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The Pluralistic Foundations of Conceptual Veiling

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Abstract: The theoretical foundations of Karthik Ramanna's "Unreliable Accounts" are investigated, demonstrating the pluralistic approach which underlies his critique of the accountability and governance of the FASB. In particular, I highlight Ramanna's use of multiple units of analysis and theoretical frameworks in his arguments for the existence of conceptual veiling, but I question the extent to which extent Ramanna's account can be viewed as a generalisable causal explanation. Finally, avenues for future research are noted.

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1 Introduction

Research on accounting standard setting generally falls into two main schools: that which offers economic explanations of standard setting activities and that

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which offers a critical, sociological interpretation.[1] In “Unreliable Accounts”, Karthik Ramanna (2022) straddles this divide by engaging with both economic and sociological approaches in his critical reconstruction of the FASB debates which culminated in the removal of the term “reliability” from its conceptual framework. His account of the standard setter’s actions demonstrates that its motivation in removing *reliability* was to provide a post-hoc legitimization of its decision to extend fair value accounting in US GAAP. Ramanna argues that these actions constituted a type of activity which he labels “conceptual veiling” in which “regulators fabricate or embrace a given conceptual justification for their actions in an attempt to diffuse criticisms” (page 9). This occurred at the FASB, and occurs more generally, he argues, when an organization has been captured or when it is perceived by stakeholders as having been captured.

Ramanna’s persuasive study develops the notion of conceptual veiling, which identifies a failure of accountability in an influential regulatory body whose activities affect the performance reporting of publicly listed companies in the United States. Ramanna argues that the true motivations of this standard setting organization are masked to enable the extension of a new form of accounting. The FASB, he claims, expressed concerns with the concept of “reliability” used in financial reporting regulation to facilitate the inclusion of fair value accounting in its promulgated standards. Conceptual veiling, as described by Ramanna, can be deployed as a means of avoiding public scrutiny when the standard setter’s true objectives are at odds with those of many stakeholders, and to disguise the fact that the standard setting organization’s actions are the result of actual, or perceived, regulatory capture.

Regulatory capture occurs when an apparently neutral organization actively serves powerful interest groups or influential lobbyists without making this explicit to other stakeholders. Another form of regulatory capture which might drive the standard setter’s actions is ‘soft capture’ (see for example, Ylönen, Jaakkola, & Saari, 2021). This can occur if the organization’s decision-makers are ideologically committed to a particular accounting norm, such as fair value accounting, and constrained by what Young (1994) has described as a “logic of appropriateness”. Such a logic will determine what these decision-makers view as a problem and the kinds of solutions they view as appropriate. According to Ramanna, such soft capture relates to what has been previously described as ‘cultural capture’ and this may precipitate conceptual veiling or a CYA (‘cover your a**’) mentality. In Ramanna’s study, the FASB’s desire to extend fair value

1 Within these two broad schools other approaches exist, such as traditional ‘accounting theory’, which takes a normative or explanatory focus on accounting issues, bringing to bear information economics, incentives, and law (see, Biondi, 2011; Glover, 2014).

accounting is not identified as having been driven by an explicit need to conceal regulatory capture of the traditional kind but was more the result of *cultural* capture. He argues that the FASB's veiling activities were intended to legitimise its shift to a norm of fair value accounting without the need to engage in direct conflict with stakeholders.

In the case of the removal of reliability from the conceptual framework, Ramanna argues that the FASB attempted to shift the narrative about what it was trying to achieve as means of obscuring its true objective (i.e., expanding fair value accounting). This objective was to shift the narrative regarding fair value accounting through debates on the qualitative features of the conceptual framework, focusing on the concept of reliability. According to Ramanna, the regulator hoped to "diffuse" potential criticisms of its motivations, for example the claim that the FASB was subject to the influence of powerful interest groups who benefited from fair value accounting or that it was dogmatically prioritising fair value accounting due to the ideological commitments of the board members. Such criticisms are particularly salient given that the use of fair value accounting has been identified as contributing to financial volatility (Benston, 2006; Biondi, 2011, 2013, 2018; Boyer, 2007; Haswell & Evans, 2018).[2] Ramanna thus identifies implicit weaknesses in the governance of an influential standard setting organization.

In what follows, I first acknowledge the important contribution of Ramanna's study to current accounting research. and note that his case could be strengthened by engaging with accounting scholarship on standard setting boards and financialisation, focusing in particular on work by Chahed (2021), Georgiou (2018) and Morley and Alexander (2022). I then turn to the theoretical commitments implicit in Ramanna's study. In investigating its pluralistic foundations, I first consider the unit of analysis used in the study and whether it is appropriate; second, I question whether Ramanna uses a sociological or an economic framework, or both; and third, I ask to what extent Ramanna's account can be viewed as generalisable. Having considered these issues, in the final section, I propose future research possibilities into issues relating to the reasons why conceptual inconsistencies between accounting standards can persist, the effectiveness of governance processes at accounting standard setters, and the extent to which semantic drift regarding standard setting concepts can be useful to standard setters.

2 Although for an alternative view of the effects of fair value accounting, see Badertscher, Burks, and Easton (2011) and Laux and Leuz (2010).

2 "Unreliable Accounts" and Accounting Scholarship

Ramanna's study explicitly adds to earlier work on standard setting, in particular, on the causal factors which drive individual voting decisions (Allen & Ramanna, 2013) and the historical context of decision-making at the FASB with regard to fair value accounting and reliability (Camfferman & Zeff, 2015). The focus of the study is on the role of "reliability" at the FASB, and Ramanna seeks to extend work by Erb and Pelger (2015) on historical evolution this concept at the FASB. He argues that his study provides more extensive interview evidence than that by Erb & Pelger: Ramanna's account draws on evidence from 27 interviews with FASB and IASB board members which he contrasts with the seven interviews with IASB board members employed in the Erb and Pelger (2015) study. Ramanna describes the Erb and Pelger (2015) study as "a comprehensive history of the evolution of 'reliability' in accounting rule-making" (page 18) and claims to extend their analysis by identifying the causes and political implications of the FASB's removal of reliability from the conceptual framework. To do this, he theorizes the actions of the FASB though the development of the concept of 'conceptual veiling'.

Ramanna's study also implicitly adds to existing work on fair value accounting, in particular focusing on two areas: first, the financialisation of standard setting and, second, the ideological commitments of board members to fair value and the effect of their ideological stance on board level decision-making and organizational governance. Acknowledging this literature explicitly would strengthen the study by showing how it adds to the intellectual history of accounting scholarship, which I address below.

2.1 Financialization and the Rise of Fair Value Accounting

First, Ramanna's study could contribute to existing work on the financialising of accounting (Chahed, 2021; Chiapello, 2016; Georgiou & Jack, 2011; Miller & Power, 2013). Recent work by Chahed (2021) is of particular relevance as it identifies how narrative reporting practices have been deployed as a 'technology of financialisation', and as a means of underpinning the use of financial economic values in accounting, including the deployment of concepts such as market-based measurement and decision-usefulness. Chahed (2021) argues that narrative reporting was viewed as useful because it appealed to practitioners and promoted the belief that the theoretical ideal of financialisation was capable of being operationalized in practice. Her argument that a particular form of narrative accounting was used instrumentally, to make the extension of market-based measures palatable to practitioners, appears to be closely related to Ramanna's notion of conceptual veiling. Second, work by Georgiou (2018) is relevant as he highlights a different way in which potentially opposing views between standard setters and users of financial statements over fair value accounting have persisted – and co-existed – without explicit conflict. Building on the concept of "dissonance", he argues that a form of *détente* exists, despite the standard setters' prioritisation of fair value accounting in the face of the opposing views of many users. In particular, he argues that standard setters cannot necessarily be assumed to be ignoring the needs of users (Young, 2006), nor can users be assumed to be passive and unassertive (Durocher, Fortin, & Côte, 2007; Durocher & Fortin, 2011). Georgiou's view of the status quo relying on ongoing dissonance intersects with Ramanna's notion of conceptual veiling by demonstrating how a standard setting organization can potentially achieve its objectives without generating open conflict.[3] A related issue is that the advocacy of the financial sector for fair value accounting is not always accompanied by the support of sell-side financial analysts (Georgiou, 2018). Finally, Ramanna's study may speak to work on conceptual framework projects (Hines, 1989; Macve, 1997), in particular, how they can expose inconsistencies in conceptual thinking (Hayoun, 2019) and how they may be distanced from accounting in practice (Georgiou, Mantzari, & Mundy, 2021).

2.2 Ideological Capture and the Commitments of Standard Setters

Other scholars have investigated the human processes underpinning supposedly objective standard-setting procedures by identifying the ideological commitments of standard setters to certain forms of accounting, which connects with Ramanna's study of regulatory capture. A study by Morley (2016) considers the ideological commitments of a subgroup of the members of the International Accounting Standards Board (IASB), the international standard setter, and the "internal lobbying" which arose within that organization. Morley's case study highlights how the social psychological phenomenon of 'group effects' generated friction between subgroups on the board defined according to their attitude to fair value accounting. In line with the literature on group effects (Billing & Tajfel, 1973; Janis, 1972), Morley found that a group of five board members self-identified as a `fair value group' and that this led to a polarisation between the subgroup's views and those of the rest of the board.

3 See also Mennicken and Power (2015).

Morley argues that internal lobbying at the IASB weakened the effectiveness of the board's decision-making processes. This can be seen for the case of a project to revise an existing standard on provisions (International Accounting Standards Committee, 1998) where the fair value subgroup was able to move the project onto the main standard setting agenda without requiring a research paper or extensive outreach. Interviews with members of the subgroup and staff at the standard setting subgroup also revealed the overconfidence of the fair value subgroup in the viability of the project. In the face of significant opposition from stakeholders and other board members, they continued to argue for the project to continue and viewed those who opposed them as failing to understand the obvious benefits of fair value accounting for this particular issue. The "internal lobbying" activity thereby constituted a form of cultural capture as it subverted the governance structures in place which were intended to ensure organizationally rational decision-making. This case of cultural capture of the regulator resonates with the regulatory capture identified by Ramanna at the FASB.

In later work, Morley and Alexander (2022) develop an agent-based model to demonstrate how governance requirements may fail to prevent subgroups dominating deliberation due to the interaction of several factors. It examines how the use of strong speech style may interact with violations of norms of turn-taking during deliberation to offer a 'how possible' explanation of subgroup influence. The assumptions of the model are validated using evidence from the IASB. Interviews with IASB board members and staff and a conversation analysis of audio-recordings of IASB board meetings reveal that the fair value group subgroup employed stronger speech styles and more frequently used humour and non-verbal forms of emphasis, such as table-thumping to strengthen their contributions to board level discussion. Furthermore, they were more likely to violate norms of turn-taking, consistent with the model's assumptions. This model connects with Ramanna's study by identifying potential failures in governance structures aimed at ensuring high quality decision making and accountability of the standard setting organization.

Ramanna's work also connects with other accounting studies. Baudot (2018) studies the IASB revenue project, extending the work on "knowledge templates" by Durocher and Gendron (2014), to reveal stability in board members' epistemic commitments to fair value accounting. These commitments, she argues, were associated with board members' prior professional affiliations and her findings are similar to those of Allen and Ramanna (2013). In addition, other scholars have shown that standard setters may incorporate particular concepts and techniques due to their institutionalised – and sub-intentional – patterns of reasoning which are connected with the language of standard setting (Stenka, 2021).

3 Theoretical Pluralism in the Analysis of Conceptual Veiling

Thus far, I have argued that Ramanna's study offers an important critique of the accountability and governance of a powerful standard setting regulator, drawing on a rich evidentiary base. I have also suggested that Ramanna's study could be strengthened by further engagement with existing accounting research. The remainder of this commentary will focus on theoretical questions as follows. First, what unit (or units) of analysis does Ramanna use in his account of the removal of reliability from the conceptual framework at the FASB, and is this appropriate? Second, does Ramanna view the 'conceptual veiling' activities of the FASB through a sociological or an economic lens – or both? And third, does Ramanna's unveiling of the motivations of the FASB in this study constitute a causal explanation, as Ramanna claims? And if so, how generaliseable might it be? In what follows, I address these three issues in turn.

3.1 The Unit of Analysis

The first question relates to the unit of analysis employed. Much of the rich and detailed evidence provided in the study relates to the activities (and motivations) of individuals whose actions shaped the rise of fair value accounting, either gleaned from interviews or from documents they presented or drafted. He notes, for example, the importance of the appointment in 1992 of Walter Schuetze the SEC chief accountant, as it was Schuetze who encouraged the introduction of fair value accounting into US GAAP. Ramanna identifies specific statements made by individuals at the FASB, for example the chair, Bob Herz and technical staffer, Todd Johnson, suggesting that these provide useful insights into their intentions regarding fair value and reliability. The study also refers to the role of individuals at the IASB, including James Leisenring (who moved to the IASB after working at the FASB), Warren McGregor, Mary Barth and Patricia O'Malley who advocated fair value accounting[4] and technical staffers such as Kimberley Crook. Further interviews with individuals at the FASB such as Halsey Bullen and Jeff Johnson give insights into their beliefs, for example, that constituents were confused about the definition of reliability and many different understandings of the concept existed in practice. Overall, Ramanna refers frequently – in his historical reconstruction of the debates about fair value and the removal of the concept of reliability – to the role of individuals.

4 These fair value advocates were known, he notes, as the "Big Four" at the IASB, presumably as an implicit reference to the Big Four auditing firms which dominated the audit market.

Ramanna's account does not focus only on individuals, however. In other parts of his analysis, Ramanna treats the FASB as an organization, that is, as a *single decision-making entity*, for example, when he investigates the extent to which the FASB engaged in conceptual veiling activities. In this regard, he argues:

> From the perspective of the regulator, there are both costs and benefits to conceptual veiling which can explain its equilibrium supply (page 50).

By applying the economic concept of an equilibrium outcome to the "regulator" as an entity, this explanation of the degree to which the FASB engaged in conceptual veiling activity effectively abstracts from the actions of individuals (or groups of individuals) within the organization. Instead, in examining the "equilibrium supply" of conceptual veiling activity, Ramanna treats the FASB as a single decision-making entity which was motivated to maximise benefits for itself while minimising "costs" such as conflict with stakeholders. He notes that a regulator, such as the FASB, may perceive itself to be facing existential threats due to public scrutiny, with the result that:

> […] conceptual veiling can be net beneficial to regulators. The key value to regulators from veiling is deflecting criticism – notably suspicions of capture – thereby sustaining and advancing their own credibility, particularly in times of enhanced public scrutiny (page 51).

Such motivations and responses are described by Ramanna as occurring at the level of the FASB as a decision-making entity.

Ramanna's analysis at the entity-level thus treats the FASB as what has been referred to in the philosophical literature[5] as a 'group agent' (List & Pettit, 2011). Group agents can be treated for analytical purposes as having "minds of their own"

5 The possibility of group agents has been discussed by philosophers and social scientists for many years, but the contemporary discussion largely derives from List and Pettit's seminal monograph *Group Agency*. In that work, List and Pettit appeal to the judgement aggregation literature to argue for the possibility (and existence) of group agents. The general problem of *judgement aggregation* was first studied by philosophically-inclined decision theorists, but interest in the subfield has since expanded into computer science, social choice theory, and economics. The classical judgement aggregation problem is as follows: a group of persons, each of whom have their own consistent set of individual beliefs concerning a number of propositions, need to "aggregate" their individual beliefs into a single set of judgements attributed to the group. The reason the problem warrants study is that when the set of propositions are logically and/or conceptually interconnected, simple mechanical methods of aggregation — like majority voting on each proposition in isolation — allow for an inconsistent set of judgements to emerge at the group level, even though each individual person's beliefs are consistent. (This was first identified as the "doctrinal paradox" by Kornhauser and Sager, 1986, later renamed the "discursive dilemma" by Pettit, 2001.) List and Pettit, among others, have argued that aggregation of individual beliefs into a collective judgement requires such complex interdependencies that there is no way of being able to explain the collective judgement at the level of the individual (which is why they think this

(List & Pettit, 2011: 77–78) or perhaps, at least be viewed as acting *as if* they had minds of its own (Dennett, 1989). However, an entity-level explanation on its own, while offering the benefit of analytical parsimony, fails to provide detailed evidence of the low-level mechanisms which determined the extent of conceptual veiling. However, Ramanna does not rely solely on such entity-level analysis. An implicit component of his explanatory account centres on how certain individuals' commitment to fair value accounting influenced the decision by the FASB to remove the concept of reliability from the conceptual framework. This element of his analysis is consistent with methodological individualism (Watkins, 1952) in its focus on the low-level processes rather than holistic factors. Yet the use of both holistic (entity-level) and individualistic (person-level) analysis leaves the important question of how we can connect individuals' attitudes to the actions of the FASB as an organization. Such connections may include agenda-setting and voting processes and the effect of external lobbying activities.

The multi-level analysis presented in this study (individual, sub-group, entity) offers a rich narrative, addressing the rise of fair value accounting within the FASB and also of the interactions between factors such as the ideological commitments of individuals at the FASB. These included a commitment to fair value accounting, a desire to avoid public scrutiny through the removal of reliability from the conceptual framework. The use of evidence from individuals, sub-groups and the FASB as a decision-making entity raises an interesting question about the effectiveness of multi-level analysis and whether there exists a single appropriate level of explanation for the phenomenon of conceptual veiling.

One issue in determining the appropriate unit of analysis relates to the accessibility of evidence. Decision-making regarding actions to mitigate against the negative consequences of public scrutiny could presumably be traced to the motivations and actions of individuals on the FASB board – or maybe to other individuals with some incentive for the FASB's survival – but the likelihood of accessing evidence of these individual-level actions which aggregated into the entity-level response is presumably vanishingly small. Furthermore, it is unclear how to assess the objectivity and reliability of individuals' accounts, especially since many of the proximate causal antecedents to the debates about reliability and the rise of fair value occurred up to four decades ago. Given the difficulty in accessing reliable evidence from individuals about how they (and others) influenced the FASB's actions, Ramanna uses the best available alternative open to him: he makes inferences from the rich evidence from interviews and documentary evidence to support his critique of the FASB's actions as an organization.

shows the existence of group agents). This view, then, holds that there are nonreductive group agents. However, this claim has been disputed (see Alexander & Morley, 2021).

Ramanna's decision to conduct some of his analysis at the level of the entity may be because he questions the very *possibility* of providing a reductive account of conceptual veiling at the level of individuals. Such a claim would amount to treating the FASB as an *irreducible* group agent (List & Pettit, 2011), although the existence in practice of irreducible group agents has been challenged (Alexander & Morley, 2021).[6] One example of such irreducible group agency in law is the personification of business entities (Avi-Yonah, 2011). It is unlikely that Ramanna's choice of the FASB as the unit of analysis in parts of his study relates to any impossibility of reductive explanation. It is more likely that it is simply challenging to trace the causal influence of individuals on the actions of the FASB, through board level deliberation and voting, but that would be an epistemic issue rather than one of irreducibility.

One further reason why Ramanna may have eschewed a detailed individualist account is that such low-level analysis may fail to offer an illuminating answer to the question he asks about the determinants of the amount of conceptual veiling activity undertaken by the FASB. Philosophers of science have long argued that the appropriate level of an explanation is that level which is appropriate to the particular question being asked and which offers the most appropriate answer (Van Fraassen, 1980). In this case, the layered/multi-level presentation of an analysis of economic incentives at the level of the FASB; cultural capture at the subgroup level and specific sub-decisions; and influence at the individual level may provide the most enlightening explanation of the phenomenon under investigation.

6 The precise sense of what it means to speak of an *irreducible* group agent is itself a complex question, as it turns on what exactly one means by "reduce". One notion is the following: to *reduce* an entity A at a certain level of description to another entity (or entities) B at a different ("lower") level of description is to show that As are *nothing more* than Bs. Classic examples drawn from the philosophy of science are the following: temperature is *nothing more* than the mean kinetic energy of molecules; genes (in the Mendelian sense) are *nothing more* than particular coding sequences of DNA from a chromosome; and pain is *nothing more* than C-fibres firing. In these cases, reduction involves both an ontological claim (e.g., pain, a mental state, is a physical brain state) and an explanatory claim (e.g., we can precisely identify what kind of physical brain state is pain). I*rreducibility*, then, is either a failure of the ontological claim or the explanatory claim. In contemporary philosophy, it is generally assumed that it is the explanatory claim which fails, as most philosophers assume that everything which exists is physical. (To say that everything is physical is to say that everything is made of up those things which fall within the scope of physics; it is not to say that everything is *material*, as there are many things which physics talks about which are not material, such as magnetic fields, for example.) An irreducible group agent, then, would be a group agent for which certain behaviours or attributes of the group cannot be explained in terms which only refer to the behaviour or attributes of individual persons. What Alexander & Morley (2021) argue is that whether a group agent is reducible or not often turns on the set of admissible attributes at the level of the individual.

Having addressed the various reasons why Ramanna may have chosen a multi-level analysis, it is worth considering whether the analysis can be improved. One suggestion is to extend the analysis to show the connection between individuals' motivations and actions and those of the FASB overall. In this regard, an analysis of the microprocesses of influence which shaped certain elements of the FASB's trajectory on fair value accounting, and its engagement in conceptual veiling activities, could potentially enhance the explanatory account by connecting the attitudes and actions of individuals and groups to organizational outcomes. Given that Ramanna intends his explanation of conceptual veiling to be generalisable, it might also be worth theorizing the connections between the low-level and entity-level analysis. Philosophers of science have discussed 'bridge laws' as a means of connecting the different levels of analysis (Fodor, 1974; Nagel, 1963, 1970). Although the present study warrants a much less formal analysis of the connection between individual and entity-based levels of analysis, reconciliation between the different levels of explanation would be welcome in future work. In this regard, the analysis of evidence from board meeting minutes may offer a means of connecting board-level decisions with individual board members' contributions to board discussions and their voting behaviour.

3.2 Standard Setters as *homo economicus* or *homo sociologicus*?

A particularly interesting element of Ramanna's study is that it suggests possible determinants of board member preferences for fair value accounting which, in turn, motivated the FASB to remove potential obstacles such as the concept of reliability. Initially, Ramanna describes the board members at the FASB (and, relatedly, at the IASB) as having an "ideological predisposition" to, or "familiarity" with, fair value accounting. Drawing on earlier work (Allen & Ramanna, 2013), Ramanna claims that such attitudes were the result of the board members' prior experience working in the investment banking sector and hence their familiarity with the use of current values and financial economic valuation models. While this may reflect their susceptibility to lobbying by external groups who wish to promote various interests, such as the financialisation of accounting standards, it also engages with existing scholarship which considers how prior affiliations and group effects might shape the ideological commitments of board members and staff at standard setting organizations (Baudot, 2018; Morley, 2016). Such ideological commitments may in turn shape the norms of appropriateness within which standard setters operate (Young, 1994) and hence their behaviours. Such external influences result in a cultural and historical construction of actors' identities (see for example, Meyer & Jepperson, 2000).[7]

Viewed through a sociological lens, this construction of *actors* at the FASB — that is, the way they view themselves or respond to social pressure — is associated with their dispositions and epistemic commitments. For example, a sense that fair value accounting, or models built on financial economics, make sense form part of a set of connected beliefs which are constitutive of these individuals. The behaviours which result from these sets of beliefs are not the result of *rational* deliberation, but rather the expression of social forces through the individual.[8] On this view, standard setters may, for example, view certain states of affairs as problems which need to be addressed ('problematizing') and they may then unthinkingly limit the range of what they view as both these problems and appropriate solutions (Young, 1994). Similarly standard setters may construct the concept of the 'user' in particular ways which reflect the demarcations accepted generally by the standard setting community (Young, 2006). Ramanna employs a sociological framework in his study to the extent that he investigates the ideological commitments of FASB board members to fair value accounting and hence the 'construction' of individuals at the standard setting organization. This construction of the standard setters relates to the context (broadly construed) in which those individuals operate (Miller, 1998; Miller & Napier, 1993)

Yet Ramanna also engages in economic (or 'functional') analysis, which aims to explain standard setters' *actions* based on their incentives. As such, individual board members at the FASB are viewed as rational agents who conform to the definition of *homo economicus*. They engage in rational deliberation, choosing actions which maximise their utility (given their preferences) to the extent possible in the face of any constraints they face. Consequently, on this economic view, individual standard setters (and the standard setting organization viewed as a group agent) engage in ongoing cost-benefit trade-offs in the choices they make over issues ranging from agenda-setting and voting to choices about engaging in conceptual veiling activities. This economic view differs from the sociological view in which individuals are shaped by the environment in which they operate and unknowingly view issues through a socially constructed lens.

Furthermore, Ramanna also draws attention to the fact that both sociological and economic frameworks can be used in parallel for analysing a particular

7 A significant literature in sociology addresses the "social construction" of actors, originating in work on the social construction of reality (Berger & Luckmann, 1966), and followed by work in the philosophy of science (Hacking, 1986, 1999) and accounting (Hines, 1989; Young, 2006).

8 In contrasting rational deliberation with the effects of social forces on individuals, the work of Stenka (2021) is relevant.

phenomenon. He argues, for example, that *either* epistemic commitments *or* economic incentives (or both) could drive standard setters' actions (page 20/21). Having considered the standard setters' epistemic commitments, he then proposes that the increasing proportion of FASB standards using fair-value measures "can also be attributed to their economic incentives". The presentation of these two alternative forms of analysis within the study – one sociological and one economic – seems to ignore the tension between the two approaches. These different ways of investigating accounting phenomena reflect distinct, and competing, families of theories within the accounting literature (Chua, 1986). Perhaps Ramanna's pragmatic approach in choosing the best theory for addressing each different question reflects his prioritisation of explanatory quality over conformity to a theoretical scheme.

Ramanna's engagement with elements of both sociological and economic approaches suggests his view that both can contribute to our understanding of this case and should not be viewed as mutually exclusive tools for providing a useful explanatory account. Ramanna presents an economic explanation of the actions of the FASB board members, while acknowledging that familiarity and ideological commitments play a role in shaping preferences and hence incentives. Other scholars have offered similar rational reconstructions of sociological explanations, for example Bicchieri (2006), who explains social norms using the framework of the rational agent. Some scholars embedded within either the sociological or the economic tradition might question the theoretical logic of engaging in both sociological and economic analysis. However, an advantage of Ramanna's pluralism is its matching of specific forms of investigation for each different element of the phenomenon under investigation, thereby enriching the overall account provided. The combining of different frameworks has the potential to generate new theories in accounting research (Boxenbaum & Rouleau, 2011).

3.3 A Causal or an Interpretive Analysis? (Or Causal *and* Interpretive?)

Not surprisingly, given his pluralistic approach which encompasses elements of sociology and economics, Ramanna's study is not obviously categorizable as either interpretive or causal. He thereby taps into a rich tradition in social science which rejects the separation of interpretive and causal research (Davidson, 1963; Weber, 1978). The intersection of the two schools of research is expressed clearly by the sociologist Max Weber who wrote:

> Sociology (in the sense in which this highly ambiguous word is used here) is a science concerning itself with the interpretive understanding of social action and thereby with a causal explanation of its course and consequences (Weber, 1978:4).

In line with a Weberian view, Ramanna's study offers a causal explanation of the FASB's actions, for which the causes are based on the intentional stance of individuals at the organization and hence on an interpretation of their motivations. Interview evidence is used as a means of accessing the intentional states of individual decision-makers. Subsequently, as part of his analysis, Ramanna synthesizes evidence of these individuals' motivations with documentary evidence to propose a critical interpretation of the FASB's actions with respect to debates on reliability. As such, this study adheres to the Weberian view of explanation, which integrates understanding and causality.

The causal approach taken by Ramanna is also consistent with the "anomalous monism" developed in the philosophy of action (Davidson, 1963).[9] For Davidson, reasons can be causes of actions, but causes so identified do not fall under causal laws. The fact that individuals at the FASB wanted to avoid public scrutiny regarding their "capture" by the interest groups which supported the idea of fair value accounting, can be taken as both the reasons for *and the causes of* their attempts to shift the narrative at the FASB. However, the causal explanation based on Ramanna's description of the FASB's *reasons* for engaging in conceptual veiling, cannot, according to anomalous monism, be viewed as falling under a causal *law*. This is because reasons are intentional attitudes (i.e., the psychological states of the FASB board members) that are (1) embedded in a complex holistic web of interdependencies, (2) involve descriptions which are often subjective, and (3) may refer to events via properties which are not causally relevant (however, see Honderich, 1982). The constraints imposed by anomalous monism limit the claims to generalisability of Ramanna's causal account, given that it offers reasons as the causes of conceptual veiling.

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9 Davidson called his view "anomalous monism" because it consisted of three claims which, at face value, appear mutually incompatible: (i) that some mental events causally interact with some physical events; (ii) that any two events which are causally related are covered by a strict law; (iii) that there are no strict laws which can be used to predict or explain mental events. Assuming that mental events are, sometimes, causally related to the actions people take — as in a person remembering a particular piece of evidence leads them to decide to take a particular action — the incompatibility is readily apparent. How can there be no strict laws which apply to mental events if some of them cause people to take actions? Davidson's resolution to the anomaly was to note that whether two events are causally related depends only on what those events *are*, whereas whether they fall under a causal law depends on how those events are *described*. If an event can be described in a number of different ways, then one description may fall under a law but under a different description it may not.

Yet what *can* potentially be generalised in Ramanna's account is the idea of "conceptual veiling". The development of this concept is consistent with a requirement of a Weberian causal explanation regarding the formation of concepts. A philosophical reconstruction of Weber's theory — the theory of ideal types — identifies the purpose of 'concept formation' as follows:

> [C]oncept formation represents idealizations, artificial constructions, whose purpose is to lead the way to the discovery of causal relations between concrete empirical and individual phenomena. (Ekström, 1992:118)

Ramanna's use of "conceptual veiling" is consistent with this view in that it links interview evidence (of individuals' intentions) to the actions taken by the FASB (which can be viewed as the collective outcome of those individuals' actions). Within accounting, whether "conceptual veiling" is generalisable is an empirical question. While some controversial episodes of standard setting, such as that of comprehensive income accounting, have apparently not been the subject of conceptual veiling (Detzen, 2016), the concept of 'conceptual veiling' is a candidate for broader application. After all, the desire of individuals at a regulatory authority to evade scrutiny by attempting to rewrite the public narrative about their actions can, as Ramanna suggests, be found to play out in numerous settings. One such example offered by Ramanna in his paper is the framing of Genetically Modified (GM) foods as a solution to global hunger, which serves to dismiss complaints that regulators are too closely linked to large agribusinesses supporting GM foods. Relatedly, he also notes that financial regulators blame financial crises on certain theories which are intended to shift focus from their poor decision-making. In summary, although treating reasons as causes may potentially limit the generalisability of the causal relationship identified for the case in question — if one is committed to the view that generalisability requires strict laws —Ramanna's development of 'conceptual veiling' nevertheless serves as a helpful template for understanding regulatory action in many other settings.

4 Future Research and Conclusion

Ramanna's study sets a potentially fruitful agenda for accounting scholars by highlighting issues of regulatory accountability and an example of the subversion of the FASB's governance regime. He argues that the standard setter misled stakeholders about the true reasons for its removal of the term "reliability" from the conceptual framework which was intended to legitimize the extended use of fair value accounting in US GAAP. Beyond this important contribution, I highlight four specific issues raised in this study which deserve further attention by accounting scholars.

First, Ramanna discusses the problems that exist for accounting standard setters in maintaining the consistency of the conceptual framework, the standards which pre-dated the conceptual framework and new projects under development (on page 14). Issues of consistency have been raised in the literature (Alexander & Morley, 2021; Morley, 2016) but future work could examine in more detail the potential for conceptual veiling by standard setters regarding the inconsistencies which persist (e.g. the different definitions of liabilities in the conceptual framework, IAS39/IFRS9 and the Liabilities Project to revise IAS 37).

Second, the study demonstrates how governance procedures can be ineffective in the face of conceptual veiling, which then begs a number of questions about the regulation of standard setting organisations such as the FASB. For example, how effective *are* their governance structures? And to what extent are activities such as conceptual veiling constrained by existing structures at the FASB (and the IASB)? Finally, what improvements could be made to the existing structure to mitigate against the self-serving activities of individuals or groups. Research into these questions of governance and due process would complement Ramanna's work on conceptual veiling.

Third, practical issues related to the organization of board meetings are noted in this study. On page 33, Ramanna notes, "Only fifty minutes were allotted to this part of the meeting despite heavy opposition from constituents." Such scheduling issues raise questions about the extent to which practices regarding the administration of the meeting agenda constrained deliberation and enabled conceptual veiling to be carried out effectively. Furthermore, on page 45, an interview with a FASB staffer suggests that much of the deliberation on issues such as reliability took place outside board meetings, as "a lot of stuff happens behind the scenes". This raises a fascinating question about the extent to which the deliberation which takes place in the public forum of board meetings actually contributes to project outcomes, and if not, when and where these deliberations occur.[10]

Fourth, Ramanna touches on the fact that the standard setters argued for a revisiting of the term reliability because they claimed that no common understanding of the term existed. Different interpretations noted (in Section 3.2) included reference to verifiability, freedom from material error, precision, and faithful representation. The persistence of such varied interpretations is itself of

10 Other scholars have highlighted other cases where the FASB appears to have obscured the motivation for its choices, for example in the abandonment of traditional goodwill accounting where the FASB was apparently motivated by the desire to address the needs of preparers as well as improving the usefulness of financial reporting for users (Busse von Colbe, 2004).

interest, and future research could usefully trace the variety of meanings associated with the term by different stakeholders and how it was possible that such dissonance was tolerated by different stakeholders. One possibility is that semantic drift in such concepts was useful to the FASB as it justified the need for regulatory actions which were potentially self-serving, as Ramanna has argued for the removal of “reliability”.

To conclude, Ramanna’s detailed and critical study raises an important concern regarding the accountability of a key accounting regulator, the FASB. It charges the organization with obfuscation in the debates over reliability as a means of deflecting potential criticism of its actual or perceived capture. This challenge to the governance of the FASB is timely and will no doubt prompt further investigation into these issues by accounting scholars.

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