International harmonisation of accounting standards and the rhetoric of globalisation

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Abstract
This paper looks at the growing trend of calls for reform, under the guise of globalisation. Such calls are/have been made by the current Australian Federal Government (AFG) in their national policy setting role. What is relevant to this paper is the AFG's involvement in accounting standard setting, and their push for International Harmonisation (IH) of Australian Accounting Standards (AAS), through full adoption of international accounting standards set by an international standard setting body. A chronology of Australia's IH program will be explored, with particular emphasis on the AFG's involvement. The intensity of their involvement will be shown to emerge around times when changes were being made in the international arena of accounting. In the early parts of the paper, a link to the view that globalisation is a new phenomenon, will be made regarding IH. Superficially this view appears to be supported by Australia's IH. However, with further exploration, it will be argued that this view is a device of rhetoric used by the AFG to push their neo-liberal policies, and the hidden agenda of neo-classical economic rationalism. Such arguments are made through the views of an alternative position on globalisation, one that acknowledges globalisation as emerging in the 19th century, and one that argues that government involvement in regulation of financial reporting is deliberate and serves merely to reinforce the interests of capital, which has little to do with globalisation (Tabb, 1997).

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International, Harmonisation, Accounting, Standards, Rhetoric, Globalisation

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INTERNATIONAL HARMONISATION OF ACCOUNTING STANDARDS AND THE RHETORIC OF GLOBALISATION

A paper by

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Abstract

This paper looks at the growing trend of calls for reform, under the guise of globalisation. Such calls are/have been made by the current Australian Federal Government (AFG) in their national policy setting role. What is relevant to this paper is the AFG’s involvement in accounting standard setting, and their push for International Harmonisation (IH) of Australian Accounting Standards (AAS), through full adoption of international accounting standards set by an international standard setting body. A chronology of Australia’s IH program will be explored, with particular emphasis on the AFG’s involvement. The intensity of their involvement will be shown to emerge around times when changes were being made in the international arena of accounting. In the early parts of the paper, a link to the view that globalisation is a new phenomenon, will be made regarding IH. Superficially this view appears to be supported by Australia’s IH. However, with further exploration, it will be argued that this view is a device of rhetoric used by the AFG to push their neo-liberal policies, and the hidden agenda of neo-classical economic rationalism. Such arguments are made through the views of an alternative position on globalisation, one that acknowledges globalisation as emerging in the 19th century, and one that argues that government involvement in regulation of financial reporting is deliberate and serves merely to reinforce the interests of capital, which has little to do with globalisation (Tabb, 1997).

Key words: international harmonisation, accounting standards, globalisation
1. Introduction

The international harmonisation [IH] of accounting standards in Australia has been under way since the 1970’s. Initially in Australia, the idea of undertaking such a program was introduced by the Australian accounting profession – the Institute of Chartered Accountants in Australia [ICAA] and CPA Australia [CPA]. Eventually, with changes to the standard setting structure, the involvement of the Australian Federal Government [AFG] gave the IH program a mandatory status through legislation. What we see in the period between 1973 and 2002, is a policy of comparability, being replaced by a policy of “harmonisation and convergence, [in turn being] replaced by one of adoption of International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) by 1 January 2005” (Parker, 2002, pp.36).

This paper attempts to explore the history of Australia’s IH program, by examining both ‘official’ documents and less official commentaries. This exploration also includes a brief outline and discussion of international developments and views towards harmonising accounting standards (eg, IASC/IASB, IOSCO, EU, FASB/NYSE/SEC, and UK ASB). This is deemed relevant, as it is at these times that AFG involvement intensifies – or reveals an explicit position. The AFG introduced a mandatory policy of IH, and eventually enforced the full adoption of IFRS. This occurred at a time when the European Union [EU] enforced the same policy for listed companies and at a time where the Australian Accounting Standards Board [AASB], the accounting profession, and part of the business community, were not so willing.

Linked to Australia’s IH is the debate surrounding globalisation. This link will be revealed by way of two views. One of these positions is made by theorists who argue that globalisation emerged in the 1970’s. This position can be linked superficially to the emergence in Australia of an IH program, and the Australian involvement, from inception, in the International Accounting Standards Committee [IASC]. This position comes “particularly from the mouths of right-wing advocates of globalisation, based on the assumption that we are dealing with a wholly new phenomenon” (Quiggin, 2001, pp. 2).
Another position on globalisation is made by theorists who argue that what we see in the 1970’s is not a new phenomena but merely an extension of a process that has been under way since the 19th century. However, this position does not regard globalisation as a natural progression or inevitable phenomenon. What has emerged since the 1970’s is the term globalisation. However, the process itself, under the term internationalisation, emerged much earlier. Thus the conclusion offered by Quiggin (2001, pp. 11) is that “the term ‘globalisation’ obscures as much as it clarifies”. What is new about the 1970’s version of globalisation is its tendency to obscure the hidden agenda of neo-liberalist ideology.

It is noted that it is difficult to separate the debate on globalisation from the neo-liberalist ideology, however the confusion over the term itself adds another dimension to the debates. Sheil (2001) discusses the changing meaning of globalisation, and traces it back to the 16th century use of global as a notion of totality. Towards the end of the 19th century the dominant meaning of global was that it meant worldwide, linked possibly to the fact that this “was also the end of the period of physically discovering and mapping the world” (Sheil, 2001. pp. 5). Sheil discusses the term also in relation to the period of wars that emerged in the early 20th century.

In the 1960’s, the term global was used in the form of “global village”, which became popular to describe “any media subject or cultural phenomenon that did or conceivably could attract worldwide attention” (Sheil, 2001, pp. 6). Sheil identifies two aspects of the term global village that contradicts the present meanings of globalisation. Firstly, the term “did not necessarily contain any economic meanings, and these have now become central to the concept of globalisation” (Sheil, 2001, pp. 6). Secondly, the “expression conveyed a positive sense of community [which] contradicts a key present sense of globalisation – as a process of local and general community destruction” (Sheil, 2001, pp. 6).

The term globalisation, an extension of global, came into frequent use “after the collapse of the Berlin Wall in 1989” (Sheil, 2001, pp. 7). After this, it was “genuinely popular after the economic crisis that erupted in Asia in 1997” (Sheil,
2001, pp. 7). Given its current usage, Sheil (2001. pp. 7) concludes that “globalisation has, nonetheless, remained largely an elite, top-down term”.

Foucault argues that “discourse is not a translation of domination into language but is itself a power to be seized” (Hooper & Pratt, 1995, pp. 14). One could argue that defining terms is irrelevant, however, the meanings adopted by the authoritative speakers, and presented in public policy have a large impact on how we see the issue. It is argued by Sheil (2001, pp.7) that Australia’s Prime Minister, John Howard, “feels that he can safely, selectively insist upon his own preferred meaning”. However, as Sheil (2001, pp. 2) argues, “the official Australian perspective on globalisation is deeply unsatisfying…the term harbours important issues that go well beyond the limits of even the governments most expansive policy statements”.

This paper supports the arguments of the alternative view on globalisation, and links this to the Australian IH program. Such a program is seen as another of the AFG’s attempts to extend its neo-liberal tendencies, supporting the claim by Sheil (2001, pp. 2) that “the official Australian perspective on globalisation is strikingly narrow”. Therefore an exploration and critique of Australia’s IH program is undertaken using the arguments from the debate on globalisation. This is in line with the statement by Arnold and Sikka (2001, pp.476) that “accounting research on international issues such as harmonisation, the International Accounting Standards Committee (IASC)…can potentially contribute evidence to the debate on globalisation”.

Overall, the theme and focus of this paper is to reveal how Australia’s IH program is based on the rhetoric of globalisation, as defined by a neo-liberal perspective. Given this, and the critique that abounds on the neo-liberal perspective, one can argue that such a program is problematic. If we accept a socialist democratic version of globalisation (alternative view), then one can argue that IH programs, particularly Australia’s, has negative ramifications for business and the public, more serious than that offered by neo-liberal supporters (i.e. the inefficient will not survive), and the official line.

Before progressing any further, a definition of rhetoric should be established. The term rhetoric has been defined in The Pocket Macquarie Dictionary (1984, pp. 776)
as “exaggeration or display in writing or speech”. So one could argue that in written or spoken policies, being rhetorical is to exaggerate a particular position. For globalisation it may be the official line on this is one that is exaggerated, or for display purposes only. The true essence of globalisation is something not revealed in rhetorical statements. Often statements by neo-liberals, regarding IH of accounting standards, include exaggerations of the benefits flowing from such a program.

Hooper and Pratt (1995, pp. 11) define rhetoric as a form of persuasive or effective speech or writing. They see rhetoric as a way of controlling reality, and as being used to obscure real meaning, even to “promote ambiguity” (pp.11). Hooper and Pratt refer to the work of Foucault, and claim that “rhetoric [i]s an instrument of power used to cloth political polemics in scholarly garb, making it difficult to see where the truth has been shaped and pruned to serve the interests of the prevailing social and political hegemony” (pp. 12). The arguments put forward for the support of IH of accounting standards are those which are used to cover the political persuasions of the neo-liberal government, and the prevailing neo-classical economic rationalism existing in AFG policies.

Arrington (1990, p. 6) argues that “political factors can become so dominant that the discourse within a discipline can have virtually no resemblance to the discourse of the broader academy”. One could argue that this is true of the discourse surrounding globalisation, in that the discourse is heavily influenced by the neo-liberal movement, that this discourse becomes dominant, and does not resemble the discourse of the broader academy interested in globalisation. Arrington, although not discussing globalisation or IH, implies that rhetoric is used to hide the political agenda of a particular group (he discusses modernist accountants using positive theory to hide the neo-liberal politics – or “libertarian economic voodoo”- underlying the dominant discourse in accounting).

In their work on securities legislation in the US, Merino and Mayper (2001, pp. 502) argue that politicians will often respond to unorganised groups “by promulgating regulations rich in rhetorical promises but not expected to result in a reallocation of tangible resources to the unorganised group”. With regards to the IH program the AFG placate the concerns of the standard setters, accounting profession, and the
business community, while at the same time not making any real changes that will
affect the powerful position of the Australian Stock Exchange [ASX]. Merino and
Mayper (2001) argued that the regulators (in their case) were trying to maintain the
status quo. They use the term symbolism to mean rhetoric, and argue that this is
used “to still public outrage, without resulting in significant wealth
distributions…often used in party politics as a substitute for realities. The symbolism
is merely propaganda” (pp. 521).

The remainder of the paper is organised into three sections. The first section
provides a brief description of globalisation as defined by a neo-liberal/dominant
perspective. Given this view, a second section discusses the international
harmonisation of accounting standards in Australia, with additional reference to
international developments. This section is organised into two parts, to reveal a pre-
government intervention period of IH, and a period of time where the AFG took an
explicit stance on IH and intervened in the direction of IH, on the stated grounds of
globalisation. A third section will discuss the benefits of IH, as stated in AFG
policy, and supported by others. This section will reveal the similarities that such
benefits have to the official AFG thinking on globalisation, as described by the neo-
liberal version. That is, IH is argued to be an inevitable fact of globalisation, and
there is no alternative. The final section reveals an alternative version of
globalisation, and argues that the IH of accounting standards is based on neo-liberal
ideology, rather than any theoretical understanding of globalisation.

2. A Dominant Globalisation Theory

Quiggin (2001) discusses the debate on globalisation, and refers to the dominant
view that globalisation is seen to be a new phenomenon of the 1970’s.

“The great increase in both the number and value of transactions is
commonly claimed to be the inevitable result of technological change”
(Quiggin, 2001, pp. 5)

Reinforcing this view, Arnold and Sikka (2001, pp. 477) argue that “the dominant
contemporary discourse on globalisation asserts that the globalisation of business is a
radically new phenomenon driven by recent advances in digital technologies”. Such
a claim is also evident in the AFG’s IH policy, which argues that technological changes have forced them to act. Additionally, this dominant discourse often cites “huge growth in the volume of global financial trade and the appearance of international organizations and agreements” (Arnold & Sikka, 2001, pp. 477), as evidence of globalisation. The following description of IH in Australia may superficially support this view, where 1973 saw the emergence of policies on IH at times where international bodies were forming and developing similar policies.

The influence of neo-liberal ideology is an important characteristic of the dominant discourse on globalisation. The term neo-liberal to describe globalisation, comes from Falk’s (1999, pp. 129, cited in Orchard, 2001, pp. 4) notion of “globalisation-from-above”, where “globalisation is proceeding in an ideological atmosphere in which neo-liberal thinking and priorities go virtually unchallenged”. Under this view, “national solidarity becomes dysfunctional from the point of view of the rational economic interests of those who participate in the global economy” (Dominelli & Hoogvelt, 1996, pp. 195). This argument is revealed further on in the paper, where setting our own unique standards is argued to be costly; that we are wasting resources by insisting on domestic accounting standards.

Partly related to the neo-liberal stance on globalisation is the argument that “the state is powerless to stop these trends” (Tabb, 1997, pp. 28). This is reflected in the AFG policy of IH when it states that it is incumbent on the government to support the trends of global competition. In line with a hyper-globalist argument (Arnold and Sikka, 2001, pp. 477), the AFG policy implies a sense of powerlessness of “nation-states to regulate capital flows”. However, as will be revealed in the following section on IH in Australia, the AFG had power, and used that power, to intervene in the name of serving capitalists.

According to Tabb (1997, pp. 20), globalisation as proposed by the dominant neo-liberal view, is “seen as a tide sweeping over borders in which technology and irresistible market forces transform the global system”. In line with this view, there is no alternative but to support free markets and free trade. It is insisted that there is no other option (Sheil, 2001, pp. 2). Sheil (2001, pp. 2) argues that the claims of the AFG are those of “liberal economic theory [where] resources scrapped as a
consequence of competition will be reallocated to other more productive activities”. This neo-liberal view is then “given a powerful, new, five-syllable name, and secondly, there is a notable absence of doubt” (Sheil, 2001, pp. 2).

3. The Australian International Harmonisation Project

3.1 Pre-government intervention

Accounting standards in Australia have legal backing through the Corporations Act (CLERP, 1997) and are binding on members of the accounting profession (ASCPA & ICAA, 1996). The number of companies that have to apply accounting standards in preparing financial reports is therefore quite significant, only part of which includes listed companies. Up until the 1970’s Australian accounting standards were drafted in a similar fashion to that of UK accounting standards (the influence of the ICAA), but in terms of content were created for the Australian context. However, an international influence started to emerge in the 1970’s, with the release of the accounting profession’s first ‘official’ policy in the form of Statement K3 - Compatibility of Australian Accounting Standards and International Accounting Standards Statement of Policy (ASCPA & ICAA, 1993).

This policy statement was released in the same year that Australia became members of the International Accounting Standard Committee [IASC]. This international standard setting body “was established in 1973 with the aim of bringing together parties from throughout the world to develop Accounting Standards that applied internationally” (Deegan, 1999, pp. 41). It does have representation from major western nations, such as USA and UK, but these countries did not embark on a harmonisation project for their accounting standards.

Statement K3 was initially issued in 1973, by the Australian Society of Accountants and the Institute of Chartered Accountants, and was reissued, in 1979, as APS 3 - Compatibility of Australian Accounting Standards and International Accounting Standards. This statement required that the joint professional bodies should consider the standards that were being produced by IASC, when they were issuing an Australian Accounting Standard [AAS]. However, the International Accounting Standard [IAS] had to be agreeable with best practice in Australia (ASCPA & ICAA, 1993). The AAS were to “carry an endorsement detailing compatibility with the
A need to think “globally” was evident in these initial policies, and this reveals a program of IH was under way in the 1970’s, while other major standard setting nations were content to keep to a national set of accounting standards. One could argue that the accounting profession in Australia was quite proactive when it came to considering IAS for the setting of Australian accounting standards. Parker, a member of ASCPA, argued that “if you compare us with the US, the UK, Canada, New Zealand and South Africa, no other major capital market has such an aggressive harmonisation policy” (Joint Committee on Corporations and Securities, 1998, pp. CS 27). The program of the 1970’s was less aggressive than that of the 1990’s, as hinted at by the title of K3 and APS 3, however it revealed an early interest by the accounting profession to seek international compatibility.

Up until the 1990’s, no further changes were made to the policy of international compatibility. However, the Australian accounting profession were maintaining a presence in the activities of the IASC, as one of its “hardcore members who have been there since inception” (Boymal, cited in Joint Committee on Corporations and Securities, 1998, pp. CS 71). The AFG also noted this presence and stated that “Australia is a founding member of the IASC and has been one of the most active and influential members of its committees since its inception” (CLERP, 1997, p. 20).

It must be noted that Australian standard setting has also been tied to New Zealand standard setting for some time, through legislation. Specifically, “Section 226(4A) of the Australian Securities Commission Act 1989 requires that the AASB consult with its New Zealand counterpart. This reflects the impact of Closer Economic Relations with New Zealand and the efforts being made to harmonise financial reporting at an international level” (ASCPA & ICAA, 1994, p. 27). The requirement is similar with that stated in APS 3. As a result of this legislative connection, and changes made in New Zealand, Policy Statement 4 Australia – New Zealand...
Harmonisation Policy, was released in 1994. Although there may be some barriers to issuing identical standards, “they seek, so far as possible, the elimination of all unnecessary differences” (ASCPA & ICAA, 1994, p. 28).

With the 1990’s came structural changes to the standard setting process in Australia. The Australian Accounting Standards Board [AASB] was created, in 1991, partly to replace a standard setting board that was argued to be dominated, or captured, by the accounting profession. The AASB was recognised as a “statutory body with the power to make accounting standards for the purposes of Parts 3.6 and 3.7 of the Corporations Law” (CLERP, 1997, p. 29). It meant that for the first time, the AFG, through the Treasurer, had an influence over the standard setting process, as “appointments to the AASB are made by the Treasurer” (CLERP, 1997, p. 29). Boymal (Joint Committee on Corporations and Securities, 1998, pp. CS 21) stated that “the Australian Accounting Standards Board is an arm of government”. With a new directive through the AFG, the AASB would continue the accounting profession’s goal to achieve the development of internationally accepted standards to adopt in Australia.

In 1995, Policy Discussion Paper No.1 “Towards International Comparability of Financial Reporting” was released by the AASB (Parker, 2002). It was a descriptive paper of “the AASB’s view on international comparability, detailed arguments for and against comparability, and canvassed the means to best achieve improved comparability without compromising the quality of Australian Accounting Standards” (Parker, 2002, p. 35). Compromising quality was a major concern of the AASB.

Howieson (1998) argues that during 1995, a big impetus towards change was occurring through international developments on standard setting. He argues that this change caused fear of economic loss for the Australian Stock Exchange [ASX], as well as the New York Stock Exchange [NYSE]. The changes included the fact that the “technical committee of the International Organisation of Securities Commissions (IOSCO) [would] recommend endorsement of a core set [of] the IASs to the world’s major securities regulators, provided that set [had] been appropriately reviewed and amended” (Howieson, 1998, pp. 4). What this meant was that other
significant international bodies were showing support for the IASC, although it was recognised that its standards would need to be improved.

As well as the support for IAS by IOSCO, in July 1995, the European Union [EU] also showed support through the release of a policy statement in November 1995 (Howieson, 1998). The statement, titled “Accounting Harmonisation: A New Strategy vis-à-vis International Harmonisation”, aimed to link the “EU with the efforts undertaken by IASC and IOSCO towards a broader international harmonisation of accounting standards” (Howieson, 1998, pp. 4-5). Changes at an international level were welcomed by AASB, as they saw them as merely reinforcing the AASB policy already in place.

The AASB finally released, in April 1996, their new policy statement revealing their stance on IH. Based on Policy Discussion Paper No.1, Policy Statement 6 “International Harmonisation Policy” [PS6], allowed the AASB to “formalise their international harmonisation objective and the strategies that they employ in pursuing that objective” (ASCPA & ICAA, 1997, p. 37). In this statement, it was stated that “the globalisation of capital markets has resulted in an increased demand for high quality, internationally comparable financial information. The Boards believe that they should facilitate the provision of this information” (ASCPA & ICAA, 1997, p. 38). They defined international harmonisation as “a process which leads to those standards being made compatible, in all significant respects, with the standards of other national and international standard-setters” (ASCPA & ICAA, 1997, p. 38).

The objective was to move towards the development of internationally accepted standards to adopt in Australia. The Board considered that in the short to medium term, this would not be achievable, so they assigned themselves the task of making sure that compliance with Australian accounting standards would result in compliance with IAS. A list of benefits that would arise from a program of IH was given, and these benefits are often cited in discussions on harmonisation. They included: comparability and quality information for international capital markets decision making (based on the argument that resources will flow to those entities who are more productive); removing international barriers to capital flow and increasing understanding for foreign investors; reduce reporting costs for
multinationals; more meaningful comparisons for international public sector (ASCPA & ICAA, 1997, p. 39).

Interestingly, the costs are not explicitly stated. However, PS6 addresses what the AASB calls barriers to IH in the short-medium term. These are only generally listed as “differing business environments, legal systems, cultures and political environments in different countries” (ASCPA & ICAA, 1997, p. 39). It was noted that at the time, IAS was not accepted by all the major capital market players, such as the US, UK, Canada or New Zealand. The commitments made initially were to link the AASB work program to that of the IASC, working closely with the IASC, and reviewing IAS when setting Australian Accounting Standards, without having to fully adopt the IAS.

Through PS6, it was clear that the AASB, supported by the early work of the accounting professional bodies, were not prepared to compromise the perceived quality of Australia’s accounting standards. There had been, and still was, a hesitancy to fully adopt IAS. This was clearly spelled out in PS6:

“those standards [IAS] need to be acceptable to, and also adopted for domestic reporting by, the standard-setting bodies in the major international capital markets…the standards would need to be demonstrably applicable to both the private and public sector reporting entities” (ASCPA & ICAA, 1997, pp. 40).

As well as this, the quality of IAS was questioned by many in the major capital markets, including Australia. It was argued that some of the IASs permitted “alternative accounting treatments” (ASCPA & ICAA, 1997, pp. 40), and such flexibility was a concern. In arguments to follow in 1998, Mr Boymal (representing ASCPA and AASB) noted that “International accounting standards contain choices. That is because they are written based upon international compromise…we do not really want there to be a scenario where the quality of our reporting gets watered down” (JCCS, 1998, pp. CS 22). Thus, the AASB were confident that the best approach was to influence IAS so that they may result in better standards that could be applicable sometime in the future.
3.2 Government intervention

What followed the AASB 1996 policy statement on IH was the AFG’s choice to intervene in the arena of standard setting, and enforce the full adoption of IAS standards in Australia. It took the AFG two attempts to enforce IAS. The first attempt came in 1997, with the introduction of the Corporate Law Economic Reform Program [CLERP].

The time in which the move to international accounting standards became most obvious was in September 1997, when the then AFG published proposals for changes to accounting standard setting in Australia (1st paper of CLERP). This paper was titled “Accounting Standards: Building International Opportunities for Australian Business”. Many changes were proposed, but the one that is of interest here was the initial mandatory adoption of the International Accounting Standards [IAS] of the then International Accounting Standards Committee [IASC], by 1 January 1999 (Stoddart, 1999, p. 2). However, it stated “that this move would depend upon the Government being satisfied with IASC standards” (pp.12). This was stated in terms of acceptance by major overseas capital markets.

The initial drafting of CLERP caused much concern for the AASB and the accounting profession. During a Joint Committee on Corporations and Securities hearing in 1998, it was revealed that the mandatory status for full adoption was dropped. This was replaced by a recommendation/clause of less significance; that being, that the government may wish for adoption to take place, and would make a directive as such, but it would not be doing so yet. However, the time lapsed for this amended position to be passed by the House of Representatives, due to the October 1998 election (Stoddart, 1999, p. 2). With the return of the Liberal Party to Government in December 1998, CLERP Bill 1998 was passed with the above recommendation.

Stoddart (1999, p. 3) claims that the Treasurer at the time, Peter Costello, needed to establish some credibility in the business world, and the “structure of setting accounting standards provided an opportunity, being a relatively small, but highly visible, technical area where major participants were dissatisfied with the current
arrangements”. At the time of writing Stoddart predicted that the Government would benefit in terms of weakening the “earlier intention to adopt IASC standards” (pp. 3). She seems to feel that the government would not be satisfied with losing power of standard setting to an international body. She also states that full adoption would result in “transfer of power to a foreign body on which the Australian Government has no representation” and “is arguably unconstitutional” (pp. 13).

With the announcement by the AFG, in 1997, that it would undertake reform in the way of the CLERP, came the argument that this would “encourage business activity” (Stoddart, 1999, pp. 8). Stoddart argues that the reforms over accounting standard setting were an attempt by the government to gain popularity for tackling a new issue (to distance itself from previous Labor Party reforms and policy proposals). Overall, Stoddart felt that the proposals for change could not be justified “on theoretical, logical or pragmatic grounds” (pp.15), and provided the argument that such changes were made on the grounds of shifts in power (ie, lobby groups with aims and influences).

Stoddart felt that the “re-shaping relate[d] to the needs of the Government, not the electorate” (pp. 16). The Government, through the Treasury, were among other reasons, “strongly motivated to initiate visible change, especially when that change would fit well with stated policies urging increased business efficiency and globalisation” (pp.17). In line with the debate in the following section, one could argue that it was a symbolic addition to the AFG’s neo-liberal policy on globalisation.

Stoddart also argued that the adoption of IAS could be seen “as a ‘reward’ to the Australian Stock Exchange [ASX]” (pp.18). Howieson (1998) provides discussion of this reward to ASX, as well as the rewards that it could potentially offer to the US stock exchange. This would have provided benefits to ASX in terms of increased listings from foreign companies and retaining our Australian companies listed on ASX (Stoddart, pp. 18). Stoddart argues that the ASX lobbied for full adoption of IAS, in order for it to become the main exchange in the Pacific Rim (pp.19). Thus, in light of Howard’s calls for increased competition as a benefit of globalisation
(discussed later), this revealed that the only real competition resulting from IH policy would be between the world’s major stock exchanges, to secure listings.

The ASX was, according to Stoddart (1999), the main instigator in the push towards full adoption of IAS. ASX would provide funding over two years for this program, and even threatened to stop the funding, in December 1997, if full adoption of IAS did not eventuate (Stoddart, 1999, pp.19). Stoddart (1999) reveals the close links between the Liberal Government and ASX, and claims that “the views of ASX could be expected to be sought by the Treasurer and to be given high priority” (pp.20). In fact, the AASB and the accounting profession were quite aware of this influence, and implicitly revealed this in the Senate hearings on Corporate Law Economic Reform Bill 1998. The accounting profession representative, Mr Boymal stated that “there were interest groups who had suggested that the quicker we get to copy these things [IAS], the better for us all” (Joint Committee on Corporations and Securities, 1998, pp. CS 28). Mr Boymal, in his statements representing the AASB, again made his sentiments known by stating:

“I must say, though, that there are quite strong influences for the wholesale adoption of international standards. Where did the treasury get the idea of adopting it all by 1 January 1999? There are influences there, and I do not think that we can pretend that there are not” (Joint Committee on Corporations and Securities, 1998, pp. CS 67).

Senator Ian Campbell, the parliamentary secretary to the federal treasurer at the time, has also revealed his push for IAS adoption as a long standing one: “I am on record, back in the discussions on CLERP 1, as wanting Australia to adopt international accounting standards by January 1999. I created a lot of angst in the industry” (cited in Ravlic, 2003a).

A representative of ASX spoke to the JCCS hearings and stated that “the Exchange is exposed to the internationalisation of the capital markets, perhaps more so than most organisations in Australia, and the concern is that we need a common standard” (Phenix, cited in JCCS, 1998, pp. CS 53). The ASX tried to paint a picture of inevitability in terms of fully adopting IAS, and argued that the only real reason that
the US, the Japanese, and the UK had yet to join the program, was due to political reasons, and nothing to do with the quality of IAS standards. It was very much a playing down of adoption, revealing the hidden agenda of growth in wealth for ASX and listed companies.

During the JCCS hearings, the AASB representative and accounting profession representatives all expressed concerns about the possibility of fully adopting IAS sometime in the future. The fact that the CLERP Bill would not require full adoption of IAS (this initial requirement was dropped), did not ease the minds of AASB and accounting profession. They were very skeptical about the role that the minister could play in this area. Mr Boymal states that

“the legislation is rather strange because there is special emphasis placed on the right of the minister to direct the AASB in relation to when it should simply copy international accounting standards…we wonder why that is given any special treatment…seems to be given undue emphasis” (JCCS, 1998, pp. CS 24).

Boymal concludes that the dropping of the mandatory full adoption of IAS clause, was replaced with a clause that was effectively included to subdue the concerned parties. He states that the right of the minister to intervene, and this right being written into the legislation, “is an unusual explanatory memorandum. I think it comes about because people did not like the initial drafting and additional things were put in to placate the respondents” (JCCS, 1998, pp. CS 67). Such a view supports the idea that such clauses are merely symbolic and operate to still the public outrage, while having no real effect/change from the initial drafting (Merino & Mayper, 2001).

The ASCPA also carried out an analysis of submissions from the Australian market, to assess the acceptability of full adoption. They found that “the Australian market was, at this point in time, happy with our moves towards harmonisation but expressed concerns about adoption…the Australian market place must support these moves” (Parker, cited in JCCS, 1998, pp. CS 27).
As stated above, the UK happened to be one of the major capital markets that did not aggressively pursue IH. However, it was noted that it felt a sense of inevitability, in the sense similar to statements by Marx and Engels (1848, cited in Sheil, 2001, pp. 3) that “nations will be compelled to embrace capitalism on the pain of extinction”. In 1999, the UK’s Accounting Standards Board [ASB] was fighting to lobby the IASC on certain accounting treatments. It was stated that “if this proves unsuccessful then the UK would have to join the majority eventually” (Kelly, 1999, pp. 2). Interestingly, this frustration appears to support the idea that globalisation is inevitable. It was stated that “Harmonisation is seen as an accounting virtue in itself” (Kelly, 1999, pp. 2).

In 2000, the IOSCO finally “endorsed 30 International Accounting Standards (IASs) and their related interpretations for use by multinationals in cross-border offerings and foreign listings” (Parker, 2000, pp. 1). This resulted from earlier promises by IOSCO that endorsement would follow after the IAS were reviewed and amended. However, it was felt by many (Boymal and Parker cited in JCCS, 1998; Howieson, 1998) that this would merely be symbolic. It was still acknowledged that “the securities commission in each country can still do whatever it chooses. There is nothing mandatory about it…is more symbolic than anything else” (Boymal, cited in JCCS, 1998, pp. CS 63).

However, the IOSCO endorsement may have proved to be an impetus to make further changes to Australian IH policies. In July 2001, ED 102 was released, as a forerunner to a new policy statement on IH. The new policy statement was released in May 2002, and titled PS 4 “International Convergence and Harmonisation Policy”. Its direction was still to harmonise with IAS, in that the AASB would adopt an IAS if it was “in the best interests of both the private and public sectors in the Australian economy” (Parker, 2002, pp. 39), leaving room to keep unique quality Australian Accounting Standards. However, the new emphasis on convergence meant trying to find a middle ground between national and international standard setters, so that the content of a standard could be agreed upon, and one set of global standards could be achieved.
PS 4 re-enforced a strong tie to IASB, basically accepting an IASB position on a standard, “ultimately accept[ing] the views of the IASB where such acceptance will lead to international convergence amongst the major standard setting bodies, even though those views may not be the preferred position of a particular body” (Parker, 2002, pp. 40). Day defined convergence as a situation where “all standard setters agree on a single, high-quality answer” (2002, pp. 2). This was the ultimate goal of the AASB, but still did not require full adoption of IAS.

Up until January 2002, the AASB were developing accounting standards in line with their policy of IH, as expressed in PS 6. It had “its own structure, form and content of standards and interpretations given domestic considerations and, in particular, the requirements that standards are legislative instruments” (Parker, 2002, pp. 36). It had in fact been established that “there were 28 accounting standards where there [were] differences between Australian and IASB accounting standards” (Parker, 2002, pp. 36). Up until this point, the AASB and accounting profession had succeeded in maintaining a policy of international harmonisation and convergence of accounting standards, while the AFG and ASX waited out the possibility of full adoption of IAS, as initially proposed in CLERP.

By the middle of 2002, the AFG and ASX would realise their initial policy of fully adopting IAS. In June 2002, the EU announced that “listed companies in the EU [would have] to publish accounts in accordance with international accounting standards by 2005” (Andrew and Guerrera, 2002, pp. 3). Following this, the Financial Reporting Committee [FRC], which overseas the AASB, and whose chairman is selected by the treasurer (CLERP, 1997), announced a change from “a policy of harmonisation and convergence [to] one of adoption” (Parker, 2002, pp. 36). PS 4, released in May 2002, and which had been supported by FRC, was overturned by this directive.

Parker has stated that “the 1 January 2005 timing was linked to the decision of the European Union to require EU listed companies to prepare their consolidated financial reports in accordance with the IASB standards from that date, in support of the EU single market objective” (2002, pp. 41). Andrew and Guerrera (2002, pp. 3) also state that the “use of international accounting standards is a key element of the
EU’s plans to build a single market for financial services by 2005”. The number of EU listed companies as of December 2002 was 7000 (Day, 2002, pp. 1).

Are the AFG and ASX satisfied with this directive? Buffini (2002) reveals that the AFG are making a $2 million contribution towards IASB. Fenton-Jones states that ASX are putting in a “further $1 million a year for the next two years” (2002, pp. 2). Senator Campbell also revealed that he “set the $2 million funding conditions” (Ravlic, 2003a). However, the ASX were the ones to send a letter to the FRC, “specifying conditions for the adoption project” (Ravlic, 2003a). The funding would come from any excess funds left in the National Guarantee Fund, a fund set up by the treasurer for ASX. Approval for its use comes from Senator Campbell. Senator Campbell tried to downplay the ASX-government link:

“They [ASX] come forward with proposals from time to time. As I recall, I have approved most of the proposals they have put forward over the last year. I knocked back one of them. You have to be careful, now that the ASX has competitors, that the funds are being used for general market development and not just promotion of the ASX” (cited in Ravlic, 2003a).

The clause that was added to the CLERP Bill in 1998, legislating the treasurer’s right to direct full adoption of IAS, has clearly resulted in a favourable position for AFG and ASX. Parker’s remarks, representing the accounting profession and standard setters, implies his dissatisfaction:

“Most unAustralian like, we have seen an arrogance and appalling lack of accountability in the standard-setting process associated with the 2005 directive” (2002, pp. 48).

The UK accounting profession has also revealed signs of concern, when the new president of the Institute of Chartered Accountants in England and Wales [ICAEW], predicted that the IASB would be heavily influenced by the US (Parker and Guerrera, 2002, pp. 3). This came on the eve of the EU revealing its policy of full adoption. The UK profession was concerned about the quality of standards being
watered down. Not long after that directive, came the October 2002 memorandum of understanding issued by the Financial Accounting Standards Board [FASB] of the US, and the IASB (ICAA, 2002). The US has now signaled its interest and commitment to influence IFRS, so that they work towards “the goal of producing high-quality reporting standards worldwide to support healthy global capital markets” (Chairman of FASB, cited in ICAA, 2002, pp. 3).

A year after expressing his concerns, and after the US memorandum, the chairman of ICAEW, further criticised the IASB work for its attempts “to achieve convergence between US and international accounting standards” (Parker, 2003, pp. 6). The feeling in the UK, and Australia, is that the US is now driving the IASB agenda. Not all are satisfied with this.

4. Claimed Benefits of Harmonisation

Given the resources that have gone into the Australian IH policies, and the AFG’s choice to intervene in this process, what could be the perceived benefits? The following section details some of the “official” benefits that are claimed to result from IH. Such benefits have been proposed by the AFG and ASX, but also accepted by the AASB and accounting profession. Proponents of full adoption of IAS, often claim “that the case for harmonisation is ‘irresistable’ (Sharpe, 1997, cited in Howieson, 1998, pp. 5). Often these benefits are stated to arise, without any full analysis or understanding of complexity of such benefits. And benefits to whom? Clearly, the benefits, as discussed, appear to mimic the arguments put forward by AFG for acceptance of its neo-liberal policies, obscured by the use of the term globalisation.

In the 1997 CLERP paper, the AFG revealed the reasoning behind the move to full adoption of IAS (although this will not eventuate until 2005). The argument was to serve investor’s need for useful and comparable information, and to protect Australian companies.

“Australian companies are increasingly competing in a global market…It is therefore *incumbent* upon the Government to ensure that Australian companies can compete effectively and efficiently in that market…Australia
cannot afford to be out of step with the rest of the world” (CLERP, 1997, pp. 11, emphasis added).

The belief that globalisation is inevitable is often a taken for granted assumption, and is reflected in the thinking of government officials. Senator Murray stated during the Senate hearings on CLERP, the following:

“Isn’t it possible that the government has merely accepted reality and that the only way in which we can internationalise our systems, as it were, is to accept the inevitable and follow…American or the large European models” (JCCS, 1998, pp. CS 45).

This argument falls in line with the AFG’s position that we have no choice, and that globalisation is inevitable. Sheil (2001, pp. 1-2) argues that “globalisation primarily features in Australia’s national policy as an extension of the classical economic theory of free markets and free trade”. Quoting the AFG prime minister in a 2000 speech, Sheils (2001, pp. 2) states that the view on globalisation of AFG is “simply as extension of the tendency throughout human history towards increasing specialisation and trade”. The benefit of increased competition is pushed:

“Unlimited economic competition, Australia’s official theory holds…is the most effective way of weeding out inefficiently utilised resources in firms, industries, nations and the world, no less” (Sheil, 2001, pp. 2).

The AFG argue that “accounting standards play a key role in enhancing competitiveness” (CLERP, 1997, pp. 22). So not only should we accept that competition is for the good of all, but that accounting standards can have a major impact on this ability to compete. Phenix (cited in JCCS, 1998, pp. CS 54), as representative of ASX, also supports this claim and states that “this [Australia] is basically a capital-poor country, and accounting standards is one small brick in the wall which will allow us to increase the amount of capital which can be raised by Australian companies”.

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The AFG argue further that IH of accounting standards should increase international investment, which “brings substantial benefits to home and host countries by contributing to the efficient utilisation of capital, technology and human resources and promotes economic and social welfare” (CLERP, 1997, pp. 19). This implies that developing nations should benefit also from such a policy.

The AFG claimed benefits have been offered by AASB also, and are stated to include:

“providing participants in international capital markets with better quality information to aid investment decisions…removing barriers to international capital flows…reducing costs for Australian multinational companies and foreign companies in Australia…” (Parker, 2002, pp. 39).

Parker (2002, pp. 36) claims that “the benefits of the 2005 decision are increased availability of capital at a lower cost, easier comparison of inter-entity performance in different jurisdictions, and efficiencies for multinational companies. The benefits accrue mainly to multinational entities, the domestic share market”.

Another benefit claimed by ASX to result from full adoption of IAS, is that the cost of standard setting would be largely reduced.

“The thrust is that Australia should support these international standards rather than trying to do it ourselves…the cost of doing it ourselves is horrendous” (Phenix cited in JCCS, 1998, pp. CS 54).

This is also supported by Day (1997, cited in Howieson, 1998, pp. 5), as he argues that “accounting standards projects are now more complex and absorb enormous overhead”. Other arguments put forward by Day include: facing criticisms for trying to be unique; waste of intellectual resources; and “businesses, not unreasonably, are looking for global solutions, not local experiments” (cited in Howieson, 1998, pp. 5). The common theme here is that it is economically irrational to argue for anything but full adoption of IAS – localism is an irrational choice.
Howieson (1998) also summarises the claimed benefits of IH. He argues that effectively, “these claims focus on the impact of harmonisation on the competitiveness of firms and national stock exchanges” (pp. 5). One claim is that “investors cannot necessarily reconcile differences in accounting standards across countries” (pp. 6). A second claim is the costs that companies face in having to list in the US, are significant. They have to “face a decision either to incur the alleged substantial costs of providing a reconciliation to US GAAP or to take their business elsewhere” (Howieson, 1998, pp. 6). Within the Australian context, “the main threat to the ASX seems to be the possibility that Australian companies will take their listings elsewhere if Australia does not adopt IASs but other markets do” (Howieson, 1998, pp. 6). Howieson (1998) provides a compelling argument to dispel such claims, and will be discussed in the next section.

5. Globalisation or Rhetoric

The changes in the 1970’s should not be described as globalisation as a new phenomenon, but as a shift to neo-classical economics, where there is a “demand that everything be done through the market” (Tabb, 1997, pp. 26), and in particular, the global market. Quiggin (2001, pp. 1) argues that “technological changes are of little importance in explaining financial globalisation. Rather, the growth of international financial markets is the result of the policy decisions (or, sometimes, non-decisions) that led to the ‘deregulation’ of global capital flows”.

If one considers that globalisation should be about social solidarity, then what we see now is an undermining of solidarity. Our alliances should now lie with an international standard setting board, which would claim to be representative, but is in fact dominated by a few. This has “little to do with globalization, and a great deal to do with the victories of capital over labor” (Tabb, 1997, pp. 26).

Tabb (1997, pp. 28) argues further that it is government policy, or lack of, that encourages deregulation. This is a political choice, not a natural/necessary flow of globalisation. According to the hyper-globalists, and similar to Tabb’s “weak Left”, it is not international or globalised trade that is the problem “but the political conditions under which that trade takes place” (Tabb, 1997, pp. 29). In support of this view, Arnold and Sikka (2001, pp. 478) state that “the present forms of
globalization are the outcome of intentional politics and policies pursued by the major nation-states, rather than technology or market imperatives”. Quiggin (2001, pp. 1) also supports this when he states:

“the ‘deregulation’ package as a whole can be just as validly described as the ‘re-regulation’ of the economy in the interests of global capital”

That this is a valid argument has been revealed where it was shown that the AFG’s role in the IH process was explicit and intentional. The legislated policy on IH was intentionally set by the AFG to further the neo-liberalist ideology, a dominant form of globalisation, despite their claims that they are forced by changing circumstances.

Tabb argues that globalisation is a “scarecrow”, similar to the claim that the AFG view on globalisation is rhetorical, and we shouldn’t let it “disempower us” (Tabb, 1997, pp. 29). The economy does not have to serve the needs of ideologies such as “competitiveness, free markets, and the alleged requirements of globalisation” (Tabb, 1997, pp. 29). The arguments put forth by AFG, ASX and others supporting IH through adoption of IASs, use the same arguments. These are seen to be merely arguments cloaked as globalisation, when in fact they are requirements of capitalist demands and government weakness to serve such demands.

As Sheil (2001, pp. 10) states “there is an important, intimate and complex relationship between globalisation and the ideology known throughout most of the world as neo-liberalism, but which is popularly referred to in Australia as ‘economic rationalism’”. What is new about the changes in the 1970’s is merely the move to entwine the neo-liberal ideology with the development of a global economy.

In his critique of the IH of accounting standards with IAS, Howieson (1998, pp. 6) debated the idea that Australia would lose “possible and existing listings on the ASX and the additional information production and capital costs incurred by Australian companies, particularly those listing overseas”. He argues that there is lack of evidence that firms needing finance will be concerned about whether Australia uses IASs – they will “go where the money is” (pp. 6). Howieson (1998, pp. 6) refers to a European Community report that suggests that “large investors are used to dealing
with accounting differences and that other factors have greater influence over their decisions”.

In further debate about the benefits of IH, Howieson (1998, pp. 6) refers to a survey conducted on Australian companies listed overseas. The overall conclusion from this survey was that most companies listed in other countries did not have to make conversions, and those effected by listing requirements, such as in the US, find that the differences are minimal.

The claim that the benefits will promote economic and social welfare is also rhetorical. This is based on the neo-liberal version of globalisation offered by the AFG where the fittest will survive, and the “losses here will be the source of gains there, which will produce a better outcome all round” (Sheil, 2001, pp. 2). However, Parker (2002, pp. 36) argues that full adoption of IAS will benefit a limited few, and “few benefits, if any, will be realised by domestic reporting entities including local governments, not-for-profit entities and large proprietary companies”.

The idea that an international standard setting body such as the IASB, will be less susceptible to lobbyists, is rejected by Howieson (1998). It has been found that “the interests of small companies and companies from developing or emerging economies are not represented at the IASC” (Howieson, 1998, pp. 8). During the JCCS discussions on CLERP, the accounting profession also made a similar admission.

“Senator MURRAY - ...the big four on international standards are all English speaking countries, the USA, the UK, Canada and Australia, which might make the non-English speaking countries a little irritable. There are around 200 countries in the world. How many countries are represented on the international standards body?

Mr BOYMAL - ...it is not the same 12 all the time. But there are hardcore members who have been there since inception…At the peripheral, particularly with Third World countries, they come on for a period of time and then go off” (JCCS, 1998, pp. CS 71).
Bodies such as the IASB, could be described as “emerging cosmopolitan democratic arrangements” (Held, cited in Orchard, 2001, pp. 3), however, Orchard (2001, pp. 3) warns that “the already powerful are likely to win more”. Orchard (2001, pp. 8) argues further that “international institutions…are bureaucratic bargaining systems probably having an elitist guardianship role at the global level”.

Overall, Howieson (1998) concluded that there seemed to be a rush to deregulate in the name of harmonisation. However, this is a rush for perceived economic benefits which are limited to a privileged few, and may result in less investor protection, let alone no protection for other interested/influenced groups. The call being made for full adoption is being hidden behind the call for globalisation, when in fact it is a call to increase the wealth of the already wealthy, which includes the stock exchanges in major capital nations. The AFG clearly support this, and has a choice not to do so, despite the claims of the hyper-globalists.

Dominelli & Hoogvelt (1996, pp. 193) argue that the type of competition that we are seeing in this neo-liberal version of globalisation is that “instead of being complementary, international trade has become predatory or ‘adversarial’”. The policy of AFG is unlimited competition, which has not, and will not result in benefits for domestic and host countries. In the neo-liberal version of globalisation, which has arisen over the period in which IH has progressed, “the state becomes a vehicle for the adjustment of the domestic economy to the imperatives of the global market” (Dominelli & Hoogvelt, 1996, pp. 195). This is clearly evident in CLERP, and subsequently the CLERP Bill, where the AFG state that it is incumbent upon them to set policies for global market needs.

6. Conclusion

It is concluded that the move to full adoption of IAS for Australian reporting purposes, is sold on the argument that globalisation requires it. The complexity of outcomes for full adoption is ignored by the “official” Australian policy on International Harmonisation of accounting standards. The ASX and multinationals have much to gain, but the promotion of economic and social welfare for all is hardly realistic.
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