I. Introduction

My title paraphrases Bernard Mandeville’s subtitle for his Fable of the Bees (1723), a popular work in the eighteenth century, not least for its enticing claim that private vices yield public benefits. Virtue and vice, private and public – somewhat stylized couplings, perhaps, but the terms still reverberate when it comes to problems of economy and society, and I will be using them here as a kind of historical echo chamber. Mandeville’s catalogue of vices, for example, has an easy familiarity: lawyers survey the law like burglars do houses; priests are lazy, avaricious and lustful despite the strictures of their calling; those in government boast of their own honesty and speak of the common good even as their hands reach ever deeper into the till – his list of exemplars goes on. And contemporary analogs are easy enough to find.

But hypocrisy does not sufficiently account for the mess we are in today, and moral outrage has yet to transform society. I think there are several systemic factors at issue in any contemporary reckoning with public and private, virtue and vice. These are relational terms above all, to be grasped in tandem, but the context in which they operate has changed since the eighteenth century. The pairing of ‘public’ and ‘private,’ for example, is now far more formalized and institutionalized. And the moral pique experienced by many of Mandeville’s early readers has been mitigated by the passage of time. Too, economics has been scientized and systematized to a far greater extent than was the case in the long ago days of

1 This paper is a much-expanded version of an earlier piece, Grotke 2012. My gratitude to the organizers of the November 2012 Helsinki Collegium conference, Alejandro Lorite Escorihuela & José Filipe Pereira da Silva, for the chance to think more about accounting, and to benefit from the other conference presentations. Two anonymous reviewers provided comments on an earlier draft, and this paper has been improved as a result of their insightful remarks – thank you. Though I could not incorporate all of their helpful suggestions here, they will be kept in mind for future work.
political economy, thanks in part to a gradual but pronounced naturalization of economic competition and resultant order, about which I will a bit say more, below. We may of course still be outraged at the disproportionality between the penalties levied upon financial institutions relative to the concrete personal and social harm experienced by those who lost houses, savings, or jobs as a result of the crisis—all those individual stories that never get told in a newspaper or, if they do, appear chiefly as a shorthand trope of a much more general malaise. But it seems that whatever our economy now is, it is to a considerable extent premised on the notion of private financial institutions that are too big to fail. The rest of us, by comparison, are apparently quite expendable, and even governments come and go. What does this mean? And how to think of public and private, virtue and vice today?

In preparing this paper, I knew that there would be two things I would like to address in the area of accounting that I think are relevant to the present financial crisis and its aftermath. The first is the current “convergence project” whose goal is a single, unified set of accounting principles for for-profit, exchange-listed private business entities. This development deserves attention because it is widely unfamiliar to nonspecialists, but also because its genesis and development coincide with the ascendancy of post-WWII neoliberalism. Too, its full implementation would occasion major changes in the processes of measuring economic value. Its importance for what follows rests on the claims made by convergence advocates that this project will serve the public interest in its streamlining of private, for-profit accounting, a claim that certainly carries with it assumptions about an ideal equilibrium between public and private. My second focus will be on a 2006 White Paper from the US Governmental Accounting Standards Board (GASB), which makes a strong argument for a distinction between public and private accounting practices. This document motivated my choice to go back to the 18th century for inspiration, since the White Paper struck me on first reading as the kind of document that prompts comparison with what one might generally call the spirit of the Enlightenment, in its positive but also critical senses. In other words, it offers a strong statement of principle—one that is highly morally inflected, clearly about values and just as clearly oriented toward a perceived threat of the priorities and procedures of government being undermined or even displaced by those of the corporation. In its emphasis on a notion of citizenship that is not equivalent or subordinate to the market or market behavior, I think it is in some important ways directly linked to certain Enlightenment ideals, particularly of representative government. Being a statement of principle, I will be using it here in order to raise some questions about the ways that public and private meet, and also to question the ‘corporatization’ of the public sphere.

In what follows, I will surely raise more questions than I will answer regarding the relationship of accounting and value(s). But I hope that what I do describe will be useful, and prompt more work on the the crisis and the importance of accounting standards in analyzing it. Very little mainstream, non-specialized work has been done on this topic, and that is unfortunate. Discussion of the crisis and what to
do about has been marked by a great many stale ideas, a great deal of highly professionalized financial arcana, and a great deal of frustration. This strikes me as a very bad and particularly unenlightening combination, and one that is also highly depoliticizing.

II. A Mandevillean Echo-Chamber

Finance – as practiced by banks, corporations, hedge funds and similar entities – is a largely ‘private’ activity whose confines are justified at least in part by an underlying logic of competition, relative advantage, and profit-seeking. As we now can see, if we didn’t already before, this activity has very public consequences. As for virtues and vices? Attribution is always difficult, and things may indeed be relative, but the terms nevertheless have a certain force and are still clearly useful when it comes to praising or condemning the many actors and institutions in the financial drama within which increasingly more people across the world are forced to act, as their savings, earnings, prospects and horizons contract along with the economy. Even if it may be averred that moralizing often proves an unreliable guide to the understanding, especially in cases where considerations of personal or private character and behavior coexist alongside the evidently systemic and global, the language of virtue and vice is already all around us, and defines the realm of collective political engagement and commitment across the many and varied registers of response to the crisis. There is a history here, one of the gradual development of economies and politics in tandem, and Mandeville serves as a useful marker on the road to understanding the function of freedoms and constraints within the evolution of the modern state.

Mandeville’s key claim was that selfishness and egoism, far from being detrimental to society, were instead the source of prosperity and progress. This rather deceptively simple idea stood at the center of the contemporary controversy surrounding the work. In Mandeville’s view, morality – and particularly abstract, prescriptive morality as found in systems of ethics or religion – was full of ideals bearing very little relation to how most people behave in social and professional life. These behaviors were ineluctably rooted in passions and desires, not reasons or principles. The achievement and maintenance of a thriving and successful polity, according to Mandeville, was not a matter of working toward some idealized state of peace and harmony – something which, if taken seriously, would only result in decline. Rather, it was the vice issuing from basic human egoism that allowed the state to prosper. His claim was that the bad must be taken with the good, since they are of a psychological, social, and territorial piece. If humans were ever unfortunate enough to be cured of their abundant personal vices, “they would cease to be

2 Posner (1992) makes similar arguments regarding the ineffectuality of moral principles derived from Judaeo-Christian beliefs in advancing a more just society.
capable of being rais’d into such vast, potent, and polite Societies, as they have been under the several great Commonwealths and Monarchies that have flourish’d since the Creation.”

For this reason, to strive for utopian contentment would be to court social crisis and collapse.

Much of the force of Mandeville’s fable comes down to his insistence on how we really behave rather than who we wish to be or think we already are. He seeks to explain how any social commerce and economy engaged in by such conceited, extraordinarily selfish, headstrong and cunning animals as ourselves necessarily entails friction, hypocrisy, perhaps even a little crisis and certainly war and death. Nevertheless, he discerned an order within the apparent chaos. That Mandeville’s philosophical anthropology emphasized egoistic, selfish capacities of human beings did not particularly perturb him: as he states at the outset of the *Fable*, “Twas said of Montagne, that he was pretty well vers’d in the Defects of Mankind, but unacquainted with the Excellencies of human Nature: If I fare no worse, I shall think myself well used.” And perhaps it is true that we need to understand our worst capacities in order to draw upon our best. The animating genius of Mandeville’s conception of human nature was rooted in two simultaneous separations: first, between individual and collective behaviors; and second, between private and public moralities. I note this because it bears on the reflexive problems posed by the present financial crisis: the ways in which we think and talk about how and why the crisis occurred, whether we attribute responsibility and blame to individuals, groups, or systems, and all the dynamic and corresponding moral evaluations that play such a considerable role in the political arena, broadly understood.

What the *Fable* perhaps lacked in philosophical subtlety it compensated for in its unwavering commitment to and development of a single and highly aggravating idea, one to which many others felt compelled to respond. Mandeville’s contrarian arguments were a provocation to and not a justification of many received ideas. This marks a difference in context between his age and ours, because the challenges presented by his underlying philosophical anthropology at a time when commercial society was just developing are no longer so acute and have even been somewhat routinized by the gradual entrenchment of various capitalist naturalisms. But in the eighteenth century, Mandeville’s claims occasioned a great deal of conspicuous engagement. Hutcheson condemned Mandeville in his lectures, and George Berkeley specifically targeted Mandeville’s ‘empiricist’ views in his *Alciphron* dialogues (1732). Adam Smith, though influenced by Mandeville, could also be critical: “All public spirit, therefore, all preference of public to private interest, is, according to him, a mere cheat and imposition upon mankind; and that human virtue which is so much boasted of, and which is the occasion of so much emulation, is the mere offspring of flattery begot upon pride.”

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3 Mandeville 1923 [2001 reprint], v. 1, 9.
4 Mandeville 1923 [2001 reprint], I, 7–8; 5.
5 Smith 1984, 309.
Mandeville on several grounds: his reduction of all sympathy to vice, for example, as well as an underlying asceticism so extreme that any meaningful intersubjective sympathies among human beings are simply ruled out. On a related note, David Hume once commented that if vice is understood as the key to virtue and social goods, there must simply be something wrong with our terminology.⁶

Friedrich von Hayek, considered by many a primary architect of neoliberalism, credited Mandeville along with Hume for recognizing that “the formation of regular patterns within human relations that were not the conscious aim of human actions raised a problem which required the development of a systematic social theory.”⁷ In Hayek's reading, Mandeville succeeded in bringing together two distinct but nevertheless “twinned” notions that had previously been kept apart by rationalist philosophizing: the idea of evolution, and the notion of a spontaneous generation of order.⁸ For those who may be interested in the various ways naturalism has entwined itself within Western economic thought, this is a key interpretive moment, one that has been central to the deregulationist aesthetic. In his article on Mandeville, Hayek credits Mandeville with pointing the way out of a 2,000 year old prison constructed by the Greeks by means of the dichotomy between nature, on the one hand, and artifice or convention, on the other.⁹ Hardly a small feat. In other words, Mandeville had made a discovery about commercial sociability, one useful in dispelling centuries of confusion, and so he was not simply a teller of tales; rather, he was a kind of scientist. Hayek’s reading of Mandeville is an important part of the intellectual and historical legitimation of deregulatory approaches to the relationship between state and market.¹⁰ My suspicion is that economists may now have more sophisticated approaches to this relationship, but in the realm of politics the moral charge attached to deregulationist, free market ideas is still strong enough perhaps to excuse my oversimplification. So strong, it would seem, that many governments far prefer using taxpayer money to finance bailouts and/or instituting austerity policies to regulating the banks and financial institutions that were at the center of the storm.

III. Crisis and Accounting

To return to Hume, it seems there is always something potentially wrong with our terminology, and perhaps particularly so when it comes to talking about problems

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⁷ Hayek 1983, 22.
⁸ Hayek 1967, 126.
¹⁰ As one anonymous reviewer of this piece helpfully noted, Mandeville’s ‘paradox’ has been read in many ways: for the curious reader, cf. the bibliography on Mandeville’s work at <andromeda.rutgers.edu/~jlynch/C18/biblio/mandeville.html> (accessed 5 Nov 2013).
of ends, values, or the direction of social order and organization, things which crisis always signals in inverted perspective. The tension about language, values, and determination of the real has been conveyed in Marxist and critical thought by the concept of “ideology,” a word that bears witness both to the rise of the bourgeoisie as well as subsequent attempts to account for them. This was a group that, as Horkheimer and others argued, had a great many interests in suppressing rather than liberating instinctual desires in the process of their own self-creation and justification – a class that, if this analysis is endorsed, seem to have turned its back on Mandeville *en masse* in favor of more virtuous self-understandings, passions, and sentiments. But within the critical reading, if private vices are suppressed, this happens in aid of an even greater public vice – capitalism, or, since even capitalists can now talk of ‘capitalisms,’ perhaps neoliberalism may be the better or at least more current term. But even from this vantage point, the problem of human nature – specifically, the ways it is shaped or distorted – remains central, even if only by implication and by virtue of the hope that it may be expressed in less exploitative, damaging or confining ways. Now, the language of crisis echoes across the globe, part of an entrenched and also media-driven delivery system, one that tends to pay relatively less attention to the questions, where do we go from here, and how bad will the future be if we don’t change course?

Outside of the collection of vast amounts of data and the calculation of probabilities which now encircle so much of our world, perhaps there is no telling – an observation that may be taken with or without irony, as the reader wishes. And, as has been long pointed out, even with inductive-based predictive methods there remains a problem of deriving a future state of affairs from a present one. The mistake being called out in this famous criticism is chiefly a moral one, because perhaps the future should hold out the promise of a better state of affairs than present conditions, if simply extended, would seem to allow. We know that there is unfairness and injustice in the status quo, after all. But the mathematics of prediction and the status quo that are integral to consumer economics and marketing nevertheless also help serve to reassure us that we will not be surprised or not be surprised too much by things, like crises, say, or the outcomes of elections, or radical changes in standards of living of the kind that recent suicides in Spain have underscored. But when we are surprised by things, which actually seems to happen quite often, then virtues and vices become very important things to talk about. I doubt if too many people in Europe have missed, for example, remarks whether in public or private about lazy, profligate southerners or virtuous, thrifty northerners, since I have heard them often enough myself. Matters of value, its expression and calculation, come so swiftly and easily into play, and this is one of the reasons why a better understanding of accounting is of such fundamental importance, particularly in crises of a financial sort. Accounting rules provide a map of the financial territory. Because accounting is about the determination of values – first and most obviously, monetary ones (as

11 Horkheimer 1993, 56.
even the nineteenth-century development of value-theory attests, with its borrowing from the language of economy), but also those which may not or do not admit of having a price tag. Perhaps it is much easier to talk about national character than it is to confess that one doesn’t really understand what is going on, or than it is to admit ignorance about something so central to the modern world and its ways of structuring and measuring value. Clearly, one of the things that crisis-talk is good for is throwing people back on their selfishness and self-interest, in highlighting the vices of others in an attempt to shore up one's own sense of virtue. Propaganda makes great psychodynamic headway within tensions such as these.

In the context of Europe’s struggles to respond to the Eurozone crisis, for example, the relevance of accounting issues is central. Accounting is fundamentally about following the money, which presupposes determinations of monetary values. The stakes are high within this process. To the extent that accounting issues remain unclear, so too do the political stakes, which are an appropriate focus of public concern in this time of astonishing bailouts. The speed with which “crises” develop and are responded to makes it very difficult for people, even specialists, to understand the “financial system,” and the generation of opacities is itself a powerful political tool. Against this heady background, accounting standards can bring into coordinated focus several things that are often otherwise hard to align: on the one hand, processes such as marketization, financialization, and liberalization; on the other, governments, investors, professional and religious bodies, and citizens. “System,” on the one hand; “stakeholder,” on the other. Accounting tells a story of their volatile, mutually constituting relationship, one that is central to the contemporary practices of finance and governance, as well as their interconnections. Accounting rules and conventions act as constraints in the language games of finance, in both its private and public forms. There is nothing remotely natural about it.

IV. IFRS/IASB – The Convergence Project

The idea of common, worldwide standards for accounting and finance, now known as the Convergence Project, is a relative latecomer in the sphere of internationalisms, arising only in the decades after the Second World War. Spearheaded by the British and Americans, the idea of uniform accounting standards began to take hold as a key part of reconstruction after the war, during the period of the Marshall Plan. Although various national economic advisory commissions had existed prior to that period with similar, if less explicitly organized, ideas for easing international commerce, the postwar period provided considerable opportunities for international integration and consolidation. The establishment of national accounting associations accelerated in this period as well, as a means of easing international trade and investment across the ‘free world’: in Greece, for example, the profession of accounting was established only in 1955, after a long struggle and with the assistance of the British Accounting Advisors, a group
Dictatorship of Failure

whose development was rooted in the post-war economic missions.\textsuperscript{12} With the Cold War, efforts to consolidate and systematize accountancy in non-Communist areas picked up speed, principally under British and American aegis. In 1964, the American Institute of Certified Public Accountants published a comparative assessment of accounting professions and standards across 25 countries, with emphasis on Europe, North and Latin America, and the Far East.\textsuperscript{13} In that work, the Cold War context is explicit. But although talk of the ‘free world’ may now seem dated, the guiding ideal of an “advanced industrial society where demands for large-scale financing of operations and expansion are met through short-term banking operations or longer-term financing by public sale of securities” seems somehow less obsolete. Soon after AICPA’s report was published, the first textbook on international accounting, Gerhard Mueller’s \textit{International Accounting}, appeared in 1967.\textsuperscript{14} But it was only in 1973 that the related efforts of Sir Henry Benson in the UK led to formation of the International Accounting Standards Committee (IASC), the immediate predecessor of today’s International Accounting Standards Board (IASB). Based in London but currently incorporated privately in Delaware, IASB now leads and lobbies for the convergence project.

According to the ‘official history’ of the IASC by Kees Camfferman and Stephen Zeff, Benson recognized that the “rise of multinational enterprise in the 1960s and the consequent need to compare financial statements from different parts of the world” required that an effort be launched “to harmonize the vastly different accounting practices across countries.”\textsuperscript{15} Here too, the post-WWII and Cold War context is evident in the first signatories: Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the UK (including Ireland) and the US. Similarly, the US-based Federal Accounting Standards Board (FASB), which is the arbiter of Generally Accepted Accounting Practices (GAAP), states on its website that the convergence project was spurred on by “post World War II economic integration and the related increase in cross-border capital flows.”\textsuperscript{16} Much more could and needs to be said about these developments and their long-term effects, if only because the story I have just outlined above is often told in so consistently and unreflectively linear a fashion, particularly among advocates of convergence. We are now all familiar with narratives of professionalization and the formation of identity, and also with the benefits of critically examining such narratives because their embedded norms often play tricks of reference by claiming universal or expansive validity when far more narrow interests are also or even primarily at stake. The universality aimed at in this effort would be an instituted one, one whose enforcement would

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  \item \textsuperscript{12} AICPA 1964, 14.6.
  \item \textsuperscript{13} AICPA 1964.
  \item \textsuperscript{14} Mueller 1967. Cf also Flesher’s laudatory 2010.
  \item \textsuperscript{15} Camfferman & Zeff 2007, 1.
  \item \textsuperscript{16} FASB. <\url{www.fasb.org/cs/ContentServer?c=Page&pagename=FASB%2FPage%2FSSectionPage&cid=1176156304264}> (accessed 5 Nov 2012).
\end{itemize}
effectually dictate terms by which developing economies in particular might gain access to more ‘harmonized’ global markets, markets which would seem already weighted towards the interests of more powerful economies and their private, for-profit players.

Already prior to the financial crisis of 2007–8, the two most important standard-setters in for-profit enterprise accounting – the aforementioned International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) – were cooperating to implement accounting reforms based on the market-based measurement of “fair value” (sometimes called “mark-to-market”), a development prompted in part by problems of accounting for derivatives, which are often difficult to value outside of market activity. In 2006, FASB’s Financial Accounting Standard 157 on fair value was issued, effective for US financial statements issued after Nov 15, 2007; there, fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The market determines price, in other words, and in that moment of determination reflects the most accurate available perceptions of risk and reward.

According to this rationale, any attempt at planning economies runs afoul of the sheer amount of information that is contained in economic transactions and behavior across the globe. This is more or less the epistemological position outlined by Hayek in his “The Use of Knowledge in Society” of 1956, in which he characterizes the market as a repository for all sorts of timely “knowledge” that would be unavailable (even in statistical form) to any single individual or group; hence, he argues, the problem of the social use of knowledge can only be solved in a decentralized way. As in Mandeville, public virtue and the success and prosperity of empires cannot be dictated or planned, but appear instead as outcomes of naturalized processes – however much that claim may disturb the ambitions of political leaders, despots, or indeed anyone acting these days in a managerial capacity, unless of course they happen to be consulting with those who already believe this to be the case. IASB’s corresponding International Financial Reporting Standard, IFRS 13, was issued in May 2011 and is a key element of the so-called “convergence project,” which again aims at a universal, global regime of standards for financial (for-profit) reporting. This effort is supported by the G-20, the World Bank and the IMF as a way of supporting global capital markets, growth, and stability, and many advocates of convergence tout its benefits for facilitating global market access for countries with developing and emerging economies, on the reasoning that common practices

17 Cf. Power 2010, esp. 203–5. Because of their complex, contingent and often highly time-sensitive structures, derivatives can be difficult to value outside the context of market activity; in Power’s account, they provided a catalyst for fair value accounting, which could only achieve predominance in concert with other institutional and cultural conditions.


19 Hayek 1945, 524.
promote trade and access in and out of markets.\textsuperscript{20} As far as I can tell, it is not yet clear whether that promise will be borne out, but at any rate adoption of IFRS is proceeding apace among the G-20. The idea of such accrued benefits is, however, part of the rationale that convergence advocates use when making claims about acting in the public interest. But who is this public? Clearly, it must be a global one, though patently without unified political representation as such and exhibiting extremely varied conditions of citizenship within different sovereign borders.

European publicly listed companies, including banks, were required to move to fair value accounting by January 1, 2013, if they had not already done so. Prior to this, in 2005, all listed companies in the European Union were required to adopt international financial reporting standards (IFRS) as issued by IASB, a move which affected some 6,000 companies. One of these was the global bank HSBC, which made the news over the summer of 2012 when its money laundering efforts on behalf of Iran, North Korea and Mexican drug cartels were exposed in the course of a US Congressional investigation.\textsuperscript{21} Even so, HSBC is a big advocate of convergence, and presumably also of the accompanying ideals of transparency and accountability that it is so evidently struggling to live up to. In an October 2011 report by the U.S. Association of Chartered Certified Accountants (ACCA), HSBC’s chief accounting officer, Russell Picot, is quoted in praise of the convergence, saying that “One of the great benefits has been a single set of rules which underpin a single set of numbers by which the group is run...It’s done away with the Tower of Babel of different reporting and accounting languages we had before.”\textsuperscript{22}

For Picot and HSBC, the idea of a universal language for financial (for-profit) reporting is a good thing, though one might remark in passing that Picot’s metaphor contains a curious inversion of the biblical account of Babel that nevertheless seems to have survived review. And given HSBC’s own difficulties, it seems prudent to view its endorsement of unity over multiplicity with some skepticism. ACCA is an international professional advocacy and certification association that likewise sees a single, consistent valuation methodology as highly desirable; indeed, it portrays itself as the representative organization for “global” accounting professionals, certified and ready to work across sovereign boundaries. Released in advance of both the November G-20 summit and the imminent US Securities and Exchange Commission decision on whether to adopt international standards, ACCA’s report was essentially a piece of lobbying work on behalf of the convergence project. Beyond being merely useful or desirable, this project also claims to be ethical: on its website, ACCA repeatedly states that its mission is to “advance the public interest”; similarly, IASB says that its goal is “to develop, in the public interest, a single


set of high-quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles." These claims attest to a universalism conceived as simultaneously global, professional, and financial. More significant, to my mind, is the claimed convergence in values between private companies and the public interest, especially since, as mentioned previously, this global public exists chiefly as a highly hypostatized abstraction. I am not claiming here to understand all that is at stake in the process of convergence, but as soon as claims about the public interest are made, one suspects that quite a lot is, in fact, at stake and if such claims are not examined and held up to scrutiny and subject to the kind of counter-arguments that the financial crisis, its accompanying public bailouts along with the recurrent banking scandals would more than justify, the risk of being surprised again seems highly likely. Even if the convergence project is eventually realized, the question of whether having a global, unified set of accounting regulations will signal convergence or conformity on the level of practice remains at very least an open one. And if practices still admit of variation, then it is reasonable to ask whether particular players in the world economy (whether states, corporations, investing entities, etc) may gain or be seeking a comparative advantage. This is another way of underscoring that questions of politics are by no means dispelled in the convergence effort, even if they seem to be operating under the guise of an imputed and transparent universality with clearly utopian aspirations, at least on the level of rhetoric.

In the US, the use of IFRS is already accepted practice for multinationals, and on 4 May 2012, China and the US together affirmed at the Fourth Meeting of the U.S. China Strategic and Economic Dialogue that they "support the objective of a single set of high-quality global accounting standards." But such developments on the level of international diplomacy, as significant as they may be, do not immediately translate into accord when it comes to particulars. In 2012, several Chinese companies were under threat of being delisted on US exchanges for failing to conform to auditing requirements. While some news analysis of this development somewhat misleadingly underscored the dangers of Chinese companies defrauding US investors, the more fundamental issue is one of sovereignty, since Chinese law prohibits the release of audit papers as a matter of national secrecy. Further, a report over the past summer from the US Securities and Exchange Commissions (SEC) indicates that the US is for now backing down on full convergence with IFRS, in part because of trepidation over the way IASB is funded but possibly also due to concerns that the US would then be pushed to take on the burden of (global) enforcement.

24 On this issue, see Gibley 2013; Rabinovitch & Davies 2012 and also <www.chinaaccountingblog.com>, accessed 5 Nov 2013.
25 See Tysiac 2012; see also Norris 2012.
Even within Europe, there is skepticism about the ability of some Eurozone countries to adopt international accounting standards. The Institute of Chartered Accountants in England and Wales has remarked that even in the EU zone, where IFRS are already mandated, “many EU Member States have not got the capacity or capability to implement international public sector accounting standards and must therefore make a substantial investment in developing the skills required.” Similar concerns lay behind the “unprecedented” August 4, 2011 letter sent to Steven Maijoor of the European Securities and Markets Authority by IASB chair Hans Hoogervorst, stating his concern that European companies were not complying with certain international accounting objectives, “evident particularly in their accounting for distressed sovereign debt, including Greek government bonds.” Prem Sikka, writing in The Guardian, has gone even further, saying that

The IASB accounting standards are imposed on developing countries as conditions of loans, grants, investments and donations by western governments, the World Bank and the International Monetary Fund. This is part of new colonialism and ideological domination. Such imposition makes developing countries dependent on the west and prevents them from developing appropriate local institutional structures…The IASB project is imperialist in nature and a recipe for domestic strife and international conflict.

But whether criticism comes from inside or outside the orbit of IASB, it is a project already well underway and deeply entrenched across the globe. Its supporters claim that it will afford more clarity and transparency about the fiscal health of companies, information which is particularly valuable to big institutional investors such as pension funds, giving credence to the claim that “stakeholders” are currently being reduced to “shareholders.” In an environment where enormous amounts of public taxpayer money are now used to bail out private concerns – what is often called the privatization of profit and the socialization of risk – the consequent delimitation and preferential hierarchization of stakeholders is striking when it comes to addressing the question of whether some are, in fact, more equal than others. This is, after all, not so far from Marx’s claim that capitalism is characterized by structural crises during which profits are privatized and losses socialized, as Chris Lorenz has recently observed. Accounting helps reveal what is at issue: how the public good is being assessed and valued at the juncture between finance and governance.


28 Lorenz 2012, 601 fn5.
Having already mentioned HSBC’s private vices and claims about public virtue, I would now like to examine another kind of statement about the interrelation of public and private, virtue and vice. In 2006, before the financial crisis, the US Governmental Accounting Standards Board (GASB) issued the White Paper I referenced earlier. In this document, a strong argument is made for a distinction between private, for-profit accounting standards and those appropriate for public or governmental entities, which in the US have had separate standards for about one hundred years, evolving from the procedures used for municipal and local jurisdictions. Perhaps the distinction between public and private is in itself invidious, which is something worth considering. But my analysis on this point hinges primarily on offsetting one venerable concept with another, so that the universalizing impulse behind the convergence project may be juxtaposed with the idea of an operative, functioning distinction between the public and the private, as that distinction is currently expressed in laws regarding the appropriate accounting standards within each realm. So for now, I limit myself to describing one particular statement of the public-private division in the realm of accounting which, whatever the merits of the conceptual division upon which it rests, does offer a way of bringing up something that I believe has been obscured both by the financial complexity of the crisis itself and the rhetoric surrounding it: namely, the distinction between a private corporation and a body politic. A critical use of this distinction is not, I think, necessarily precluded by its possible associations with the development and advancement of capitalism, because at present both the language and reasoning of economy and finance – with all of its ends-means calculations, cost-benefit analysis, efficiencies, and the various conceptualizations of values derived therefrom – are so culturally predominant as not always even to be immediately recognizable as metaphors anymore. There is a kind of creeping hegemonization here, accompanied by a highly developed language of managerial speak with which people in university settings are likely now quite familiar. At any rate, viewing one’s life in terms of cost-benefit analysis is clearly a product of historically built-up socialization, and one that I think should be resisted.

In the GASB White Paper, Why Governmental Accounting and Financial Reporting Is—and Should Be—Different, there is also concern that something is being undermined: the notion of governmental accountability to the citizens whom it represents and by whom, so the story goes, it is constituted. The relationship

29 If that is somehow not the case, I would recommend Lorenz 2012. Lorenz makes a persuasive argument for the ways in which intellectual independence and integrity are currently being undermined by the “new public management” and its accompanying “bullshit discourse,” of which the Bologna process is just one example.

30 Available at the GASB website <www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176156741271> (accessed 5 Nov 2013).
between government and citizens is fundamentally different from that of corporation and shareholder, GASB states, in ways that are persuasively enough outlined in this document to make anyone pause before equating the two, metaphorically or otherwise. I think these arguments are relevant for the EU, since one gets the strong sense that the EU is responding to the crisis in managerial terms that highlight affinities with corporate governance and consequently downplay or vitiate any robust sense of the fundamental equality of EU citizenship when it comes to concrete conditions and standards of living, particularly across national lines. After all, even before the crisis, EU citizenship was a fragile and tenuous thing. I can’t see but that such managerialism will in the long run erode morale from within, adding to an already apparent political instability.

First, GASB argues, a corporation and a government have different purposes: the principal purpose of governments is to provide services that enhance or maintain the well-being of their citizens. Government services, such as establishing and maintaining the legal system, and providing public safety, education, health, and transportation services are necessary for enhancing or maintaining the well-being of citizens. However, those services generally would not be provided by the private sector to the populace at the quantity, quality, and price considered appropriate by public policy. The private sector, which focuses primarily on generating a financial return on investment, could not make a profit by providing most of these services, in an equitable manner, to the citizenry. The purpose of government is not to generate a financial return on investment, but rather to provide public services and goods as determined through the political process in an effective and efficient manner.31

Second, they obtain revenues in different ways: corporations, principally through revenue streams generated by voluntary exchanges between buyers and sellers; governments, through involuntary payments in the form of taxes. They also differ in their stakeholders, budgetary obligations, and propensity for longevity. Taken together, these asymmetries justify separate standards and reporting requirements, in order to reflect the accountability of government to its citizens and the information that those citizens would need to have to be able to judge whether their needs are being served, that the obligations owed to them by governments are being met in the present and will be met in the future (one might also note that in this conception, citizens are not passive consumers awaiting the public good but active participants in working to achieve it). Consequently, the information contained in financial reporting by governments differs from that of for-profit concerns because “financial reports of business enterprises generally are used by creditors and by equity investors and their regulators, but not by a type of stakeholder equivalent to citizens and their elected representatives.”32

I am very fond of GASB’s approach here, which came as an enlightening moment amidst the complex, highly technical world of accounting standards I was

31 GASB White Paper, Appendix I.
32 GASB White Paper, 5.
attempting to orient myself within as director of research for a small securities evaluation firm in the Chicago area. Reading it again in preparation for this paper, it still does. Because an issue has emerged for consideration that I did not catch when I first encountered these arguments, one that has something to do with how the financial crisis has played out in the EU – the place of intersection between public and private, in the form of sovereign debt and the for-profit enterprises that often hold it, banks. This is a, if not the, key point of convergence between public and private, one that I have not yet systematically examined but which I know is very important. Another key point of intersection is of course the tax-financed bailouts of private corporations, who have been keen practitioners of various vices with enormous public consequences and no real benefit that I can discern, and also now the treatment of entire nation-states as, in effect, failed business enterprises. In both cases, the bright line between public and private that GASB tried to draw may not hold. But even so, it is worth being reminded that it is possible to make distinctions between behavior for profit and behavior in the name of the common good, and that there are still beneficial reasons for doing so, lest selfish vices and egoism – whether one’s own or those of others’ – overwhelm us in the midst of crisis. Astonishing profits have also been made in this recent spate of “creative destruction,” but by private concerns. That is not social wealth, since trickle-down theories have long been discredited by economists, but rather individual wealth, chiefly in societies where income disparities have risen precipitously over recent decades. Is this vice, masquerading as a road to virtue? Because it looks to me like a society consuming itself from within. So whatever the merits and demerits of the public-private distinction in GASB’s White Paper, it is being used to call attention to the corporatization of governance. I think this is a good thing.

What kind of societies do we wish to live in, from the local to the global? Answers to this will be multiple and various. After all, there is much value in multiplicity, however much our desires may be haunted by ideals of uniformity and universality. The convergence project and the GASB White Paper, premised respectively on uniformity and distinctions, underscore the importance of accounting in providing an entry point into understanding the complex interplay of finance, ideas of the common good, and problems of value which lie at the heart of the crisis. I wish to underscore this, not because I have answers to all the questions raised in this paper, but because I think that the current mystifying intensity of the language surrounding finance, the ways it shapes our lives whether we comprehend it or not, interferes with granting meaningful consent to how we are governed. This is why the examination of accounting standards and measurements of value holds out promise for much-needed critical thinking beyond the professions and disciplines of accounting and finance, to which such efforts have been generally and unfortunately restricted.
References


