

ACCOUNTING, ACCOUNTABILITY, AND LIARS

Dr. Gurram Gopal

These are days you'll remember.

(From the album "Our Time In Eden" by 10,000 Maniacs with Natalie Merchant)

1. We are living in memorable times, indeed, even though whether these are times in Eden is open for debate. The New York Times reported last week that the Financial Accounting Standards Board (FASB) granted American companies a six-month reprieve on the deadline to start deducting the value of stock options granted to executives and other employees from their profits. The move will delay the reduction in reported profits for many companies, and may give them more time to lobby Congress to stop the rule from taking effect at all. It went on to report that FASB, "under pressure from companies and the staff of the Securities and Exchange Commission, accepted the delay on a 5-to-2 vote, with the dissenters pushing for an extension that would have allowed many companies to put off listing options as expenses even longer." According to The New York Times the S.E.C. was concerned that corporate accountants would be overloaded if they had to put the rule into practice, while also coping with changes in annual audits required by the Sarbanes-Oxley Act. Putting aside the fact that perhaps overloaded accountants could contribute to higher productivity, an interesting question is 'To whom is FASB accountable?'
2. Thanks to the monetary policies of the Federal Reserve and the fiscal policies of the government we are now facing an accumulated federal debt of \$7.429 Trillion dollars, an increase of \$1.755 trillion or 31% over the past four years. The total debt amounts to more than **\$25,000** for every adult and child in the country. It has to be acknowledged that there is a (non-zero) probability that the current deficit spending and the "trickle down" economics will not lead to increased future revenues for the government and lower the deficits. Instead it could lead to one or more of the following- significantly higher interest rates , a significantly lower dollar, and a significant drop in US personal incomes. Dallas Fed Governor [Robert McTeer](#) indicated as much recently. Should this situation unfold, it will not be a pretty sight, as all those garments and electronics that are made in Asia will be more expensive. It will be even more expensive for folks to say 'charge it' to everything. Who is held accountable if such a disastrous scenario unfolds? Elected administration officials, Senators and Representatives might not win when they run for reelection, but they can turn around and get those high paying lobbying positions. The Fed officials will continue doing their job; Alan Greenspan would collect Social Security and retire happily.
3. This leads me to make a proposal that not only solves the above accountability issue, but also takes care of the unemployment problem at the same time. The idea is not entirely my own- Senator Kerry deserves part of the credit. While discussing the health care situation in America in the third presidential debate he said, "we give you broader competition to allow you to buy in to the same health care plan that senators and congressmen give themselves. If it's good enough for us, it's good enough for

every American. I believe that your health care is just as important as any politician in Washington, D.C.” Why stop at just health care? Let us expand the Senate and House so that every American is a member of one of the two houses. This immediately solves the unemployment problem. Every citizen can [take home a cool \\$158,100](#) this year, with cost-of-living-adjustment (COLA) increases every year ([2.5%](#) for the upcoming year). Everyone gets the same [healthcare options, and the same retirement benefits](#). If this increases the deficit some more, what of it? This way everyone gets to join in the fun while it lasts.

4. On October 7 the House and Senate showered extraordinary “early Christmas” gifts to corporations via a [new tax bill](#). This bill’s contents include, among other things, the following- an exemption from “reforms of deferred compensation plans” (that is meant to close certain loopholes) for "Any plan established or maintained by an organization incorporated on July 2, 1974." That's the holy day when the PGA Tour was incorporated. Other beneficiaries¹ of this bill include fishing tackle-box makers, tobacco farmers, NASCAR track owners, Chinese ceiling fan importers and foreigners winning bets at U.S. horse and dog racing tracks. Senate Finance Committee Chairman Charles Grassley’s response¹ to charges that the measure had provisions for specific interests was "Well, that's true, but that's how the Senate works." What is really galling is that this abomination is titled “American Jobs Creation Act” in the House and “Jumpstart Our Business Strength (JOBS) Act” in the Senate. While the Republican dominated Congress was passing this disgraceful bill, the President, instead of threatening to veto it, was busy calling Senator Kerry a “Massachusetts Liberal.” Mahatma Gandhi was perhaps too idealistic when he said “corruption and hypocrisy ought not to be inevitable products of democracy, as they undoubtedly are today.” Let us demand no more usage of the words “job creation”, “conservative”, “liberal”, etc. unless they are defined and proven. It is high time the citizenry of the country demanded an honest LIARS (**L**abel **I**nvestigation and **A**pproval **R**egulatory **S**ervices) Department. Among other things this department would be tasked with ensuring that the labels used by politicians are accurate and complete, similar to the role of the “FDA” in regulating the pill business.

These are amazing times indeed. I am looking forward to a future date when we will be looking back on fond memories and singing

Those were the days, my friend
We thought they'd never end
... Mary Hopkins.

¹ Chicago Tribune, October 12, 2004. “633-page corporate tax code overhaul.”