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Accounting Regulation: A Conversation between a Hippy and God

Abstract
To regulate or not to regulate, that is only part of the question. The purpose of regulation, the enforcement of regulation, and the social acceptance of regulation are the other parts of the question. To address these issues, this paper takes the form of a dialogue between an accounting student and God. This accounting student is an old hippy. She was a trainee with a firm of Chartered Accountants when she was in her early twenties, but didn't finish as she was obviously too young to think that three years isn't her whole life. She has returned to accounting in her fifties, after changing between hundreds of different odd jobs and travelling around half the world. At this moment, she is struggling with an assignment on accounting regulation. Her God, of course, is a She and wants to help. She thinks at least She can talk about regulation in an intelligent way. So, She makes Herself bump into her on her regular morning walk around the lighthouse.

Keywords
accounting, regulation, dialogue, China

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Accounting regulation: A conversation between a hippy and God

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ABSTRACT

To regulate or not to regulate, that is only part of the question. The purpose of regulation, the enforcement of regulation, and the social acceptance of regulation are the other parts of the question. To address these issues, this paper takes the form of a dialogue between an accounting student and God. This accounting student is an old hippy. She was a trainee with a firm of Chartered Accountants when she was in her early twenties, but didn't finish as she was obviously too young to think that three years isn't her whole life. She has returned to accounting in her fifties, after changing between hundreds of different odd jobs and travelling around half the world. At this moment, she is struggling with an assignment on accounting regulation. Her God, of course, is a She and wants to help. She thinks at least She can talk about regulation in an intelligent way. So, She makes Herself bump into her on her regular morning walk around the lighthouse.

Key words: accounting; regulation, dialogue, China

*The author would like to acknowledge the contribution and work of Dr. Ruth Hines to accounting thought.

THE CHARACTERS
HIPPY – a woman in her fifties
GOD – a woman of course

THE SCENE
Early morning and the beach

GOD: Morning there, my girl, how are you?

HIPPY: Morning! I'm very well. How are You?

GOD: Oh well, I don't think I can get any better anymore.

HIPPY: You are probably right. But, are You sure You are You? … I mean… people …many people would rather You looked different.

GOD: Oh, you know, I like to look after the fashion industry too. I mean, who wants to look the same all the time, especially a woman, but…*(She sounds a bit hesitant*) I was invaded by marketing people a lot earlier than you guys. (*She sounds really embarrassed here*) They just packaged me in whatever way they think I can be sold well. In a sense, they are quite successful, aren't they? (*She sounds relieved as if She has found a good excuse*.)

HIPPY: (*cheeky*) Ha…are you saying things are a bit out of control? REGULATION! Having problems with your regulation?

GOD: (*smiling and cheeky*) I know you can't see anything other than REGULATION at the moment, exactly like when you were writing about 'the imprecise use of terminology', 'trust as a means of control', 'what you see depends on where you are standing'. I've heard you talking to yourself even in your dreams.

HIPPY: (*surprised*) So, You do know something by the sound of it.

GOD: (*sounds completely back to being Herself*) Yes, you doubting Thomas, I'm not just pretty you know. I know you are swinging between the two sides of the argument and can't make your mind up. Should we regulate or should we not regulate? Have you made your mind up?

HIPPY: No, not yet.

GOD: Look, I don't know enough about accounting, but I think I can talk intelligently about regulation just from my position, whether you think I'm useful or useless or whether you think I exist or not. (*pause*) Tell me this. You have spent most of your life opposing rules and have shown that nobody has to accept anything or do anything just simply because they are told to do so. So if, in a sense, the rules or regulations are just some authority exercising its power, then, it's understandable and logical, that you support the should-not-regulate view. But why are you pro-regulation too?

HIPPY: Good question! I absolutely agree with what you just said, but the free-market approach is something like this: accounting information is treated as an economic good, so, leave it to the market to decide what accounting information is needed, and how much is needed? It works only when presumably the market can decide, so, here, the market is presumed to be the Efficient Market. We know the Efficient Market only exists hypothetically. So, if this special market doesn't exist in the real world, the free-market approach can be rejected easily.

GOD: Hang on a minute, too much jargon here, you are losing me.

HIPPY: You know about market failure? You must know about 1929, the market crash and the Great Depression that followed.

GOD: Yes, I witnessed the 1920s and 30s: the fear in people, the bitterness in society.

HIPPY: That is one of the best examples of market failure. Financial markets were hardly regulated at all. Neither was external reporting. The idea that regulation is necessary came afterwards, when people realised that government does have a role in the capitalist system. We really cannot afford to leave capitalism to its own devices.

GOD: But…I am thinking about China. When you were a young hippy you couldn't even get a visa to go there. The government planned and controlled everything. It was a planned economy where everything was highly regulated; what to produce, for what purpose and how much! The result? Everything was dead. Too much government intervention can do harm to the economic system too. The planned economy sounds fantastic on paper, but who came up with the idea? I can't remember. It attracted so many people, including you, excuse me, and probably still does. People thought that it was a way to correct the craziness of capitalism but it doesn't work either.

HIPPY:(*surprised and confused*) Oh dear, I didn't know You were Chinese.

GOD: (*She is thinking hard and continuing her talk almost half to herself*) The planned economy did not work, the highly regulated economy did not work but, as far as I know, China has been setting up new laws and rules, from marriage law, company law, consumer protection law, to regulation on local fruit and vegetable trading. All of these seem in order to install a market economy with fairness and a sense of equality in terms of … Market economy doesn't mean leaving everything to the "invisible hand". Taking the tight regulations away, replacing them with another sort of regulation. Can I say that? (*She sounds so pleased with Herself, here.*)

HIPPY: Good! We've both come back to the idea that we still need regulation (*pause*), but I am not happy with the current regulation (*hippy's tone changes from determined to confused*). Australian reporting entities are faced with an increasing volume and complexity of accounting and reporting regulation. Accounting costs are becoming more and more expensive, probably for everybody, not just reporting entities, because there are so many rules that must be complied with and the big fat accounting profession lives comfortably on the complexity of this system. At the same time, accounting figures seem more and more meaningless. So, what's the point of having all these rules?

GOD: I know you are very annoyed that it's going to take longer for you to be fully qualified because of some new rules brought in.

HIPPY: Oh, that is a typical example of meaningless regulation. To become a full member of CPA Australia requires degree qualification, CPA program, and work experience. In the last a few years, they've changed the work experience from 'related' to 'mentored'. It all sounds like a good idea. As a junior you are supposed to have a mentor to guide you on the way but, in reality, it just makes your life more difficult. You must enrol in the mentor program at a certain time, only twice a year, and if you miss the time of enrolment that six months of your work experience doesn't count. Then what is the effect of mentoring? If you are a thinking and learning person, and care about what you are doing, you will learn from work, life, people around you and the things you encounter. It doesn't matter whether you have a mentor or not. You naturally form one or various mentoring relationships whether it is required or not. For people who are smart and don't care, it all becomes paper work and a formality. The whole process seems to make becoming a CPA more difficult and exclusive, to maintain the profession's narrowness and conservative outlook. It almost makes it too difficult for people from different paths like me to become a CPA. What is the point of this type of regulation? Is it necessary?

(*The two women are both excited about their crucial break through over this topic. They feel they have found something important here, even though they are still not quite sure what it is, but something is there for sure. The argument shouldn't be as simple as either to regulate or not to regulate. To be or not to be, that is only part of the question.*)

GOD: Tell me your topic again.

HIPPY: (*reciting the topic*) Australian reporting entities are faced with an increasing volume and complexity of accounting and reporting regulation. This regulation is unnecessary, and accounting policy choice and the provision of information should be left to the market. Write a dialogue between two or more people, debating the above statement.

(*They look at each other, almost realising something both at the same time*.)

GOD: (*She is quicker and grabs the first say*.) It's like playing games on the sporting field. If there aren't any or aren't enough rules, we don't get fair play. If there are too many or the rules are too rigid it will spoil the play. So we need the right amount of rules to maintain fair and good play. On the other hand, even if we have the right amount of rules, but no referee there to make sure the rules are implemented and that people who break the rules are punished, we still won't have fair-play either.

(*She is realising more while She is talking, so She cannot stop herself*.)
At the same time, if the rules are too difficult to comply with for the majority of the players at that time, or the rules are not acceptable for most of them, no matter how many referees are there to watch out, you'll find that too many players break the rules or find ways to bend them.

HIPPY: I love that analogy! The market crash in 1929 and the Depression were the result of not having enough regulation, so the survival of the game of capitalism was threatened. What China used to have was too many and too rigid regulations, so the life in the economy was almost killed.

GOD: Most importantly, why were rules introduced in the first place? If they were supposed to establish fair play, or a certain type of fair play, by most people's understanding, then, are the rules working in that direction?

HIPPY: Not at all! After the current waves of corporate failures, we are adding greater volumes to company legislation. The dirty tricks played have not changed much from the South Sea bubble in the early eighteenth century to the more recent cases of Enron, HIH, and One.Tel. Simply to issue more legislation is not necessarily going to prevent the next wave of corporate failures.

GOD: It sounds like the purpose of having rules has become to create jobs for the referees. (*She has become so sharp and She is very pleased with Herself.)* Your guys' superannuation is a good example of a lack of referee in the game or at least the referee choosing not to enforce the rules. It is compulsory according to the law, but your boss still hasn't paid it yet. How many employees have been complaining about this to the Tax Office? So what? No one enforces the law.

HIPPY:(s*ighs deeply and shrugs her shoulders.)* How many small businesses don't pay their staff superannuation?!

(*silent briefly while she is thinking about Her analogy.)* Laws and rules need to be acceptable and doable in their environment, so opposition from society indicates their inappropriateness. It's like Australian Taxation Law, no matter how complex, or some might say sophisticated, it becomes, it won't stop loophole hunting, and there are always loopholes. We can't have a system where everybody is a "baddie" and we need more and more police, then it is the system that is wrong, not the people.

(*very enthusiastic*) Oh, I think I have found my direction! Thank You so much!

GOD: My pleasure.

HIPPY:(*teasing*) You are following the fashion of studying the China phenomenon, aren't you?!

GOD: May be, may be not.

HIPPY: Have you let the Chinese know that setting up laws and rules isn't enough…(*their conversation is fading in the air as they are walking off into the distance.*)

THE END

A few weeks later, Hippy received a postcard from God from Beijing saying She is on a study tour.

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