

Sarbanes-oxley's act: article summary



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The article “ Congress Should Repeal Sarbanes-Oxley Act” by William Niskannen discusses reasons and arguments why the law should be annulled. The Sarbanes-Oxley Act (SOA) was passed, in 2002 and was considered a response to the collapse of Enron and other corporations with similar problems. Nevertheless, the author views this act as inadequate, harmful and unnecessary. Firstly, the act is viewed as unnecessary because “ the stock exchanges had already implemented most of the SOA changes in the rules of corporate governance in their new listing standards”. p. 12) In other words, Exchange Commission is provided with full authority to enforce and to approve all accounting rules and standards, as well as to control financial statements of their firms. Furthermore, Department of Justice is able to prosecute executives for frauds associated with securities, stocks and bonds. The author claims that Public company Accounting Oversight Boards isn't useful as it has no authorities to regulate remaining independent public auditors.

Secondly, the law is viewed as harmful because it “ substantially increases the risks of serving as a corporate officer or director”. (p. 13) The author means that SOA may serve more foreign and small firms, rather than stocks on American exchange. For example, the law suggests banning of loans to corporate officers and it leads to elimination of one of the most effective tools of executive compensation. In such a way, the act reduces incentives of directors and corporate executives to receive legal advice.

Finally, the act is viewed as inadequate because it has proved to fail problems of accounting, taxation, corporate governance and auditing. In such a way, SOA increase the risk of bankruptcy. I think that the question

whether SOA is effective or should be repealed is rather controversial. On the one hand, it cares for of foreign firms and small businesses, as well as fails to respond to auditing and taxing problems. On the other hand, it is designed as rescue program after Enron scandal. Its goal is to restore reputation and public trust in corporate sector in the USA.