

## PCAOB Establishes Center for Economic Analysis

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On November 6, the [Public Company Accounting Oversight Board](#) announced that it is establishing a Center for Economic Analysis. According to the PCAOB's release, the Center "will advise the PCAOB on how economic theory, analysis, and tools can be better used to enhance the effectiveness of PCAOB program areas, including standard setting, inspections and other oversight activities. Additionally, the Center will promote and encourage economic research relating to the role of the audit in capital formation and investor protection." The Center will be headed by University of Chicago Professor Luigi Zingales.

PCAOB Chairman James Doty's comments refer only incidentally to the PCAOB's "use of economic analysis in its rulemaking." However, one role of the Center may be to assist in the development of cost-benefit analyses to support the PCAOB's rulemaking and standard setting activities. The Sarbanes-Oxley Act does not require the PCAOB to perform cost-benefit analyses. Nonetheless, the PCAOB has recognized the need to provide such analysis to justify its rules and provide a basis for the SEC to consider whether to approve them. The JOBS Act expressly requires the SEC to consider economic factors in deciding whether to apply new PCAOB auditing standards to emerging growth companies but the PCAOB's economic analysis likely will not be limited to that area.