# The IASB and the Market "Communion"

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**Abstract** Since the 1970s, accountants are suspected for having been contributing to the predominance of the market doctrine by setting themselves the objective of ensuring the efficient functioning of financial markets. In this chapter, we set out to analyze how the IASB project accords with this logic. Using the concept of "communion" borrowed to Gurvitch sociology of law (1948/2001), and some shareholder thinking lent to Stout (The shareholder value myth. San Francisco, CA: Berrett-Koehler, 2012) and Blair and Stout (Va Law Rev 85(2):247–328, 1999), we argue that the concept of "investor" used in the IASB conceptual framework depicts its membership to a form of an active spontaneous sociality we call the market "communion". Through its conceptual framework, the IASB contributes to preserving symbols and patterns, such as the Efficient Market Hypothesis [EMH] and the Shareholder Value Maximization [SVM] doctrine. Poised for intellectual collapse, such shared symbols and beliefs form the collective intuitions that enable mediation and communication between the members of the communion to continue adulating the market ideology. The concept of "investor" used in the IASB conceptual framework is socially constructed. It is both constituted by the IASB membership to the market communion, and yet at the same time is the very medium of this constitution.

## 1 Introduction

The principle of total disclosure for shareholders has been in force in the U.S. since the New Deal has institutionalized the responsibility of managers towards shareholders in order to re-establish confidence in markets after the great depression. The views expressed by Adolf A. Berle in the great debate that opposed him in the 1930s to another law Professor E. Merrick Dodd Jr., on the issue of "to whom are corporations accountable?" is generally believed to have provided the philosophy

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on which the US securities legislation of 1933–1934 was based (Macintosh 1999). In the *Modern Corporation and Private Property*, Adolf A. Berle and Gardiner Means (1982) advocate for the shareholder primacy: "all powers granted to a corporation or to the management of the corporation . . . [are] at all times exercisable only for the ratable benefit of the shareholders." Alongside, Edwin Merrick Dodd wrote in *Harvard Law Review* "For Whom Are Corporate Managers Trustees?" in *(1932)* to state that the proper purpose of a public company is beyond making money for shareholders. It includes providing secure jobs for employees, quality products for consumers, and contributions to the broader society. He adds: "The business corporation is an economic institution which has a social service as well as a profit-making function" (p. 1148).

Since Adolf A. Berle view, the provision of information to shareholders became part of the doctrine that corporate managers were virtually trustees for the shareholders and that the powers granted in law to them should be exercised entirely for their benefits. The principle of total disclosure came to be seen as part of the fiduciary theory of corporations according to which corporate managers are responsible to act in a manner that would place the interests of the shareholders above everything else except the law (Macintosh 1999).

In the 1960s, according to Williams (2004), accountants have endorsed a new role that is to serve "efficient" and "self-regulated" markets. Since then, new dimensions of accounting were promoted: accounting is the useful information (Mouck 1998; Williams 2002) and the language (Amernic and Craig 2004) of measurement (Tinker 1980) required for the good functioning of financial markets (Williams 2002). This chapter aims to show that this new turn in accounting thought has prevented accountants from any possible adoption of E. Merrick Dodd Jr. stance who considers directors and managers as fiduciaries not for shareholders but for the corporation, which is a separate legal entity that is accountable to society to which it operates. The new accounting paradigm became part of the ideology of the market, where corporations are instruments to maximize the shareholder value and whereby the market is the only perfect mechanism to bring managers to achieve such an objective. According to Mouck (1998), since the 1960s, the leading academic accounting journals have been dominated by research that attempts to estimate the association between changes in security prices and financial reporting and accounting system.

In this chapter, we use an analytical framework lent to Stout (2012) and Blair and Stout (1999). We claim that the IASB has committed itself in supporting the market ideology. The IASB is suspected of being part of a Market "communion", which concept of "communion" is borrowed to Gurvitch sociology of law (1948/2011). The concept of "investor" used in the conceptual framework is portrayed to be an evidence of the indoctrination of the IASB by the market communion beliefs. The IASB stance has suppressed Edwin Merrick Dodd claim about social responsibility of corporations, by consecrating shareholder primacy. In reality, it has even distanced the accounting role from serving Adolphe A. Berle concern of shareholder protection. In fact, the IASB set a new purpose for accounting information that is to support trading on the market.

The chapter is structured as follows: In the second section, we use the concept of "communion" lent to Gurvitch sociology of law (1948/2011) to describe what we call the market communion and its collective intuitions based on the Efficient Market Hypothesis [EMH] and the Shareholder Value Maximization [SVM] doctrine. In the third section, some thoughts on shareholder thinking are borrowed to Stout (2012) and Blair and Stout (1999) to show the fallacy of the SVM doctrine. Then, we analyze the concept of "investor", used in the IASB conceptual framework, to portray its obedience to the market communion tenets. Several concluding comments are presented in the fourth section.

## 2 The Market Communion

Firstly, the concept of communion lent from Gurvitch sociology of law (1948/2001) is depicted (Sect. 2.1). Secondly, the market communion is portrayed (Sect. 2.2).

### 2.1 *Gurvitch Sociology of Law and the Concept of "Communion"*

Gurvitch (1948/2001) defines the sociology of law as that part of the sociology of the human spirit or of the noetic mind, which studies the full social reality of law. The sociology of the human spirit is "the study of cultural patterns, social symbols, and collective spiritual values and ideas in their functional relations with social structures and concrete historical situations of society" (p. 47). To study social reality of law, the sociology of law starts with its tangible and externally observable expression, in effective collective behavior to interpret them according to the internal meanings. The sociology of law considers jural symbolic patterns fixed in advance, such as organized law, procedures, and sanctions as function of other jural symbols and rules which are flexible and spontaneous, which themselves are explained by jural values and ideas and finally by "the collective beliefs and intuitions which aspire to these values and grasp these ideas, and which manifest themselves in spontaneous *normative facts*, sources of the validity, that is to say, of the positivity of all law" (p.61).

Gurvitch (1948/2001) associates kinds of law with forms of sociality that is the ways of being linked to the whole and by the whole, which differ in degree of intensity and actuality of the inter-individual relations of reunion, separation and fusion. To produce law, two conditions are to be satisfied: (1) the capacity to be a normative fact, which means the capacity of the social fact to embody positive values by their very existence, and (2) to be an active form of sociality even without engendering its own organized superstructure. Two forms of sociality exist according to Gurvitch (1948/2001). The first is direct and spontaneous sociality,

while the second is an organized and reflected form of sociality. On the one hand, the spontaneous sociality is said to be more mobile and dynamic. It is generally depicted through immediate states of the collective mind and behaviors, which are guided by more or less flexible patterns. On the other hand, the organized sociality is linked with collective behaviors that are guided by patterns crystallized in deliberate schemes, fixed in advance, which impose hierarchized and centralized conduct. Generally, spontaneous sociality underlies organized one even if it does not entirely express itself in the latter.

Within the spontaneous form, Gurvitch distinguishes two types of sociality: a form of sociality by interpenetration, partial fusion or simple interdependence, and another form whereby the members are integrated into a union of "We". When the fusion is weak and integrates only superficial states of individual consciousness, the form of sociality is called *the Masses*. When the fusion is on a deeper level of the consciousness, an essential part of the aspirations of the personality is then integrated in the "We" but without attaining the maximum of integration, and then we speak of *community*. The most intense degree of union and integration of the most inaccessible depths of the selves lead to what is called *communion*. When the fusion integrates the deepest layers of the selves, the pressure of social spontaneity becomes less obvious.

The communion produces a form of super-functional social law of objective integration in the "We". According to Gurvitch, this kind of law is based on confidence, it is autonomous and can never be imposed from without as it can regulate only from within. It is a spontaneous subordinative form of law that has primacy over any other individual law, for it presents the virtual base of every delimitive jural regulation.

## 2.2 The Market "Communion"

The IASB as a standard setter could be assimilated to an organized reflected sociality. Alongside, the IASB is part of a direct, spontaneous sociality, which has the form of a communion. This grouping is a super-functional form of sociality that is claimed to be serving the market ideology (Chabrak 2014). Per se, the IASB is a functional form of sociality for its rational and reflected schematism, rested on crystallized and fixed aims which can never express the ends and values that are aspired by the super-functional form of sociality of the market advocates. However, the latter needs a plurality of organized forms of sociality (superstructures) such as the IASB as a standard setter, to achieve the totality of its ends and values. Hence, the IASB, as a standard setter, serves an aim that is only an impoverished intellectual image of values synthesized by the "common interest", which is sued by the spontaneous sociality that is the market communion. Before giving evidences on the membership of the IASB to this grouping, we portray how the markets' advocates constitute a communion.

The market advocates constitute a form of a spontaneous sociality as they have a previous union of consciousness, which makes possible mediation by signs, patterns and symbols to dominate them. A communion is primarily a manifestation of a strong cohesion of the collective mind. It is a "We" that constitutes an irreducible whole. It is a whole that is immanent to its parts and the parts are immanent to the whole. Also, the "We" means an interiority and intimacy of the union that is in an awakened state. Because the "We" exists already, mediation by patterns and symbols is possible between the members of the grouping. The Efficient-Market Hypothesis [EMH] and Shareholder Value Maximization [SVM] are among the patterns and symbols produced to serve as collective intuitions in order to make mediation between the market grouping constituents who are aware of their belonging and their role in the communion. Hence, despite EMH was revealed to be incapable of explaining what happened during the financial crisis in a convincing manner, and despite the fact that this model is clearly shown not to work, and to be a flawed ideology (Greenspan 2008), despite that EMH seems to have been discarded as the basis of sound public policy (Soufian et al. 2013), despite all of this, EMH is still used and shared by the market advocates. To our view, EMH is an unquestioned belief that is shared for the only purpose of reinforcing the strong cohesion of the collective mind and the mediation between the market communion members.

According to Soufian et al. (2013), the EMH, which was developed in 1965 by Eugene Fama of the University of Chicago, a university well known for fervent support of free markets, is not a disinterested scientific endeavor as it is strongly influenced by ideological considerations and the need to preserve the core methodological approaches of neo-classical economics. Firstly the authors explain that the choice of the term 'efficient market' is rhetorical as efficiency is considered as one of the highest social values in the West. Secondly, they argue that the ambiguity of the theory itself is intended to give its advocates a considerable scope to survive critics. According to Fama (1965), EMH suggests the stock prices to move randomly. For Mouck (1998), this fact should be interpreted as the result of information arriving randomly and not to be the result of the irrational character of market participants. For Soufian et al. (2013), the concept of randomness used to support the idea that the actual price of a security in an efficient market wander about its intrinsic value, was intentionally not clearly explained by Fama (1965). They contend that this lack of clarity was intended to leave the EMH advocates with the possibility of an opportunistic use of it to avoid unwelcome refutations of their preferred theory (Soufian 2013). Finally, they argue that the purpose of the EMH is to show that market prices are a perfect guide to intrinsic value, which implication is to admit the market to be considered as a hyper-rational being that can outwit any government regulator or speculator and as an infallible guide to human affairs.

For Mouck (1998), regardless of the "Noah and Joseph effects" that refer respectively to the observed instances of large discontinuous jumps in stock prices, periods of tumultuous change and to the apparent tendency toward long-term trends and non-periodic cycles, the EMH was never replaced by a "fractal market hypothesis". Rather, it was generally taught as fact and accounting researchers have never

questioned the theoretical basis of their emerging markets-based accounting research. According to Shiller (1984), quoting Henry Fielding, "Fashion is the great governor of this world; it presides not only in matters of dress and amusement, but in law, physic, politics, religion, and all other things of the gravest kind; indeed, the wisest of men would be puzzled to give any better reason why particular forms in all these have been at certain times universally received, and at others universally rejected, than that they were in or out of fashion" (p. 457). For Williams et al. (2006), the dominance of EMH was not accomplished by dint of its superior explanatory power of the world, but by the shrewd (and continuing) use of political power to sustain that preeminence.

Our view is that even though the history of anomalous evidence, EMH remains a vivid fashion for the role it plays in maintaining the cohesion of the market communion. If EMH is still embraced, it is for the reason that at least it still gives a compelling rationale for the market advocates to continue believing that the market should be entrusted the responsibility of controlling the corporate world in order to reorient companies towards serving the supremacy of shareholders' interests as defended by Adolf A. Berle. Such an endeavor was supported by another theory that is also poised for intellectual collapse: the Shareholder Value Maximization [SVM] doctrine, which purpose was to end with the institutional understanding of corporations as separate legal entities with responsibilities towards the whole society. Rather than being social institutions that are accountable towards the community and stakeholders (Davis 2009), as it was defended by E. Merrick Dodd Jr., corporations should be assimilated to legal-economic devices to entrench powers and rights of their shareholders. As a result, it consecrates the market vision of the corporation and the need to rely on the market force of opinion to make the best capital allocation decision.

## 3 The Shareholder Value Myth: the Trap of the IASB into the Market "Communion"

We borrow some thoughts on shareholder thinking to Stout (2012) and Blair and Stout (1999) to explain the shareholder value myth and its role in sustaining the market communion (Sect. 3.1). Afterwards, we analyze the concept of "investor" used in the IASB conceptual framework to portray its obedience to the market communion tenets (Sect. 3.2).

### *3.1 The Fallacy of the Shareholder Value Maximization [SVM] Doctrine*

According to Blair and Stout (1999), mainstream economics consider "public corporations [as] little more than bundles of assets collectively owned by shareholders (principals) who hire directors and officers (agents) to manage those assets on their behalf" (p. 248). To preserve shareholders' interests, agency theory advocates for an outsider model of governance whereby control is shifted from managers to markets through the distribution of available cash flows (Jensen and Meckling 1976). SVM stipulates that free cash flows should be distributed to investors in forms of dividends and buybacks to be allocated on the market. The outsider model of governance by markets is considered to be the best mechanism to make an optimal allocation of capital (Jensen 1986; Jensen and Murphy 1990) and to improve the performance of the economy as a whole, consistently with the neoclassical theory of market economy (Fama and Jensen 1983a, b). Having made investments without a contractually guaranteed return, shareholders are considered by this paradigm as in the position of having a real interest in monitoring managers to ensure an efficient allocation of resources (Lazonick 2011).

Accordingly, SVM is meant to secure the shareholders' interests by entrusting corporate control to markets (Chabrak 2011; Davis 2009). Public corporations are considered to "belong" to shareholders, who will control the corporation through the force of opinion of the market. Hence, public corporations exist for one purpose only; to maximize shareholders' wealth (Stout 2012), and governance is efficient when based on an outsider model. The team production theory adopted by Blair and Stout (1999) takes issue with the prevailing principal-agent model of the public corporation and the shareholder wealth maximization goal that underlies it, which gives legitimacy to market control. The theory rests on a widely accepted observation that shareholders are not the only group that may provide specialized inputs into corporate production. Even, executives, rank-and-file employees, creditors as well as the local community may also make essential contributions and have an interest in an enterprise's success. The public corporation is a team of people who enter into a complex agreement to work together for their mutual gain. They are presumed to having entered into "*pactum subjectionis*" under which they yield control over outputs and key inputs and they participate in a process of internal setting and dispute resolution. That is to say, they have a real interest in governing the corporation and they do it through an internal mediating hierarchy [a board] and not through market mechanisms and agency contracts.

Moreover, both Blair and Stout (1999) and Stout (2012) argue for the fallacy of the assumption whereby the shareholders do own the corporation, on which SVM doctrine is postulated. Blair and Stout (1999) recall a striking aspect of corporate law, which is generally disregarded. Corporate law views a corporation as a legal person. When owners fill articles of incorporation, in the eyes of the law, a new entity that is totally separate from its shareholders is born. The shareholder primacy violates the very existence of this entity, and transforms it into a legal fiction,

whereas the corporation is an independent legal entity that owns itself. For Stout (2012), shareholders do not own the corporation; they own only shares of stocks, that is a contract between the shareholder and the corporation; a contract that gives the shareholder very limited rights under limited circumstances (exactly as any other contracts between the corporation and debt-holders and customers).

For Stout (2012), considering the shareholders as the owners of corporations is a fable. She argues that it is a mistake to think that shareholders have the only residual claim on the firm's profits, and that they are "principals" who hire and control directors to act as their "agents" because of a single outdated and widely misunderstood judicial opinion—the Michigan Supreme Court's 1919 decision in Dodge vs. Ford Motor Company case. According to Stout (2012), The Dodge brothers who were minority shareholders in the Ford Motor Company sued Henry Ford for having stopped paying dividends, while he was doing this for years. The Dodge brothers' plan was to use the cash dividends from their shares to start a new business: The Dodge Brothers Company. Well aware of their plans, Henry Ford stopped paying dividends to not giving them the opportunity to create a rival manufacturing company. He allegedly claimed that the company needed to keep its money in order to offer lower prices to consumers and to pay employees higher wages. By siding with the Dodge brothers, the Michigan Supreme Court decision was wrongly considered, as a case about corporate law requiring shareholder primacy. As a matter of fact, it was a case about the duty a controlling majority shareholder owed to minority ones. As a matter of fact, the judge has ordered Henry Ford to pay a small dividend while allowing him to continue with his plans to expand employment and reduce prices. Quoting Freund (1897), Stout (2012) considers a shareholder acting as an owner as a trespasser. Therefore, to assume that the corporation is to be run primarily for the profit of the stockholders is a managerial choice and not a legal requirement.

Knowing the fallacy of the legal requirement, the relevance of the managerial choice by considering that corporations exist only to maximize shareholder value, knowing that corporate directors or executives have no enforceable legal duty towards shareholders, should be questioned. Why business and policy elites did accept that choice as an unquestionable truth? Shareholder value maximization [SVM] is believed to be desirable because it is thought to offer the best solution to limit the directors' discretion, what Jensen and Meckling (1976) called the agency cost problem. According to Davis (2009), if the corporation should be run for shareholder value, it is premised not on the conclusions that shareholders do own the corporation, but on the view that it could be better for all of us if we act as if they do. Nevertheless, Stout (2012) argues that shareholder-oriented firms do not perform better and this stance lacks empirical support. Moreover, when the focus is shifted from the performance of individual firms to the performance of the corporate sector as a whole, it is even proved that shareholder primacy is bad for investors collectively and might be at the origin of the tragedy of the commons. For Stout (2012), because there are two ways to obtain value, either to create it or to take it from others, SVM is considered as a theory of value extraction. The question on the desirability of SVM remains without a clear and convincing answer!

Despite that EMH and SVM are based on wishful thinking and are poised for intellectual collapse (Stout 2012), economists from the school of Chicago strived to enact the reality they envisioned. The market should be entrusted the responsibility of controlling business activities, which purpose should be only to maximize the value for its shareholders. They constructed the socio-technological geometry that is compatible with their model to form a new world that is nothing but a patchwork cobbled together with elements from their narrative. This imaginary world was made actual by an institutional apparatus (Chabrak 2014). The institutional investors, corporate America but also the U.S. Republican government were instrumental in promoting this shift to pave the way for the shareholder era and its ownership ideology, whereby the maximization of social welfare and well-being is tied to shareholdings and trading on the market (Chabrak 2011; Davis 2009). We contend that this institutional apparatus form the market communion, including the IASB which role is to sustain the shared beliefs of the communion.

## *3.2 The Social Construct of "Investor" in the IASB Conceptual Framework and Its Affiliation to the Market Communion*

Many authors have already highlighted the affiliation of the IASC/IASB to the Anglo-Saxon accounting model, which major role was set to facilitate governance by markets (Chiapello 2005; Hoarau and Teller 2007; Botzem and Quack 2009). We argue that the way that the concept of "investor" is used in the conceptual framework depicts the obedience of the IASB to the market communion. The IASB reduces the investor to its role as capital allocator. It ignores all other dimensions related to a shareholding decision, such as stewardship and accountability dimensions, which were compulsory to achieve shareholder protection as defended by Adolf A. Berle. Since, accounting information seems to have only one purpose that is to facilitate the role of investors in making capital allocation [buy and sell] decisions on capital markets. The principle of total disclosure that was institutionalized by the New Deal becomes obsolete. Accounting information does not serve any more to affirm the stewardship and accountability of managers to the proprietors of the company. Accountants have set for themselves the unique function to serve only trading function on capital markets. By doing so, they emptied accounting from one of its natural and intrinsic elements, that is its dominant purpose or root metaphor (Ravenscroft and Williams 2009, 2011), a centuries-old shared living law of stewardship and accountability (Murphy et al. 2013). Therefore, the social construct of "investor" is considered to be salient evidence on the IASB affiliation to the market communion.

The IASB Conceptual Framework sets out the concepts that underlie the preparation and presentation of financial statements. It identifies principles for the IASB to use when it develops and revises its IFRS. In 2004, the IASB and the US FASB

initiated a joint project to revise their conceptual frameworks. During the development process, Exposure Drafts [ED] were issued by the Board in 2006 and 2008 for discussion. In 2010, the IASB and the FASB issued two chapters of a revised conceptual framework: on the objective of general purpose financial reporting (chapter "1") and on qualitative characteristics of useful financial information (chapter "3". Today, they are part of the IASB's existing conceptual framework. In 2012, the IASB carried out a public consultation on its agenda and further to this consultation it decided to restart its conceptual framework project without being conducted jointly with the FASB. In the Discussion Paper [DP/2013/1] issued in July 2013, the IASB has decided not to fundamentally reconsider the chapters that deal with the objective of financial reporting and the qualitative characteristics of useful financial information (chapters "Interview of Jacques Richard" and "Frère Jacques and IFRS: Sonnez les Matines?").

In chapter 1, the objective of general purpose financial reporting is set to be: "to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity" (IASB 2013, p. 195). Therefore, capital providers can be considered to be the primary user group of financial statements. Also, the IASB explicitly states that reports are not primarily directed to other users such as regulators and members of the public who cannot be considered therefore as primary users. After the global financial crisis, Sir David Tweedie, the IASB chairman from January 2001 until the end of June 2011, has recommended disconnecting prudential requirements from accounting rules. In his testimony to UK House of Commons Select Treasury Committee on November 11th 2008, he stated: "You can actually break the link and still give the banking supervisors what they want and we will not affect the integrity of accounting. It can be done."[1] According to Sir David Tweedie, to ensure that financial institutions are run prudently, prudential authorities should not use accounting information in a crude way as they did and should make appropriate adjustments to accounting information in calculating capital requirements. This stance by the previous chairman of the IASB clearly supports the idea that accounting information is not produced to be used as it is by regulators and other users.

For Murphy et al. (2013), by reducing the primary users of accounting information to capital providers and by excluding users such as customers, regulators, suppliers and the public from such a group, the nature of the interaction between financial reporting and the social accounting project came to be seen as fundamentally altered. Accounting information has no responsibility to users other than investors and creditors. In other words, accountants have totally dismissed Edwin Merrick Dodd's contention on the purpose of a public company. For Dodd (1932), the role of a business corporation is more than making money for shareholders. The

[1] http://www.publications.parliament.uk/pa/cm200809/cmselect/cmtreasy/144/08111101.htm (last accessed on November 08, 2011).

corporation is a legal entity created for public benefit. It is run by professional managers seeking to serve stakeholders and the public interest. The IASB seems dismissing Dodd’s view by consecrating a very narrow understanding of the social service of a corporation, the one that is endorsed by Friedman (1970), according to which, the social responsibility of a business is to increase its profits. Such an idea is linked to the SVM doctrine.

According to the IASB (2013), decisions made by capital providers “involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit” (p. 195). Such decisions depend on returns the capital providers expect. Hence, the type of information they need is what helps them assess the prospects for future net cash inflows to the reporting entity and to estimate its value. The conceptual framework states “information about a reporting entity’s past financial performance and how its management discharged its responsibilities is usually helpful in predicting the entity’s future returns on its economic resources” (p. 197). Two conclusions can be driven from what precedes.

Even though the IASB admits that all providers of finance are the primary users to whom general-purpose financial reports are directed, it is obvious that the IASB useful information is designed to serve primarily the capital market participants in making buy/sell decisions. This first conclusion is supported by a statement of Hans Hoogervorst, the IASB chairman made in July 2011 where he claimed that investors’ interests should be heard more loudly than it is currently the case in the standard setting process, and as a consequence, the IASB has the intention to strengthen its relations with investors, considered to be the ‘end users’ of financial information, in the next years.[2]

The second conclusion is that not only creditors and lenders come in the second position but also investors in their capacity as shareholders are left behind. In fact, the conceptual framework seems reducing the concept of “investor” to a capital allocator who makes buy and sell decisions. The shareholding side related to investing decisions is neglected. After having made a capital allocation decision, the investor becomes a shareholder and in his quality as a shareholder, he becomes the principal or one of the principals to whom managers are accountable, as defended by Adolf A. Berle. Yet, the IASB conceptual framework states the accounting information to be useful if it helps making an assessment of returns and to value the entity in the purpose of facilitating trading on the market. Therefore, if information about a reporting entity’s past financial performance is useful, it is only because it helps predicting the entity’s future returns. For Whittington (2008), the needs of stewardship are assumed to be met within the decision-usefulness objective. Our understanding is that this stewardship dimension is incidental because the shareholding side of the investing decision is ignored. The

[2] “The imprecise world of accounting”, speech by Hans Hoogervorst, IASB chairman, at the 2012 International Association for Accounting Education & Research (IAAER) conference (Amsterdam, June 2012), can be downloaded from the IASB website on http://www.ifrs.org/Alerts/Conference/Documents/HHoogervorstJune2012theimpreciseworldofaccounting.pdf.

statements related to stewardship were added to the final version just to calm intense debate sparked by the exposure drafts issued in 2006 and 2008. Accounting information is important if it serves the primary objective of [trading] decision usefulness. Any past information or information about the resources of the entity, claims against the entity, and how efficiently and effectively the entity's managers and directors have discharged their responsibilities to use the entity's resources are considered useful as long as they improve the prediction of future cash flows. Therefore, they are useful not because they help shareholders in assessing accountability of managers by evaluating say how many resources they have sacrificed effectively in achieving the primary enterprise goal, but for their enabling capital allocators to make arbitrage and capital allocation decisions.

The IASB has decided to dismiss stewardship objective, which has nothing to do with decision-usefulness objective it professed, which is focused on the prediction of future cash flows. Stewardship is concerned with agency problems that raise both efficient ex-ante contracting, and ex-post monitoring. It is also concerned with matters related to efficiency, effectiveness, and strategic planning and control. Those agency problems are the by-product of the separation between ownership and control. According to Murphy et al. (2013), stewardship and accountability have even more concerns such as maintaining the order, trust, morality, truth and so forth. According to Murphy et al. (2013), the Trueblood Report (AICPA 1971) and The Corporate Report (ASSC 1973) were emblems in the retreating tide of stewardship recognition by accounting policy makers. Then, for Ravenscroft and Williams (2009), the 1978 FASB report was instrumental in institutionalizing information usefulness. Finally, it is the decision of both the IASB and the FASB in 2006 to finally drop stewardship as a primary financial reporting objective.

In chapter "3", the IASB describes the qualitative characteristics of an information to be likely the most useful to the existing and potential investors, lenders and other creditors for making decisions about the reporting entity on the basis of information in its financial report (financial information). To be useful, financial information must be relevant and faithfully represent what it purports to represent. According to Whittington (2008), the focus on the decision-usefulness objective has several implications on the qualitative characteristics of financial information, including the replacement of the concept of reliability by the one of representational faithfulness. According to the IASB (2013), "to be a perfectly faithful representation, a depiction would have three characteristics. It would be *complete, neutral* and *free from error*" (p. 200). While reliability is concerned with the provision of information suitable for monitoring agent's actions, the latter emphasizes the capacity of the information in capturing the substance of an economic event. Another consequence of the predominance of faithful representation characteristic was also to abandon the old principle of "prudence" as long as it is inconsistent with the quality of neutrality that requires the information to be free from bias.

Our understanding is that the IASB is concerned with efficient market imperatives. The idea of the market has nothing to do with the concept of shareholding that has justified the principle of total disclosure, which was promoted by the regulators in the New Deal. Their purpose was to protect shareholders, those orphans and

widows who came to be seen as the owners of Corporate America (Berle and Means 1982; Davis 2009). Because of the separation between control and ownership, they have limited authority, ability, or resources to obtain information. The role of accounting is then to provide such an information to enable them controlling corporate managers who were entrusted powers to be exercised entirely for their benefits, further to the views of Adolf A. Berle in the great debate over the corporate purpose.

The role of accounting according to the IASB conceptual framework is of another nature. It enables sustaining the idea that market prices can meet with fundamental prices and therefore, the market is efficient. Hence, the outsider model of governance that relies on the collective force of opinion exerted by markets in order to regulate corporate conduct (Aglietta 2000) becomes legitimate. It is presumed to having permitted an optimal allocation of capital (Jensen 1986; Jensen and Murphy 1990), in order to improve the performance of the economy as a whole, as described by the neoclassical theory of market economy (Fama and Jensen 1983a, b).

## 4 Concluding Comments

Using the concept of communion lent to Gurvitch sociology of law (1948/2001), and some shareholder thinking borrowed from Stout (2012) and Blair and Stout (1999), the IASB is portrayed to be one of the market communion constituents. Such a communion is primarily a manifestation of a strong cohesion of the collective mind of its members, which affects the type of law they produce. The IASB conceptual framework is subsumed to the market communion tenets and imperatives. It should be analyzed as a kind of law that reinforces the market beliefs to support its hegemony. The IASB conceptual framework designates investors to be the primary users of accounting information. The concept of investor is reduced to its capital allocation role and the objective of accounting information is abridged to decision usefulness. By ignoring the shareholding side in investing decisions, stewardship dimension is considered by the conceptual framework as a sub-function of decision usefulness and a qualitative characteristic such as reliability is dismissed in favor of faithful representation accordingly.

The kind of law produced by the IASB depicts the values and beliefs of the market communion, that is a form of sociality to which the IASB belongs. The conceptual framework and more precisely the concept of investor is portrayed to be socially constructed. It is shaped by the collective intuitions that organize the communion and at the same time it contributes to maintaining them. The HME and SVM constitute the collective intuitions of the market communion. The laws produced by the members of the communion are socially constructed, maintained and adapted through the exercise of their membership. The IASB conceptual framework is both constituted by the IASB belonging to the market communion, and yet at the same time is the very medium of this constitution. Market hegemony

is enabled. Its alleged predictive ability is secured. The IASB has enforced the idea that markets are able to incorporate all publicly available information about companies' future prospects into the share price. As the latter is right and smart, financial markets provide privileged access to truth. By endorsing the efficient market and shareholder value maximization doctrines (based on the rightness of market's judgment and the priority to serve the investors interests), the IASB is contributing to sustain the benefits of deregulated financial markets to the economy as a whole. Accounting becomes more and more entrenched as a vehicle for special interests (Murphy et al. 2013). Moonitz (1961) has already raised the danger of defining accounting function in terms of some special interest. According to Chambers (1980), "it is widely held that a given set of financial statements cannot be serviceable to all users, and that the interest of some class of users must therefore be taken as the primary interest to be served" (p. 171). Nonetheless, Ravenscroft and Williams (2009) state that this choice has deep implications by shifting accounting from an autonomous discipline into a sub-discipline of neoclassical economics.

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