The financial crisis and mark-to-market accounting: An analysis of cascading media rhetoric and storytelling

William L. Smith
New Mexico State University

David M. Boje
New Mexico State University

Kevin D. Melendrez
New Mexico State University

Abstract

Purpose – The purpose of this paper is to analyze media storytelling and rhetoric surrounding the credibility of the longstanding accounting practice of mark-to-market valuation.

Design/methodology/approach – The cascading storytelling model of progressive framing by the media of mark-to-market valuation was applied to story subsets of the three types of classic Aristotelian rhetorical appeals.

Findings – The authors found that the media blamed the accounting profession's mark-to-market valuation practices as substantive cause of recent corporate problems and declines in market values. In addition, the rhetorical framing of mark-to-market accounting practices in the media prompted the Financial Accounting Standards Board (FASB) to a rush to judgment.

Research limitations/implications – This research is limited to the analysis of the storytelling included. Different results from other sources may provide another result.

Practical implications – The failure in the media to address the duality between the logos of accounting and the ethos of the media narratives exacerbated the cascading activation. Understanding this duality may provide a different lens in looking at information dissemination. This is not only relative to stakeholders in making more informed decisions but should also serve as a warning to the profession, to have more voice, to use a rhetorical strategy that can have more saliency in the public arena.

Originality/value – This paper examined storytelling as interplay of retrospective narrative, the presentness of living story, and the antenarratives shaping the future of not only the unfolding economic crisis, but the future of accounting itself. In terms of rhetoric, we extended the application of pathos, ethos, and logos by examining a cascading activation theory model. This is one of the few studies of antenarratives and how through cascade rhetoric the future is shaped.

Keywords Accounting, Cascading activation, Mark-to-market, Storytelling, Rhetoric

Paper type Research paper

Introduction

Rhetoric is an attempt to persuade one or more audiences in the authority and legitimacy of a convincing argument. As Aristotle (359 B.C.E., section 1356a, p. 24) put it, "rhetoric may be defined as the faculty of observing in any given case the available means of persuasion."

Accounting has a long history of rhetorical analysis. For example, (Aho, 1985; Thompson, 1991; and Carruthers & Espeland, 1991), have done extensive studies of the rhetorical practices described by Luca Pacioli (the father of double entry bookkeeping), and how the rhetoric has shifted premises from the Middle Ages to current times. Bookkeeping like other practices of accounting, such as cost accounting, managerial accounting, and annual report financial writing is not just a crude narrative representation of transactions (Carruthers & Espeland, 1991, p. 40). The very efficacy of rhetoric, its authority, legitimacy and credibility to persuade one to abide in a practice changes from generation to generation.

This brings us to the thesis of this article: The accounting profession was made responsible for the downward spiral of the global economy that shook the confidence of investors because of the practice of corporate asset write downs. Specifically, media created rhetorical frames in its storytelling that reinterpreted and allocated blame to mark-to-market accounting practices for the economic crisis. We will argue that the media storytelling rhetorical frames have the consequence of occluding information that might usefully shape informed decision-making and further circumvents a longstanding accounting methodology from creating transparent disclosures.[1]

We therefore seek to make a contribution to studies of Aristotle's (359 B.C.E., section 1356a, pp. 24-5) rhetorical appeals in accounting and management communication to *pathos* (emotion & affect in "putting the audience into a certain frame of mind"); *ethos* (integrity & legitimacy of "personal character of the speaker"); and *logos* (reason & rationality in "the proof, or apparent proof, provided by the words of the speech itself"). Previous studies have looked at these rhetorical appeals in annual reports (Chakorn, 2008; Hyland, 1998; Prasad & Mir, 2002; Nobes, 1983) with appeals varying by time and country, and showing differences in various institutional studies of management accounting systems (Bhimani, 2003; Kirk & Mouritsen, 1996; Zan, 2004), including cost accounting (Capusneanu, 2008), corporate accounting regulation (Dean & Clark, 1997), and in new practices such as balanced scorecard (Norreklit, 2003), reforms in accounting (Wade, 1979), and even shaping accountings' production of the self (Willmott, 1996).

Our contribution is to develop a 'cascade' theory of storytelling that accounts for the rhetorical shifts in pathos, ethos, and logos in the recent economic crisis. Entman's (2004, p. 5) cascading activation theory explains media's framing of facets over time of events or issues that iteratively advance particular interpretations. Cascading activation theory is the idea that elite speakers (newsmakers, political expert commentators, etc.) with media platforms can cascade frame distortions to persuade a more general audience's will. However, to be agential, depends upon timing and connecting to audience interests and awareness. Without polling or focus groups, for example, these "experts" do not know if the audience has been seduced into the cascade process and as a result, they have to guess the political will of the public after each salvo: are they overreacting, under-reacting or unresponsive. Elites can get too far ahead of their audiences. Temporal distortions can result. Elites can be too far temporally from audiences' awareness because elites either are tweaking frames into a possible future or retrospectively revising a past too far behind the audience. Therefore, our thesis is that

[1] We are indebted to Gerri McCulloh, and Kaleb Heinemann for their suggestions and perspectives on rhetoric and applications of the cascading activation model.

even as facts or premises are debunked, the interpretative frames form an enduring cascade of rhetorical appeals that shape opinion and reality.

Accordingly, we analyze the extent to which the media resorted to misleading frames in its rhetorical storytelling constructions. In the next section, Background, we set forth the underlying market premises and related assumptions that are foundational in capital market performance and related share price. We also introduce selected media storytelling and the genesis of the accounting rules related to valuation. Then, in the Methodological approach section, we provide anecdotal support for the assertion of media popularity for the application of mark-to-market accounting. We then juxtapose the accounting application in the now controversial Financial Accounting Standard (FAS) 157 "Fair Value Measurements" against the media rhetoric and call into question the recent vilification. In the Conclusions and implications section, we consider the reactions of the profession and the related consequences from a rush to judgment that includes overreaction that may potentially create an existential crisis as we enter into a global economy where Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) will converge.

Background

The last decade has seen an intense interest in linking storytelling to a rhetorical role in accounting (Balakrishnana, Qiub & Srinvasanc, 2010; Balata & Breton, 2005; Bjurklo, 2008; Carol, 2001; Collins, Dewing & Russell, 2009; Jameson, 2000; Llewelyn, 1999; Pipan & Czarniawska, 2009; McWatters & Lemarchand, 2010; Roslender & Stevenson, 2009; Rutherford, 2002). Much of this work has been about retrospective (backward-looking) narrative. However, Balata and Breton (2005, p. 14), analyzed the ethos of management in annual reports, including, sensemaking of past and future growth and profitability, as being optimistic or pessimistic where "the future is reputed to be the main interest of the investor." David (2001, pp. 198, 209, 212) developed criteria to analyze narrative ethics, credibility (pathos), and "truth-telling ethos" in annual reports, describing how rhetorical moves guide the production of interpretative meanings of the past performances and "predictions of future outlooks." Jameson (2000, pp. 26, 32-33) also looked at ethics of storytelling in examining how mixed return performance, annual reports, focused more on the future than the past events, used nonlinear narrative appeals, used multiple retellings for the reader to choose from, or otherwise were selective about what to frame and tell. Here are focus is on the storytelling about mark-to-market valuation.

Mark-to-market valuation is defined here as an accounting practice of assigning value to an asset equal to the current market price (or a calculated fair market price based upon standardized assets for which there is a market). This longstanding practice is an integral component of GAAP. These principles or rules are utilized to facilitate more accurate valuations and related transparent disclosures that allow financial statement users the ability to make better informed decisions. The Statement of Financial Accounting Concepts (SFAC) 2 "Qualitative Characteristics of Accounting Information" defined one of the key ingredients inherent in financial statement reliability as representational faithfulness, which means the reported numbers and related descriptions reflect what actually happened. Accordingly, if a company has an asset with a cost of $10 million but has a current market value of only $1,000, the accountants will adjust the value downward and immediately recognize the loss to properly reflect the appropriate carrying value on the financial statements.

On October 10, 2008 the Dow Jones Industrial Average hit an intraday low of 7,773.71, which was down -44.78% from 14,078.69 just one year earlier. The New York Stock Exchange Composite Index also hit an intraday low of 5,336.59 down -48.01% from 10,264.50 a year earlier. Likewise, the Standard & Poor's 500 Index hit an intraday low of 839.80, which was down -46.25% from 1,562.47 one-year prior. Lastly, the NASDAQ Composite Index hit an intraday low of 1,542.45, which was also down -45.14% from 2,811.61 just one year earlier. The declines were broad based and not company or industry specific, but rather reflective of all the markets. Further, there were individual extremes, such as Fannie Mae which hit an intraday low of $.80 per share on October 10, 2008 down -98.79% from $66.40 per share a year prior or Lehman Brothers, which was $64.49 per share only to be in bankruptcy a year later. While not every stock investment was in decline, the vast majority of listed stocks were drastically lower in just a one-year period. The vast majority of investors watched their account balances decline sharply to unpredictably and inexplicably low levels in unprecedented times. As market conditions worsened, companies were increasingly writing down the carrying value of assets and recognizing corresponding losses pursuant to mark-to-market accounting rules. Were these corresponding loss write downs in response to market declines or were they the cause of the market declines?

Next we develop a cascade storytelling approach to rhetoric, which we will use to study the crisis. We assume that rhetors constructed storytelling pathos, ethos, and logos to evince an imaginative frame of interpretation, creating a composite audience of supporters and detractors of mark-to-market in media accounts (Crosswhite, 1996).

Entman (2004, p. 4) argues that "the media's political influence arises from how they respond … from their ability to frame the news in ways that favor one side over another." Entman develops cascading activation theory to explain the media framing of differences among elites, and just how much dissent will arise, and what focus is delineated. Framing is defined as "selecting and highlighting some facets of events or issues, and making connections among them so as to promote a particular interpretation, evaluation, and/or solution" (Entman, 2004, p. 5). We suggest that cascading activation theory can be applied to iterative storytelling.

The media fashions retrospective narratives re-characterizing mark-to-market accounting practices thereby spinning accounting as a primary cause for the recent market demise. The activation frame, its pathos, ethos and logos, we argue, remains after the facts are disputed and alternative motivations, and ethics are claimed. The storytelling however is not just retrospective; as the story unfolds there is also prospective sensemaking in the antenarratives (Boje, 2001, 2008).

Perelman (1982) argues that some skillful rhetors construct a 'composite audience' out of otherwise heterogeneous readers and listeners with diverse beliefs and some with rather fallacious logics. In some instances, the media's retrospective narratives redefine causes, misidentify effects, convey spurious ethical claims, and proscribe antenarrative remedies or improvements to a universal audience. The public interprets the retrospective narratives and prospective antenarratives conveyed in the media as signaling a crisis which can be contained by changes to the blamed practices. Creating a crisis is one way of setting an agenda (McCombs, 2004, pp. 23-24).

We therefore propose to analyze the ways that negative characterizations of accounting methods outnumber positive ones in the media since the economy situation was declared a crisis. We examine the balance between negative and positive assessments of the situation virtually determine the plot of the narrative frame, and the corresponding antenarrative remedy. The emerging frame evaluates the accounting profession's legitimacy and the reliability of their techniques as not only problematic, but complicit in the activation of a catastrophe. As an antenarrative, accounting itself becomes an agent, a character to blame, situated in the coverage for the cascading activation. Media's slant on its storytelling about accounting reactivates the audience's negative feelings to a profession blamed for, Enron, WorldCom, etc. They vilify the accounting profession in one light, while appreciating that same profession in other lights in the economy.

Cascading activation is a framing contest among a network of political and economic elites, media reporters, ascribed heroes or villains, and intended audiences. The ability to create, shape, slant, sustain, and extend a frame goes against the idea that journalists are just neutral, merely representing, rather than complicit in the frame activation process. In short, our extension of Entman is that the framing and agenda setting occur as part of the storytelling, where contradictory information to an activation frame being spread is marginalized or ignored, as the cascade is erected.

There is ethical answerability for this cascading activation network of storytellers and story-listeners complicit in erecting a frame that blames the accounting profession, its accounting standards, and its mark-to-market valuation procedures of transparency for the economic catastrophe. Specifically, we seek to show the obligation of elites and other politicians, as well as the media, who are asking for a hiding or an occlusion of information from the stakeholders and public.

The storytelling rhetoric re-framing includes characters creating the rhetorical vilification that shapes and slants the storytelling, composed from numerous sources. This vilification rhetoric includes an interplay first recognized by Aristotle: (1) *pathos* – where the appeal is based upon emotion; (2) *ethos* – where the appeal is based upon the character of the speaker; and (3) *logos* – where the appeal is based upon logic or reason, or a rather fallacious logic. It needs to be stressed that logic is not always logical. The media and its sources make claims that are not necessarily logical, but nevertheless erect a frame, a line of rhetoric, that cascades and activates a persuasive quality that facts do not easily dislodge. As Lakoff (2004, p. 73) states, "when the facts don't fit the frame the frames are kept and the facts ignored… frames once entrenched are hard to dispel." In a world gone polylogical, many competing logos compete.

One way to shape the cascade is with pathos storytelling. With each passing day, fear and uncertainty garnered media attention with headlines such as, "In a Home Like Many Others, Uncertainty in Every Check of the Market" where the New York Times reporter Dan Barry (2008) chronicled the recent market crisis that affected a typical middle class family. In untold cases years and years of savings and growth were wiped out in mere months. Wave after wave of selling continuously eroded stock prices. As the economy further weakened, reported corporate losses from all sectors were seemingly the norm rather than the exception, which further exacerbated the capital markets.

There is an ethical responsibility in storytelling, yet in this pathos-based telling, the reporter, weaves in more emotion, and included dire quotes from the family such as, "We're in a controlled chaos in my house … We're watching our money evaporate." This emotional storytelling frames with fear and uncertainty. Likewise, reporter Matt Egan (2009) focused on the impact of the recession hitting typical families with the following headline, "Recession Wipes Away Decade of Gains." This story furthered the case for the wide impact of the sharp economic decline and the connectedness felt among untold households. It would therefore follow that pathos based stories would include the need to ascribe blame as in the story "Mark-to-Market Accounting: Kill It Before It Eats Us Alive" by Mark Sunshine (2008). The headline is self explanatory. Given such pathoscharged fear and uncertainty, countless individuals turned to more “experts” who framed their storytelling to extend the cascading activation.

The storytelling in the mass media relies upon appeals to the character of the experts and their credentials in assessing the situation. Some so-called “experts” supplement their ethos with more or less pathos, and more or less logos. Certainly informed characters could provide information that individuals could rely upon to explain the reasons for the sudden downturn and possibly identify the related rationale. Consider the pathos-based telling from the Chairman of the Federal Reserve who expressed his concerns in the media story, “Bernanke Says Mark-to-Market Accounting Rule Should Be Improved.” In this story frame, reporter Ian Katz (2009) cited that the mark-to-market rule of accounting was to blame for worsening the global financial crisis. In yet another story, former Speaker of the House, Newt Gingrich (2008), provided his pathos in a Forbes magazine storied frame where he blamed the accounting rules in no uncertain terms with his editorial, “Suspend Mark-To-Market Now!” This was further tied to his website article, “Fix 70% of the Problem Immediately: Suspend "mark-to-market" accounting now!” where he stated that this “destructive accounting rule” needed to be immediately suspended. Perhaps the rationale and/or underlying motives of the “experts” should be questioned. The accountants properly adhere to GAAP and the legitimacy of mark-to-market, while many “experts” appear intent on dismantling those same procedures.

The storytelling does not simply blame the accounting rules. These cited “experts” along with the quotes and fragments of ideas from politicians, economists, and even those versed in accounting, such as the Chairman of the Federal Reserve, are woven by journalists into a framing of the situation, its history, and future course. The ethos storytelling provided may have been more inflammatory rather than explanatory. In the fervor of emotion were countless individuals accepting the media’s retrospective narratives, living story color, and antenarrative projections of a future best served without mark-to-market. Ethos and pathos are interwoven with logos, not all of it sound or reliable. The logos of the accountant, and that of the non-accountant cited as expert, are not the same. Accountants focus on longstanding valuation rules of accounting as a means of ensuring representational faithfulness of the financial statements and related transparency. The non-accountant experts, however, seemingly search for people and institutions to blame for the sudden problems. Both accountants and non-accountant experts have their motivations and intentions that fashion their rhetoric accordingly. Logos in this scenario becomes a strange mix of analytic connections and cascading frames that are highly selective in drawing premises into conclusions.

Methodological approach

The sheer volume of media storytelling addressing the recent economic downturn is overwhelming. While information overload is certainly a reasonable premise, the necessary framing of the rhetorical content can be daunting. Anecdotal support for the recent popularity of mark-to-market accounting can be seen in the large volume of internet searches in Google. On June 2, 2009 we observed approximately 1,960,000 search results for this accounting term. In fact, a frequency distribution of Google search results supports the recent popularity of the millions of mark-to-market accounting search results since September 2008 as seen in Figure 1:

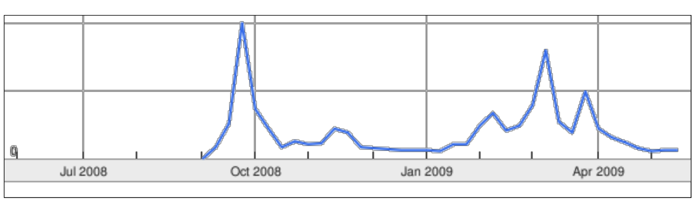

Figure 1 – Mark-to-Market Accounting – Google.

The mark-to-market rules set forth in FAS 157 "Fair Value Measurements" were not effective until the adoption in September 2006, yet as seen in Figure 1, the popularity of this accounting pronouncement started two years later in September 2008 when the acceleration of media momentum was sharply on the rise. And prior to September 2008, the results were virtually nonexistent. In sum, for nearly two years after the adoption of FAS 157, there was no significant attention or related popularity as this accounting application had not been ascribed as the "cause" for the market debacle.

In addition to our web search results, we next considered the term "mark-to-market" included in media storytelling. Accordingly, we utilized the LexisNexis Academic Universe to search this term in: (1) Major U.S. and World Publications, (2) News Wire Services, (3) TV and Radio Broadcast Transcripts, (4) Web Publications, and (5) Legal. Our search dates began September 2006 when FAS 157 was adopted and ended May 2009 after the recent media attention. While the following frequency distribution is not meant to provide any empirical inference, it nevertheless further suggests anecdotally that this accounting term has gained recent prominence. Moreover, the term "mark-to-market accounting" was practically unheard of in the media until the recent financial crisis and now appears to be embedded within business vernacular. The following frequency distribution is demonstrative of the media coverage since the adoption of FAS 157 in September 2006 in Figure 2 as follows:

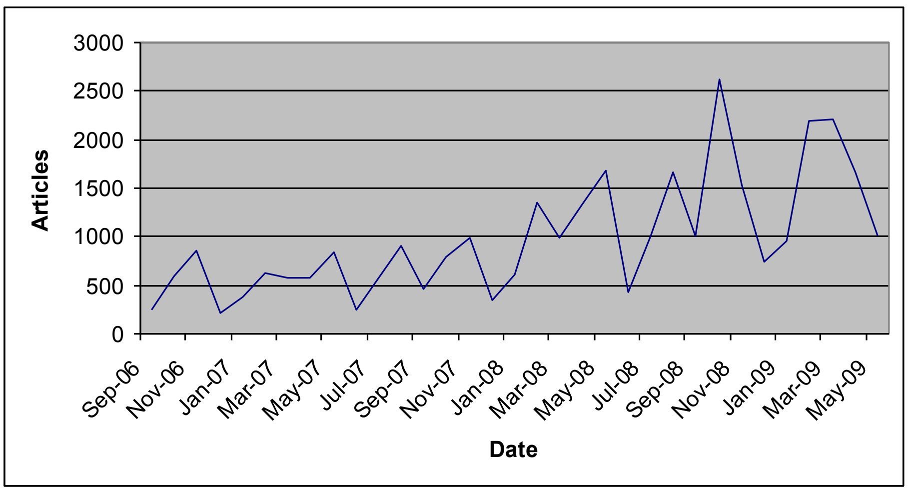

Figure 2 – Mark-to-Market Accounting - Lexis/Nexis.

Clearly, the increase in mark-to-market accounting storytelling coincided with the market crisis. What is suspect, however, is the relatively stable coverage in the two year period that followed the release and related application of FAS 157 in September 2006. Notwithstanding the recent media popularity, we contend that the financial markets were not destabilized by the implementation of this accounting application. Accordingly, the assertion that this is the cause may be merely inflammatory rhetoric at best. In sum, we recognize the need for representative information to facilitate appropriate decision making. Our concern, however, is on the legitimacy of the content and the potential for information overload given the increased volume of the media storytelling.

An interpretation of an utterance as rhetorical requires a decision on the truth of the sentence, which conditions the interpreter construes as presented by the speaker for one or more of any number of purposes. The interpreter then must choose among these possibilities (Wheeler, 2000). In the infamous words of Pontius Pilate, "What is truth?" Perhaps calling for the immediate suspension of mark-to-market accounting methodology may be interpreted as legitimate if the premise that this accounting application is accepted as the cause of the problem. According to Wheeler (2000), the basic idea is that the distinction between rhetoric and logic depends on the analytic/synthetic distinction, the fact-value dichotomy, and the cognitive/emotive distinction. This underlies the assumed rational responses to information, which is foundational in the capital markets.

Fama (1970) asserted that when a sufficient number of investors fully exploit available information, the result is market efficiency. While not every individual may react the same, on average the market will behave rationally when a sufficient number of investors can fully exploit available information. This is enough to generate efficiency. The crux of market behavior in response to information is centered on rationality. According to Scott (2003) if enough investors understand the disclosed information it is sufficient to ensure that the market price will properly be reflected as if all the investors had understood the information. In other words, asymmetry of understanding information content among individuals, including accounting applications and related financial reporting, is not an issue of concern because the share price will ultimately reflect an understanding of all the available information. While information is easily available from the mass media outlets, the volume can be overwhelming and therefore difficult to differentiate the rhetoric. This may therefore be problematic for the reader to properly filter and digest the information in order to make informed rational decisions. Thus, investor fear, and accordingly, irrationality reliant upon pathos or ethos based rhetoric may override longstanding tradition and the stochastic trends of informed decisions for future long-term returns (Smith & Elias, 2009). Next, we explore pathos in the content of the storytelling.

Storytelling pathos

Consider the recent market downturn and the countless millions of individuals seeking information only to be inundated with pathos based media rhetoric that perhaps reified fear and uncertainty. Bill Meltzer, in his November 19, 2008 article that addressed investor fear in retirement accounts stated:

> The struggling economy has caused a lot of fear and misinformation to spread about the security of retirement benefit plans. Every time employees turn on the TV or read the newspaper, they're bombarded with reports such as the recent one that said that U.S. 401(k) accounts have lost $2 trillion in the past 15 months.

The economic uncertainty frames imbued pathos to countless individuals who spent years planning for their future retirement and watched in utter disbelief as years of savings evaporated. In a recent business news update, Matt Egan (2009) reported the following:

> Recession and financial fears sent the Dow and S&P 500 on Monday to their worst closing levels since 1997 as the worst economic crisis since the Great Depression has now erased more than a decade's worth of gains on Wall Street.

Rather than maintaining a tried and true plan for future growth and retirement based on transparency, panic and fear seemed to gain momentum as antenarrative frames of pathos storytelling even included references to the "Great Depression" gained center stage. As market valuations continued to decline the search for answers and the need to ascribe blame increased with a renewed resurgence.

Additional examples can be seen in the February 24, 2009 Forbes.com article, "In Why Mark-To-Market Rules Must Die", where Brian Wesbury and Robert Stein, were quoted saying, "We are economists, not accountants or bank analysts" yet included the following:

> The history seems clear. Mark-to-market accounting existed in the Great Depression, and according to Milton Friedman, who wrote about it just 30 years after the fact, it was responsible for the failure of many banks. Franklin Roosevelt suspended it in 1938, and between then and 2007 there were no panics or depressions. But when FASB 157, a statement from the Federal Accounting Standards Board, went into effect in 2007, reintroducing mark-to-market accounting, look what happened.

Clearly the article is erroneous. As we previously cited, the adoption of FAS 157 was in September 2006. Further, the Dow Jones Industrial Average hit an all time high one year later. Unfortunately, the authoritative legitimacy ascribed to these "experts" may manifest as an ethos based rhetoric intertwined within storytelling pathos that results in misleading and unreliable information. A further example occurred on March 23, 2009 when famed former presidential candidate and billionaire Steve Forbes released an article titled, "Steve: End Mark-To-Market" that contained the following:

> The most disastrous Bush policy that Mr. Obama is perpetuating is mark-to-market or "fair value" accounting for banks, insurance companies and other financial institutions. The idea seems harmless: Financial institutions should adjust their balance sheets and their capital accounts when the market value of the financial assets they hold goes up or down. **Mark-to-market accounting is the principal reason why our financial system is in a meltdown.** The destructiveness of mark-to-market--which was in force before the great depression--is why FDR suspended it in 1938. (Emphasis added).

There is a selectivity incorporated within the reporting. None of the aforementioned authors are accountants. These non-accountant experts nevertheless exude an implied level of knowledge and credibility given the venue of Forbes as an authoritative financial media frame. The legitimacy of the causal relationship of FAS 157 to the recent market demise is not established but rather suggested. Have these "experts" actually studied the theoretical underpinnings of FAS 157 and the logic of the related applications or did they instead criticize a sound method of accounting for mere expedience?

According to Gephart (1988, p. 47) "Tacit knowledge, taken-for-granted assumptions, and ad hoc elaboration of rules always occur as qualitative features of quantitative analysis." The multiplicities of voices that are added to the ever-increasing dialogue may appear authoritative and therefore credible to the uniformed who rush in search of explanations. The foremost question posited may be: "Why has the accounting profession and its complex rules caused the market decline?" Rather than attempt to respond, we prefer to redress the causal assertion that somehow the accounting rules are responsible. As we have stated, the sheer volume of information addressing aspects of mark-to-market accounting is overwhelming and therefore may be difficult to properly filter and separate within the media storytelling rhetoric. We next consider the ethos in the cascading activation of the storytelling.

Storytelling ethos

Given the vast complexity of the subject matter and the seemingly apparent need for even a rudimentary understanding of the content, the next obvious question is how could such complex subject matter be sold to the public in such a short time period of time? This question begs even further investigation given the lack of credibility ascribed to the non-accountant experts within the created frames in the media story. In his discussion of reframing a problem in order to influence a favorable result, Levine (2003, p. 235) posited that individuals should "Beware of exploitive professionals who frame their requests in misleading ways. Be especially on guard when they play to your fear of danger and loss. … Without objectivity, you're a sitting duck."

Considering the underlying appeal of character that may represent an ethos based rhetoric, authoritative and therefore influential sources are of particular importance. Further, in the fervor of a crisis mode, a disconcerting rush to judgment and the need for "fixing" the problem due to the perceived cause garnered center stage. The cascade of ethos frames created in the storytelling included antenarratives of influential politicians interweaving ethos and pathos. This shaped the prospective sensemaking by pressuring the FASB to immediately react and initiate changes to the existing mark-to-market rules. In the article "Congress Pressures FASB to Revise Mark-to-Market" (WEBCPA, 2009) excerpts of congressional rhetoric bolstered the apparent need for swift action. In the congressional hearing, FASB Chairman Robert Herz was pressed to make changes in mark-to-market accounting standards in as soon as three weeks. Representative Paul Kanjorski, chairman of the House Financial Services Committee's Subcommittee on Capital Markets, Insurance, and Government-Sponsored Enterprises stated, "We can't wait 15 years or 15 weeks."

Additionally, Chairman Barney Frank stated, "You are the FASB, you cannot be the SlowsB." Finally, Representative Tom Price stated, "Process is important, but I think FASB and the SEC have had enough time … We cannot wait any longer." The FASB Chairman and the acting Chief Accountant of the Securities and Exchange Commission (SEC) both responded with an immediate pledge to cooperate with their agencies on issuing guidance for mark-to-market and fair value accounting to provide financial institutions with more flexibility as soon as possible. The political activation frame with its pathos, ethos and logos reshaped the storytelling to cause prospective change based upon the retrospective media narrative.

As part of the pledge and therefore in response to the activated frame, the FASB reacted swiftly with the passage of FAS 157-4 "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" in April 2009. This standard provides in part:

> …additional guidance for estimating fair value in accordance with FASB Statement No. 157, Fair Value Measurements, when the volume and level of

> activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly.

While the FASB action was rushed, the statement did not suspend fair value accounting but rather modified the application by providing additional guidance for determining fair value in illiquid markets. The two problematic issues, however, are the speed at which action was taken and the fact that modifications may have been implemented without careful consideration. It is important to note that this Staff Position was passed very quickly.

On March 17, only 5 days after the congressional hearings only two proposals were posted for comment, and only 23 days later the staff position was issued. It is important to note that this exposure draft was only allowed the minimum 15 day comment period by the FASB. While this is certainly within the FASB's due process guidelines, 15 days is a rather short comment period for a proposed change to a long standing valuation standard that had only recently garnered criticism. According to Young (2003), accounting standards are serious texts that require a deliberate analysis by informed experts in accounting and that new standards create new work, requiring time and effort before the measures, categories and disclosures become routinized as simply another element of financial statement preparation. In sum, accounting standards and related modifications require an important lengthy process. We argue that the speed in which this was completed is contrary to a lengthy time period to foster a necessary deliberate analysis. The FASB response was shaped by the activated frame of political mandates of interwoven ethos and pathos rather than an accounting frame of logos.

In his article, "FASB Compromises on Fair Value" Michael Cohn (2009) stated that the rapid response by the FASB was largely due to congressional pressure. Cohn cited that FASB Chairman Robert Herz was "pressed by angry members of a House Financial Services Subcommittee to come up with the modifications within three weeks or face another hearing, or congressionally mandated changes to accounting standards." Consider that initially FAS 157 was given a 75 day comment period and then it took more than two years to adopt after issuance of an exposure draft. In sum, a full analysis and substantial public input was carefully considered prior to adoption of the FASB Standard yet under congressional pressure, the FASB acted swiftly to correct a perceived cause of the market debacle. Accordingly, should the FASB implement sound accounting rules based upon careful deliberation and sound practice or rather should accounting rules be hastily constructed and implemented based upon reactionary pressure and inflammatory rhetoric? If accounting valuation methodology was the cause of the problem then did the FASB actions provide the solution? These questions should be seriously pondered.

We contend that this placated modification did not "fix" the problem as mark-to-market valuation was not clearly established as the "cause" of the problem. Further, it is not even clear that FAS 157-4 has effectively changed current accounting practice and the related financial information necessary to make informed decisions. For example, included in the Wells Fargo news release for the first quarter earnings titled "WELLS FARGO EARNS RECORD $3.05 BILLION, $0.56 EPS" was the following:

> The net unrealized loss on securities available for sale declined to $4.7 billion at March 31, 2009, from $9.9 billion at December 31, 2008. Approximately $850 million of the improvement was due to declining interest rates and narrower credit spreads. The remainder was due to the early adoption of FAS FSP 157-4,

> which clarified the use of trading prices in determining fair value for distressed securities in illiquid markets, thus moderating the need to use excessively distressed prices in valuing these securities in illiquid markets as we had done in prior periods.

A more careful reading seems to imply that $4.35 Billion was realized in the first quarter by taking advantage of the early adoption of FAS 157-4. Did Wells Fargo really earn a record amount or instead was the early adoption of a newly implemented FASB rule the reason for such profitability?

We previously established that management can obscure reality when rhetorical strategies are employed. For example, rhetorical strategies were used to persuade stakeholders that the earnings release of Enron showed a financially strong company (Smith, et al, 2004). History may be repeating itself where inflammatory rhetoric outweighs sound accounting applications designed to provide unbiased transparency. While this may be troublesome, it nevertheless elucidates the possible result when media rhetoric and resulting rushed rule changes underlie information and the decision process. Masocha and Weetman (2007) cautioned that countervailing pressure can coercively pressure the standard setting process. The integrity of the capital markets depends upon the accuracy of the information provided to it (Boje, et al, 2006). While the media stories are voluminous, we have included various salient frames of interwoven pathos and ethos that are demonstrative of a retrospective storytelling culminating in non-accountant logos legitimizing the vilification of mark-to-market methodology. This created an antenarrative cascade that competed with longstanding accounting logos. Next we address two contending logical appeals—logos in the cascading activation of the storytelling content.

Storytelling logos

Rhetors ascribed accounting rules as the underlying cause, and accountants as the agents of the catastrophe befalling pensioners and homeowners. While no one “cause” may ever be pinpointed, the accounting profession garnered negative media attention as a principle contributor and in particular FAS 157. This certainly begs the question of the legitimacy of the claim. In other words, how could longstanding mark-to-market accounting rules necessary for informative valuation disclosures suddenly have caused the sharp economic downturn?

Storytelling may fashion rhetoric ascribing blame to the mark-to-market accounting rules, the competing storytelling of legitimacy of valuation nevertheless exists, though under-reported. The concern, however, should be that the cascading frames entwined with ethos and pathos may reshape accounting logos and procedural methodology and thereby activate a logos steeped in irrational and uninformed premises and warrants. This is not unprecedented. We must point out that the logos of accounting are not unitary or monological. The debate over valuation and reporting rules of accounting has been around for many years. While the various development and subsequent application of evolved accounting rules may not garner glamorous attention, the antecedent financial failure cited as the reason for the prescribed change is nevertheless in the media spotlight. According to Chambers (1974, p. 352):

> There have been many occasions during the present century when commercial and financial misdemeanors of considerable news value have cast doubt upon the adequacy of accounting to inform those who need information to protect

> their interests. … The stock market crash of 1929 was followed by much soul searching by the New York Stock Exchange and the American accounting profession. The cost doctrine was elevated to the status of an article of faith and embodied in regulations under the New Deal legislation creating the Securities and Exchange Commission.

With the economic recession and related market declines in 2008, the accounting profession has yet again been cited as a primary contributor. Storytelling calling for drastic and immediate reforms is in contrast to the practice of longstanding accounting applications. This is certainly problematic given the popularity of this inflammatory rhetoric may be increasing. From the standpoint of accountants, caution is necessary as sound accounting rules should be based upon an informative construct and not upon storied assertions. One only need consider the years of accounting rules addressing valuation issues since the inception of the SEC in 1934 to quickly see that sound accounting applications are not destabilizing to market values.

Further, the ethical obligation and mandate of accounting is the fair presentation of the operating results, financial position, and related cash flows of the organization. In fact, if accounting rules were the cause, we should see other sharp market declines surrounding the adoption of mark-to-market accounting rules. However, if we consider the more recent accounting rules related to mark-to-market accounting, FAS 115 “Accounting for Certain Marketable Securities”, FAS 133 “Accounting for Derivative Instruments and Hedging Activities”, and FAS 157, we see that from May 1993, the passage date of FAS 115, to June 1998, the passage date of FAS 133, the Dow Jones increased from 3,527.43 to 8,952.02, or 154%. Further, from the passage of FAS 133 to the passage of FAS 157 in September 2006, the Dow increased from 8,952.02 to 11,697.07, or 31%. In fact, in October 2007, one year after the adoption of FAS 157, the Dow hit a high of 14,164.53, or 21%. Thus, while there has been a recent sharp decline well after the passage and implementation of FAS 157, history does not support the assertion that mark-to-market accounting related rules were the cause of the market downturn. Rather, the storytelling has been reshaped by the cascading frames of non-accountants.

Accounting logos

The roots of the mark-to market accounting logos can be traced back as early as the 1940’s and are consistent with the primary objective of financial reporting, to provide useful information for decision making by users of accounting information. In fact, the Financial Accounting Standards Board defined this important objective in SFAC 1 “Objectives of Financial Reporting by Business Enterprises” (1996, p. 1014) in part as:

> Financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit, and similar decisions. The information should be comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence.

The ethical obligation of the accountant is to provide transparent information that is comprehensible and represents the current economic situation. Accordingly, we underscore the necessity for users of the financial information to exercise due diligence in attaining an understanding to thus make an informed and rational decision. Failure to comprehend or legitimately understand the financial information and related applications does not nullify the reliability of the content.

To provide guidance about the characteristics of usefulness, the FASB's conceptual framework further identifies relevance and reliability as characteristics of useful information (SFAC 2). Specifically, SFAC 2 defines the relevance of financial information in assisting readers to form their own understanding of financial events relative to their expectations and interpretations. SFAC 2 (1996, p. 1035) states in part:

> Relevant accounting information is capable of making a difference in a decision … Information can make a difference to decisions by improving decision makers' capacities to predict or by providing feedback on earlier expectations.

The capital markets depend upon information provided to facilitate decision-making. According to Scott (1981, p. 89) "open systems are capable of self-maintenance on the basis of throughput of resources from the environment ... interaction with the environment is essential for open system functioning." Information is an essential link between organizations and the environments in which they operate. As discussed, the legitimacy of the information content or the necessary interpretations may be affected depending upon the underlying rhetoric within the activated frame.

There is a particular logos used in this accounting, in its ways of storytelling. The telling has accepted practices. In order to provide transparent disclosures for users who rely on accounting information, it is important that accounting rules adhere to the foundational conceptual framework prescribed in SFAC 1 and SFAC 2. As a result, GAAP has included mark-to-market concepts and related applications for decades. Mark-to-market accounting allows for a departure from historical cost as the basis of asset or liability valuation in order to provide meaningful information to users. Despite appropriate adherence to GAAP, the recent financial crisis has resulted in serious criticisms mark-to-market accounting rules.

The logos of accounting rules are not unproblematic. However, the criticism levied by Steve Forbes, editor of Forbes magazine, clearly illustrates an alternative ethos in the storied frame, as in an October 2008 column:

> Also of immediate urgency is for regulators to suspend any mark-to-market rules for long-term assets. Short-term assets should not be given arbitrary values unless there are actual losses. The mark-to-market mania of regulators and accountants is utterly destructive. It is like fighting a fire with gasoline.

From the standpoint of most accountants, the call by Mr. Forbes to suspend the mark-to-market accounting concept may be illogical. It has been a part of the Accounting Standards for decades, and is consistent with the primary objective of financial reporting: transparency. To most accountants, mark-to-market concepts are consistent with conservatism, which is one of the most important and longstanding accounting principles, and an ethical answerability, initially addressed in 1940 by Paton and Littleton. In their AAA monograph, they discuss the concept of lower-of-cost-or-market and its relationship to conservatism. Valuation of inventory at the lower-of-cost-or-market is a mark-to-market accounting concept. This is just one example of a valuation adjustment that has been a part of accounting rules for decades and exemplifies accountant logos.

The cascading frames of these accounting logos were shaped through the evolution of fair value accounting. Insight can be gained by considering the chronology of some key accounting valuation rules. Specifically, we examine ARB 43 "Restatement and Revision of Accounting Research Bulletins", FAS 12 "Accounting for Certain Marketable Securities", FAS 115, FAS 133, and most recently FAS 157, in the genesis of mark-to-market logos that has been a longstanding methodology of accounting valuation rules. While these are not the only accounting standards related to fair valuation, they nevertheless represent key elements in the GAAP evolution. ARB 43, adopted in 1953, reaffirmed the concept of lower-of-cost-or market as an integral accounting application. Under ARB 43 "the primary basis for accounting for inventories is cost," however, a "departure from cost is required when the utility of goods is less than cost." Thus, lower-of-cost-or-market is mandated in ARB 43, and accordingly, firms have followed this lower-of-cost-or-market method without incident or criticism.

Next, FAS 12, adopted in 1975, provided guidance for marking or adjusting the carrying values of securities based upon prevailing market values. Interestingly, FAS 12 mandated write-downs that are closely related to the financial instruments currently at the center of the recent financial crisis. This standard required firms to "carry marketable equities at lower of portfolio cost or market." Firms were required to follow fair value accounting concepts, which are also consistent with conservatism. Thus, since 1975, firms have been required to write-down marketable securities if the market value is less than cost. Despite applying this logical methodology for more than 30 years, it is only recently that the media criticized mark-to-market accounting. Moreover, this criticism did not start with the passage of any specific accounting rule or regulation, but rather when financial markets began to sharply decline.

Similar to FAS 12, both FAS 115, adopted in 1993, and FAS 133, adopted in 1998, mandate fair value accounting as they require financial securities to be reported at current fair value. However, FAS 115 represents a departure from conservatism, as it allows for asset write-ups in addition to write-downs creating the possibility for unrealized gains as well as unrealized losses. While this departure from conservatism is important, and some may argue that asset write-ups should not be allowed, this is not the criticism of fair value accounting in light of the current financial crisis.

Firms such as Lehman Brothers were not driven into bankruptcy because they were required to write-up assets. Instead, they were driven into bankruptcy because poor business decisions of the past that were required to be disclosed through mark-to-market accounting and appropriate write downs to lowered market values. Consistent with conservatism and the need to provide accurate financial information, firms were required to write-down the carrying value of securities to the market rather than allowing firms to report financial securities on their balance sheets at inflated values. Thus, despite storied media rhetoric that mark-to-market accounting was to blame; firms were merely applying sound and mandated accounting rules that have been in place for decades without criticism or debate.

Finally, at the heart of the fair value debate is FAS 157, adopted in 2006, requiring adoption no later than 2007. This standard clarifies how firms should measure fair value. As illustrated, FAS 157 did not introduce mark-to-market accounting methodology. Instead, it simply provided guidance to assist management in determining fair value for financial reporting purposes and related guidance on how to apply existing fair value rules. Thus, the recent criticisms of FAS 157 are not well grounded, as mark-to-market accounting has been applied for decades with little criticism. In fact, prior to the issuance of FAS 157, there was support rather than criticism for the standard. For example, Lehman Brothers issued the following statement in its comment letter to the FASB's exposure draft of FAS 157:

> Lehman Brothers is supportive of the Board's stated goal in issuing the ED, including improving the consistency and comparability of fair value measurements and providing enhanced disclosures. As a leading global investment bank which utilizes fair value measurements for all its trading assets/liabilities, we believe that we can offer significant fair value expertise in providing commentary on the Exposure Draft.

While Lehman Brothers was a casualty of the financial crisis, it is clear from its comment letter that that they did not take issue with fair value accounting. In fact, they were one of many firms in support of it.

In sum, fair value methodology has long been a part of accounting logos. The cascade of activated frames has reshaped the logos through out the rules and regulations, whether through application of lower-of-cost-or-market or the valuation of complex derivative instruments. Further, appropriate valuation of assets is an important part of providing useful information necessary for investors and other stakeholders to make rational decisions. However, in the recent rush to judgment and the need to ascribe blame, fair value accounting has drawn substantial criticism. Specifically, many have cited FAS 157 as the cause of the financial turmoil and have even advocated that FAS 157 be suspended. The retrospective storytelling of non-accountants has activated a cascade of frames imbued with pathos and ethos, creating competing logos questioning the legitimacy of accounting logos.

Fair value accounting concepts are not new and we do not advocate that FAS 157 is perfect. Benston (2006) argues that Enron's use of fair value accounting for assets was at least partly to blame for Enron's demise. He further states that Enron used fair value accounting techniques that were consistent with FAS 157's prescribed treatment of Level 3 assets (Benston, 2006). Additionally, Benston (2007) argues that FAS 157's use of exit prices in determining fair value is problematic. In fact, it will make auditing fair value amounts difficult and that it provides potential increased opportunities for earnings management (Benston, 2007).

Others also voice some concern over the use of fair value accounting. For instance, Palmrose (2009) argues that fair value may not always provide the most useful information, especially when fair value accounting is based on hypothetical transactions. Similarly, Benston et al. (2007) also argues that fair value accounting does not provide useful information when the measurements are based on hypothetical transactions. We acknowledge there are certainly times when establishing the fair value of an asset or liability may be difficult; however, it is inappropriate to mischaracterize fair value accounting as a new concept that should be completely eliminated and contrary to accounting logos. Conservatively adjusting financial statements to illuminate the legitimacy of carrying values can only provide transparency and representational faithfulness as set forth by the FASB. Thus, despite its shortcomings we argue that fair value accounting cannot be singled out as the primary or central cause of the recent economic crisis.

Global standards

Given the current migration to global standards and the related future convergence of GAAP and IFRS the need for rational accounting applications based upon a foundation of sound practice rather than inflammatory rhetoric is essential. A reactionary FASB and ever changing accounting applications based upon media activated frames and public pressure may culminate in an existential crisis that could undermine future financial accounting standards. In the fourth point of the congressional testimony, Chairman Herz announced a joint project in conjunction with the International Accounting Standards Board (IASB) to consider improvements in the accounting for financial instruments. He further stated in his testimony before congress the following:

> … we pledge to continue to work with our colleagues in the financial reporting and regulatory system to examine and address those issues and to continue to strive to improve accounting standards for the benefit of investors and the capital markets.

While we are not apologists for the FASB and existing accounting applications, we are nevertheless concerned with the recent conciliatory tone and rapid rushed response. Young (2003) stated that accounting standards require a deliberate analysis by informed experts in accounting and new standards create new work, requiring time and effort before the measures, categories and disclosures are adopted. This deliberate methodology underlies accounting logos. We would therefore hope that the FASB would act with deliberate analysis on the basis of sound practice and not rapidly react because of misguided influence or politically motivated deviations that could create unintended consequences as congruency with established global accounting standards gains prominence. In an April 2008 Financial Post article, Marvin Duncan quoted Sir David Tweedie, chair of the International Accounting Standards Board, as follows:

> You hear all the siren voices now saying, 'Fair Value has failed.' Well no, Fair Value has shown us there is a crisis. Banks are saying the valuations [on assets] are far too low. Well if that's the case, get in there and buy them -- you'll push the market up if you are right.

Additionally, Sir Tweedie stated:

> The argument is that valuations are too low. But maybe the market is too low, if that's the case. All the accounting is doing is trying to reflect what the market is, not say what it should be.

Thus, it is clear that the chairman of the IASB supports fair value accounting yet the FASB has now called into question its full support for this longstanding valuation methodology. This may be problematic in light of the FASB intent for the convergence between GAAP and IFRS. Further, an inconsistent perception of the FASB may be seen as a result of the FASB yielding to the cascade of frames created in the media storytelling regarding FAS 157, and the recently rushed modifications to fair value accounting. It is important that the FASB exercise caution and carefully consider the consequences in proposing or implementing hastily formed changes to the longstanding fair value accounting methodology. This is especially critical as we enter an era whereby GAAP and IFRS should converge to form a more cohesive set of accounting regulations for the emerging global economy.

Conclusions and implications

In this article we have examined various media storytelling, its volume and the cascade of frames created from the recent economic crisis. There are competing logos, that of the accountant, and that of those non-accountant experts included in the media's constructed storytelling. We conclude that the logos of accountants, socialized into the transparency role of mark-to-market is quite different than the frames of the "experts" imbued with intertwined ethos and pathos that is most often cited in the news accounts, who stress transparency as a primary reason for the catastrophe.

We have made theoretical contributions to both storytelling and rhetoric. First, we examined storytelling as interplay of retrospective narrative, the presentness of living story, and the antenarratives shaping the future of not only the unfolding economic crisis, but the future of accounting itself. In addition, we addressed the ethics of storytelling. There is, we suggest, answerability to storytelling, both to the purveyors of storytelling in the media, and to the story-readers and story-listeners attempting to make sense of this complex economic situation and the role of financial institutions and the accounting profession in the crisis.

Second, in terms of rhetoric, we extended the application of pathos, ethos, and logos by examining a cascading activation theory model set forth by Entman (2004). Specifically we found that non-accountant frames were created in ethos and pathos and activated an antenarrative to reshape accounting logos and further marginalize the logos of the accounting profession. We admit freely that we are oriented to the logos of accounting and to the legitimacy of the mark-to-market procedures as a way to develop transparency and meaningful valuation presentness.

In addition, we explored the ways in which the ethos or credibility of the accountants' voices were missing in the media storytelling and made the non-accountant experts' urgent voices seem more logical and credible because they were missing. As such, there is a point of connection between our first and second contribution. Sensemaking by distortion in a cascade process of activation sears an agential effect that remains long after critiques of how particular moments of distorted rhetoric lacked substance. Storytelling is one of several modes of sensemaking that involves rhetorical practices, and ethical accountability for those practices.

We acknowledge that the sheer volume of mark-to-market accounting stories may have created a possible information overload situation, which further exacerbated the ability of an individual to filter and assimilate information. In fact, this is admittedly a scope limitation of our study. While our analyses yielded insight, other stories emanating from other news outlets may provide another result.

Financial disclosures, from the standpoint of the accounting profession, as we have asserted, need to be transparent and provide representational faithfulness of the content. While fair value accounting and FAS 157 in particular may have its shortcomings, it is congruent with both the spirit and intent of the conceptual framework of accounting as understood by the accounting profession in providing useful and meaningful information. Therefore it makes sense for accounting professionals to enter into the public discourse and the polyphony of voices debating the current crisis.

Next, our practical concern for informed decision making lies in the danger of a cascading activation that we wish to call an antecedent rush to judgment. In the contagion to find a scapegoat, there was, in our view, a rush to judgment, to make the accountant the villain for wanting to be transparent. We believe that this rhetorical strategy was not sufficiently countered by a reporting of the accounting profession rhetoric. We thus posit that a failure in the media to address the duality between the logos of accounting and the ethos of the media narrative exacerbated the cascading activation. Our practical contribution in understanding this duality may provide a different lens in looking at information dissemination and as a caution to users to beware of the advice from experts. This is not only relative to stakeholders in making more informed decisions but should also serve as a warning to the profession, to have more voice, to use a rhetorical strategy that can have more saliency in the public arena.

While we concede that some individuals may erroneously subscribe to pathos where there is rush to find a perceived cause, our concern is that the profession may inappropriately rush through misguided reactive change actions. The FASB should be ever vigilant in crafting standards that adhere to accounting logos and carefully consider the consequences of rushed modifications. The result could potentially undermine the future convergence of the FASB standards and the IASB standards, and thereby create an existential crisis as the process derails.

We take for granted the underlying foundational basis of mark-to-market accounting applications. We also think that further study of the changes that these procedures have undergone in recent decades is warranted. Analysis of media stories has provided a fortuitous opportunity to examine the implications to both the individual stakeholder and the profession. While we advocate an ever-vigilant examination, we realize that this is only one step in that direction. Further studies on storytelling sensemaking as an interplay of retrospection, presentness, and prospective rhetorical strategies and tactics can only improve this understanding and thereby aid in better decision making. Failure to be answerable, to enter the public debate could be problematic as the accounting profession continues to develop meaningful processes and provide information content to the capital markets.

References

Aho, A. J. (1985), "Rhetoric and the Invention of Double Entry Bookkeeping", *The International Society for the History of Rhetoric*, Vol. 3 No. 1. 21–43

AICPA (1953), ARB No. 43: *Restatement and Revision of Accounting Research Bulletins*, AIA, New York, NY.

Aristotle. (354 BCE *Rhetoric and Poetics of Aristotle*. Rhetoric translated by W. Roberts (1954) with introduction and notes by F. Solmson, The Modern Library, New York.

Balakrishnana, R., Qiub, X. and Srinvasanc, P. (2010), "On the predictive ability of narrative disclosures in annual reports", *European Journal of Operational Research*, Vol. 202 No. 3, pp. 789-801.

Balata, P. and Breton, G. (2005), "Narratives vs. numbers in the Annual Report: are they giving the same message to the investors?", *Review of Accounting and Finance*, Vol. 4 No. 2, pp. 5-14.

Barry, D. (2008), "In a Home Like Many Others, Uncertainty in Every Check of the Market", *The New York Times*, available at: http://www.nytimes.com/2008/10/11/us/11land.html (accessed 14 February 2009).

Benston, G.J. (2006), "Fair-value accounting: A cautionary tale from Enron", *Journal of Accounting and Public Policy*, Vol. 25, pp. 465-84.

dboje 5/18/2010 6:16 PM
Deleted: [NEED PAGE NUMBERS]

dboje 5/18/2010 6:14 PM
Deleted: 1954

dboje 5/18/2010 6:13 PM
Deleted:),

Benston, G.J., Carmichael, D.R., Demski, J.S., Dhara, B.G., Jamal, K., Laux, R., Rajgopal, S. and Vrana, G. (2007), "The FASB's Conceptual Framework for Financial Reporting: A Critical Analysis", *Accounting Horizons*, Vol. 21 No. 2, pp. 229-38.

Benston, G.J. (2008), "The shortcomings of fair-value accounting described in SFAS 157", *Journal of Accounting and Public Policy*, Vol. 27, pp. 101-14.

Bhimani, A. (2003), "A study of the emergence of management accounting system ethos and its influence on perceived system success", *Accounting, Organizations and Society*, Vol. 28 No. 6, pp. 523-48.

Bjurklo, M. (2008), "Narrative accounting: A new form of management accounting?", *International Studies of Management and Organization*, Vol. 38 No. 2, pp. 25-43.

Boje, D.M. (2001), *Narrative Methods for Organizational and Communication Research*, Sage, London.

Boje, D.M. (2008a), *Storytelling Organizations*, Sage, London.

Boje, D.M. (2008b), "Story ethics." In D.M. Boje (Ed.), *Critical Theory for Business and Public Administration*, pp. 97-118, Information Age Publishing, Charlotte.

Boje, D.M., Gardner, C.L., and Smith, W.L. (2006), "(Mis)Using Numbers in the Enron Story", *Organizational Research Methods*, Vol. 9 No. 4, pp. 456-74.

Capusneanu, S. (2008), "The ethos of cost accounting", *Theoretical and Applied Economics*, Vol. 5, pp. 79-86.

Carol, D. (2001), "Mythmaking in annual reports", *Journal of Business and Technical Communication*, Vol. 15 No. 2, pp. 195-222.

Carruthers, B. and Espeland, W. (1991), "Accounting for Rationality: Double-Entry Bookkeeping and the Rhetoric of Economic Rationality", *American Journal of Sociology*, Vol. 97 No. 1, pp. 31-69.

Chambers, R. J. (1974), *Accounting, Evaluation and Economic Behavior*, Scholars Book Co., Houston.

Chakorn, O. (2008), "Rhetorical appeals in Thai annual reports: An investigation of the authority's language in the executive letter during Asia's economic crisis", *Proceedings of the 2008 Association for Business Communication Annual Convention*, available at: http://www.businesscommunication.org/conventionsNew/proceedingsNew/2009New/Ora-OngChakorn.pdf.

Cohn, M. (2009), "FASB Compromises on Fair Value", *WebCPA*, available at: http://www.webcpa.com/news/31223-1.html (accessed 29 May 2009).

Collins, D., Dewing, I. and Russell, P. (2009), "Postcards from the front: Changing narratives in UK financial services", *Critical Perspectives on Accounting*, Vol. 20 No. 8, pp. 884-95.

Crosswhite, J. (1996), *The Rhetoric of Reason: Writing and the Attractions of Argument*, University of Wisconsin Press, Madison.

Dean, G.W. and Clarke, F.L. (1997), "Ethos abandoned: Accounting as an instrument of corporate regulation", *Research in Accounting Regulation*, Vol. 1, pp. 221-46.

Duncan, M. (2008), "Top accountant defends IFRS: Fair value is the only way that works", *National Post's Financial Post & FP Investing,* 25 April 2008, p. F8.

Entman, R.M. (2004), *Projections of Power: Framing News, Public Opinion, and U.S. Foreign Policy*, University of Chicago Press, Chicago/London.

Egan, M. (2009), "Recession Wipes Away Decade of Gains", *Fox Business*, available at: http://www.foxbusiness.com/story/markets/futures-rise-citigroup-report (accessed 24 February 2009).

Fama, E.F. (1970), "Efficient capital markets: A review of theory and empirical work", *Journal of Finance*, Vol. 25, pp. 383-417.

FAS 12 (1975), *Accounting for Certain Marketable Securities*, Financial Accounting Standards Board, Norwalk, CT.

FAS 115 (1993), *Accounting for Certain Investments in Debt and Equity Securities*, Financial Accounting Standards Board, Norwalk, CT.

FAS 133 (1998), *Accounting for Derivative Instruments and Hedging Activities*, Financial Accounting Standards Board, Norwalk, CT.

FAS 157 (2006), *Fair Value Measurements*, Financial Accounting Standards Board, Norwalk, CT.

FAS 157-4 (2009), *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, Financial Accounting Standards Board, Norwalk, CT.

FASB (2009), "Testimony of Robert H. Herz Chairman, Financial Accounting Standards Board before the U.S. House of Representatives Financial Services Subcommittee On Capital Markets, Insurance, and Government Sponsored Entities", *Financial Accounting Standards Board*, available at: http://www.fasb.org/testimony/03-12-09_full_text.pdf (accessed 29 June 2009).

Forbes, S. (2008), "Steve: How to Cure this Sick System", *Forbes.com*, available at: http://www.forbes.com/forbes/2008/1006/017.html (accessed 5 May 2009).

Forbes, S. (2009), “Steve: End Mark-To-Market”, *Forbes.com* available at: http://www.forbes.com/2009/03/20/steve-forbes-mark-to-market-intelligent-investing-market.html (accessed 30 April 2009).

Gephart, R.P. (1988), *Ethnostatistics: Qualitative Foundations for Quantitative Research*, Sage, Newbury Park.

Gingrich, N. (2008), “Suspend Mark-To-Market Now!”, *Forbes.com*, available at: http://www.forbes.com/2008/09/29/mark-to-market-oped-cx_ng_0929gingrich.html (accessed 8 June 2009).

Gingrich, N. (2008), “Fix 70% of the Problem Immediately: Suspend "mark-to-market" accounting now!”, *Newt.org*, available at: http://newt.org/tabid/102/articleType/ArticleView/articleId/3755/Default.aspx (accessed 8 June 2009).

Hyland, K. (1998), “Exploring corporate rhetoric: Metadiscourse in the CEO’s letter”, *Journal of Business Communication*, Vol. 35 No. 2, pp. 224-45.

Jameson, D.A. (2000), “Telling the Investment Story: A Narrative Analysis of Shareholder Reports”, *Journal of Business Communication*, Vol. 37 No. 1, pp. 7-38.

Katz, I. (2009), “Bernanke Says Mark-to-Market Accounting Rule Should Be Improved”, *Bloomberg.com*, available at: http://www.bloomberg.com/apps/news?pid=20601087&sid=aW0DT1yu68Vk&refer=home (accessed 8 June 2009).

Kirk, K. and Mouritsen, J. (1996), “Spaces of accountability: systems of accountability in a multinational firm”, in R. Munro and J. Mouritsen (Eds.), *Accountability, Power, Ethos and the Technology of Managing*, Thompson Business Press, London.

Lakoff, G. (2004), *Don't Think of an Elephant: Know Your Values and Frame the Debate--The Essential Guide for Progressives*, Chelsea Green Publishing, Vermont.

Levine, R.V. (2003), *The Power of Persuasion – How we’re Bought and Sold*, John Wiley & Sons, Hoboken.

Llewellyn, S. (1999), “Narratives in accounting and management research”, *Accounting, Auditing & Accountability Journal*, Vol. 12 No. 2, pp. 220-36.

Masocha, W. and Weetman, P. (2007), “Rhetoric in standard setting: The case of the going-concern audit”, *Accounting, Auditing and Accountability Journal*, Vol. 20 No. 1, pp. 74-100.

McCombs, M. (2004), *Setting the Agenda: The Mass Media and Public Opinion*, Polity Press, Cambridge UK/ Malden, MA.

McWatters, C. and Lemarchand, Y. (2010), "Accounting as storytelling: Merchant activities and commercial relations in eighteenth century France", *Accounting, Auditing, & Accountability Journal*, Vol. 23 No. 1, pp. 14-54.

Meltzer, B. (2008), "Overcoming 401(k) negativity", *HR|BenefitsAlert*, available at: http://www.hrbenefitsalert.com/overcoming-401k-negativity (accessed 14 February 2009).

Nobes, C.W. (1983), "A judgemental international classification of financial reporting practices", *Journal of Business Finance and Accounting*, Vol. 10, No. 1, pp. 1-19.

Norreklit, H. (2003), "The Balanced Scorecard: what is the score? A rhetorical analysis of the Balanced Scorecard", *Accounting, Organization and Society*, Vol. 28, pp. 591-619.

Palmrose, Z.V. (2009), "Science, Politics, and Accounting: A View from the Potomac", *Accounting Horizons*, Vol. 84 No. 2, pp. 281-97.

Paton, W.A. and Littleton, A.C. (1940), *An Introduction to Corporate Reporting Standards,* American Accounting Association, Sarasota.

Perelman, C. (1982), *The Realm of Rhetoric*, University of Norte Dame Press, Norte Dame.

Pipan, T. and Czarniawska, B. (2009), "How to construct an actor-network: Management accounting from idea to practice", *Critical Perspectives on Accounting.* In press.

Prasad, A. and Mir, R. (2002), "Digging deep for meaning: A critical hermeneutic analysis of CEO letters to shareholders in the oil industry", *Journal of Business Communication*, Vol. 39 No. 1, pp. 92-116.

Roslender, R. and Stevenson, J. (2009), "Accounting for people: a real step forward or more a case of wishing and hoping?", *Critical Perspectives on Accounting*, Vol. 20 No. 3, pp. 855-69.

Rutherford, B. (2002), "The production of narrative accounting statements: an exploratory study of the operating and financial review", *Journal of Applied Accounting Research*, Vol. 6 No. 3, pp. 25-56.

Scott, W.R. (2003), *Financial Accounting Theory*, Pearson Education Canada, Inc., Toronto.

Scott, W.R. (1981), *Organizations: Rational, Natural, and Open Systems*, Prentice Hall, Englewood Cliffs.

SFAC 1 (1978), *Objectives of Financial Reporting by Business Enterprises*, Financial Accounting Standards Board, Norwalk, CT.

SFAC 2 (1980), *Qualitative Characteristics of Accounting Information*, Financial Accounting Standards Board, Norwalk, CT.

Smith, W.L. and Elias, S.M. (2009), "Investor Fear: Uncertainty in an Uncertain Environment, *Proceedings of the Standing Conference for Management and Organizational Inquiry*, pp. 220-230.

Smith, W.L., Gardner, C. and Boje, D.M. (2004), "Using the Ethnostatistics Methodology to reconcile rhetoric and reality: An examination of the management release of Enron's year end 2000 results", *Qualitative Research in Accounting & Management*, Vol.1 No. 2, pp. 1-16.

Thompson, G. (1991), "Is Accounting Rhetorical? Methodology, Luca Pacioli and Printing", *Accounting ,Organizations and Society*, Vol. 16, pp. 572-99.

Sunshine, M. (2008), "Mark-to-Market Accounting: Kill It Before It Eats Us Alive", *Seeking Alpha.com*, available at: http://seekingalpha.com/article/97845-mark-to-market-accounting-kill-it-before-it-eats-us-alive (accessed 10 June 2009).

Wade, L.L. (1979), "Public Administration, Public Choice and the Pathos of Reform", *The Review of Politics*, Vol. 41 No. 3, pp. 344-74.

WebCPA (2009), "Congress Pressures FASB to Revise Mark-to-Market", *WebCPA*, available at: http://www.webcpa.com/news/30960-1.html (accessed 29 June 2009).

Wesbury, B. and Stein, R. (2009), "Why Mark-To-Market Accounting Rules Must Die", *Forbes.com*, available at: http://www.forbes.com/2009/02/23/mark-to-market-opinions-columnists_recovery_stimulus.html (accessed 30 April 2009).

Wheeler, S.C. (2000), *Deconstruction as Analytical Philosophy*, Stanford University Press, Stanford.

Willmott, H. (1996), "Thinking accountability: accounting for the disciplined production of the self", in R. Munro and J. Mouritsen (Eds.), *Power, Ethos & the Technologies of Managing*, International Thompson Business Press, London.

Young, J.J. (2003), "Constructing, persuading and silencing: The rhetoric of accounting standards", *Accounting, Organizations and Society*, Vol. 28 No. 6, pp. 621-38.

Zan, L. (2004), "Accounting and management discourse in proto-industrial settings: The Venice Arsenal in the turn of the XVI century", *Accounting and Business Research*, Vol. 34 No. 2, pp. 145-75.

Further reading

Boje, D.M. (2008a), *Storytelling Organizations*, Sage, London.

Corresponding author

William L. Smith can be contacted at: smith@nmsu.edu