

66°F

Partly Cloudy

Forecast

sponsored by **Champion** WINDOWS • RIDING PATIO ROOMSHome | [Find it in today's St. Louis Post-Dispatch](#) | [Suburban Journals](#) | [St. Louis' Best Bridal](#) | [Ladue News](#)[Log In](#) | [Subscriber Services](#) | [Place an Ad](#)Web Search powered by **YAHOO!** SEARCH site [News](#) [Business](#) [Sports](#) [Entertainment](#) [Life & Style](#) [Multimedia](#) [Interact](#) [Jobs](#) [Rides](#) [Homes](#) [Marketplace](#)[Home](#) ► [Blog Zone](#) ► [Mound City Money](#) ► [Mound City Money](#) ► [Demonizing short-sellers won't solve anything](#)

09.19.2008 6:35 pm

**Demonizing short-sellers won't solve anything**

By David Nicklaus

St. Louis Post-Dispatch

[Email this](#)[Share this](#)[Print this](#)

Of all the emergency financial measures announced over the last 24 hours, the SEC's ban on short selling of financial stocks is the least likely to have the desired effect.

Consider, for example, some of the research that's been done on an earlier SEC measure, the July 15 ban on "naked" short selling of 19 financial stocks. **Arturo Bris**, of the **IMD** business school in Lausanne, Switzerland, found that the SEC action actually hurt some of the stocks it was trying to protect. **Fannie Mae** and **Freddie Mac** were on the list, and the edict certainly didn't prevent their stock prices from falling.

Bris found no evidence that short-selling had driven down the 19 companies' stock prices before the ban. After the ban, he found that "market quality" — as measured by price volatility and bid-ask spreads — deteriorated significantly for the 19 stocks.

What's more, during the ban those stocks fared about 10 percent worse than similar financial shares. It seems that fundamentals, not short selling, drive stock prices.

The 799 firms included in the SEC's new short-selling ban include St. Louis stalwarts **Stifel Financial** and **Reinsurance Group**. It's unclear why others, like **Commerce Bancshares** and **Enterprise Financial Services**, aren't on the list.

★ ★ ★ ★ ★ (2 votes, average: 2.5 out of 5)

Loading ...

Tags: [Fannie Mae](#), [Freddie Mac](#), [STL companies](#), [stock](#)

2 comments

Share your thoughts here.... *(Please keep it civil. Don't say anything you wouldn't in front of your mother.)*Blog Comments: [Rules of the Road](#)

Why give anyone incentive to destroy our financial systems and markets, then reward them? Shorts would have no need to spread false rumors and panic if short selling was not allowed. That is insane.

Shorts are very evil and greedy people that strive for the destruction of man-kind. They dream for the death of individuals, job losses, and all bad things in general. And the crazy thing is they get rewarded if their dreams come true.

— Tim

7:25 pm September 19th, 2008

If short-sellers succeed in driving the price of a stock down below its real long-term value, they will lose and investors who recognize the long-term value will buy the stock at depressed prices and gain. That's hardly one of the great threats to humanity.

— Ted44

9:32 am September 20th, 2008

[◀ Previous entries](#)

## about this blog

Looking for intelligent discussion of our fast-changing economy? You've come to the right place. Pull up a chair, pour yourself a tall glass of iced tea and join the conversation with business columnist David Nicklaus, who's been observing the St. Louis business scene for more than two decades.

- [Read David Nicklaus' columns](#)
- [Submit questions for a Business Beat discussion.](#)

(What's RSS)

## about the author



David Nicklaus has covered St. Louis business for more than 25 years. His column appears three days a week on the Post-Dispatch business page.

## log in now

Member ID or

Email address:

Password:

[Forgot your password?](#) Remember me on this computerNot a member? [Register now](#)

## most recent posts

[Demonizing short-sellers won't solve anything](#)  
[Wachovia reportedly in talks with Morgan Stanley](#)  
[A-B shares are now \\$5 below merger price](#)  
[St. Louis slips in performance ranking](#)  
[Go, Rams! The economy needs you](#)  
[Poole weighs in on bailout's aftermath](#)  
[Bunge executive criticizes ethanol mandate](#)  
[K Street loses two big clients](#)  
[Are carmaker loans a hand up or a handout?](#)  
[If you round up, it's just another dollar store](#)

## blog archives

Select Month

Search this blog

## tag cloud

income tax trade Wal-Mart Federal Reserve Social Security **STL companies** health care **STL economy** technology inequality recession Illinois energy minimum wage college savings eminent domain bonds Renaissance Hotel autos stocks immigration **Anheuser-Busch pension** economics research personal finance Twin Cities banks Ameren Solutia housing price gouging Atlanta property tax entrepreneurs venture capital mutual funds 401k ethanol US economy marketing Missouri inflation **executive pay** Economic Challenge sports

## categories

Mound City Money  
Uncategorized

## blog roll

### Blogroll

Econbrowser  
Free exchange  
Greg Mankiw's blog  
Show-Me Daily  
Urban Review STL

### Quick Links:

Site Map  
Horoscopes  
Obituaries  
Lottery  
Newspapers in Education

### Information:

About Us / Contact Us  
Archives  
Terms of Service  
Privacy Policy  
Copyright

### Services:

Subscriber Services  
Place an Ad  
Help  
E-mail Newsletters  
P-D Store

### STLtoday.com sites:

St. Louis Post-Dispatch  
Suburban Journals  
St. Louis' Best Bridal  
Ladue News

