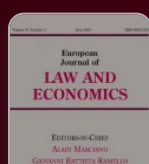


[Home](#) > [European Journal of Law and Economics](#) > [Article](#)

Are bad times good news for the Securities and Exchange Commission?

| Published: 09 August 2014

| Volume 40, pages 33–47, (2015) [Cite this article](#)



[European Journal of Law and Economics](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:



- > **Store and/or access information on a device**
- > **Personalised advertising and content, advertising and content measurement, audience research and services development**

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

SEC's funding follows a regulative cycle: A weak stock market results in increased resources for the SEC. A strong stock market results in reduced resources. Our findings underline the downside of regulation as the regulative cycle amplifies the technical procyclicality inherent in regulation.

 This is a preview of subscription content, [log in via an institution](#)  to check access.

Access this article

Log in via an institution →

Subscribe and save

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **[privacy policy](#)** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

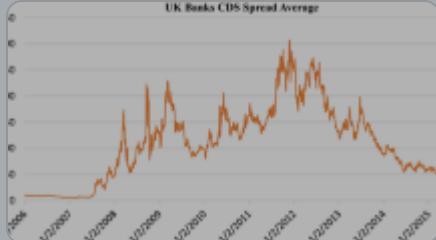
Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Manage preferences



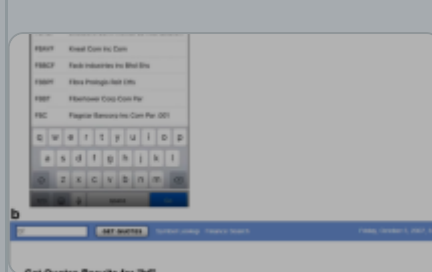
What do we know about the stock markets' reaction to regulatory announcements regarding financial...

Article | 04 August 2022



Theories of Securities Markets Regulation

Chapter | © 2018



On the economic effects of the text completion interface: empirical analysis of financial markets

Article | 23 June 2021

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

3. There exists a substantial literature (e.g. Loebbecke et al. [1989](#); Beasley [1996](#); Bell and Carcello [2000](#)) establishing that an individual firm's financial results might impact its probability of fraudulent reporting. The relation between stock-market wide conditions and a firm's probability to commit fraud is, however, unclear.
4. Bebchuk and Neeman's ([2010](#), p. 1110) prediction 4 states: "Investor protection will be higher in growing economies in which the value of the new capital that needs to be raised from outside investors is largely relative to the value of the capital already in the hands of existing public firms."
5. Brown et al. ([2013](#)) study the impact of shareholder protection on (young)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

([2008](#)). In respect to the SEC as a public enforcement institution, a recent study by Lohse et al. ([2014](#)) shows that increases in the SEC's resources improve compliance with financial market rules. Even Del Guerico et al. (Del Guerico et al. [2013](#)) show that there is a deterrence effect associated with SEC enforcement.

10. The data is on fiscal year basis. Since 1976 the federal fiscal year ends in October. Prior to that, the fiscal year ended in June.

11. In order to avoid our results being driven by the financial crisis or the Madoff scandal, we consider only data up to 2007. We provide a robustness check for the time until 2010 in Sect. [3.2](#). The number of observations we use is comparable to Jackson and Roe ([2009](#)) who use, at most, 55 observations.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

is the number of usable observations.

16. Dickey-Fuller-tests indicate that *sec_stocks** is stationary. The finding that *sec_stocks* has a unit root can be explained by a number of factors. First, a rising complexity of the firms supervised and, second, a growth of the average market capitalization of the firms traded on the NYSE.
17. The results are very similar if we detrend *sec_budget* using a second degree polynomial. Lohse et al. ([2014](#)) use this approach.
18. The multivariate SBC are calculated as $(SBC = T \cdot \log |\varOmega| + k \cdot \log T)$ where T is the number of usable observations; $|\Omega|$ is the determinant of the variance/covariance matrix of the residuals; and k is the

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **[privacy policy](#)** for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Bank for International Settlements. (2010). *Basel Committee on Banking Supervision: Basel III: A global regulatory framework for more resilient banks and banking systems*. Basel: Basel Committee on Banking Supervision.

[Google Scholar](#)

Beasley, M. S. (1996). An empirical analysis of the relation between the board of director composition and financial statement fraud. *Accounting Review*, 71(4), 443–465.

[Google Scholar](#)

Bebchuk, L. A., & Neeman, Z. (2010). Investor protection and interest group politics. *Review of Financial Studies*, 23(3), 1089–1119.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **[partners](#)**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **[privacy policy](#)** for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Boyle, G., & Meade, R. (2008). Intra-country regulation of share markets: Does one size fit all? *European Journal of Law and Economics*, 25(2), 151–165.

Brown, J. R., Martinsson, G., & Petersen, B. C. (2013). Law, stock markets, and innovation. *The Journal of Finance*, 68(4), 1517–1549.

Brunnermeier, M., Crockett, A., Goodhart, C., Persaud, A. D., & Shin, H. (2009).

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Hertzberg, A. (2003). *Managerial Incentives, Misreporting, and the Timing of Social Learning: A Theory of Slow Booms and Rapid Recessions*. Working paper, Northwestern University.

Jackson, H. E. (2013). *Public enforcement: An update of literature on resource-based evidence*. Unpublished Manuscript.

Jackson, H. E., & Roe, M. J. (2009). Public enforcement of securities laws: Resource-based evidence. *Journal of Financial Economics*, 93(2), 207–238.

[Article](#) [Google Scholar](#)

Kim, I. (2008). Securities laws ‘facilitating’ private enforcement. *European Journal of Law and Economics*, 25(1), 17–38.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Commission. *Journal of Economic Behavior and Organization* (forthcoming).
doi:[10.1016/j.jebo.2014.06.010](https://doi.org/10.1016/j.jebo.2014.06.010).

[Google Scholar](#)

Martinsson, G. (2013). Financial reform, demand for skilled labor, and growth. *Swedish House of Finance Research Paper* No. 13-04.

NYSE (2009). Facts and Figures, NYSE Historical Statistics,
<http://www.nyxdata.com/nyxdata/NYSE/FactsFigures/tabid/115/Default.aspx>.
Accessed 30 August 2013.

Peev, E. (2015) Institutions, economic liberalization and firm growth: evidence from European transition economies. *European Journal of Law and Economics*

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

SEC (2012). *Securities and Exchange Commission annual reports*, www.sec.gov. Accessed 30 August 2013.

Seligman, J. (2003). *The transformation of wall street* (3rd ed.). New York: Aspen.

[Google Scholar](#)

Shleifer, A. (2005). Understanding regulation. *European Financial Management*, 11(4), 439–451.

[Article](#) [Google Scholar](#)

Sims, C. A., & Zha, T. (1999). Error bands for impulse responses. *Econometrica*, 67(5), 1113–1156.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Zingales, L. (2009). The future of securities regulation. *Journal of Accounting Research*, 47(2), 391–425.

[Article](#) [Google Scholar](#)

Acknowledgments

The authors thank two anonymous referees, Johan Eklund, Martin Eling, Razvan Pascalau, Lars Petterson, Daniel Wiberg, participants of the workshop on Regulation, Entrepreneurship and Firm Dynamics in Stockholm, the German Finance Association meeting and seminar participants at Humboldt University Berlin, the Universities of Hannover, Potsdam, and Ulm and the Social Science

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Center for Risk and Insurance, Leibniz Universität Hannover, Hannover, Germany

Christian Thomann

Ministry of Finance, Stockholm, Sweden

Christian Thomann

Corresponding author

Correspondence to [Christian Thomann](#).

Rights and permissions

[Reprints and permissions](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Search

Search by keyword or author



Navigation

Find a journal

Publish with us

Track your research

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

- Store and/or access information on a device
- Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Manage preferences