

ROSS ROUNDTABLE DEBATES THE ROLE OF GOVERNMENT IN SETTING ACCOUNTING STANDARDS

“No one complained when market-to-market accounting principles meant marking up,” commented Stern Accounting Professor Seymour Jones, who led a discussion about political influence on accounting standard setting last November at Stern. In light of the increased scrutiny on accounting practices as a result of the financial crisis, he asked, “To what extent should government control GAAP?”



(Bottom, left to right) Accounting experts Robert Herz, Seymour Jones, Mark Lilling, and Joshua Ronen discussed the government's role in setting accounting standards for the industry.

cussed his joint research entitled, “Are Republicans Conservative?” which studied auditor comments about accounting standards over the course of several years. He found that as the number of Democrats serving on the FASB decreased, the number of favorable views on standards expressed by the “Big Eight” accounting firms increased.

Pointing to the failure of conventional regulation, Robert Herz, chair-

man of the FASB, argued that incentives for business leaders to employ a “delay and pray” tactic in their financial reporting were significant culprits in the financial crisis and need to be addressed.

Taking an opposing view, Stern Economics Professor Lawrence White underlined the value of a “delay and pray” option for companies during an economic downturn, saying that when it works, it saves companies and investors from unnecessary pain.

Citing a number of obstacles to obtaining high-quality financial reports, Stern Accounting Professor Joshua Ronen offered a possible solution: using management’s expected value of cash flows alongside the disclosure of current exit values as a measure of downside risk.

“Individuals who care about accounting standard setting need to get organized and foster more debate on these topics,” stressed Stern Accounting Professor Stephen Ryan.

Some 40 academics, practitioners, and policy makers gathered for a roundtable discussion, hosted by Stern’s Vincent C. Ross Institute of Accounting, to debate whether or not the Financial Accounting Standards Board (FASB) should be insulated from political pressure.

“The government is now reaching into the healthcare sector and auto industry,” explained Mark Lilling, CPA (BS ’72), of the Audit Committee Consulting Team LLC and of Lilling & Company LLP. “So government involvement in accounting standard setting seems almost natural.”

Raymond Beier of PricewaterhouseCoopers LLP argued that standard setting needs to be independent and free from government influence. NYU School of Law Professor Stanley Siegel posed the idea of creating a principled process in which politicians openly share their objectives when pushing for changes to accounting standards.

Karthik Ramanna of Harvard Business School dis-



MEET DEAN HENRY

HE’S READY TO LEAD STERN INTO THE 21ST CENTURY

After his second month on campus, NYU Stern’s new dean, Peter Henry, sat down with STERNbusiness to share his initial impressions of and vision for the School.

Q: Help our alumni get to know you. Tell us a bit about yourself.

A: Let’s start from the very beginning. I was born in Jamaica in 1969. In 1978, my parents decided to move to the United States in search of a better future for our family of six. I quickly learned two things from the move. First, January in Brooklyn is a lot colder than January in Kingston. Second, middle-class families in the US have far more income than they do in Jamaica. Trying to understand why standards of living are lower in some countries than others – and what we can do about it – remains a personal mission for me some 30 years later. In fact, it has been the driving inspiration behind my research as an international economist, examining emerging markets and the forces that shape the global economy.

Both of my parents are scientists, so I grew up in a household where we constantly confronted theories with facts – we batted around a lot of ideas at the dinner table, but you had to support your views with evidence. As a result, I learned to think big, as long as I had the facts to make my case. I’ve relied on this approach to decision-making throughout my career. I guess you can say that I’m a pragmatic idealist.

On a more personal note, I was a varsity athlete in

college (football at The University of North Carolina, basketball at Oxford University) and now enjoy playing sports with my four boys, reading novels, and watching Masterpiece Theater with my wife, Lisa.

Q: What attracted you to pursue the deanship at NYU Stern?

A: Last April, I was sitting in California, working on my book and enjoying a much needed break after my work for President Obama’s Transition Team (see last question), when I got a call asking me to apply for the deanship at NYU Stern. I was thrilled. The NYU Stern deanship is the only one in the world that I would have taken. The fit was just right. The story of NYU is one of hope, energy, and dynamism – optimistic, creative people, working tirelessly in search of a better life. There are many variations on this story – night school, long commutes, international relocation, scholarships, part-time study, and the list goes on. Although I do not have a degree from NYU, as an immigrant kid, I have an NYU story of my own. This is why I felt an immediate connection to the NYU culture and community.

I was also compelled by the opportunity to take part in NYU President John Sexton’s mission to redefine what “international” means in higher education – to create the one-of-a-kind global network university that is only possible at an institution like NYU. NYU’s global vision is the way of the future. For the first time in history, emerging markets are driving the world’s economic recovery, and a number of these countries will ultimate-



FOUNDER AND PRESIDENT OF COMMON GROUND, ROSANNE HAGGERTY, PRESENTS FIFTH ANNUAL HAITKIN LECTURE

At the Fifth Annual Haitkin Lecture, Rosanne Haggerty of Common Ground, a pioneer in research and housing development dedicated to helping individuals overcome homelessness, presented “Entrepreneurial Approaches to Ending Homelessness.” The annual lecture series, made possible through the generosity of Jeffrey M. Haitkin (BS ’68), is dedicated to supporting the continuing discourse on significant emerging issues in business ethics.



ly supplant some of today's G10. The privilege of being asked to help chart the course of one of the world's leading business schools at a time of such a profound reordering of the global economic landscape struck me as a once-in-a-lifetime opportunity.

Q: NYU Stern's New York City location is a terrific asset for a business school. What are your thoughts about leveraging this location?

A: New York is a strategic hub in both the global economy and the global network university of NYU. Our location enables us to engage readily and regularly with alumni, business leaders, and policy makers from all over the world. Of course, a hub is by definition a launching pad to other places as well as an inbound destination. We intend to venture out into the world more than ever, engaging with alumni, from Scarsdale to Shanghai, Manhattan to the Middle East. We will use the breadth and depth of our faculty excellence, coupled with Stern alumni in leadership positions around the world, to convene, shape, and drive the great conversation between business, government, and society. I hope that our alumni around the country and the globe will serve as active participants in this endeavor.

Q: Can you share your plans for Stern?

A: During my early days as dean I've been listening to and sharing views with many different groups within the Stern community – students, alumni, and our boards. But I've also solicited views from outside of our community to gain a broader sense of the issues on the minds of business and policy leaders and to assess possibilities for mutually beneficial partnerships. As I listen to suggestions and evaluate challenges and opportunities, I am keenly aware of the importance of articulating goals and holding ourselves accountable to measurable outcomes. We have a plan, and I want to share the three key strategic priorities that will drive it. First, we want to deepen and diversify our excellence. We are stellar in finance, but we will strive for undisputed excellence in other areas that are central to our mission. Global economics is a major priority, for example, and I'm delighted to report that Nobel Laureate economist Mike Spence (page 28) will join the Stern faculty this September. Second, we need greater alumni engagement, which means we need you to stay involved and to let us

know how we can better serve you. Together we have a tremendous opportunity to deepen our engagement with corporations around the world, extend our policy influence, and continue to improve the student and alumni experience. Third, we are going to take great advantage of and tap into the innovation, energy, and global interconnectivity that is at the very heart of NYU and the global network university.

Q: What do you hope to bring to the School as the new dean?

A: An eye for the big picture. As we emerge from the most significant financial crisis since the 1930s, the global economy is at an inflection point. We don't know what the future holds, but we do have an opportunity to develop leaders who will help shape it. The complex, multifaceted problems of the 21st century – global imbalances, rapid urbanization, and environmental sustainability, to name a few – will require leaders who bring a multidisciplinary, integrative approach to problem solving. We need leaders who will deliver solutions to the greatest challenges of the day because they are comfortable with ambiguity, ask the right questions, and because they understand that business, policy, and society are inextricably linked. So, first and foremost, I bring a new, integrative mindset to the learning experience we deliver. Second, having professional ties on the West Coast as well as in Washington, I plan to help broaden, deepen, and open doors to new networks. Perhaps most important, I bring optimism, energy, enthusiasm, and great passion to work with faculty, students, and alumni to propel Stern to a place of undisputed excellence in research, teaching, and impact.

Q: What do you see as the major challenges and opportunities facing business education today?

A: As the world economy changes, we will need to be nimble and adapt to a landscape that will likely be quite different in the future. Emerging markets represent the future of growth. How do we prepare future managers to function effectively in multiple countries and cultures? How do we train a generation of CEOs and business leaders who will make it a corporate imperative to have their employees function as efficiently in the Middle East as they do in Manhattan? With these great challenges comes an incredible opportunity to meet them head on.

Q: What do you see as the function of business globally?

A: Business is one of the most powerful institutions on earth for generating wealth, creating jobs, and helping to lift people out of poverty. We're at a critical time in global business. Capitalism has come under question, economic policies are being reconsidered, and countries are groping to find the best way forward. We need to remind the world of the positive impact that business delivers when it behaves responsibly. Business schools need to be at the forefront of this discussion.

Q: What are your plans to raise the profile of Stern in the business community?

A: I am already spending time talking to employers, encouraging them to invest in our students, who stand out from the pack because of how they effectively integrate emotional intelligence with intellect. But I also need your help. You are the leaders of business around the world. You have the opportunity to strengthen your own mini-Stern network within your firm, which enhances our profile from the ground up. The next step is to take advantage of the many linkages that exist, but that may currently be untapped, among these Stern networks and the business and policy communities at large. Participating at all levels is what will make the difference for all of you.

Q: How will you work to strengthen the Stern alumni network?

A: I am getting out and meeting with alumni – I've traveled as far as San Francisco, Los Angeles, and London. Closer to home, I have made stops in Washington, New Jersey, and Westchester in my first few months to get to know our community and inspire them to take part in our future. But the point I want to stress is that the Stern network is YOUR network. Nurture it, leverage it, show your pride in it, and deepen it. It is you who are the strength of the network and the School.

Q: What role do you see alumni playing in advancing your goals and vision for Stern?

A: Your active involvement in the Stern community is paramount to our success. Hire our students, be a mentor, support the next generation of Stern-educated business leaders, engage in the discourse of ideas with fellow alumni and faculty. And please give generously

to Stern. We need your financial support to provide scholarships to talented students of limited means, hire the best faculty, and upgrade our physical facilities. Most important, be an ambassador for your alma mater – as pride travels most effectively by word-of-mouth and makes the most credible and powerful impact.

Q: You're an economist who studies economic reform in emerging markets. Tell us about your research.

A: Let me briefly share an example that hits close to home for me. In spite of having virtually identical institutions, the standards of living in Barbados and Jamaica diverged widely in the 40-year period following their independence from Britain in the early 1960s. Why did this happen? During the implosion of the Jamaican economy during the 1970s and '80s, the government ran large budget deficits, closed the country to international trade, and intervened extensively in the economy. In contrast, Barbados maintained fiscal temperance, kept state ownership to a minimum, and embraced open markets. The cumulative impact of this difference in decision-making is striking. In 1960, real income was \$3,400 per person in Barbados versus \$2,200 in Jamaica – a difference of \$1,200. Today, the gap between incomes in the two countries is five times as large, and the gap itself exceeds the entire average level of income in Jamaica. What can we learn from this slice of Caribbean history? Simply put, public policy is directly connected to economic outcomes. Without good public policy, business suffers, and so do standards of living. Governments, large and small, would do well to remember the lesson of this Caribbean parable.

Q: You were on the Obama transition team. What was your role and what did you take away from that experience?

A: I led the Obama Transition Team's review of the International Monetary Fund, World Bank, and other international lending agencies. This was a high-octane lesson in what constitutes successful team dynamics. Team members who shared their ideas in the spirit of advancing the President's goals – exhibiting transparency and true team play – were the most credible and persuasive. Those who chose to row in their own direction were less effective. The take-away? One can wield incredible influence as a team player if you simply remember that you're playing for the team. ■