

Gregory B. Waymire and Sudipta Basu*

The Social Value of FASB

<https://doi.org/10.1515/ael-2021-0001>

Published online February 28, 2022

Abstract: Ramanna (Unreliable accounts: How regulators fabricate conceptual narratives to diffuse criticism. *Accounting, Economics and Law: A Convivium*, this issue) argues that the FASB’s new Conceptual Framework deemphasizes reliability, and especially verifiability, in favor of representational faithfulness to facilitate the FASB’s promotion of an “asset-liability” approach measured at fair values. More importantly, he argues that this change is likely to generate costly unintended consequences by undermining reporting quality. We agree and consider more broadly whether FASB creates social value through better accounting knowledge, and whether it is time to sunset the FASB monopoly in establishing accounting standards.

Keywords: conceptual framework, knowledge creation, opportunity cost, social value, exchange causality

JEL Classification: D23, D73, M41, M48

Table of Contents

- 1 Introduction
 - 2 Has FASB Generated Private Value for Its Intended Beneficiaries?
 - 3 Has the Conceptual Framework Improved Thinking About the Foundations of Accounting?
 - 4 What is the Opportunity Cost of FASB?
 - 5 Concluding Remarks
- References

Unreliable Accounts

1. Unreliable Accounts: How Regulators Fabricate Conceptual Narratives to Diffuse Criticism, by Karthik Ramanna, <https://doi.org/10.1515/ael-2021-0002>.
2. The Social Value of FASB, by Gregory B. Waymire and Sudipta Basu, <https://doi.org/10.1515/ael-2021-0001>.
3. Exploring the Relevance and Reliability of Fair Value Accounting, by Yoshitaka Fukui and Shizuki Saito, <https://doi.org/10.1515/ael-2020-0086>.

*Corresponding author: **Sudipta Basu**, Fox School of Business, Temple University, Philadelphia, PA, USA, E-mail: Sudipta.Basu@temple.edu

Gregory B. Waymire, Goizueta Business School, Emory University, Atlanta, GA, USA; and Argyros School of Business, Chapman University, Orange, CA, USA, E-mail: gregory.waymire@emory.edu

4. The Pluralistic Foundations of Conceptual Veiling, by Julia Morley, <https://doi.org/10.1515/ael-2021-0049>.
5. Unreliable Accounts: Governing behind a Veil, by Paul F. Williams, <https://doi.org/10.1515/ael-2021-0107>.
6. Unreliable accounts: How regulators fabricate conceptual narratives to diffuse criticism – A response to Karthik Ramanna, by Colin Haslam, <https://doi.org/10.1515/ael-2020-0088>.
7. “Unreliable Accounts: How Regulators Fabricate Conceptual Narratives to Diffuse Criticism” by Karthik Ramanna: A Comment on Ideological Capture, by Vera Palea, <https://doi.org/10.1515/ael-2021-0054>.
8. The Politics of Accounting Standards: A Comment on Ramanna’s “Unreliable Accounts: How Regulators Fabricate Conceptual Narratives to Diffuse Criticism”, by Steven K. Vogel, <https://doi.org/10.1515/ael-2021-0088>.

Perhaps the present effort will fail. But some day it may succeed. (Y)ears from now a kindred soul may find in my crude researches some clue to the solution. He is the audience for whom I write.

Underhill Moore

As quoted by William O. Douglas (1950)¹

1 Introduction

The Financial Accounting Standards Board (FASB) has lasted for nearly 50 years since replacing the Accounting Principles Board. Perhaps its most important achievement is its Conceptual Framework (CF) consisting of eight Concepts Statements that address foundational issues in financial accounting and reporting. Ramanna (2022) studies a specific change in that framework – FASB’s (2010) decision to de-emphasize reliability of financial reporting in favor of representational faithfulness.

Ramanna (2022) argues that FASB’s de-emphasis of reliability, and especially verifiability, will ultimately degrade financial reporting quality in practice. Financial data verification arose historically because accounting data play a fundamental role in stewardship and contracting (e.g., Ball, 1989; Ijiri, 1975; Jensen, 1983; Sunder, 1997). Because managers have pay and promotion incentives to overstate the firm’s performance (e.g., Watts & Zimmerman, 1986), reports of earnings and net assets produced under the broad constraint of Conservatism are less likely to be biased upwards (Basu, 1997; Basu & Waymire, 2019; Braun, 2019; Ewert & Wagenhofer, 2012; Gao, 2013; Mora & Walker, 2015; Sterling, 1967; Watts, 2003).

We agree with the thrust of Ramanna’s (2022) criticism of FASB’s views about reliability. Hence, we seek to complement Ramanna’s essay by exploring additional

¹ Underhill Moore (1879–1949) was a faculty member at the Yale Law School who co-authored a seminal accounting text with Thomas Sanders and Henry Hatfield entitled *A Statement of Accounting Principles* (Sanders, Hatfield, & Moore, 1938).

fundamental questions about what FASB does and how FASB does it. We pose three specific questions that require further investigation to say something concrete about FASB's long-term social value as an institution. First, has FASB generated value for its intended beneficiaries? Second, has FASB's CF increased knowledge about accounting and financial reporting, or has our knowledge stayed the same or even regressed? Finally, what is the opportunity cost to society of FASB? That is, would it be a net social benefit or cost if FASB ceased to exist?

Some caveats apply to our remarks. We offer no new theory of FASB's economic function, nor do we provide any new evidence on the consequences of FASB's accounting standards. While we hope that our discussion will spur new theoretical developments and suggest new directions for empirical testing, we merely raise some basic questions on the social value of FASB, about which we currently know very little. Any value to this exercise will surface through the future efforts of scholars who take up our questions.

We consider whether and how FASB standards and Conceptual Framework have created private value for the primary intended beneficiaries of accounting regulation in the next section. We then consider the broader impact of FASB on accounting knowledge that might also benefit future generations of financial statement users. We consider last the opportunity cost of FASB – i.e., would the world be harmed if FASB ceased to exist? We conclude in a final section.

2 Has FASB Generated Private Value for Its Intended Beneficiaries?

While FASB can serve many “stakeholders,” the primary intended beneficiaries of FASB's accounting standards are investors who hold publicly traded equity and/or debt securities in corporations regulated by U.S. federal securities laws (FASB, 2010, OB2).² Investor protection is the centerpiece of the U.S. Securities and Exchange Commission (SEC)'s regulatory mission: “For more than 85 years since our founding at the height of the Great Depression, we have stayed true to our mission of protecting

² Our focus on equity- and debt-holders is narrower than one based on “stakeholders” even though many stakeholders have incentives that are aligned with those of investors. For example, common shareholders care that a firm's employees are compensated fairly so that the firm can produce high quality goods that consumers will purchase. Shareholders also want managers to emphasize customer satisfaction to encourage repeat transactions with the firm. Finally, common shareholders hold residual claims that provide legal rights as owners of the firm. However, there are ‘agency conflicts’ between the various contracting parties constituting the firm because their incentives are not perfectly aligned (e.g., Jensen & Meckling, 1976; Watts & Zimmerman, 1986).

investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.”³ SEC’s standard-setting power under the Securities Exchange Act of 1934 was delegated to FASB on its creation in 1973, as it was to FASB’s predecessors (the Committee on Accounting Procedure and the Accounting Principles Board) when they operated. It seems reasonable to ask whether FASB’s work has benefited the investors that U.S. federal securities laws were designed to protect.⁴

A necessary condition for FASB standards to benefit investors is that FASB has a comparative advantage in supplying accounting standards. This could happen if managers and auditors acting as shareholders’ agents have weaker incentives and/or know less than standard-setters or if there are coordination benefits from mandatory accounting standards that exceed those from voluntary accounting norms. Our conclusion is that the available evidence provides at best weak support for the claim that FASB standards generate positive economic value for its primary intended beneficiaries.

FASB’s institutional form was suggested by an American Institute of Certified Professional Accountants (AICPA) committee from the early 1970s headed by Francis Wheat that focused only on the process used to set accounting standards (Davidson & Anderson, 1987; Zeff, 2015). The Wheat Committee (AICPA, 1972) recommended that the Accounting Principles Board (APB), a group consisting of 20 part-time members who retained regular external jobs, be replaced by FASB, which would employ seven full-time members. A second AICPA committee chaired by Robert Trueblood focused solely on the broad conceptual basis to be used in determining accounting standards (Zeff, 2016), since the APB had been criticized for not setting its rules using a coherent theory. The Trueblood Committee (AICPA, 1973) recommended that FASB develop a conceptual framework to guide its standard-setting activities.

The process and the goals pursued by FASB followed from the work of the Wheat and Trueblood committees. FASB’s standard-setting process includes numerous “due process” rules intended to make standard-setting more transparent and more independent of entrenched interests. As Dennis Beresford, a former FASB Chair, noted in 2013: “At inception, the major concern about the new FASB was whether it could be truly independent of the business community, auditors and regulators, and most importantly the SEC ... (T)he board has been able to achieve reasonable independence and has not become subservient to the SEC, the business community, or

³ From the SEC website (<https://www.sec.gov/about/what-we-do>) on February 1, 2022.

⁴ “Investor protection” is a modern concept that we largely take for granted today. In contrast, some argued in the early 20th century that shareholders had no right to data about firms’ performance and financial condition – e.g., testimony by Henry Havemeyer to the U.S. Industrial Commission in 1900 as noted by Porter, Sivakumar, and Waymire (1995, 125), Hawkins (1963, 141), and Brief (1987, 144).

the accounting profession” (Heffes, 2013, 36). Contrarily, Fogarty, Hussein, and Ketz (1994) and Gipper, Lombardi, and Skinner (2013) survey a large literature that concludes that politics pervades FASB standard setting.⁵

FASB’s due process rules encourage its members and staff to have extensive, direct, and ongoing interaction with external constituencies who are affected by FASB standards. These interactions can have both favorable and unfavorable effects. On the positive side, parties affected by FASB rules are likely more aware of FASB activities and their potential effects since FASB publicizes its agenda and deliberations long before a new rule is passed. At the same time, FASB uses rhetoric to frame its behavior in ways that impair understanding of why FASB has adopted one rule over an alternative (Young, 2003, 2014). For example, FASB claims, “The FASB Conceptual Statements are intended to serve the public interest by setting the objectives, qualitative characteristics, and other concepts that guide selection of economic phenomena to be recognized and measured for financial reporting...”⁶ Lobbying by potentially affected parties likely shapes FASB standards to favor some constituents over others (cf. Horngren, 1973; Watts, 1977; Watts & Zimmerman, 1978, 1986; Zeff, 1978, 2005; Leuz, Pfaff, and Hopwood 2004). Erb and Pelger (2015), who also study the dropping of reliability from the conceptual framework, argue that FASB staff and some board members exploited confusion about the meaning of “reliability” among constituents and other board members to opportunistically redefine the term away from verifiability, and thus justify increased fair value reporting.

FASB’s standard-setting output has been prodigious. By July 2009, FASB had issued 168 Statements of Financial Accounting Standards (SFASs) as well as many interpretations and technical bulletins to clarify implementation of specific standards. Effective July 1, 2009, FASB’s Codification Project redefined U.S. Generally Accepted Accounting Principles (GAAP) as identical to its new Accounting Standards Code. As of January 2022, FASB has issued 200 “Accounting Standards Updates” (ASUs) in place of the former SFASs as well as written guidance from sub-committees like the Emerging Issues Task Force and the Derivatives Implementation Group.⁷

⁵ Also see Ramanna (2013) and related commentaries by Saito (2013), Haas (2013), Nölke (2013), and Madsen (2013).

⁶ From the FASB website (<https://www.fasb.org/jsp/FASB/Page/PreCodSectionPage&cid=1176156317989>) accessed on February 1, 2022. The eight Statements of Financial Accounting Concepts (including amendments) are posted here.

⁷ FASB’s Codification Project converted all 168 FASB standards into an Accounting Standards Code (FASB, 2009) that is like the Internal Revenue Code. A likely by-product of this approach is to make the accounting standards seem timeless by deleting the history embedded in the standard numbers and their dates. The ASUs can be found at: <https://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498> accessed on February 1, 2022.

Assessing the social costs and benefits of accounting standards is an exceptionally difficult task. Schipper (2010) provides a comprehensive analysis that identifies numerous difficulties and limitations of any empirical analysis on this issue. Empirically measuring the effects of FASB standards requires complex empirical analysis extending beyond the effects of a single standard or group of standards. That is, measuring the value of FASB output requires consideration of the cumulative effects of the standard-setting institution across all, or at least most, standards that apply to firms subject to FASB mandates.⁸ Subject to the above limitations, we believe that the best evidence available so far on the cumulative effects of SFASs is provided by Khan, Li, Rajgopal, and Venkatachalam (2018) – hereafter KLRV.

KLRV measure the abnormal common stock returns around dates when FASB passed new SFASs. Their sample covers 138 standards (of 171 including three revisions to previously adopted rules) promulgated by FASB during the years 1973–2009 that were broadly applicable to U.S. public firms. KLRV (2018, 210) conclude: “We find insignificant stock market price reactions (on average) on event dates related to the passage of 104 of the 138 standards. When we aggregate the event dates across all standards, we obtain a statistically insignificant negative abnormal return of -0.07 percent. From all this, we infer that, on average, a new standard is a value-neutral event for shareholders.”⁹

This finding is important because it suggests that FASB has had a *trivial cumulative average effect* on the wealth of one of the main intended beneficiaries of investor protection under FASB rules – the shareholders in publicly traded enterprises required to prepare financial statements under U.S. GAAP.¹⁰ However, this tiny effect is consistent with Zimmerman’s (2013, 888) trenchant diagnosis, “EFRQ

8 Laboratory experiments can help identify causal impacts of individual standards or types of standards (e.g., Bensimhon & Biondi, 2013; Elliott, Hobson, & White, 2015; Hirota & Sunder, 2007; Hobson, 2011) but their impacts cannot be aggregated unless all FASB standards have been tested.

9 This finding is broadly consistent with research that finds that major SEC regulation and disclosure mandates have negative effects on shareholder wealth (Benston, 1969, 1973; Chow, 1983; Jarrell, 1981; Simon, 1989; Stigler, 1964; Zhang, 2007). The exception finding a small positive effect is Greenstone, Oyer, and Vissing-Jorgensen (2006). DeFond, Hung, Carr, and Zhang (2011) report that the Sarbanes-Oxley Act of 2002 reduced the wealth of bondholders, who are another important FASB and SEC constituency.

10 These findings do not imply that FASB standards produce zero benefits. For example, KLRV find that equity estimation risk is reduced by the standards, which is a possible benefit, but even this is questionable (Gao, 2010). Lower estimation risk will increase equity value, but this effect could still be on net trivial if it is too costly to comply with the standards, or if wealth transfers between firms due to lobbying (cf. Watts & Zimmerman, 1978, 1986; Chow, 1983) introduce a new risk for undiversified investors that offsets lower equity estimation risk. Also, KLRV estimate an average effect; some firm’s shareholders likely benefited on net from FASB standards.

[external financial reporting quality] has *on average* at best a second-order effect on firm value of U.S. publicly listed companies and improvements in these firms' EFRQ have a third-order effect on firm value." The small negative effect is consistent with U.S. public company CFOs viewing FASB standards as arbitrary rules that have to be complied with rather than as a vehicle to inform investors (Dichev, Graham, Harvey, & Rajgopal, 2013).¹¹

Given all this, it seems relevant to question what FASB perceives to be the benefits that result from their standards. Beginning in 2009, the Financial Accounting Foundation (FAF), which oversees FASB, implemented a post-implementation review (PIR) process to evaluate the effects of new FASB standards (Blouin & Robinson, 2014). This process requires consideration of relevant academic research, an evaluation of whether the objectives for financial reporting were met by the standard, and the gathering of survey evidence from parties affected by new standards. FASB had previously sponsored and published academic research in the form of 28 Discussion Memoranda (1973–1991) surveying academic research on a new agenda item and 23 Research Reports (1973–1993) mainly authored by academics (Zeff, 2021). Both series were stopped as FASB members showed little interest in academic research (Dyckman, 1989). Burton and Sack (1991), both former SEC Chief Accountants, wrote at this time, "While the FASB has sponsored a limited amount of academic research, encouraged research by financial statement preparers and used its own staff to undertake research, it still does not appear that research outputs have had a substantial impact on the pronouncements of the Board which remain primarily the result of a political bargaining process."

The PIR process is an attempt to reengage with academic researchers, but FASB still comes nowhere near quantifying the net benefits of the standards they mandate or showing even qualitatively that their benefits exceed the associated implementation and litigation costs.¹² Accordingly, we recommend that academic research extend KLRV (2018) to directly address why FASB accounting standards

11 A zero effect is also consistent with investor expectations that the standards will not be enforced, as found for some European countries mandating IFRS reporting (Christensen, Hail, & Leuz, 2013). However, U.S. auditors face high legal liability via shareholder class-action lawsuits for permitting misreporting (e.g., Holthausen and Watts, 2001) and the SEC is often touted as an exemplary regulatory agency (e.g., McGraw, 1984), reducing this concern. Another reason to expect a zero or negative effect is that regulation, like all other factors of production, will eventually have a declining (even negative) marginal product when it becomes excessive (Ball, 2009; Coase, 1974).

12 Everard and St. Pierre (2022) report that lawsuits against large U.S. auditors from 1996 to 2015 primarily alleged violations of GAAP, unlike lawsuits in the 1970s that mainly alleged violations of GAAS (Generally Accepted Auditing Standards). The majority of alleged recent GAAP violations concern valuations of stock options, goodwill, intangible assets, financial assets, etc., for which the FASB has promulgated unreliable fair value reporting standards.

might increase net benefits to corporate investors and quantify more precisely the magnitude of such effects.

FASB might generate net benefits for others who interact with corporations subject to FASB rules, but this would seem to be an unintended consequence. Researchers should also test whether a public interest, and specifically an investor protection, rationale actually explains FASB behavior better than alternative views. Investors in equity and debt securities might *not* be the actual intended beneficiaries of FASB standards. For example, FASB acts as an agent of the SEC and might seek to promote the survival of the SEC's regulatory power, which need not align with the interests of equity and debt investors and others affected by SEC disclosure and reporting rules (Moe, 1990; Weingast, 1984). Palmon, Peytcheva, and Yezegel (2011) and Zeff (2014) study how the SEC interacts with FASB and argue that the SEC often exerts considerable pressure on FASB.¹³ The Sarbanes-Oxley Act of 2002 (SOX) gave the SEC the power to approve FASB's budget, which it used to take the power to nominate, interview and review potential FASB members in early 2007 (Leone & Johnson, 2007).¹⁴ Palmon et al. (2011, 180) conclude, "The issues addressed by the FASB, the speed at which the FASB responds, and even its position on certain issues can at times be solely attributed to SEC pressure."

More broadly, FASB's authority is also subject to the U.S. Treasury and other federal agencies whose rulemaking rely on GAAP and who often object to proposed standards (cf. Horngren, 1973). The SEC was delegated its power by Congress, which overrules or threatens FASB when its standards could hurt large political donors, and often uses FASB and accountants as scapegoats for economic crises created by bad fiscal and monetary policy.¹⁵ Palmon et al. (2011) argue that the SEC (and by extension, Congress) may use FASB to deflect any criticism that the SEC (or Congress) is beholden to private interests by pointing to the independent standard-setting body (i.e., FASB).

13 Zeff (2018) documents how the SEC continuously influenced and even dictated the agenda and opinions of the predecessor Accounting Principles Board, expanding the analysis of Horngren (1973) in this regard.

14 The SEC refused to approve FASB's budget in December 2006 and after negotiations, the Financial Accounting Foundation finally issued a memo on March 9, 2007, memorializing the SEC's new powers (Leone & Johnson, 2007). The global financial crisis took hold in the third quarter of 2007, as measured by spikes in credit default spreads (e.g., Hu, 2020), well after this episode.

15 Economists studying the causes of the global financial crisis of 2007–9 did not assign a large role to accounting (e.g., Gorton, 2009, 2010; Kling, 2010; Rajan, 2010; Reinhart & Rogoff, 2009; Sowell, 2009) and neither did the final report of the Financial Crisis Inquiry Commission (2011). Similarly, Benston (1969) finds scant evidence of accounting fraud before the stock market crash of 1929. Waymire and Basu (2011) review research on several other stock market bubbles and find that there is little evidence of widespread accounting malfeasance during them.

Both the SEC and FASB claim to serve the public interest, and no doubt some employees of each agency believe in this mission. Although there is a long tradition of viewing altruistic motives as being purer than self-interested motives, Smith (1776) argued that self-interested motives can produce unintended benefits under market competition, which in part may explain how capitalist economies have generally created greater wealth than communist economies (Maddison, 2001). Oakley (2013) identifies instances where altruism is *pathological*, i.e., that it harms its intended beneficiaries.¹⁶ Could altruistic FASB members unintentionally hurt investors and other stakeholders by mandating *ex-post* poor accounting standards?

Moreover, public choice economics argues that some regulators are self-interested (e.g., Buchanan & Tullock, 1962; Frye & Shleifer, 1997; Olson, 1965) and succumb to lobbying and other rent-seeking activities (e.g., Kreuger, 1974; Tullock, 1967) because they do not face market competition. If regulators like the SEC are captured by the regulated (e.g., Mahoney, 2001; O'Connor, 2004; Partnoy, 1999; Smith, 1776; Stigler, 1971), then regulation is unlikely to be effective. Similarly, if regulators are ideological, then they might issue lots of regulations, but their ultimate effectiveness is likely doubtful. Mahoney (2003) compares how well competing theories based on public interest, public choice, and political ideology explain which U.S. states adopted “blue-sky” securities laws between 1911 and 1931 and when they did so.¹⁷ He finds that the public choice and political ideology theories fit the data better than public interest theory. Political ideology is a leading explanation for regulatory switching between Democrat and Republican

16 Oakley (2013, 10,408) defines pathological altruism to be “observable behavior or personal tendency in which the explicit or implicit subjective motivation is intentionally to promote the welfare of another, but instead of overall beneficial outcomes the altruism instead has unreasonable (from the relative perspective of an outside observer) negative consequences to the other or even to the self.” Oakley, Knafo, Madhavan, and Wilson (2012) describe several types of dysfunctions and excessive costs generated by pathologically altruistic behavior. These can be viewed as a subset of perverse unintended consequences, also dubbed the Cobra effect, analyzed by Merton (1936), Yandle (1983, 1999), Scott (1998), Stephan (2012), and others.

17 The “blue-sky” laws were securities laws promulgated by 47 of 48 states (all but Nevada) between 1911 and 1931, before the SEC was created, under which shareholders brought class-action lawsuits against fraud until the Securities Litigation Uniform Standard Act of 1998. According to Mahoney (2003, 229–230), the “public interest” hypothesis is that the blue-sky laws were a policy response to presumably higher levels of securities fraud in the early 20th century, the “public choice” hypothesis is that the blue-sky laws resulted from lobbying by small banks seeking to reduce competition for depositors’ funds from securities firms, and the “political ideology” hypothesis is that the blue-sky laws resulted from lobbying by agrarian and progressive lobbies seeking to limit the power of financiers. Mahoney (2003) finds that progressive political ideology best explains which states adopted blue-sky laws first, while the details of the laws are best explained by public choice theory, with stricter laws where small banks faced more competition from securities salesmen.

presidencies, including at the SEC, in recent years. For example, Republican SEC Chairman Christopher Cox was a strong advocate for the SEC accepting IFRS by 2014, but his Obama-appointed Democratic successor, Mary Schapiro, did not endorse IFRS and the convergence project has languished.

Bischof, Daske, and Sextroh (2020) examine the roles of ideology and special interest lobbying in influencing Congressional intervention in accounting regulation, focusing on two public debates regarding fair value accounting in 2008–09 and stock option expensing in 2003–04. They find in both cases, like Mahoney (2003), that political ideology dominates when economic consequences are at the forefront of public debates, but that special interests dominate political intervention when technical issues are being considered.¹⁸ Since investors are primarily affected when economic consequences are large, the FASB Conceptual Framework seems least useful as a guide to FASB action when it is arguably most important. Unsurprisingly, laws passed in the immediate aftermath of a crisis often include provisions whose ultimate consequences differ from those envisioned because they were adopted quickly without sufficient critical analysis and due diligence study (e.g., Bainbridge, 2011; Romano, 2005; Waymire & Basu, 2011).¹⁹

3 Has the Conceptual Framework Improved Thinking About the Foundations of Accounting?

The FASB Conceptual Framework (CF) provides guidance to standard-setters for resolving specific accounting policy questions and a basis to justify their actions. In the preamble to SFAC 8 (FASB, 2010), FASB says, “The Board itself is likely to be the most direct beneficiary of the guidance provided by Concepts Statements.” More

18 This behavior is consistent with Yandle (1999, p. 7), who concludes, “Political action, which by definition always serves some interest groups, requires politicians to appeal to popular icons. By making a “Baptist” appeal, the canny politician enables voters to feel better by endorsing socially acceptable values in the voting booth. The same politician, if he is adroit, also can enjoy the support of appreciative bootleggers in the costly struggle to hold office. Bootleggers and Baptists are part of the glue that binds the body politic.”

19 Hail, Tahoun, and Wang (2018) study the lead-lag relation between accounting regulations and accounting scandals in 26 countries during 1800–2015. Inconsistent with a public interest theory prediction that regulations quickly follow scandals, they find weak and long lags on average. They also report that instead of reducing future scandals, regulations tend to precede major scandals, consistent with Harris (1994), Arnold and McCartney (2003), Richard (2005), Waymire and Basu (2007, 2011), and Hoffmann and Detzen (2013). They posit that these latter results are consistent with regulators being ineffective and/or explicit rules being needed to identify scandalous actions and/or regulations having negative unintended consequences.

generally, the CF is a theoretical statement about the economic value of financial accounting and reporting that can be used by other current and future organizations in making accounting policy decisions. Thus, it is critical to assess what impact FASB has had on accounting knowledge. Jiang, Wang, and Wangerin (2018) and Chakravarthy (2019) document that board members frequently cite the CF to support their votes on specific standards. Further, voting by Board members has become more homogeneous after the CF was put in place. But, has the CF helped us think more clearly about the foundations of accounting and financial reporting, or could the CF have caused accounting knowledge to regress (e.g., Baxter, 1953; Sunder, 2010)?

A contentious assumption of the CF is that the Balance Sheet is more important than the Income Statement. This has been termed the Asset-Liability approach to accounting policy versus the previous Revenue-Expense approach based, for example, on Paton and Littleton (1940) (Dichev, 2008). FASB's use of the Asset-Liability approach extends back to a 1966 paper by Robert Sprouse, an early Board Member and Vice-Chairman during 1973–1985, who led the FASB CF project. As summarized by Basu and Waymire (2010, 123), Sprouse (1966) makes two main claims: (1) “accounting’s foundation lies in the traditional balance-sheet identity that $\text{Assets} = \text{Liabilities} + \text{Equities}$,” and (2) “if the balance-sheet identity is valid, it implies that balance-sheet accounts that are inconsistent with specific definitions of assets and liabilities are fallacious. Sprouse’s key assertion is an “if-then” proposition that acceptance of the balance-sheet equation implies that it is the starting point for identifying a valid accounting system.”

Dichev (2008) criticizes the FASB's use of the Asset-Liability approach as inconsistent with most firms' business models, which are focused mainly on the design and execution of successful product market strategies.²⁰ Dichev argues that a “balance sheet orientation of accounting standard-setting is flawed” ... because it is “at odds with the economic process of advancing expenses to earn revenues, which governs how most businesses create value, and which represents how managers and investors view most firms” (Dichev, 2008, 453). O'Brien (2009) is likewise skeptical of the CF and argues that accounting is based on foundational concepts that are at odds with the CF; these “inconvenient” concepts include stewardship, reliability, and earnings that must be expunged from the accounting lexicon to make the CF consistent with the standards that are actually promulgated by the Board in recent years.²¹

20 Per Wikipedia, a business model is “the rationale of how an organization creates, delivers, and captures value, in economic, social, cultural or other contexts.” Ovans (2015) describes the different definitions of “business model” that have been used by management thinkers.

21 Barker and McGeachin (2015) document how actual standards issued by the International Accounting Standards Board (IASB) depart from its 2010 CF (IASB 2010), while Mora and Walker (2015) review the empirical academic research on conditional conservatism that documents many

Contrarian views of FASB and its CF have also been offered by Young (2006), Penman (2007), Palmrose (2009), and Williams and Ravenscroft (2015). Young (2006) criticizes the FASB and its CF because it is based on hypothetical (i.e., “made up”) users of financial statements rather than actual humans with differing investing goals and cognitive limits that constrain actual use of accounting data. Penman offers a balanced analysis of fair value accounting versus historical cost accounting and concludes that fair value is weakest when the value of a firm stems from the use of assets rather than changes in the prices of assets that can be traded in active markets (Penman, 2007, 42). Palmrose (2009) emphasizes the science of accounting and the idea that the increasingly complex standards written by FASB have encouraged an overly technical focus that is far removed from the foundations of accounting.²² Williams and Ravenscroft (2015) argue that the FASB CF is incoherent because decision usefulness cannot be clearly defined and measured; thus, they advocate a return to standards based on accountability concepts that would be more logically defensible (e.g., Ijiri, 1983). Braun (2019) and Basu and Waymire (2019) argue that the dismissal of conservatism and downplaying of historical cost in FASB (2010) stems from a deep misunderstanding of their role in generating new information for financial markets and operating efficiencies within firms.

Even more fundamentally, Demski (2007, 154) dismisses the CF saying, “... the framework remains irreparably flawed. The foundation of qualitative relevance and reliability (or relevance and faithful representation) does not comport with economic fundamentals. This follows from a straightforward application of the Blackwell Theorem. Moreover, transactions are endogenous and other information is ubiquitous.”²³

Demski’s view echoes an early critique of the CF’s user primacy emphasis by Dopuch and Sunder (1980, 14–15):

informational and contracting benefits consistent with theoretical predictions (e.g., Basu, 1997; Watts, 2003). These papers prompted IASB to revise its Conceptual Framework (IASB, 2018) to reinstall stewardship and conservatism (called prudence).

22 The origins of modern accounting lie in ancient recordkeeping practices starting at least 10,000 years ago. These early practices likely enabled economic benefits associated with the emergence of extensive exchange and division of labor (Basu, Kirk, & Waymire, 2009; Basu & Waymire, 2006; Brown & Palmrose, 2005).

23 Footnote 2 in Demski (2007) explains: “The Blackwell Theorem implies that one information source is superior to another regardless of economic setting *if and only if* the possible signals from the second can be modeled as if they are statistically equal to those of the first plus noise. Of course, this pure noise case is highly specialized, so, in general, we cannot rank information sources without specifying the economic setting in all its details, details that are skipped when we think in terms of qualitative characteristics (see Demski & Christensen, 2003). A much deeper treatment of the Theorem, with its many equivalences, can be found in Marschak and Miyasawa (1968).” (*emphasis in original*).

The extraordinary emphasis of the recent pronouncements regarding objectives of financial accounting on user primacy can probably be traced to inappropriate applications of single-person decision theory in a multi-person context ... This model, developed by the physical scientists and engineers for the control of mechanical or inanimate systems, is inappropriate for social systems, where the object of control is not an unchanging chemical process but a human being with learning capabilities ... A user-primacy notion in the selection of objectives of financial accounting which ignores how firm managers are likely to adjust their behavior to the new information system (and how this adjustment in management behavior will affect the interests of the so-called users) represents a very short-sighted view of the whole problem.

The major takeaway from these papers is that, despite language to the contrary, the FASB CF is not rooted in the fundamentals of accounting as it has evolved over several millennia (Basu, 2015). This is the major point implicit in Ramanna's (2022) analysis. A central feature of accounting based on the double-entry system is that it has evolved as a means for assessing business performance through profit measurement (Ijiri, 1975). This self-contained system can easily be tailored to a given firm's transactions (Littleton, 1953, 1956; Terrill, 1955) and, along with principles for revenue and expense measurement, yields profit measures that can be compared across time for the same firm or between firms at a given moment in time. These measures guide firms whose very reason for existence is to produce profits more effectively than can be done through a series of market transactions between sub-contractors (Alchian & Demsetz, 1972; Coase, 1937, 1988; Williamson, 1975; Williamson and Winter, 1991).²⁴

Ijiri (1975) suggests that the foundations of double-entry bookkeeping lie in its integration with the economic causation embedded in the method. Economic exchange is central to Ijiri's view of accounting where endogenous transactions are recorded with increments (e.g., sales revenue) matched simultaneously against decrements (e.g., cost of goods sold) with the residual representing earnings for the transaction and the business firm as a whole.

In Basu and Waymire (2010, 141–142), we suggested that the “fatal flaw” in Sprouse's view of accounting (and by implication the FASB's CF) was that it eroded the link between accounting and the economics of exchange by expanding:

the set of conditions that call for entries to the books of account. This cuts the link between the accounts and the causal forces that generate transactions...

(A) journal entry resulting from a consummated transaction encodes several simultaneously determined attributes of a transaction. Obvious attributes include the price and quantity for which a transaction is consummated. A less obvious but far more important attribute of any consummated transaction is the *underlying decision to transact*. This decision is of vital importance in a world where it takes skill and effort to discover favorable opportunities to

²⁴ For other perspectives, see Biondi, Canziani, and Kirat (2007).

transact with customers and factor suppliers. Stated differently, the decision to transact reflects an entrepreneur's decision to "cause" the consummation of a specific transaction, when the firm's *raison d'être* is to identify and transact value-increasing exchanges."

FASB has (perhaps unknowingly) downplayed causal double-entry with its use of an approach that emphasizes the Balance Sheet and fair values for asset and liability valuation to a degree that has been harmful. We argue in Basu and Waymire (2021) that exchange causality is central to double-entry as it has been evolving over the course of several centuries; it is this feature of double-entry that enables more timely profit measurement than was possible with the single-entry system that was displaced. Profit calculation under single-entry requires only valuations of assets and liabilities at the end of a period with the period's profit being the change in the difference between assets and liabilities for the period (Childs, 1895, 24). As a result, a single-entry bookkeeping system would suffice to implement FASB's balance-sheet approach based on fair values of assets and liabilities.

KLRV (2018, 242) state that "... the three fair value standards (SFAS 105, 107, and 115) are associated with the greatest fall in shareholder value," but FASB ignored the stock market feedback and continued to push fair values for derivatives (e.g., SFAS 133, FASB, 1998) generating further negative market returns. Because the FASB push for the Asset-Liability approach with fair values has persisted over several decades, it seems that the ideology driving the FASB approach is not political as with the SEC but rather quasi-religious (Basu, 2015; Young, 2014). Has FASB degraded accounting knowledge by advocating a CF tied to an Asset-Liability approach that could have been implemented with a single-entry system of the kind used during the Mercantilist era several centuries ago?

Mercantilism is an approach to economic policy that saw the retention of assets, specifically silver and gold, as central to the success of a nation's economy. Hörnigk (1684) suggested nine principles for macroeconomic management that included bans on export of gold and silver and imports of foreign commodities that would compete with domestic products. Summarizing Mercantilist theory, Johnson, Van Metre, Huebner, and Hanchett (1915, 356) noted that "Trade must be so conducted that the money value of the commodities exported from the country exceeds the money cost of the goods imported, so that there is a "favorable balance of trade" with a steady flow of coin or bullion into the country."²⁵ In this sense, Mercantilist economic policy aligns well with FASB standard-setting focused on Balance Sheet primacy (Storey & Storey, 1998, 76–85).

A contrary view is provided by Adam Smith in *The Wealth of Nations*, which had the primary purpose of overthrowing Mercantilism (Sowell, 2006, 5–13). In the

²⁵ LaHaye (2008) summarizes the philosophy of Mercantilism and succinctly reviews the extensive literature on Mercantilist thought (see also Wikipedia entry for "Mercantilism").

very first sentence, Smith (1776, 1) declares that the wealth of a nation comes about from productive activity rather than accumulated assets:

The annual labor of every nation is the fund which originally supplies it with all the necessities and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labor, or in what is purchased with that produce from other nations.

Smith summarizes the tenets of Mercantilism in Chapter I of Book Four of *The Wealth of Nations*, and then destroys the arguments offered in support of Mercantilism in subsequent chapters. For present purposes, we would summarize the main conclusion from *The Wealth of Nations* as: the value of an entity, be it a nation or a specific firm, lies not in the assets held by the entity *per se*, or their money value if liquidated presently, but in *the benefits that can be produced by putting those assets to productive use*.

We view this as the main problem with the FASB's Asset-Liability approach. The FASB Asset-Liability approach is misaligned fundamentally with the very reason why firms exist in the first place, which is to produce value through discovered exchange transactions rather than to be “ ‘asset greenhouses’, where the primary mission of the firm is to earn money by acquiring, storing, and growing assets” (Dichev, 2008, 458). Thus, it is perhaps not a big surprise that managers of real-world businesses have chafed under (or “misunderstood”) this approach (Storey & Storey, 1998, 76). This is similar to the experiences of British businesses (other than the very largest like the British East India Company who benefited from trade restrictions on their competitors) that were disadvantaged by Mercantilist policies (Smith 1776).

4 What is the Opportunity Cost of FASB?

Assume that FASB ceased operations tomorrow and announced the following:

FASB is suspending its operations. We've written accounting standards continuously since 1973. Because of work by our board members and staff, accounting has solved its “big problems” and we have written a conceptual framework that can be used to identify solutions to new problems that arise in the future. Because there is little left for us to do (i.e., the remaining problems in financial accounting and reporting are of lower-order importance) and continuing to operate would be costly to society, we will work with the SEC as they devise a successor organization to FASB that will meet future challenges in a cost-effective manner.

What would we do if this unlikely event actually occurred? What, if anything, would we do differently in the future than FASB did in the past?

Answering this question requires that we first consider opportunity cost – i.e., what would be the next best alternative to FASB as a mechanism to set accounting standards? Or perhaps we would not even need a standard-setter? Identifying the opportunity cost of FASB requires a clear alternative, which is not available for two reasons. First, the main comparable institution that exists today is the International Accounting Standards Board (IASB), and this may not be the best alternative since the structure and governance of IASB has been so influenced by the demand for convergence in accounting standards with FASB (Sunder, 2011). Second, no other serious alternative exists for the U.S. because FASB has completely monopolized the market for accounting standards (Dye & Sunder, 2001; Jamal & Sunder, 2014). Should we return to something that has been tried before (e.g., the Accounting Principles Board or the Committee on Accounting Procedure) or try to design a new institution?

In designing a new institution, we must better understand how accounting standards can benefit investors. Two such mechanisms immediately come to mind. One is that standards can lead to the production of better information about a firm's performance. In this case, it is critical to understand how the informativeness of accounting data differs under one potential standard versus another so that better standards can be identified and implemented.

A second potential mechanism is that standards enhance comparability of data between firms. Prior research suggests that comparability is important to investors and has economic value (Chen, Collins, Kravet, & Mergenthaler, 2018; Choi, Choi, Myers, & Ziebart, 2019; De Franco, Kothari, & Verdi, 2011; Kim, Kraft, & Ryan, 2013; Kim, Li, Lu, & Yu, 2016). This suggests that standards that better enable comparisons of one firm's performance with that of other firms will be critical. Further, if the value of a standard arises because it can better coordinate cross-firm evaluations, then the quality of a given standard in improving performance measurement may not depend on a specific firm's use of a standard so much as use of any common standard by multiple firms. That is, the value of an accounting standard in coordinating investor evaluation can be secured by consistently applying it across firms at reasonable cost.²⁶

26 Following neoclassical economics, this analysis assumes that firms and their transactions are identical. Leisenring, Linsmeier, Schipper, and Trott (2012) argue that business-model (intent-) based reporting for financial assets, as required by many FASB and IASB standards, is more relevant but can reduce comparability. However, their recommendation that rulemakers should require uniform measurement and recognition regardless of intent elevates comparability over relevance in conflict with the CF. Moreover, mandating that all firms expense R&D (SFAS 2, FASB 1974) does not produce comparable accounting (Sunder, 1997). Sunder (2010, 103) writes,

We have no specific alternative institution in mind but will suggest a few things that such an institutional alternative could consider. First, what should be the overarching goals for any successor organization to FASB? Second, how would such an organization promote new accounting knowledge development? That is, would the new organization try to develop new knowledge as FASB has done with its CF, or should it focus on knowledge curation? Third, if there is to be a formal body to opine on “generally accepted” accounting practices, what form should these opinions take? Finally, what would be the agenda for this institution and who would set it?

We think the *overarching goals* for any successor institution to FASB should be to produce recommendations about preferred accounting methods that will be (1) modest in ambition, (2) robust to possible changes in current conditions, and (3) provisional and subject to future refinement as new knowledge is obtained. When a revision to practice is suggested, any FASB successor should advocate modest improvements that can be implemented by preparers in a straightforward manner at reasonable cost. These improvements should be robust in that they will work effectively across a wide range of macroeconomic conditions.

No pronouncement should be viewed as the single final answer that will be universally applicable forever. Specific recommendations should be modest incremental changes to existing practice rather than revolutionary changes that re-orient the entire measurement process in the absence of knowledge of the effects of such a change.²⁷ This approach would be consistent with the call for modesty in policymaking offered by Hayek (1989, 7):

To act on the belief that we possess the knowledge and the power which enable us to shape the processes of society entirely to our liking, knowledge which in fact we do not possess, is likely to make us do much harm ... (h)e cannot acquire the full knowledge which would make mastery of the events possible. He will therefore have to use what knowledge he can achieve, not to shape the results as the craftsman shapes his handiwork, but rather to cultivate a growth by providing the appropriate environment, in the manner in which the gardener does this for his plants.

We believe that FASB’s successor should rely on *knowledge curation* rather than knowledge production reflected in a theory of accounting represented by a broad CF. We say this for two reasons. First, FASB has no comparative advantage in

“Concepts such as uniformity, comparability, and compatibility, often used interchangeably, are operationally vacuous for accountants’ work.”

²⁷ Our recommendations overlap with those of Sunder (1988, 11–12) when he suggested that after the experience of “FASB going out on a limb with aggressive standards, some modesty with respect to our ability to devise new accounting methods which are socially preferred standards may not be out of place.”

theory development, or even in theory evaluation (Madsen, 2013). Thus, FASB's successor will be better off leaving theory development to academics trained to do such work (Glover, 2014). Second, actions by a body like FASB that is responsible for setting standards that "sanction" specific accounting rules are likely to have negative consequences for developing new knowledge (Baxter, 1953). In this sense, "less is more" if the goal is to improve extant practice rather than deter people from "clinging" to a "revenue and expense view" that has resulted from "a long tradition of *ad hoc* accounting principles" (Storey & Storey, 1998, 83).

This approach would allow multiple conceptual frameworks to co-exist and would provide a broader knowledge base for making accounting policy decisions. This knowledge base could include the FASB CF as well as Paton and Littleton (1940), and others suggested by affected/interested parties. Important contributions to accounting thought could be included in a global online archive that would be updated as new knowledge is discovered and debated. This would make the conceptual knowledge base for accounting practice dynamic instead of static.

We believe that any successor to FASB should provide recommendations rather than dictates. That is, it would be more like a court than an administrative agency. The idea for such an "accounting court" has long existed (Berle, 1938). Spacek (1958, 375) advocates the use of an accounting court because it would likely, if carefully designed, adapt better than top-down rules that compel uniform accounting:²⁸

From a professional point of view, we need the case method of arriving at decisions on accounting principles. We need it so that not only the accounting profession, but also industry, government, teachers, and students will know the views that prevail in arriving at accepted principles, and why they prevail. This is particularly important for research and teaching. Through research, we will be able to discover when such reasoning has become obsolete, where it is wrong, where the premises have changed, and therefore why principles of accounting must change.

The benefit of a court for designing accounting policies is that it could more readily accommodate timely feedback from those affected by the organization's rules. This could be done through appeals of written rules, perhaps even using appellate courts as is done in typical legal processes.²⁹ The U.S. tax court could serve as a model for this approach (Friedland, 2004). In any case, it is essential that the court's opinions be revisited and re-deliberated if barriers arise that make effective implementation impractical. Having grounds for legitimate appeals will discourage

²⁸ See also Kleinman, Anandarajan, and Palmon (2012).

²⁹ The courts have historically influenced accounting and, at least in some cases, are able to encourage the use of principles-based standards even when GAAP is rules-based (Ball, 2009, 303–305).

the court from holding overconfident views of its abilities that can lead to false conclusions about the effects of such rules – i.e., a Nirvana fallacy (Demsetz, 1969). Because of this, the court would be a *constructivist* institution, but its doctrine would be an ecologically rational body of case law (Smith, 2003).

The agenda for this new body should be generated “bottom up” rather than “top down.” The agenda must be driven by a need to solve real problems that arise in practice rather than by a standard-setter’s need to “earn its keep” by trying to perfect policies that already work quite well. For example, was there really a compelling need for FASB to write a comprehensive standard on revenue to replace a set of revenue recognition policies, many of which were industry-specific, that had evolved out of practice over the course of centuries (Biondi et al., 2014)? Could evolved revenue recognition practices have worked well enough that it was not (on net) beneficial to put users and preparers through the pain and cost of designing a new single revenue recognition procedure?

Instead of trying to make all accounting standards consistent with its dubious CF, a standard-setter could add an issue to its agenda only when there was a clearly established accounting deficiency that needed to be addressed. In this event, it would be possible to identify parties to an action before the court and formal processes that would be invoked to evaluate the current practice. The result would be an agenda that was driven by real problems and, with the passage of time, a body of accounting case law that would evolve through legal reasoning built on precedents developed through court cases and an appellate process. In this way, accounting practice and accounting’s theoretical principles would co-evolve in a way that paralleled “the indispensable dynamic quality of law” emerging from legal reasoning that applies current precedent to new conditions that arise in practice (Levi, 1949/2013, 2). To promote efficiency, it would be useful to put time constraints on the court’s actions – e.g., any new ruling on a court item could be subject to a constraint that any written decision paper on the agenda item must be produced within say 18 months of the case being added to the court’s agenda.³⁰

³⁰ Other safeguards would be necessary to encourage an efficient law-like process. Simply creating such an institution is not sufficient if private parties have incentives to secure large benefits through the process – e.g., the increased use of class-action lawsuits by entrepreneurial lawyers after the 1966 amendment to Federal Rule of Civil Procedures 23 likely led to consequences that were not foreseen by the courts (Mahoney, 2009). Furthermore, existing institutions with diverging interests such as the American Accounting Association, FASB, Public Company Accounting Oversight Board, AICPA, and others are likely to resist transfer of their interpretive powers to an unknown institution, perhaps explaining why an accounting court does not already exist today (Kleinman, Strickland, & Anandarajan, 2016).

5 Concluding Remarks

We have focused on three larger questions about the value of FASB. First, do FASB accounting standards generate economic value for their intended beneficiaries? Second, has the FASB CF improved thinking about accounting and financial reporting? Third, what is the opportunity cost of FASB? We do not answer these questions definitively but raise them in the hope of spurring further thinking about the larger issue of whether FASB is a socially useful institution.

FASB has now existed for nearly a half-century, and we question whether its institutional structure is best suited for producing accounting standards for the next half-century. Does it have a comparative advantage in producing accounting standards, and if so, why? Is there a better alternative to FASB for this function? Do we still need the FASB CF as the main guidepost in building better accounting policies to support financial markets, or should we use other conceptual frameworks that could encourage broader thinking about accounting policy? Are the gargantuan annual reports provided by U.S. corporations necessary to protect 21st century investors or are they the result of a concern to prevent stock market losses by small investors that borders on pathological altruism?

We encourage consideration of these questions through a fresh comprehensive evaluation of whether FASB, as a monopolistic U.S. supplier of accounting standards, represents the best vision for future accounting policymaking. Such an evaluation would be an exercise in accountability for FASB in evaluating its cumulative effects over its nearly 50-year history. The FASB “Strategic Plan” (FASB, 2015, 2) states that FASB is “accountable to stakeholders and to those organizations that oversee their activities. For the FASB, those organizations include the FAF Board of Trustees, the Securities and Exchange Commission (SEC), and through the SEC, the Congress of the United States.” Thus, the evaluation should consider whether FASB’s “stakeholders” (beyond its staff and regulatory sponsors) are satisfied with its performance in light of what is known about the size and informativeness of U.S. corporate reports today versus when FASB was founded in 1973. The results of such an evaluation could prove useful in charting a course for U.S. financial accounting.

Acknowledgments: We thank the editors for inviting this commentary and Yuri Biondi (editor) and three anonymous reviewers for helpful comments and suggestions.

References

- AICPA. (1973). *Objectives of financial statements. Report of the [Trueblood] Study Group on the objectives of financial statements*. New York, NY: AICPA.

- Alchian, A. A., & Demsetz, H. (1972). Production, information costs, and economic organization. *The American Economic Review*, 62(5), 777–795.
- American Institute of Certified Public Accountants [AICPA]. (1972). *Establishing financial accounting standards. Report of the study on establishment of accounting principles (Wheat report)*. New York, NY: AICPA.
- Arnold, A. J., & McCartney, S. (2003). “It may be earlier than you think”: Evidence, myths and informed debate in accounting history. *Critical Perspectives on Accounting*, 14(3), 227–253.
- Bainbridge, S. M. (2011). Dodd-Frank: Quack federal corporate governance round II. *Minnesota Law Review*, 95(5), 1779–1821.
- Ball, R. (1989). *The firm as a specialist contracting intermediary: Application to accounting and auditing*. Working paper. Rochester, NY: University of Rochester. Retrieved from <https://faculty.chicagobooth.edu/-/media/faculty/ray-ball/research/papers/the-firm-as-a-specialist-contracting-intermediary.pdf>.
- Ball, R. (2009). Market and political/regulatory perspectives on the recent accounting scandals. *Journal of Accounting Research*, 47(2), 277–323.
- Barker, R., & McGeachin, A. (2015). An analysis of concepts and evidence on the question of whether IFRS should be conservative. *Abacus*, 51(2), 160–207.
- Basu, S. (1997). The conservatism principle and the asymmetric timeliness of earnings. *Journal of Accounting and Economics*, 24(1), 3–37.
- Basu, S. (2015). Is there a scientific basis for accounting? Implications for research, practice and education. *Journal of International Accounting Research*, 14(2), 235–265.
- Basu, S., Kirk, M., & Waymire, G. B. (2009). Memory, transaction records, and *The Wealth of Nations*. *Accounting, Organizations and Society*, 34(8), 895–917.
- Basu, S., & Waymire, G. B. (2006). Recordkeeping and human evolution. *Accounting Horizons*, 20(3), 201–229.
- Basu, S., & Waymire, G. B. (2010). Sprouse’s what-you-may-call-its: Fundamental insight or monumental mistake? *The Accounting Historians Journal*, 37(1), 121–148.
- Basu, S., & Waymire, G. B. (2019). Historical cost and conservatism are joint adaptations that help identify opportunity cost. *Accounting, Economics, and Law: A Convivium*, 9(1), 1–13.
- Basu, S. & Waymire, G. B. (2021). The evolution of double-entry bookkeeping. Working paper. Philadelphia, PA: Temple University; and Atlanta, GA: Emory University. Retrieved from <https://doi.org/10.2139/ssrn.3093303>.
- Baxter, W. T. (1953). Recommendations on accounting theory. *The Accountant* 129 (10 October), 405–410. Reprinted in W. T. Baxter, & S. Davidson (Eds.), 1962, *Studies in accounting theory* (2nd ed., pp. 414–427). Homewood, IL: Richard D. Irwin, Inc.
- Bensimhon, L., & Biondi, Y. (2013). Financial bubbles, common knowledge and accounting regimes: An experimental analysis of artificial spot security markets. *The Japanese Accounting Review*, 3, 21–59.
- Benston, G. J. (1969). The value of the SEC’s accounting disclosure requirements. *The Accounting Review*, 44(3), 515–532.
- Benston, G. J. (1973). Required disclosure and the stock market: An evaluation of the Securities Exchange Act of 1934. *The American Economic Review*, 63(1), 132–155.
- Berle, A. A. (1938). Accounting and the law. *The Accounting Review*, 13(1), 9–15.
- Biondi, Y., Canziani, A., & Kirat, T. (2007). *The firm as an entity: Implications for accounting, economics and the law*. New York, NY: Routledge.
- Biondi, Y., Tsujiyama, E., Glover, J. C., Jenkins, N. T., Jorgensen, B., Lacey, J., & Macve, R. H. (2014). ‘Old hens make the best soup’: Accounting for the earnings process and the IASB/FASB

- attempts to reform revenue recognition accounting standards. *Accounting in Europe*, 11(1), 13–33.
- Bischof, J., Daske, H., & Sextroh, C. J. (2020). Why do politicians intervene in accounting regulation? The role of ideology and special interests. *Journal of Accounting Research*, 58(3), 589–642.
- Blouin, J. L., & Robinson, L. A. (2014). Insights from academic participation in the FAF's initial PIR: The PIR of FIN 48. *Accounting Horizons*, 28(3), 479–500.
- Braun, E. (2019). The ecological rationality of historical costs and conservatism. *Accounting, Economics and Law: A Convivium*, 9(1), 1–30.
- Brief, R. P. (1987). Corporate financial reporting at the turn of the century. *Journal of Accountancy*, 163(5), 142–157.
- Brown, M., & Palmrose, Z.-V. (2005). *Thog's guide to quantum economics: 50,000 years of accounting basics for the future*. Duvall, WA: MAC Productions.
- Buchanan, J. M., & Tullock, G. (1962). *The calculus of consent: Logical foundations of constitutional democracy*. Ann Arbor, MI: University of Michigan Press.
- Burton, J. C., & Sack, R. J. (1991). Accounting research: A new direction. (Editorial). *Accounting Horizons*, 5(4), 142–146.
- Chakravarthy, J. (2019). Ideological diversity in standard setting. *Review of Accounting Studies*, 24(1), 113–155.
- Chen, C. W., Collins, D. W., Kravet, T. D., & Mergenthaler, R. D. (2018). Financial statement comparability and the efficiency of acquisition decisions. *Contemporary Accounting Research*, 35(1), 164–202.
- Childs, C. W. (1895). *The new essentials of book-keeping for public schools: Single and double entry*. San Francisco, CA: Whitaker & Ray Co.
- Choi, J. H., Choi, S. H., Myers, L. A., & Ziebart, D. (2019). Financial statement comparability and the informativeness of stock prices about future earnings. *Contemporary Accounting Research*, 36(1), 389–417.
- Chow, C. W. (1983). The impacts of accounting regulation on shareholder and bondholder wealth: The case of the Securities Acts. *The Accounting Review*, 58(3), 485–519.
- Christensen, H. B., Hail, L., & Leuz, C. (2013). Mandatory IFRS reporting and changes in enforcement. *Journal of Accounting and Economics*, 56((2–3), Suppl. 1), 147–177.
- Coase, R. H. (1937). The nature of the firm. *Economica*, 4(16), 386–405.
- Coase, R. H. (1974). Economists and public policy. *Reason* (December 1). Reprinted in R. H. Coase (Ed.), 1994, *Essays on economics and economists* (pp. 47–63). Chicago, IL: The University of Chicago Press.
- Coase, R. H. (1988). *The firm, the market, and the law*. Chicago, IL: The University of Chicago Press.
- Davidson, S., & Anderson, G. D. (1987). The development of accounting and auditing standards. *Journal of Accountancy*, 163(5), 110–127.
- De Franco, G., Kothari, S. P., & Verdi, R. S. (2011). The benefits of financial statement comparability. *Journal of Accounting Research*, 49(4), 895–931.
- DeFond, M. L., Hung, M., Carr, E., & Zhang, J. (2011). Was the Sarbanes-Oxley Act good news for corporate bondholders? *Accounting Horizons*, 25(3), 465–485.
- Demsetz, H. (1969). Information and efficiency: Another viewpoint. *Journal of Law & Economics*, 12(1), 1–22.
- Demski, J. S. (2007). Is accounting an academic discipline? *Accounting Horizons*, 21(2), 153–157.
- Demski, J. S., & Christensen, J. (2003). *Accounting theory: An information content perspective*. New York, NY: Irwin/McGraw-Hill.

- Dichev, I. D. (2008). On the balance sheet-based model of financial reporting. *Accounting Horizons*, 22(4), 453–470.
- Dichev, I. D., Graham, J. R., Harvey, C. R., & Rajgopal, S. (2013). Earnings quality: Evidence from the field. *Journal of Accounting and Economics*, 56(2–3, Suppl. 1), 1–33.
- Dopuch, N., & Sunder, S. (1980). FASB's statements on objectives and elements of financial accounting: A review. *The Accounting Review*, 55(1), 1–21.
- Douglas, W. O. (1950). Underhill Moore. *Yale Law Journal*, 59(2), 187–188.
- Dyckman, T. (1989). Practice to research—"What have you done for me lately?" *Accounting Horizons*, 3(1), 111–118.
- Dye, R. A., & Sunder, S. (2001). Why not allow FASB and IASB to compete in the US? *Accounting Horizons*, 15(3), 257–271.
- Elliott, W. B., Hobson, J. L., & White, B. J. (2015). Earnings metrics, information processing, and price efficiency in laboratory markets. *Journal of Accounting Research*, 53(3), 555–592.
- Erb, C., & Pelger, C. (2015). "Twisting words"? A study of the construction and reconstruction of reliability in financial reporting standard-setting. *Accounting, Organizations and Society*, 40, 13–40.
- Everard, A., & St. Pierre, K. (2022) (in press). Valuation issues, auditor fraud, and PCAOB confirmation: Findings from an analysis of lawsuits against large public accounting firms. *Journal of Accounting, Auditing, and Finance*. <https://doi.org/10.1177/0148558X211065856>.
- Ewert, R., & Wagenhofer, A. (2012). Earnings management, conservatism, and earnings quality. *Foundations and Trends in Accounting*, 6(2), 65–186.
- FASB. (1974). *Statement of financial accounting concepts No. 2 – Accounting for research and development costs*. Norwalk, CT: FASB.
- FASB. (1998). *Statement of financial accounting concepts No. 133 – Accounting for derivatives instruments and hedging activities*. Norwalk, CT: FASB.
- FASB. (2009). *Statement of financial accounting standards No. 168 – The FASB accounting standards codification and the hierarchy of generally accepted accounting principles*. Norwalk, CT: FASB.
- FASB. (2010). *Statement of financial accounting concepts No. 8 – Conceptual framework for financial reporting*. Norwalk, CT: FASB.
- FASB. (2015). *Strategic plan*. Norwalk, CT: FASB.
- Financial Crisis Inquiry Commission. (2011). *Financial crisis inquiry report: Final report of the national commission on the causes of the financial and economic crisis in the United States*. Washington, DC: U.S. Government Printing Office.
- Fogarty, T. J., Hussein, M. E. A., & Ketz, J. E. (1994). Political aspects of financial accounting standard setting in the USA. *Accounting, Auditing and Accountability Journal*, 7(4), 24–46.
- Friedland, J. H. (2004). The need for an accounting court revisited: Supplementing SEC accounting enforcement actions. *International Journal of Disclosure and Governance*, 1(3), 238–259.
- Frye, T., & Shleifer, A. (1997). The invisible hand and the grabbing hand. *The American Economic Review*, 87(2), 354–358.
- Gao, P. (2010). Disclosure quality, cost of capital, and investors' welfare. *The Accounting Review*, 85(1), 1–29.
- Gao, P. (2013). A measurement approach to conservatism and earnings management. *Journal of Accounting and Economics*, 55(2/3), 251–268.
- Gipper, B., Lombardi, B. J., & Skinner, D. J. (2013). The politics of accounting standard-setting: A review of empirical research. *Australian Journal of Management*, 38(3), 523–551.

- Glover, J. (2014). Have academic accountants and financial accounting standard setters traded places? *Accounting, Economics and Law: A Convivium*, 4(1), 17–26.
- Gorton, G. B. (2009). Information, liquidity, and the (ongoing) panic of 2007. *The American Economic Review*, 99(2), 567–572.
- Gorton, G. B. (2010). *Slapped by the invisible hand: The panic of 2007*. New York, NY: Oxford University Press.
- Greenstone, M., Oyer, P., & Vissing-Jorgensen, A. (2006). Mandated disclosure, stock returns, and the 1964 Securities Acts amendments. *The Quarterly Journal of Economics*, 121(2), 399–460.
- Haas, J. (2013). Towards a comprehensive appraisal of global accounting harmonization: About the “desirability” of IFRS – A comment on Ramanna’s “the international politics of IFRS harmonization. *Accounting, Economics and Law: A Convivium*, 3(2), 53–68.
- Hail, L., Tahoun, A., & Wang, C. (2018). Corporate scandals and regulation. *Journal of Accounting Research*, 56(2), 617–671.
- Harris, R. (1994). The Bubble Act: Its passage and its effects on business organization. *The Journal of Economic History*, 54(3), 610–627.
- Hawkins, D. F. (1963). The development of modern financial reporting practices among American manufacturing corporations. *The Business History Review*, 37(3), 135–168.
- Hayek, F. A. (1989). The pretence of knowledge. *The American Economic Review*, 79(6), 3–7.
- Heffes, E. (2013). The chairs comment. *Financial Executive*, 29(5), 36–39.
- Hirota, S., & Sunder, S. (2007). Price bubbles sans dividend anchors: Evidence from laboratory stock markets. *Journal of Economic Dynamics and Control*, 31(6), 1875–1909.
- Hobson, J. L. (2011). Do the benefits of reducing accounting complexity persist in markets prone to bubble? *Contemporary Accounting Research*, 28(3), 957–989.
- Hoffmann, S., & Detzen, D. (2013). The regulation of asset valuation in Germany. *Accounting History*, 18(2), 367–389.
- Holthausen, R. W., & Watts, R. L. (2001). The relevance of the value-relevance literature for financial accounting standard setting. *Journal of Accounting and Economics*, 31(1–3), 3–75.
- Horngren, C. T. (1973). The marketing of accounting standards. *Journal of Accountancy*, 136(4), 61–66.
- Hörnigk, P. W. von (1684). *Oesterreich über alles, wann es nur will*. Nürnberg, Germany: Johann Hoffmann. Selection translated as *Austria over all, if she only will*. In A. E. Monroe (Ed.) (1924), *Early economic thought: Selections from economic literature prior to Adam Smith* (221–243). Cambridge, MA: Harvard University Press.
- Hu, G. X. (2020). Rollover risk and credit spreads in the financial crisis of 2008. *The Journal of Finance and Data Science*, 6, 1–15.
- IASB. (2010). *Conceptual framework for financial reporting*. London, U.K.: IASB.
- IASB. (2018). *Conceptual framework for financial reporting*. London, U.K.: IASB.
- Ijiri, Y. (1975). *Theory of accounting measurement: Studies in accounting research # 10*. Sarasota, FL: American Accounting Association.
- Ijiri, Y. (1983). On the accountability-based conceptual framework of accounting. *Journal of Accounting and Public Policy*, 2(2), 75–81.
- Jamal, K., & Sunder, S. (2014). Monopoly and competition in setting accounting standards. *Abacus*, 50(4), 369–385.
- Jarrell, G. A. (1981). The economic effects of federal regulation of the market for new security issues. *The Journal of Law and Economics*, 24(3), 613–675.
- Jensen, M. C. (1983). Organization theory and methodology. *The Accounting Review*, 58(2), 319–339.

- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
- Jiang, J. X., Wang, I. Y., & Wangerin, D. D. (2018). How does the FASB make decisions? A descriptive study of agenda-setting and the role of individual board members. *Accounting, Organizations and Society*, 71, 30–46.
- Johnson, E. R., Van Metre, T. W., Huebner, G. G., & Hanchett, D. S. (1915). *History of domestic and foreign commerce of the United States*. Washington, DC: Carnegie Institution of Washington.
- Khan, U., Li, B., Rajgopal, S., & Venkatachalam, M. (2018). Do the FASB's standards add shareholder value? *The Accounting Review*, 93(2), 209–247.
- Kim, J. B., Li, L., Lu, L. Y., & Yu, Y. (2016). Financial statement comparability and expected crash risk. *Journal of Accounting and Economics*, 61(2–3), 294–312.
- Kim, S., Kraft, P., & Ryan, S. G. (2013). Financial statement comparability and credit risk. *Review of Accounting Studies*, 18(3), 783–823.
- Kleinman, G., Anandarajan, A., & Palmon, D. (2012). Who's to judge? Understanding issues of auditor independence versus judicial independence. *Accounting, Economics and Law: A Convivium*, 2(1), Article 4.
- Kleinman, G., Strickland, P., & Anandarajan, A. (2016). The accounting court: Some speculations on why not? *Group Decisions and Negotiations*, 25(4), 845–871.
- Kling, A. (2010). *Unchecked and unbalanced: How the discrepancy between knowledge and power caused the financial crisis and threatens democracy*. Lanham, MD: Rowland and Littlefield Publishers, Inc.
- Kreuger, A. (1974). The political economy of the rent-seeking society. *The American Economic Review*, 64(3), 291–303.
- LaHaye, L. (2008). Mercantilism (pp. 568–569). In S. N. Durlauf & L. E. Blume (Eds.), *The new palgrave dictionary of economics* (2nd ed.). London: Palgrave Macmillan.
- Leisenring, J., Linsmeier, T., Schipper, K., & Trott, E. (2012). Business-model (intent)-based accounting. *Accounting and Business Research*, 42(3), 329–344.
- Leone, M., & Johnson, S. (2007). Is the SEC a threat to FASB's independence? CFO.com. Retrieved from <https://www.cfo.com/accounting-tax/2007/03/is-the-sec-a-threat-to-fasbs-independence/>.
- Leuz, C., Pfaff, D., & Hopwood, A. (Eds.) (2004). *The economics and politics of accounting*. New York, NY: Oxford University Press.
- Levi, E. (1949/2013). *An introduction to legal reasoning*. Chicago, IL: University of Chicago Press.
- Littleton, A. C. (1953). *The structure of accounting theory*. Sarasota, FL: American Accounting Association.
- Littleton, A. C. (1956). Economists and accountants. *The Illinois Certified Public Accountant*, 18–24. Reprinted in *Accounting, Economics and Law: A Convivium*, 2011, 1(2), Article 2.
- Maddison, A. (2001). *The world economy: A millennial perspective*. Paris: OECD.
- Madsen, P. E. (2013). Evaluating accounting standards: A comment on Ramanna's 'the international politics of IASB harmonization'. *Accounting, Economics and Law: A Convivium*, 3(2), 77–92.
- Mahoney, P. G. (2001). The political economy of the Securities Act of 1933. *The Journal of Legal Studies*, 30(1), 1–31.
- Mahoney, P. G. (2003). The origins of the blue-sky laws: A test of competing hypotheses. *The Journal of Law and Economics*, 46(1), 229–251.
- Mahoney, P. G. (2009). The development of securities law in the United States. *Journal of Accounting Research*, 47(2), 325–347.

- Marschak, J., & Miyasawa, K. (1968). Economic comparability of information systems. *International Economic Review*, 9(2), 137–174.
- McGraw, T. K. (1984). *Prophets of regulation*. Cambridge, MA: Harvard University Press.
- Merton, R. K. (1936). The unanticipated consequences of purposive social action. *American Sociological Review*, 1(6), 894–904.
- Moe, T. M. (1990). Political institutions: The neglected side of the story. *Journal of Law, Economics, & Organization*, 6(Special Issue), 213–253.
- Mora, A., & Walker, M. (2015). The implications of research on accounting conservatism for accounting standard setting. *Accounting and Business Research*, 45(5), 620–650.
- Nölke, A. (2013). A political economy explanation for country variation in IFRS adoption – A comment on “the international politics of IFRS harmonization”. *Accounting, Economics and Law: A Convivium*, 3(2), 69–76.
- Oakley, B. A. (2013). Concepts and implications of altruism bias and pathological altruism. *Proceedings of the National Academy of Sciences of the USA*, 110(Suppl. 2), 10408–10415.
- Oakley, B. A., Knafo, A., Madhavan, G., & Wilson, D. S. (Eds.) (2012). *Pathological altruism*. New York, NY: Oxford University Press.
- O’Brien, P. C. (2009). Changing the concepts to justify the standards. *Accounting Perspectives*, 8(4), 263–275.
- O’Connor, S. (2004). Be careful what you wish for: How accountants and Congress created the problem of auditor independence. *Boston College Law Review*, 45(4), 741–827.
- Olson, M. L. (1965). *The logic of collective action: Public goods and the theory of groups*. Cambridge, MA: Harvard University Press.
- Ovans, A. (2015). What is a business model? *Harvard Business Review blog*. Retrieved from <https://hbr.org/2015/01/what-is-a-business-model>.
- Palmon, D., Peytcheva, M., & Yezegel, A. (2011). The accounting standards setting process in the U.S.: Examination of the FASB-SEC relationship. *Group Decisions and Negotiations*, 20(2), 165–183.
- Palmrose, Z.-V. (2009). Science, politics, and accounting: A view from the Potomac. *The Accounting Review*, 84(2), 281–297.
- Partnoy, F. (1999). The Siskel and Ebert of financial markets: Two thumbs down for the credit rating agencies. *Washington University Law Quarterly*, 77(3), 619–712.
- Paton, W., & Littleton, A. C. (1940). *An introduction to corporate accounting standards*. Sarasota, FL: American Accounting Association.
- Penman, S. H. (2007). Financial reporting quality: Is fair value a plus or a minus? *Accounting and Business Research*, 37(Suppl.), 33–44.
- Porter, B., Sivakumar, K., & Waymire, G. B. (1995). Disclosure policies and shareholder wealth in the early 20th century: The case of the American Sugar Refining Company. *Journal of Accounting, Auditing, and Finance*, 10(1), 121–145.
- Rajan, R. G. (2010). *Fault lines: How hidden fractures still threaten the world economy*. Princeton, NJ: Princeton University Press.
- Ramanna, K. (2013). The international politics of IFRS harmonization. *Accounting, Economics and Law: A Convivium*, 3(2), 1–46.
- Ramanna, K. (2022). Unreliable accounts: How regulators fabricate conceptual narratives to diffuse criticism. *Accounting, Economics and Law: A Convivium*, 12(this issue).
- Reinhart, C. M., & Rogoff, K. S. (2009). *This time is different: Eight centuries of financial folly*. Princeton, NJ: Princeton University Press.

- Richard, J. (2005). The concept of fair value in French and German accounting regulations from 1673 to 1914 and its consequences for the interpretation of the stages of development of capitalist accounting. *Critical Perspectives on Accounting*, 16(6), 825–850.
- Romano, R. (2005). The Sarbanes-Oxley Act and the making of quack corporate governance. *Yale Law Journal*, 114(7), 1521–1611.
- Saito, S. (2013). The international politics of IFRS harmonization: A comment. *Accounting, Economics and Law: A Convivium*, 3(2), 47–52.
- Sanders, T. H., Hatfield, H. R., & Moore, W. U. (1938). *A statement of accounting principles*. New York, NY: American Institute of Accountants.
- Schipper, K. (2010). How can we measure the costs and benefits of changes in financial reporting standards? *Accounting and Business Research*, 40(3), 309–327.
- Scott, J. C. (1998). *Seeing like a state: how certain schemes to improve the human condition have failed*. New Haven, CT: Yale University Press.
- Simon, C. J. (1989). The effect of the 1933 Securities Act on investor information and the performance of new issues. *The American Economic Review*, 79(3), 295–318.
- Smith, A. (1776/1976). *The wealth of nations*. Chicago, IL: University of Chicago Press.
- Smith, V. L. (2003). Constructivist and ecological rationality in economics. *The American Economic Review*, 93(3), 465–508.
- Sowell, T. (2006). *On classical economics*. New Haven, CT: Yale University Press.
- Sowell, T. (2009). *The housing boom and bust*. New York, NY: Basic Books.
- Spacek, L. (1958). The need for an accounting court. *The Accounting Review*, 33(3), 368–379.
- Sprouse, R. T. (1966). Accounting for what-you-may-call-its. *The Journal of Accountancy*, 122(4), 45–53.
- Stephan, P. (2012). Perverse incentives. *Nature*, 484(7392), 29–31.
- Sterling, R. R. (1967). Conservatism: The fundamental principle of valuation in traditional accounting. *Abacus*, 3(2), 109–132.
- Stigler, G. J. (1964). Public regulation of the securities markets. *The Journal of Business*, 37(2), 117–142.
- Stigler, G. J. (1971). The theory of economic regulation. *Bell Journal of Economics*, 2(1), 3–21.
- Storey, R. K., & Storey, S. (1998). *The framework of financial accounting concepts and standards: Financial accounting series No. 181-C*. Norwalk, CT: FASB.
- Sunder, S. (1988). Political economy of accounting standards. *Journal of Accounting Literature*, 7, 31–41.
- Sunder, S. (1997). *Theory of accounting and control*. Cincinnati, OH: South-Western Publishing.
- Sunder, S. (2010). Adverse effects of uniform written reporting standards on accounting practice, education, and research. *Journal of Accounting and Public Policy*, 29(2), 99–114.
- Sunder, S. (2011). IFRS monopoly: The Pied Piper of financial reporting. *Accounting and Business Research*, 41(3), 291–306.
- Terrill, W. A. (1955). Cost basis—accounting’s “Samson’s Tresses”. *NACA Bulletin*, 36(8), 1011–1026. Reprinted in *Accounting, Economics and Law: A Convivium*, 1(1), Article 9.
- Tullock, G. (1967). The welfare costs of tariffs, monopolies, and theft. *Western Economic Journal*, 5(3), 224–232.
- Watts, R. L. (1977). Corporate financial statements: A product of the market and political processes. *Australian Journal of Management*, 2(3), 53–75.
- Watts, R. L. (2003). Conservatism in accounting part I: Explanations and implications. *Accounting Horizons*, 17(3), 207–231.

- Watts, R. L., & Zimmerman, J. L. (1978). Towards a positive theory of the determination of accounting standards. *The Accounting Review*, 53(1), 112–134.
- Watts, R. L., & Zimmerman, J. L. (1986). *Positive accounting theory*. Englewood Cliffs, NJ: Prentice Hall.
- Waymire, G., & Basu, S. (2007). Accounting is an evolved economic institution. *Foundations and Trends in Accounting*, 2(1–2), 1–174.
- Waymire, G., & Basu, S. (2011). Economic crisis and accounting evolution. *Accounting and Business Research*, 41(3), 207–232.
- Weingast, B. R. (1984). The congressional-bureaucratic system: A principal agent perspective (with applications to the SEC). *Public Choice*, 44, 147–191.
- Williamson, O. E. (1975). *Markets and hierarchies: Analysis and antitrust implications, a study in the economics of internal organization*. New York, NY: The Free Press.
- Williamson, O. E., & Winter, S. G. (Eds.) (1991). *The nature of the firm: Origins, evolution, and development*. New York, NY: Oxford University Press.
- Williams, P. F., & Ravenscroft, S. P. (2015). Rethinking decision usefulness. *Contemporary Accounting Research*, 32(2), 763–788.
- Yandle, B. (1983). Bootleggers and Baptists—The education of a regulatory economist. *Regulation*, 7(3), 12–16.
- Yandle, B. (1999). Bootleggers and Baptists in retrospect. *Regulation*, 22(3), 5–7.
- Young, J. J. (2003). Constructing, persuading and silencing: The rhetoric of accounting standards. *Accounting, Organizations and Society*, 28(6), 621–638.
- Young, J. J. (2006). Making up users. *Accounting, Organizations and Society*, 31(6), 579–600.
- Young, J. J. (2014). Separating the political and technical: Accounting standard-setting and purification. *Contemporary Accounting Research*, 31(3), 713–747.
- Zeff, S. A. (1978). The rise of “economic consequences”. *Journal of Accountancy*, 146(6), 56–63.
- Zeff, S. A. (2005). The evolution of U.S. GAAP: The political forces behind professional standards. *The CPA Journal*, 75(2), 18–29.
- Zeff, S. A. (2014). Some historical reflections on “Have academics and the standard setters traded places?” *Accounting, Economics and Law: A Convivium*, 4(1), 41–48.
- Zeff, S. A. (2015). The Wheat Study on establishment of accounting principles (1971–72): A historical study. *Journal of Accounting and Public Policy*, 34(2), 146–174.
- Zeff, S. A. (2016). The Trueblood Study Group on the objectives of financial statements (1971–73): A historical study. *Journal of Accounting and Public Policy*, 35(2), 134–161.
- Zeff, S. A. (2018). The omnipresent influence of the SEC on the work of the Accounting Principles Board, 1959–1973. *Journal of Accounting and Public Policy*, 37(3), 254–263.
- Zeff, S. A. (2021). The FASB’s approach toward reviewing, conducting and sponsoring academic research and to engaging academics. *Accounting Horizons*, 35(3), 245–254.
- Zhang, I. X. (2007). Economic consequences of the Sarbanes-Oxley Act of 2002. *Journal of Accounting and Economics*, 44(1–2), 74–115.
- Zimmerman, J. L. (2013). Myth: External financial reporting quality has a first-order effect on firm value. *Accounting Horizons*, 27(4), 887–894.