

What Is Good Financial Reporting? How Do We Get There?

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Two Perspectives on Society: Design and Evolution

- Intelligent design:
 - Cartesian understanding of structure, principles and preferences
 - Ability to engineer social design
- Evolution:
 - Darwinian mutations and selection
 - Spencer: social evolution through trial-and-error
 - Hayekian emergence of spontaneous macro order from micro behavior over time
- Let us briefly review both perspectives

Intelligent Design

- We have enough understanding our our world
- We have adequate understanding of what we want
- We can design our society's structure, rules and expectations through deliberate analysis to achieve desired outcomes
- Ditto for accounting institutions and rules

Idea of Intelligent Design

- That complex social or biological systems can be DESIGNED by conscious intelligent entities
- That they have the ability and wisdom to define the ends, and design to attain these ends efficiently
- That they are, or should be, invested with the power to enforce their design on others
- Where does this entity reside?

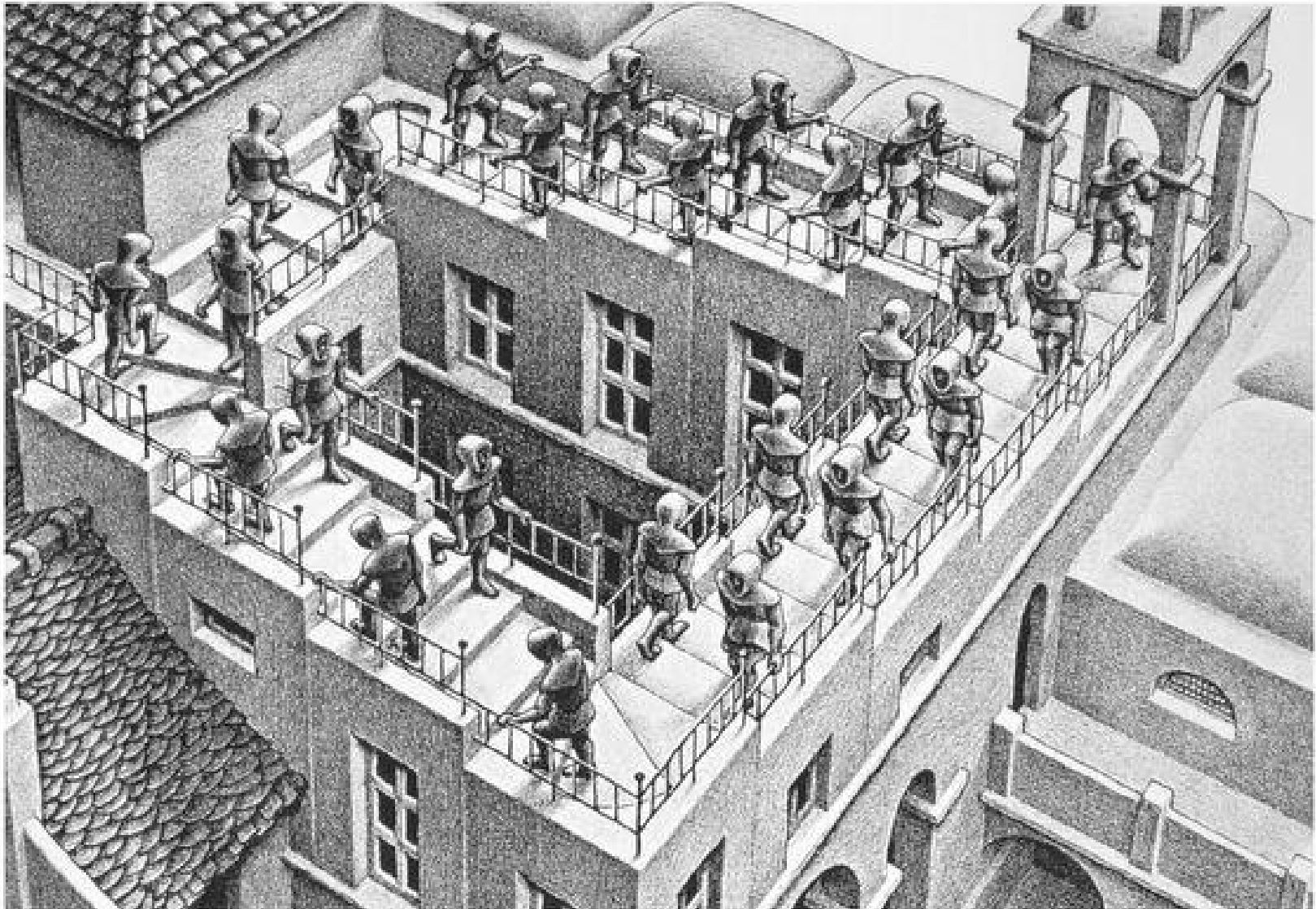
Abode of the Intelligence?

Heaven

Stamford or London?



Design Pre-requisite: Know What We Want; i.e., Which Way Is UP?



Meaning of Good Financial Reporting: Seven Candidates

- Attributes
 - True and fair
 - Operational or aspirational
- Descriptive properties
- Data and disclosures with specified attributes
- Serve specified societal goals/functions
- Functional perspectives
- Serve specified individual goals
- Procedural perspectives

Attribute-based Approaches: True-and-Fair

- Laymen's question about financial reports: Why don't they tell the simple truth?
- But, there are many truths
- What is true may not be simple; what is simple may not be true
- Historical cost and Mark-to-market: both have their respective claims on true-and-fair
- This attribute does not guide us about how to make trade-offs
- But it retains its appeal as an aspirational criterion, like the honor code of many universities and professional codes of ethics
- The U.S. Declaration of Independence is based on men's inalienable right to "life, liberty and pursuit of happiness";
 - But difficult to codify in law
 - Not easy to use in settling cases in courts of law
- Needs responsible judgment

Aspirational vs. Operational



The Great Society is a place where every child can find knowledge to enrich his mind and to enlarge his talents... It is a place where the city of man serves not only the needs of the body and the demands of commerce but the desire for beauty and the hunger for community... It is a place where men are more concerned with the quality of their goals than the quantity of their goods.

(Lyndon B. Johnson)

izquotes.com

Meanings: Qualitative Attributes

- faithful representation
- Timeliness
- Relevance
- Reliability
- Verifiability
- Uniformity
- Consistency
- Comparability
- Cost-benefit efficiency
- Conservatism
- Robustness to manipulation and fraud
- Governmental organizations: transparency, public accountability, and citizen empowerment and engagement with the organization



Meanings: Attributes



"Everything's a tradeoff — now that I can walk upright, I can't wiggle my ears any more."

- Three caveats:
 - No guidance for trade-offs: e.g., faithful representation and timeliness; relevance and reliability
 - Conflicts on desirability among preparers, auditors, and users
 - Ambiguity of meaning: e.g., uniformity, comparability, and conservatism
 - Obvious at distance, not in close scrutiny
 - What does uniformity mean in a multi-attribute world?
 - What does comparability mean in a world where no two transactions are exactly alike?

Meanings: Producing Data and Disclosures with Desired Attributes

- Correlation between financial reports and stock market data; “value relevant” reporting; problems with value relevance
- Include consolidation of controlled entities
- Include separate business and geographical segments
- Include quarterly results
- Disclosures: financial instruments, off-balance sheet financing, uncertainties, and separate core from non-core businesses
- In 1994 AICPA’s Jenkins Committee: financial and non-financial information
- PSLRA: Inclusion of forward looking information in financial reports under safe harbor rule, and the consequences
- Risk of disclosure dump (i.e., excessive disclosure which buries important information in unnecessary details) in financial reports

Meanings: Serve Specified Societal Goals/Functions

- Creation of wealth and livelihood
- Promotion of social cohesion and justice
- Creation of markets for physical, financial and human capital that promote economic efficiency
- Creation and operation of organizations to create and distribute social surplus
- Coordination and disciplining of individual participation in organizations and society so personal pursuits do not overwhelm their collective functions
- Discipline alternative and competing sources of information to add stability and predictability to organization.
- Reduce organizations' cost of capital (?)
- Difficulty of linking accounting alternatives to attainment of such social goals

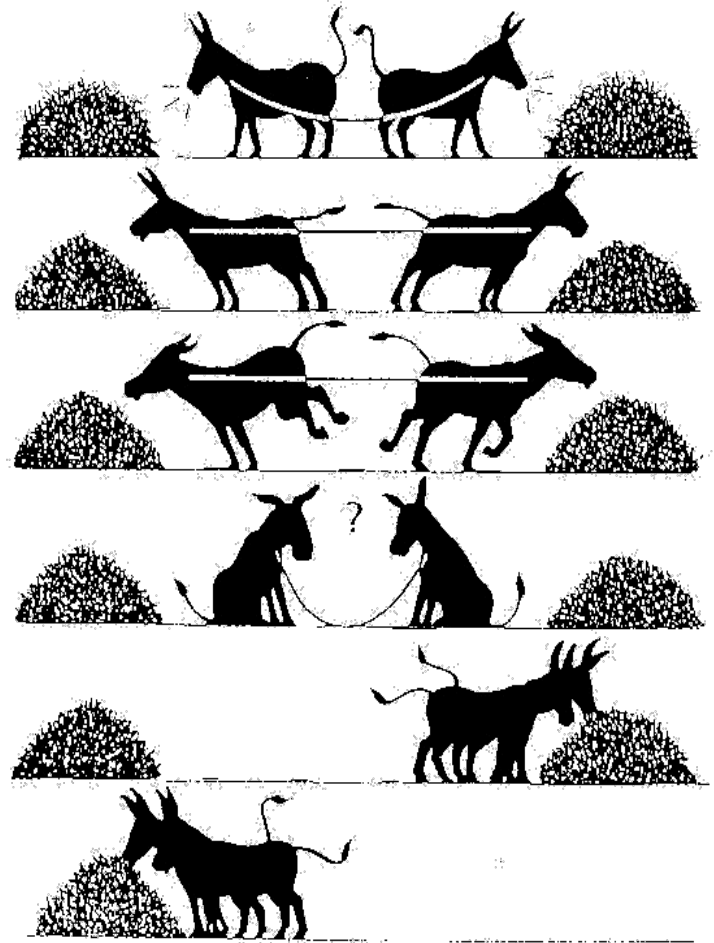
Functional Perspectives

(Based on the functions accounting may serve)

- Facilitating efficient operations
- Helping create/maintain “better” markets
- Better management of public finances
- Better macro-economic management
- Create/implement accountability relationships (Ijiri)
- Create, communicate and enforce contracts (Sunder)
- Provision of information to relevant economic agents

Meanings: Serve Individual Goals

- Enabling participants in an organization to make better informed private decisions to improve their individual welfare
- Four sources of ambiguity:
- Diverse goals and information demands of groups of participants; may include diametrically opposed interests. Equal weight to all interests?
- Needs of individuals depend on personal circumstances, change dynamically, unknown and unknowable to others
- Assumes no interaction among their decisions
- Demski (1973): Blackwell's fineness condition for informativeness; not likely to be met by any standard, except by Sorter's (1965) events approach



Meanings: Serve Individual Goals

- Simplify by narrowing focus on serving a single chosen group
- Oft-favored group: investors, even shareholders
- Vast literature using the “shareholder perspective” on merits of financial reporting rarely articulates its rationale; venture some guesses:
 - Milton Friedman’s widely misunderstood dictum “profit is the only goal of business”
 - transformed into “maximizing shareholder value
 - Sometimes transformed into maximizing share price
 - The long leap to: “maximizing share prices is the goal of financial reporting regulators/standard-setters.”
 - But shareholders not the only group in society with relevant interests
 - Informing shareholders for better investment decisions is not the same thing as financial reporting that will increase stock prices and returns
 - Enron example

Meanings: Facilitating efficient operations

- Factory,
- Office,
- Banks,
- Hospitals,
- Receivables,
- Inventory,
- Tax planning and compliance, etc.

Meanings: Helping create/maintain “better” markets

- Financial,
- Labor,
- Product,
- Factors of production

Meanings: Better management of public finances

- Budgeting,
- Controls,
- Benefits,
- Pensions, etc.

Meanings: Better Macro-economic Management

- National income accounts
- Tax policy, legislation, and enforcement
- Regulatory compliance, etc.
 - Labor laws
 - Securities laws
 - Trade laws (internal and external trade)
 - Tariffs
 - Bank regulation
 - Cost-benefit analysis of legislative proposals

Meanings: Accountability Relationships (Ijiri 1975)

- Essence of accounting lies in accountant-accountee relationships
- The former expects to give, and actually gives account of responsible management of resources entrusted to him/her
- The latter expects to receive and actually receives these accounts and takes corrective actions
- Expectations on both sides are at least as important as the actual fulfillment of them

Meanings: Create, communicate and enforce contracts (Sunder 1997)

- Contracts are mutual expectations of behavior and performance by all participants in the organizations
- Measurement of contributions
- Measuring out the entitlements
- Determining fulfillment of contracts
- Attracting new participants from various markets
- Common knowledge for contract renegotiations

Meanings: Information for Decision Making

- Provision of information to relevant economic agents
- Covers almost everything above

Meanings: Procedural Perspectives

(Based on procedures used)

- Computerized; blockchain-distributed systems
- Continuously audited
- Regulatory compliance

US Corporate Financial Reporting: Design Perspective Dominates for 80-Years

- U.S. project to standardize accounting since the 1930s
- Eight decades of standards as the solution: today they dominate accounting thought, practice, regulation, instruction, and research
- Generally accepted accounting principles—no longer a mere description in its plain English meaning of a generally accepted societal norm
- Capitalized into a proper name—**Generally Accepted Accounting Principles**
- **GAAP** as rules issued by authority with power to punish nonconformance
- How and why did written standards replaced norms and responsibility?
- What are the consequences of this transformation?
- Alternative courses for accounting and corporate governance?
- Reliance on written standards rooted in a misunderstanding of legal reasoning
- Chasing objectivity without personal responsibility
- Law, family, neighborhood, drug and alcohol abuse, workplace, dress, table manners, language, and sports—all balance social norms and written standards
- Re-establishing this balance in accounting and corporate governance may help
- Thinking in and out of the accounting box
 - Are written standards a solution to our problems, or a problem?

Results of Design Approach: 70-Year Saga of Lease Accounting

- CAP: ARB 38 (1949): reveal long term lease payments
- Accounting Research Study 4
- APB Opinions 5, 7, 27, 31
- SEC Accounting Series Releases 132, 141, 147
- FASB FAS 13 in 1976: 4 bright line criteria
- Intentions vs. consequences
- Redesign and a flood of responses
 - 25 more in six years, 43 in 37 yrs.

Table 1: Lease Accounting Standards

Year	Author	Doc	Title
1966	APB	APB Opinion 7	Accounting for Leases in Financial statements of Lessors
1972	APB	APB Opinion 27	Accounting for Lease Transactions by Manufacturer or Dealer Lessors
1973	SEC	ASR 132	Reporting of Leases in Financial Statements of Lessees
1973	SEC	ASR 141	Interpretations and Minor Amendments Applicable to Certain Revisions of Regulation S-X
1973	APB	APB Opinion 31	Disclosure of Lease Commitments by Lessees
1973	SEC	ASR 147	Notice of Adoption of Amendments to Regulation S-X Requiring Improved Disclosure of Leases
1974	FASB	DM	An Analysis of Issues Related to Accounting for Leases
1975	FASB	ED	Accounting for Leases
1976	FASB	ED (revised)	Accounting for Leases
1976	FASB	FAS 13	Accounting for Leases

1977	FASB	FASB Interpretation 19	Lessee Guarantee of the Residual Value of Leased Property
1978	FASB	FASB Interpretation 21	Accounting for Leases in a Business Combination
1978	FASB	FAS 22	Changes in the Provisions of Lease Agreements Resulting from Refundings of Tax-Exempt Debt
1978	FASB	FAS 23	Inception of the Lease
1978	FASB	FASB Interpretation 23	Leases of Certain Property Owned by a Government Unit or Authority
1978	FASB	FASB Interpretation 24	Leases Involving only a Part of a Building
1978	FASB	FASB Interpretation 26	Accounting for Purchase of a Leased Asset by the Lessee During the Term of the Lease
1978	FASB	FASB Interpretation 27	Accounting for a Loss on a Sublease
1979	FASB	FAS 26	Profit Recognition on Sales-Type Leases of Real Estate
1979	FASB	FAS 27	Classification of Renewals of Extensions of Existing Sales-Type or Direct Financing Leases
1979	FASB	FAS 28	Accounting for Sales with Leasebacks
1979	FASB	FAS 29	Determining Contingent Rentals
1979	FASB	Technical Bulletin 79-10	Fiscal Funding Clauses in Lease Agreements
1979	FASB	Technical Bulletin 79-11	Effects of a Penalty on the Terms of Lease
1979	FASB	Technical Bulletin 79-12	Interest Rate Used in Calculating the Present Value of Minimum Lease Payments
1979	FASB	Technical Bulletin 79-13	Applicability of FAS 13 to Current Value Financial Statements
1979	FASB	Technical Bulletin 79-14	Upward Adjustment of Guaranteed Residual Values
1979	FASB	Technical Bulletin 79-15	Accounting for Loss on a Sublease not Involving the Disposal of a Segment
1979	FASB	Technical Bulletin 79-16	Effect of a Reduction in Income Tax Rate on the Accounting for Leveraged Leases
1979		Technical Bulletin 79-17	Reporting Cumulative Effect Adjustment from Retroactive Application of FAS 13
1979	FASB	Technical Bulletin 79-18	Transition Requirement of Certain FASB Amendments and Interpretations of FAS 13
1980	FASB	Technical Bulletin 79-16 (Revised)	Effect of a Change in Income Tax Rate on the Accounting for Leveraged Leases
1980	IASC	ED (E19)	Accounting for Leases
1982	IASC	IAS 17	Accounting for Leases

1982	IASC	IAS 17	Accounting for Leases
1997	IASC	ED (E56)	Leases
1997	IASC	IAS 17 (revised)	Leases
2003	IASB	IAS 17 (revised)	Leases
1996	G4+1	Special Report	Accounting for Leases: A New Approach
1999	G4+1	Special Report	Leases: Implementation of a New Approach
2005	FASB/IASB	Proposed FSP FAS 13-a	Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction
2009	FASB/IASB	Discussion Paper	Leases: Preliminary Views
2010	FASB/IASB	Proposed Standards Update	Proposed Accounting Standards Update—Leases (Topic 840)
2013	FASB/IASB	Proposed Standards Update	Leases (Topic 842): A Revision of the 2010 Proposed FASB Accounting Standards Update

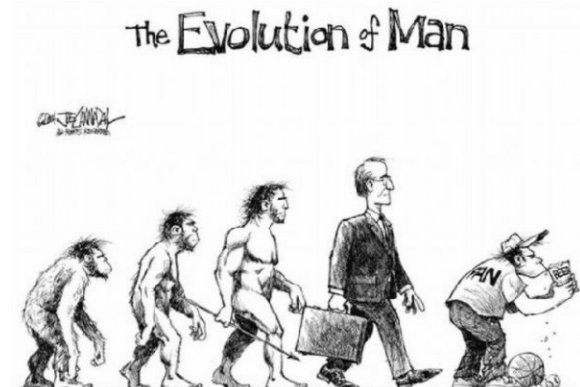
Evolution and Emergence: Social Design an Impossible Dream

- *Samuel Johnson published his dictionary not as the conqueror of the language but as the person who knew best how unconquerable it really is.*
Verlyn Klinkenborg (2005)
- Hayek's concept of spontaneous order: unplanned social order emerging from goal-directed individual action
- *The rules of accounting, even more than those of law, are the product of experience rather than logic.*
George O. May (1943)
- *Common global standards, if read to mean identical, is an illusory and unobtainable goal. However, seeking to achieve similar objectives and to address in an effective way similar problems is a realistic goal.*
Richard Breeden (1992), Former Chair, SEC

Emergence or Evolution

- Darwin: Complex biological systems evolve over time through mutation and natural selection in their environment
- Evolution has no goals or direction of advancement (except time)
- Evolution does not guarantee efficiency
- The resultant “designs” encapsulate enormous amount of information
- Outcome: design without designer

(c) Shyam Sunder: Norms and Rules



Emergence

- Friedrich A. Hayek: social systems emerge through simple interactions among individuals
- Preferences and information is inherently dispersed among individuals, and no central authority can have access to this information to achieve efficient central planning, even if it were feasible to do so computationally
- Markets are able to aggregate the preferences and information in possession of millions of individuals
- Organization, like language emerges through interactions among micro-units



Accounting by Norms



- The early twentieth century predominance of norms
- The charge the American Association of Public Accountants gave to a Special Committee on Accounting Terminology in April 1909
 - to collate and arrange accounting words and phrases and show in connection with each the varying usages to which they are put. ... This committee will not attempt to determine the correct or even the preferable usage where more than one is in existence (Zeff 1971, p. 112).
- In 1918, a memorandum on auditing procedures, prepared by the American Institute of Accountants, and approved by the Federal Trade Commission (FTC), and originally published in the *Federal Reserve Bulletin*, labeled “A Tentative Proposal Submitted by the Federal Reserve Board for the Consideration of Banks, Bankers, and Banking Associations; Merchants, Manufacturers, and Associations of Manufacturers; Auditors, Accountants, and Associations of Accountants.”
- The intent was to coordinate the evolution of norms, and not to impose and enforce a standard.

Example of an Accounting Norm

- Revenue recognition: do not recognize until earned
- Inherently subjective
- Complete specification of conditions both unnecessary as well as infeasible
- No authoritative source
- Everybody is free to propose their own norm; they may or may not be accepted
- Authority derives from general acceptance by the financial community and disapproval of deviations

Appeal of Standards

- Easy to identify the history of accounting with the organized efforts to produce written rules
- Such efforts leave documentary traces for historians, norms don't leave much even if they are widely accepted, leave nary a footprint, except in fiction
 - E.g., Lisa Evan's papers on textual analysis of novels with respect to accounting and social norms during 1923's German hyperinflation

Norms Are Messy

- Social conventions and norms are rarely well defined, vary in time and space, require an extended socialization process to learn and understand (Coleman [1990])
- They carry a penumbra of uncertainty about them
- Substantial but incomplete overlap among the beliefs of the individual members of a group about its norms
- Norms evolve in small, almost imperceptible steps, by processes that are not well understood
- This evolution is decentralized, difficult to predict the future direction
- While the evolutionary process is not opaque, the lack of definition and our poor understanding of how norms evolve make them less transparent
- Scandals mock the claims of expertise and efficiency required to legitimize existing institutions
- During periods of crises, political or bureaucratic decision makers feel pressured to write new standards rather than continue to rely on existing (recently discredited) norms and business practices





What About Enforcement

- Formal standards call for formal enforcement
- Government departments, courts, regulatory agencies, industry associations, and private sector bureaucracies in national and international domains have a stake
- Formal enforcement of informal social conventions is difficult, no assurance of enforcement
- Word-of-mouth mechanisms in business relationships provide feedback; damage or enhance reputation (cotton and diamond trades, even e-commerce), but don't always do so
- Yet, social norms do work, nationally and internationally
- The human rights movement, even the U.S. yielded recently to evolving international norms on the death penalty for minor and mentally retarded offenders
- The Texas state anti-sodomy law struck down; the Court cited “values shared with a wider civilization...European Court of Human Rights, and other nations...”
- Standards: apparent advantages of clarity, explicitness, and the power of enforcement; but also disadvantages relative to evolutionary social norms

Four Limitations of Design

- Consider four possible reasons why formal standards and their enforcement, with all their apparent advantages, may not dominate social norms in financial reporting
 - The information problem
 - The design problem
 - The gaming problem
 - The signaling problem

1. The Information Problem

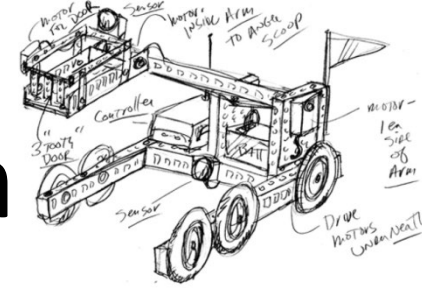


- Rule makers' problem: How to figure which rule is better
- What is a good rule for determining interference in soccer? What is a good height of the goal posts?
- Each possible answer changes the game itself
- Accounting rules affect many members of society in diverse ways
- The direct effect of the rules on people depends on their individual circumstances that the rule maker knows little about
- Rules are designed in the hope that they will change or constrain the behavior of at least some people
- Changes in the behavior of individuals interact in complex ways to generate aggregate consequences that are difficult to anticipate
- The rule maker may try to ameliorate this informational disadvantage by soliciting information from the parties potentially affected by its actions.
- No incentive to report truthfully; strategic responses only muddy the waters (Sunder [1997], Chapter 11, [[2003]], create the gaming problem discussed below, often forcing the rule maker to deal with unintended consequences of the rules.
- Information disadvantage of rule-making monopolies

Evolution Incorporates Much Information

- In social conventions, as in biology, evolution proceeds in fits and starts, with no assurance of progress
- Each small or large change in conventions is induced by, and induces changes in, individual behavior
- With each change, the social system to a new, albeit temporary, equilibrium in expectations (see Sunder [2002])
- People get the chance to experience the consequences of each change, and adjust their behavior to the new circumstances
- Information in possession of the individuals aggregated into these outcomes through market and other social processes (Hayek 1945)
- Evolved social norms tend to incorporate more information than the rules made by legislature, boards, and other corporate entities.

2. The Design Problem



- Corporate entities for setting standards need structure, people, and resources
- All three needs force compromises in the design of the entity
- Legislative structures emphasize representativeness; judicial structures emphasize impartiality, while bureaucratic structures value rules of procedure
- Not possible to attain representativeness, impartiality, and consistency of procedure all at once
- Finding the people to operate the rule-making system raises problems
- The best experts may not be representative or impartial
- Representative bodies may lack substantive expertise
- Financial supporters seek to further their own agendas
- Such inevitable compromises “corrupt” the ideal of standard-setting
- Is gradual evolution of social conventions free of these weaknesses of corporate entities?

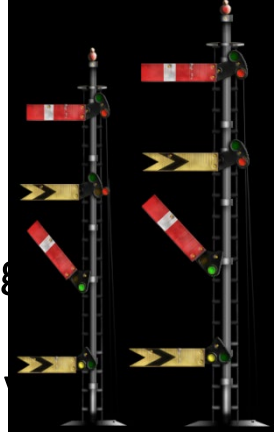
3. The Gaming Problem



- The information problem compounded by dynamics between rules and the behavior the rules are intended to influence
- Each standard alters the decision environments of individuals, and potentially alters their decisions
- Induces individuals to search for new alternatives, create new opportunities
- The rule makers cannot anticipate all such changes
- Therefore, the new rules often lead to unintended consequences
- Adjustment of rules sets up yet another cycle of new behavior and adjustments
- Individuals can adjust faster than the rule makers can
- Difficult to make sure that this action-reaction sequence converges to a rule and behavior in equilibrium
- Informality and the flexibility of social norms can better deal with this gaming problem
- Evolution is stretched over a long period of time, and may get stuck in a rut (e.g., Scapens' monkeys with bananas)

4. The Signaling Problem

- The standards favor narrowing the range of options for the reporting entity
- Intention: promote comparability and consistency, and information
- The argument ignores the signaling value of the choices made by the reporting entity
- In choosing from a given set of alternatives, one reveals private information
- Managers reveal their privately held information, in part; through the financial reporting methods they choose (Dye, Levine)
- The use of aggressive or conservative accounting gives away valuable information to careful readers of the financial reports
- Narrowing financial reporting choices through strict standards also eliminates the ability of managers to signal information through their choice of financial reporting methods
- The information, design, gaming and signaling problems are ever-present in setting standards
- They deserve consideration when we weigh the roles of standards and norms in financial reporting

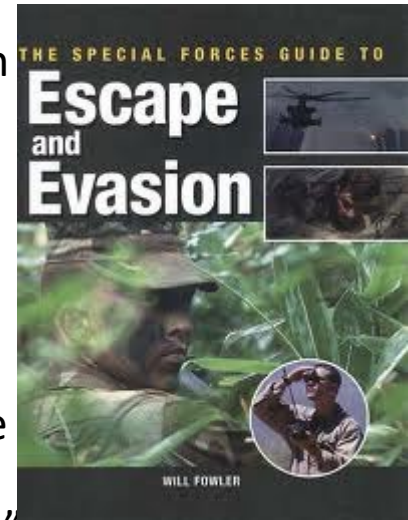


Statutory vs. Common Law Approaches

- Legal scholarship and practice is careful in recognizing the limits of the efficacy of written rules
- When it is not possible to write a rule that will improve the state of affairs compared to a judgment-based system, the law leaves the judgment in place
- When a judge asks the jury to determine if the accused is guilty beyond reasonable doubt, lay jurors would want to know how much doubt is reasonable: ten percent, two percent, or one percent?
- Law does not attempt to codify answers to such questions
- People who write and practice law understand all too well the consequences of clarifying such questions would be even less desirable than the consequences of leaving the answers to the best judgment, even of lay people
- The SEC and the U.S. Congress refuse to clarify the definition of insider trading beyond “trading on non-public information”
- Again, the consequences of writing “clear” rules can be even less desirable than the consequences of leaving such matters to judgment.

Drawing Road Maps for Evasion

- Unfortunately, accountants are willing to pursue endless clarification of rules to the point of defining the percentages that justify
 - Materiality
 - Lease capitalization
 - Consolidation
 - Non-consolidation of special purpose entities, etc.
- With such written standards it is child's play for the Wall Street bankers, accountants, and lawyers to design transactions to frustrate the intent of the standards
- Without intending to, standard setters draw “road maps for evasion”
- The Wall Street (and perhaps the City) loves it; but fair reporting gets lost
- Setting up accounting institutions such as the FASB and the IASB, whose sole function is to issue new accounting rules, has contributed to the tendency to write standards which are “generally accepted” only by fiat of authority. They must make new rules to stay in business.
- Wisdom from law, abolish the rule making monopolies in various jurisdictions, and introduce competition among rule makers with each financial reporting jurisdiction in order to address this problem (Dye and Sunder 2001, Sunder 2002).



An Agenda for Reforms

- The pendulum seems to have swung too far in the direction of written standards
- Reconsider a stronger role of social norms and personal and professional responsibility in accounting and business
 - Rethink performance-contingent executive compensation
 - Transfer control of accounting system
 - Reconsider virtues of promoting competition among auditors (a “market for lemons”)
 - Better use of social norms: “true and fair representation” as a moral compass of accounting
 - As “guilty beyond reasonable doubt” in criminal law
 - Neither can be captured in written standards
 - Creation of accounting courts to judge “fairly represent” (Spacek)
 - Assist evolution of accounting norms through competition among accounting rule makers (no collusion, no convergence, not “i design”)
 - Remove rule-making monopolies in U.S., Europe (and elsewhere)
 - Remove mandatory audit
 - Single accounting treatment for tax and financial reporting



Overview

- What could be the meaning(s) of “better” as applied to accounting?
- Many perspectives:
- Conflicts of collective choice; political aspects
- Means of getting to “better” in some agreed upon sense
- Fortunately, the problem is not unique to accounting
- Perhaps some judicious combination of
 - Structural properties
 - Regulation and compliance
 - Tradition and social norms
 - Market competition and innovation
- If so, how do we develop such institutions? Combining elements of constructive and ecological rationality
- Merits of creating good processes and institutions, not just rules (which receive much attention in financial reporting which gets most attention in accounting)
- Need attention to larger and more diverse perspectives

Means

- Over millennia, human societies have developed and employed a variety of social choice mechanisms to solve such problems
- Standards written by a regulatory body are the most frequently employed and analyzed mechanism in the domain of financial reporting
- But not necessarily the best mechanism for all aspects of financial reporting
- Consider the characteristics of the available alternatives:
 - common law
 - popular vote or referendum
 - Legislation and statutory law
 - Courts
 - administrative-regulatory agency
 - self-regulation
 - Markets
- In practice, two or more may be used in parallel.



HENRY II ATTEMPTS TO
INVENT THE COMMON LAW

What is missing in the meaning of better accounting

- Stability
- Emergence
- Robust to financial engineering (Sorites Paradox)
- Learning systems
- Fit with local business and legal environment
- Recognize endogeneity of transactions and complexity
- Active engagement of academics with issues and debates (John Bourn)



Balancing the Regime for Improving Accounting

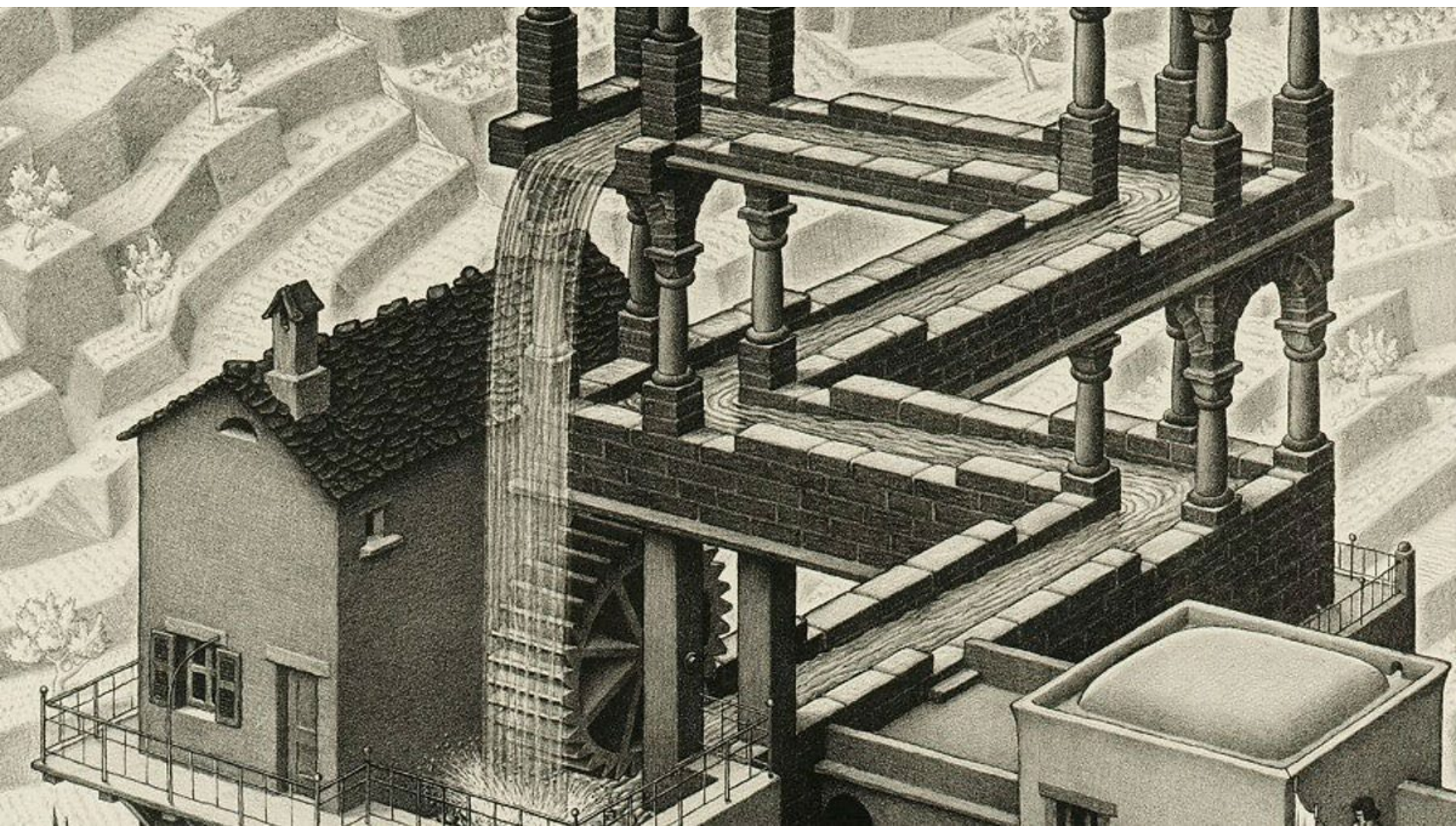
- Regulation and standards vs. culture and social norms
- Specificity vs. purposeful ambiguity
- Threshold vs. continuous approaches
- Authority vs. competition
- Privacy vs. open transactions database (Sorter's "events" approach)
- Confidence in designed social systems vs. some humility



Concluding Thoughts

- What is better accounting, and how we might get there, seem to be open questions
- They need more attention from us
- Looking at components of the system is important for constructivist approach to rationality
- But looking at the whole is also important, especially from an ecological perspective
- Look at a couple of examples
 - Recent demands for “non-GAAP standards/guidance”
 - Back to M.C. Escher

M. C. Escher: Components and Whole



Perspectives



Thank You.

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