

# Xenophobia and accounting

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The last editorial of this prestigious magazine, written by Prof. David Gosell, reminded me of past episodes, some good and others not that much. But I thought it was fantastic. I talked about this and the reason for my opinion to Prof. Gerlando and, like every big mouth, I ended up with a task: to pass on to this editorial what I had discussed with him.

It is interesting to link Accounting to xenophobia, which at first sight seems to be totally meaningless. But let me remember some very vivid moments on this subject.

In the 1960s, not only in Brazil, but in many, many countries, there was a strong political reaction against the American influence on everything: the economy, the cinema, the music, the customs, and especially against the products of that country. The end of the world war 15 years earlier had led to the strong flourishing of that country's influence on almost every country in the world. And it gave rise to political developments and even fierce and violent reactions against this influence, and especially against the expansion of transnational corporations (in fact, in some places against European ones as well).

The strong expansion, mainly of US companies around the world, triggered enormous reactions. For example, a Brazilian book called *Um Dia na Vida do Brasilino*, still available in second-hand bookstores, described the life of this character who used foreign soap, foam and razor from a foreign company (no matter if they were produced here), etc. Thus, we could follow everything he did in one day, highlighting the influence of the foreign culture and products, especially from North America. And a movement was instigated not only not to consume these products, but mainly to prevent the entry of these companies. Everything should be done with genuinely Brazilian companies.

This culminated, in combination with other allegations, in very strong political movements, such as those in France, Brazil and other places, such as those of 1968.

Another strong movement started in some countries: requiring the financial statements of foreign companies to be much more detailed than those required of domestic companies, regardless of their legal form. To know "how much was stolen" from there. That is, Accounting turned into another activity area of the group for which xenophobia was practically its rationale.

This is not to be confused with more modern movements about the disclosure of large companies' financial statements, because this is due to the so-called unfair competition of limited liability companies, which do not disclose anything when compared to the corporations. But, to my knowledge, nothing is mentioned today about discrimination between Brazilian and foreign companies. The disclosure of this information is sought because society seeks access to the assets of publicly traded companies and privately held corporations and how they change, but not of limited liability companies. This information is sometimes vital for a given economic segment, for a huge set of employees, to support some cities, etc.

By the way, this matter of large limited companies' information disclosure is almost a police issue; please excuse my burst, but I am outraged by this contempt towards the Brazilian society: they are using the country's human, natural, social and financial resources on an extremely large scale, but they are not accountable. And we are not at all dealing with individual or medium-sized or small businesses that really do not have to be accountable to society at all.

Outside Brazil, some successes have been achieved with regard to these discriminatory requirements. In our country, we also had this movement, but it never got into accounting legislation or standardization. This movement decreased in Brazil during the 1970s, but not necessarily in so many other places. It was still so strong that, by the end of this decade, several North American and European companies and governments took the problem to the United Nations.

And many discussions happened without anything effective actually taking place until 1982, when the UN decided to set up an organization called the ISAR Group - The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, linked to the United Nations Center on Transnational Corporations (UNCTAD) of the UN.

The main objective of this group was to issue accounting and disclosure standards that could be required from international and national companies, but on an equal basis with national ones, also taking the opportunity to try to converge accounting standards around the world. But the important thing was to discourage certain countries from demanding more than those standards. These documents are virtually unknown today, but some of them are fantastic, such as Objectives and Concepts Underlying Financial Statements, dealing with the effects of inflation (much better than IAS 29, CPC 42 - Accounting for Hyperinflationary Economics in force today) and others.

In the early 1980s, a professor who was viscerally against US accounting and the North Americans themselves was indicated to be the Brazilian representative. Unfortunately, his performance went that far beyond the behavior required in such a diplomatic body that the US delegation withdrew from the group and the Brazilian government was asked to no longer appoint him.

The worst was that Brazil appointed, after that, a diplomat secretary for the representation. The country almost definitely lost its seat.

In 1986, while I was serving on the Brazilian Securities Commission (CVM), I was invited to represent Brazil, which I did until 1990. By that time, those political movements had already greatly diminished until, in the last year I was there, I suggested, that the group be closed and that it should support the IASC (now IASB) at the UN, a suggestion that was accepted. The group did not finish but, on the initiative of my successor, Prof. Nelson Carvalho, it started to take care of other objectives, such as Education, Environmental Accounting, etc. No more accounting standards were issued.

And the interesting thing is that, not only in Brazil, but in most of these non-Saxon countries, is that the xenophobic environment was not limited to disclosure, but to the very way of positioning US Accounting. It became a craze to write against US accounting principles, audit advice from that country, statements presented differently there when compared to continental Europeans, etc.

For long, this thinking against Anglo-Saxon accounting was also present in Brazil. But all was not bad; amidst this ideological and even accounting fight, a fact occurred in our country.

The good side of the story: In the early 1960s, Brazilian Accounting teaching was entirely founded on Italian and, why not, also French *aziendalismo*, the study of corporate accounting. The Accounting course began with Homeric discussions of theories such as comtism, personalism, neocomtism, controlism, etc., often without the student even getting acquainted with a balance sheet. And they also discussed the different forms of societies, bonds and documents, with scholarly lectures on their legal aspects, and all without yet presenting the student to a balance sheet. And the fiscal influence even gained more solid ground, to the extent of dominating the accounting standards of so many of these countries (any similarity is no coincidence).

After the retirement of a chair of General Accounting at FEA/USP in 1963, Prof. José da Costa Boucinhas, who occupied another chair, Prof. Alkindar de Toledo Ramos took control of Accounting and was charged with starting, as early as in his first year, to teach Accounting in the form of the American school, also because this teacher had already pronounced himself strongly in favor of this branch.

And a different course started: first, presenting the balance sheet, with successive operations, the income statement, then learn debt and credit and the formal construction of financial statements. Legal presentations passed to the disciplines of law.

And the at the time called “generally accepted accounting principles” of Anglo-Saxonism (basically the quantitative characteristics of today’s accounting information - entity, continuity, competence, relevance/materiality and others) were being discussed during this evolution. In the end, yes, discussion of this theory, none of those Europeans that, at bottom, really did not add to the domain of Accounting.

And, since the first year, the great emphasis: Accounting has to start by being an information system focused primarily on management; then to lenders and investors. The side of the management use was almost venerated, and this movement was accentuated when Prof. Sergio de Iudicibus took over the chair.

And that started a movement (of which I was a guinea pig in 1964 when I joined FEA, but which encouraged me to move to Accounting). But a certain xenophobic feeling took hold of so many schools and so many teachers: adopt the American model? That was inadmissible. We came to be publicly called “the USP bunch” by a famous teacher at the time. We experienced for ourselves the weight of this whole Brazilian movement against, but “Introductory Accounting” (under the leadership of Prof. Sergio), the only book in this area at the time, was slowly advancing.

But the movement really changed more completely in 1976, with the Corporation Law (Law No. 6.404/1976) bringing here all the best of US accounting standards (so we suffered little to get into international standards, so strongly based on English philosophy, in 2008/2010 - we were among the best prepared countries for this purpose). From then on, the opposition movement copied down, but it seems that it has cooled down well only in the last ten years. But the fight against this law was also enormous, and one cannot claim that this way of thinking stopped existing; we still find some of them out there.

But what is interesting is that, in the most political part and in the disclosure of financial information, xenophobia was widespread against foreigners, although mainly turned against US influences. But in the teaching of accounting and in the practice of the profession, it was a xenophobia that encompassed Brazil plus Italy and France against North Americanism.

What has happened in recent times is a movement that can be valid either exclusively on the economic side, or on the national security side (reasons that approached that they may be genuinely valid sometimes), without knowing whether there is any xenophobic basis either, at least partially.

For example, discrimination against foreign capital is widespread, including in some political parties. International transfer pricing and foreign profit distribution and taxation policies are sometimes overseen with apparent movement along these lines, even when pure and simple reading of the standards does not show this in any way, which is a major factor in accounting.

And most recently, still in the year 2019, something very interesting occurred on the occasion of the implementation of IFRS 16 - Leases, in Brazil represented by CPC 06 (R2) - Leasing Operations.

I think the vast majority of us did not know that it is forbidden for foreigners not only to acquire land in our country, but also to practice leasing. That is why foreign companies enter into contracts of a different nature, but in essence they are covered by this standard, because it deals not only with leasing, but also with rents, partnerships, franchises, usage rights in general. But there has fear, which still exists, that if such a transnational corporation meets this standard, some will consider this a violation of the law that prohibits foreign leasing. Because of the fact, the CPC has spelled out recently and more clearly, that although the title contains the word tenancy, it is used in a way familiar to English-speaking people, that is, in a much broader sense than we usually understand as leasing.

That is, it seems silly at first sight to talk about xenophobia in Accounting or prowling around Accounting, and Prof. Gosell very rightly broached the subject. This can always happen again. That was the reason for this initiative to comment on the matter, and in this distant country called Brazil.

Let us remain always open. It is not because it is foreign that we should not, out of pride, use it; and it is foreign that it is good in and of itself and we automatically have to subordinate ourselves. Let us always perform a proper technical and dispassionate analysis first; Let us always measure the pros and cons and decide each time what is best for the country. By the way, this was what happened when the international standards were adopted in 2008/2010, and the good consequences are there with a new stereotype of the high-quality accountant, a new image of accounting and our companies' decreasing cost to raise capital, from third parties as well as their own.