Manuscript

When does the peer information environment matter?#

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PII: S0165-4101(17)30046-0
DOI: [10.1016/j.jacceco.2017.03.005](https://doi.org/10.1016/j.jacceco.2017.03.005)
Reference: JAE 1151

To appear in: *Journal of Accounting and Economics*

Received date: 1 March 2016
Revised date: 14 February 2017
Accepted date: 24 March 2017

Please cite this article as: Nemit Shroff , Rodrigo S. Verdi , Benjamin P. Yost , When does the peer information environment matter?# , *Journal of Accounting and Economics* (2017), doi: [10.1016/j.jacceco.2017.03.005](https://doi.org/10.1016/j.jacceco.2017.03.005)



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When does the peer information environment matter?

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First draft: September 2015

Current draft: July 2017

ABSTRACT: This paper examines whether and when the information environment of peer firms in an industry affects the cost of capital for other firms in the industry. We predict and find that the peer information environment is negatively associated with a firm's cost of capital when there is less publicly available firm-specific information and this negative association shrinks as the amount of firm-specific information increases. This paper provides evidence that information about peer-firms has externalities on the cost of capital for related firms and that these externalities are time-varying.

*Corresponding author contact information: 100 Main street, Cambridge, MA 02142; Phone: (617) 253-2956; email: rverdi@mit.edu. We thank Marty Fridson for many helpful conversations related to the bond market and capital raising process. We appreciate helpful comments from Christine Botosan, John Core, Ed deHaan (discussant), Dawn Matsumoto (referee and discussant), Omri Even Tov (discussant), Xi Li (discussant), Heidi Packard, Sarah Shaikh (discussant), Joe Weber, Joanna Wu (the editor), Mingyue Zhang (discussant), workshop and conference participants at the 2015 AAA Doctoral Consortium, 2016 AAA Annual Meeting, Baruch College, 2016 FARS Mid-Year Meeting, Florida State University, INSEAD, 2016 *Journal of Accounting and Economics* conference, MIT (Accounting), MIT (Economics, Finance, & Accounting brown bag), MIT Asia Conference, 2016 Nicholas Dopuch Conference at Washington University, University of Chicago, University of Michigan, University of Rochester, University of Southern California, University of Texas at Dallas, and Yale University. We thank Eric So for providing us bid-ask spread data. We acknowledge financial support from the MIT Sloan School of Management.

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