CHICAGO JOURNALS

April 2004

Financial Disclosure and Bond Insurance

Angela K. Gore, Kevin Sachs, and Charles Trzcinka | AUTHOR INFO AND AFFILIATIONS

Publication: The Journal of Law and Economics • Volume 47, Number 1 • **DOI**: https://doi.org/10.1086/380472

GET ACCESS

Abstract

Regulators typically assume that public financial disclosure is necessary for the efficient functioning of capital markets. Economists recognize that other mechanisms, such as insurance, can mitigate problems that occur when buyers have less information than sellers. We examine whether public financial disclosures and bond insurance are substitutes. Our data are from municipal issuers in Michigan, where financial disclosure is required by the state, and Pennsylvania, where disclosure is unregulated. We study municipal issuers because they are not covered by federal securities laws and state laws often allow issuers to choose the level of financial disclosure. Overall, we find that when disclosure is unregulated, issuers substitute between disclosure and insurance. When disclosure is required by state law, issuers use less insurance. Our results imply that required accounting disclosure is not necessarily optimal since rational issuers will trade off public disclosure and insurance when free to do so.

Get full access to this article

View all available purchase options and get full access to this article.

GET ACCESS

ALREADY A SUBSCRIBER? SIGN IN AS AN INDIVIDUAL OR VIA YOUR INSTITUTION

View full text | Download PDF

THE UNIVERSITY OF CHICAGO PRESS JOURNALS

The University of Chicago Press Books

Chicago Distribution Center

The University of Chicago

Diversity and Inclusion at UChicago

Journals Division accessibility

UChicago accessibility

Open access at Chicago

Permissions

Statement of Publication Ethics

Contact us

Terms and Conditions

Privacy Notice

Media and advertising requests

© 2025 The University of Chicago and other publishing partners. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.