

PUBLIC ACCOUNTING AND THE MYTH OF THE PUBLIC INTEREST

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Abstract

For decades it has been drummed into the conscience, the consciousness, and the subconscious of accounting students, researchers, and practitioners alike that the public interest is the *sine qua non* of the public accounting profession. Accounting researchers have attempted to explore the multi-faceted nature of what is referred to as the public interest based on the assumption that the public interest actually exists in the public accounting profession (including professional accounting organizations, government and quasi-government regulatory agencies, and auditing and accounting standard setting bodies). This paper questions that assumption by conducting an exegesis of the texts of the legislative findings, statutes, and purposes and missions of professional accounting organizations, government and quasi-government regulatory agencies, and auditing and accounting standard-setting bodies. It concludes that the assumption that the public interest exists in the public accounting profession is a myth that disguises what interest the public accounting profession actually serves and blinds the public from understanding what is meant by serving and protecting the public interest.

What you need is a gramme of soma. Benito. (Aldous Huxley, “Brave New World”)

INTRODUCTION

For decades it has been drummed into the conscience, the conscious and the subconscious, of accounting students, researchers, and practitioners that the public interest is the *sine qua non* of the public accounting profession (including professional accounting organizations, government and quasi-government regulatory agencies, and auditing and accounting standard-setting bodies), and that their mission and *raison d’être* is to serve and protect the public interest. Furthermore, as discussed below, regulatory bodies, as well as public and private auditing and accounting standard-setting organizations prominently declares that its mission and function is to serve and protect the public interest.

Whether the public interest is called a paradigm, a construct, a philosophy, rhetoric, propaganda, or an ideology, the public believes that the protection of the public interest is a characteristic of the public accounting profession, professional accounting organizations, government and quasi-government regulatory agencies, and auditing and accounting standard-setting bodies due in no small part to the securities laws and the relationship of the public accounting profession with economic systems, financial statements, and capital markets. While the public accounting profession, regulatory bodies, and auditing and accounting standard-setting organizations dutifully assert that they operate “in the public interest,” accounting researchers have attempted to examine the multi-faceted nature of what is referred to as the public interest without questioning the basic assumption that the public interest actually exists in the public accounting profession, and that the purpose of securities laws is to protect the public interest.

Previous research has examined the nature of the public interest and how the public interest and its protection might be interpreted within the field of public accounting such as the importance of the public interest in public accounting, auditor objectivity, or enforcing codes of ethics. This paper is unique, however, in that it does not discuss such things as philosophy, theories, or ideologies of the public interest. This paper goes behind the philosophies, theories, and ideologies of the public interest by not only questioning the validity of the assumption that the protection of the public interest is an attribute of the public accounting profession, auditing and accounting standard-setting bodies, and regulatory agencies but also whether the public interest actually exists in the public accounting profession, auditing and accounting standard-setting bodies and regulatory agencies

This paper adopts the method of Sikka, Willmott, and Lowe (1989) and Huber (2015) of examining the missions, charters, statutes, and legislative findings of auditing and accounting standard-setting bodies and government regulatory agencies by conducting an exegetical analysis of the languages of the missions, charters, statutes, and legislative findings of auditing and accounting standard-setting bodies and government regulatory agencies. Exegesis (from the Greek ἐξήγησις) is an explanation or critical interpretation of a text (Merriam-Webster 2015 <http://www.merriam-webster.com/dictionary/exegesis>)

While Sikka, Willmott, and Lowe did conduct an exegetical analysis, they explain the advantage of limiting the inquiry to the documents and legislation of auditing and accounting standard-setting bodies and government regulatory agencies.

“A variety of competing conceptions of what ‘public interest’ is, and how it may be served, could be presented and critically appraised. Following this appraisal, a number of criteria for serving the ‘public interest’ could be identified which,

inevitably, would reflect the values of the authors. On this basis, such an approach would proceed by revealing the degree to which the policies and/or practices of the accountancy profession conform to these criteria. Without denying the relevance and contributions of approaches which favour the adoption of 'external' standards of assessment, this article relies on criteria presented in documents internal to the profession...the strength of our approach resides in its robustness to criticism that the conduct of the profession is being evaluated in terms of values or criteria which it has no legal or moral obligation to uphold. The article is therefore limited to raising questions about whether the profession is fulfilling its own formulation of what it is to serve the 'public interest'" (pp. 49).

In questioning whether the public interest actually exists, parsing the language in the "documents internal to the profession" will reveal what the profession itself recognizes as the public interest and whether the profession itself believes the public interest exists as the public interest, or whether the public interest means something else. An exegesis of the texts of the legislative findings, statutes and other internal documents of auditing and accounting standard-setting bodies and government regulatory agencies exposes the real meaning of the public interest.

This approach allowed Sikka, Willmott and Lowe (1989) to conclude that the accounting profession "takes less than seriously its obligation to serve the public interest." This approach also allowed Huber (2015) to find that the public interest as professed in the missions of U.S. and international professional accounting bodies is plagued by significant inconsistencies, contradictions, and conflicts. This paper goes further, however, by establishing

that the inconsistencies, contradictions, and conflicts are the result of the public interest being a myth.

The next section reviews public accounting and the public interest according to statutes, missions, and codes of professional accounting organizations, auditing and accounting standard-setting bodies and regulatory agencies. Conclusions follow.

PUBLIC ACCOUNTING AND THE PUBLIC INTEREST: STATUTES, MISSIONS, AND CODES

In addition to the U.K. accounting bodies examined by Sikka, Willmott and Lowe (1989) references, appeals, or mandates to consider, serve, or protect the public interest are found in the Securities Act of 1933, the Securities and Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Financial Accounting Standards Board (FASB), the International Federation of Accountants (IFAC), and the International Accounting Standards Board (IASB). The “public interest” is invoked to validate the purposes of various statutes, to support the adoption of rules or the enforcement of codes, or even to justify organizational existence.

Previous studies on the public interest and its relationship to public accounting have been conducted from the outside looking in where the public interest was considered as rhetoric, a philosophy, or an ideology. Yet, we are no closer now to understanding what public interest the public accounting profession, auditing and accounting standard-setting bodies, or government regulatory agencies profess to serve and protect than we were eighty years ago. A totally different understanding of the public interest and public accounting emerges, however, when seen from the inside looking out.

The SEC

One of the most widespread references to the term “public interest” is found in the Securities Act of 1933 and the Securities Exchange Act of 1934. Both the Securities Act of 1933 and the Securities Exchange Act of 1934 make frequent reference to the

public interest. However, the '33 Act makes no attempt to identify the public interest with the purpose of enacting the '33 Act as does the '34 Act.

Most sections of the securities acts apply to the financial reports of companies issuing securities to the public and to the preparation of their financial statements. Relatively few apply directly to public accountants, but many sections of the securities laws pertaining to the purposes and functions of the SEC, and that apply to the financial reports of companies issuing securities to the public and to the preparation of their financial statements, are relevant in considering the role of public accounting in the public interest

It is commonly accepted that the purpose for establishing the Securities and Exchange Commission was to protect investors and the public interest, but protecting investors and the public interest is merely derivative to the primary purpose. According to Congress

“For the reasons hereinafter enumerated, transactions in securities as commonly conducted upon securities exchanges and over-the-counter markets are effected with a ***national public interest*** which makes it necessary to provide for regulation...to remove impediments to and perfect the mechanisms of a ***national market system*** for securities...in order to protect interstate commerce, the national credit, the Federal taxing power, to protect and make more effective the national banking system and Federal Reserve System, and to insure the maintenance of fair and honest ***markets*** in such transactions...” (15 U.S. Code 78b emphasis added).

The explication is straightforward. Transactions in securities conducted on securities exchanges, i.e., the market, are

effected with not merely a public interest, but a *national* public interest. The national public interest makes it necessary to provide for regulation of the market in order to:

- remove impediments to and perfect the mechanisms of a national market system for securities;
- perfect the mechanisms of a national market system for securities;
- protect interstate commerce;
- protect the national credit;
- protect the Federal taxing power;
- protect and make more effective the national banking system and Federal Reserve System;
- and
- insure the maintenance of fair and honest markets in such transactions.

The public interest is unambiguously declared to be the market: the “national market system for securities” and “fair and honest markets.” Three of the seven purposes for regulation of the market are to remove impediments to the market, perfect the mechanisms of the market, and insure the maintenance of a fair market. The remaining four purposes are spread out over protecting interstate commerce, protecting national credit, protecting the Federal taxing power, and protecting the national banking system. That Congress intentionally omitted any explicit consideration of the public interest in providing for regulation of the market is glaringly obvious. It must therefore be concluded that including the market, but excluding the public, for the purpose of regulating the market was intentional. Even the protection of investors was omitted. What this means is that the public interest, even protecting investors’ interest, is ancillary to the protection of the market.

But in case the protection of the market as the ultimate purpose of enacting the securities laws and creating the SEC was

overlooked, Congress subsequently repeated, but with greater emphasis, how the public interest is to be considered.

“CONSIDERATION OF PROMOTION OF EFFICIENCY,
COMPETITION, AND CAPITAL FORMATION

—Whenever pursuant to this title the Commission is engaged in rulemaking, or in the review of a rule of a self-regulatory organization, and is required to consider or determine whether an action is necessary or appropriate in the *public interest*, the Commission ***shall also consider***, in addition to the protection of investors, whether the action will promote efficiency, competition, and ***capital formation***” (15 U.S. Code 77b(b), emphasis added).

Title 18 United States Code 77b(a) defines nearly two dozen terms used in Subchapter 77b. The public interest is not one of them.

Still not satisfied, Congress once more repeated as a stronger mandate how the public interest is to be considered as part of the rules of disclosure prior to purchasing investment products:

“CONSIDERATIONS. — In developing ***any*** rules under paragraph (1), the Commission ***shall consider*** whether the rules will promote investor protection, efficiency, competition, and ***capital formation***” (15 U.S. Code 77o(n)(2), emphasis added).

Here, investor protection is recognized, but only inasmuch as capital formation, i.e., the market, is considered. Capital formation, of course, means nothing other than the market or, as Congress refers to it, “transactions in securities in a national market system.” The public interest cannot, by law, be considered without considering the market. The unavoidable implication is that if a rule would protect the public interest, but such rule would not also promote efficiency (in the market), competition (in the market), or capital formation (the market), then the rule could not be adopted.

How shall the Commission carry out the policies and purposes of the Securities laws? Congress answers that question unequivocally. In addition to adopting rules for regulating the market that carry out the policies and purposes of the Securities laws,

“In order to carry out these policies and purposes, the Commission shall conduct an annual conference as well as such other meetings as are deemed necessary, to which representatives from such securities associations, securities self-regulatory organizations, agencies, and private organizations involved in capital formation shall be invited to participate” (15 U.S. Code § 77s(d)(4)).

Only those involved in capital formation, which can only be accomplished by the market system, shall be invited to participate. The public, as in “public interest,” shall not be invited to participate.

It is not the public interest that is protected, but the market interest. It is not that the public interest is synonymous with the market interest but that the use of the term public interest deflects the public’s attention away from understanding that the purpose of the SEC and the securities laws is to protect the market interest.

The function of the public accounting profession in the securities laws through its professional bodies and organizations is to make the mechanisms for protecting the market work by developing standards of reporting financial statements and standards of auditing. That public accounting is necessarily complicit in the protection of the market above all else is revealed in missions of the FASB and PCAOB, discussed in the following section.

The FASB

Since 1973 the Financial Accounting Standards Board (FASB), an independent, private sector organization, has acted as an agent of the SEC for establishing standards of financial accounting that govern the preparation of financial reports by nongovernmental entities. (FASB 2015a).¹

But the FASB makes no claim to serve or protect the public interest. The opposite may in fact be true. Lee (2006) suggests that the FASB's refusal to address the issue of social reality in setting standards corporate financial reporting "ill serves the public interest."

The extent of the FASB's involvement in serving or protecting the public interest is limited to its role as agent for the SEC in establishing financial accounting reporting standards. "... the Commission's policy [is] to rely on the private sector for this function to the extent that the private sector demonstrates ability to fulfill the responsibility *in the public interest*. (FASB 2015b, emphasis added). The Commission's reliance on the private sector is written into the '33 Act:

(b) RECOGNITION OF ACCOUNTING STANDARDS.— (1) IN GENERAL.—In carrying out its authority under subsection (a) and under section 13(b) of the Securities Exchange Act of 1934, the Commission may recognize, as "generally accepted" for purposes of the securities laws, any accounting principles established by a standard setting body— (A) that— (i) is organized as a private entity...(iv) has adopted procedures to ensure prompt consideration, by majority vote of its

¹ Prior to 1973, the AICPA acted as an agent of the SEC for establishing standards of financial accounting that govern the preparation of financial reports by nongovernmental entities.

members, of changes to accounting principles necessary to reflect emerging accounting issues and changing business practices; and (v) considers, in adopting accounting principles, the need to keep standards current in order to reflect changes in the business environment, the extent to which international convergence on high quality accounting standards is necessary or appropriate in the public interest and for the protection of investors; and (B) that the Commission determines has the capacity to assist the Commission in fulfilling the requirements of subsection (a) and section 13(b) of the Securities Exchange Act of 1934, because, at a minimum, the *standard setting body is capable of improving the accuracy and effectiveness of financial reporting and the protection of investors under the securities laws*” (15 U.S. Code § 77s(b), emphasis added).

Thus, its role as agent of the SEC in establishing financial accounting reporting standards is to protect the market through removing impediments to the market system for securities, perfecting the mechanisms of a national market system, insuring the maintenance of a fair and honest markets, and promoting capital formation by establishing financial accounting reporting standards to be enforced by the SEC. (FASB 2015b).

The PCAOB

The Public Company Accounting Oversight Board (PCAOB) was created in 2002 by the Sarbanes-Oxley Act as a private-sector, nonprofit corporation (SEC 2015). Its purpose is to “oversee the audits of public companies in order *to protect investors and the public interest* by promoting informative,

accurate, and independent audit reports (PCAOB 2015, emphasis added). The public interest is differentiated from investors' interest and the protection of the public interest is therefore categorically distinguished from the protection of investors' interest.

"To protect investors" is explicit and easily understood. Investors are (assumed to be) protected by the oversight of the PCAOB and promoting informative, accurate and independent audit reports. "And the public interest" is less easily understood since the public does not use audit reports no matter how informative, accurate, or independent they may be.

"Removing impediments to, and perfecting the mechanisms of, a national market system for securities and insuring the maintenance of fair and honest markets" under the Securities and Exchange Act has now been replaced by the kinder, gentler, and more cryptic term, "to protect investors and the public interest." But by synthesizing the Congressional findings for creating the SEC, with the purpose of creating the PCAOB and the AICPA's self-acknowledged limitation of the public interest (discussed in the next section), it can safely be concluded that the role of public accounting is to produce informative, accurate and independent audit reports in order to protect the market by (1) removing impediments to the mechanisms of the market; (2) perfecting the mechanisms of the market; (3) insuring the maintenance of fair and honest markets; and (4) maintaining the orderly functioning of the market.

The AICPA

The AICPA Code of Conduct requires members to "serve the public interest when providing financial services," and urges members to "accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism" (AICPA 2015). But to the AICPA, the public interest consists of every interest but the public's.

“The **accounting profession’s public** consists of *clients*, credit grantors, governments, employers, investors, the business and financial community, and **others who rely on** the objectivity and integrity of *members* to maintain the orderly functioning of commerce” (AICPA 2015, italics in original, bold emphasis added).²

To underscore its limited concept of the public interest, the AICPA defines the public interest as “the collective well-being of the community of people and institutions **that the profession serves.**” (AICPA 2015 emphasis added). It is therefore indisputable that the AICPA exclude from the public interest anyone outside the people that the profession serves and who does not “rely on the objectivity and integrity of members to maintain the orderly functioning of commerce.”³

“To maintain the orderly functioning of commerce” must be read in conjunction with the Congressional declaration that it is in the public interest to regulate the market in order to “insure the maintenance of fair and honest markets.” Thus, the public interest according to the AICPA is the maintenance of the market and its orderly functioning.

IFAC

The International Federation of Accountants (IFAC), established in 1977, “is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies” (IFAC 2015a). IFAC professes to serve the public interest by:

² As Huber (2015) points out, it is doubtful that anyone relies on the AICPA to maintain the orderly functioning of commerce.

³ Swyer and Alon (2008) also note that research of the public accounting profession in the U.K. revealed that the absence from the U.K. profession’s conception of the public interest was any notion of protecting the public.

- contributing to the development, adoption and implementation of high-quality international standards and guidance;
- contributing to the development of strong professional accountancy organizations and accounting firms, and to high-quality practices by professional accountants; and
- promoting the value of professional accountants worldwide.

(IFAC, 2015b).

In 2005 IFAC established the Public Interest Oversight Board (PIOB) “to ensure that international auditing and assurance, ethics, and education standards for the accountancy profession are set in a transparent manner that reflects the public interest” (PIOB 2015). Auditing and assurance, including ethics and education standards for the accountancy profession, naturally speaks to the production audited financial statements. This mirrors the purpose of the creation of the PCAOB “to oversee the audits of public companies in order to protect investors and the public interest by promoting informative, accurate, and independent audit reports.”

The role of the public accounting profession in international auditing as encompassed by the mission of the PIOB would therefore parallel the role of the public accounting profession as encompassed by the mission of the PCAOB, namely, as the producers of informative, accurate and independent audit reports in order to protect the market by removing impediments to, and perfecting the mechanisms of, the market for securities and insuring the maintenance of fair and honest markets.

[IFAC’s definition of the public interest is,](#) “The net benefits derived for, and procedural rigor employed on behalf of, all society in relation to any action, decision or policy” (IFAC 2015c). One question that arises from its definition is, what is the nexus

between net benefits derived for all society and developing, adopting, and implementing international auditing standards?⁴

IFAC makes no explicit connection between all society and international auditing standards. Therefore the connection must be deduced by considering whether all society is intended, or even able, to benefit from international auditing standards. Since we have seen elsewhere (e.g., the SEC and the PCAOB) that auditing standards do not serve or protect the public interest, but the market interest by removing impediments to the mechanisms of the market system, perfecting the mechanisms of the market system, and insuring the maintenance of the market, it can be concluded that developing, adopting, and implementing international auditing standards” is not intended to, and does not, benefit all society.

Therefore, the IFAC’s contributing to the development, adoption and implementation of high-quality international auditing standards and guidance must similarly be interpreted not as protecting the public interest, but the market interest by removing impediments to the mechanisms of the market system, perfecting the mechanisms of the market system, and insuring the maintenance of the market.

A second question that arises from IFAC’s definition of the public interest is, how does “strengthening the profession” serve all society? Strengthening the profession, along with contributing to the development of strong professional accountancy organizations and accounting firms, and promoting the value of professional accountants worldwide is so conspicuously self-serving it need not be addressed here to establish that the public interest is a myth.

⁴ It is questionable if or to what degree contributing to the development of strong professional accountancy organizations and accounting firms and to high-quality practices by professional accountants; and promoting the value of professional accountants worldwide, can legitimately be considered in the public interest or a part of the net benefit to all society. That question need not be addressed to establish that public interest is a myth.

A more relevant concern is, how does contributing to the development, adoption and implementation of high-quality international standards and guidance contribute to the development of strong international economies and thereby serve all society? As with any claim to serve or protect the public interest, there must be a causal connection between an “action, decision or policy” and the “net benefit derived for all society.” Yet, IFAC offer neither evidence nor argument to explain how any action, decision or policy made by IFAC produces a net benefit for all society.

Applying the transitive law of equality,⁵ IFAC’s claim to serve the public interest by contributing to the development of strong international economies, and its claim to serve the public interest by contributing to the development, adoption and implementation of high-quality international auditing standards and guidance, necessarily means that, according to IFAC, contributing to the development, adoption and implementation of high-quality international auditing standards and guidance contributes to the development of strong international economies.

However, since auditing standards pertain to financial reports which, according to PCAOB are intended to protect investors and the public interest by promoting informative, accurate, and independent audit reports pursuant to the SEC’s mission to remove impediments to the mechanisms the market, perfect the mechanisms of the market, and insure the maintenance a fair and honest market, it must be concluded that IFAC believes serving and protecting the market results in strong international economies.

IASB

The International Accounting Standards Board (IASB) was established in 2001 as the financial accounting standard-setting body of the International Financial Reporting Standards (IFRS)

⁵ If $A = B$ and $B = C$, then $A = C$.

foundation.⁶ The mission of IFRS is “to develop International Financial Reporting Standards (IFRS) that bring transparency, accountability and efficiency to financial markets around the world. Our work *serves the public interest* by fostering trust, growth and long-term financial stability in the global economy” (IFRS 2015a).

Fostering trust, growth and long-term financial stability in the global economy corresponds to IFAC’s dedication to serving the public interest by contributing to the development of strong international economies. Therefore the same questions arise and the same conclusions can be drawn.

The IASB “is committed to developing, *in the public interest*, a single set of high quality, global accounting standards that provide high quality, transparent and comparable information in general purpose financial statements” (IASB 2015b, emphasis added). But can a single set of high quality, global accounting standards that provides high quality, transparent and comparable information in general purpose financial statements serve or protect the public interest?⁷ The IASB does not suggest how a single set of high quality, global accounting standards that provide high quality, transparent and comparable information in general purpose financial statements actually serves or protects the public interest.

It is an ideal, a goal perhaps, and a worthy one to be sure. But assuming that the IASB actually achieves that goal, the IASB fails to provide either evidence or argument to support its assertion that a single set of high quality, global accounting standards that

⁶ The IASB replaced the International Accounting Standards Committee (IASC) which was organized in 1973.

⁷ The double use of “high quality” (high quality, global accounting standards that provides high quality information) is itself problematic. What is “high quality?” But in relation to the public interest, providing information to the public, high quality or otherwise, could only be in the public interest if the entire public, all society, understood that information.

provide high quality, transparent and comparable information in general purpose financial statements is in the public interest.⁸

IFRS contends that it serves the public interest by fostering trust, growth and long-term financial stability in the global economy. But how does IFRS accomplish that? By bringing transparency to financial markets; by bringing accountability to financial markets; and by bringing efficiency to financial markets. Again, the market interest is given pre-eminence such that IFRS brings to the market (a) transparency (see SEC a “fair and honest” market), accountability (see SEC “removing impediments” to the market), and efficiency (see SEC “perfect the mechanisms the market system”) so that any “action, decision or policy” made by IASB will, in consistent with the SEC’s mission, “promote efficiency, competition, and capital formation.”

Trust, growth and long-term financial stability in the global economy not only corresponds to IFAC’s dedication to serving the public interest by contributing to the development of strong international economies, it is the equivalent of the both AICPA’s public which consists of those who rely on the objectivity and integrity of members of the AICPA to maintain the orderly functioning of commerce, and the SEC’s regulating the market to protect interstate commerce, national credit, Federal taxing power, and the banking system.

DISCUSSION AND CONCLUSION

The purpose of this paper was not only to challenge the assumption that the professional accounting organizations, government and quasi-government regulatory agencies, and auditing and accounting standard-setting bodies serve and protect the public interest, but to question whether the public interest actually exists within the public accounting profession by conducting an exegetical analysis of the legislative findings,

⁸ Lee (2006) questions whether it’s possible for “one size fits all” accounting standards to in the best interest of the U.S. or the rest of the world.

statutes, missions and purposes of government, quasi-government, and private accounting and auditing standard-setting bodies.

Thornburg and Roberts (2013) characterize the U.S. public accounting profession's appeal to the public interest as propaganda because the rhetoric cannot be easily reconciled with observable behavior. Sikka, Willmott and Lowe (1989) concluded that the profession "takes less than seriously its obligation to serve the public interest." Huber (2015) found that the public interest as professed in the missions of U.S. and international regulatory agencies and professional accounting and standard setting bodies is mired in significant inconsistencies, contradictions, and conflicts.

The explanation for these observations and findings is now quite clear. By parsing and dissecting the language of the legislative findings, statutes, and the missions and purposes of government, quasi-government, and private accounting and auditing standard-setting bodies that claim to serve and protect the public interest the assumption that the government, quasi-government, and private accounting and auditing standard-setting bodies serve and protect the public interest is shown to be fallacious. The public interest is proven to be a myth, a construct created to disguise what interest the public accounting profession, and the associated governmental and private regulatory and standard-setting bodies actually serve and protect—the market interest.

The argument might be advanced that the work in the public interest of one agency or organization need not be the work in the public interest of another agency or organization and therefore it has not been proven that the public interest is a myth. But that argument is specious and collapses under the weight of its own logical inconsistencies.

If the public interest served and protected by, e.g., the PCAOB is not the public interest served and protected by IFAC/PIOB, then neither serve or protect the public interest. There can be only one "all society," only one "financial stability in the global economy," only one "orderly functioning of commerce."

and only one “strong international economy.” If they are different, then the public is different and therefore any act, decision, or policy cannot be in the public interest. The market interest is falsely labeled as the “public interest.” What is referred to as the public interest are the derivative interests of investors and creditors (what Kaidonis (2008) refers to as “capital interest”), accounting firms, and those who rely on audited financial statements. The “public” in public interest is non-existent.

In soma-like fashion⁹, invoking the mantra of the “public interest” is intended to instill trust in the agencies, organizations, and bodies that claim to serve and protect the public interest. It silences the public’s criticism of the public accounting profession, and associated governmental and private regulatory agencies and standard-setting bodies, and blinds the public’s understanding of what is the real interest being protected. Not unlike a magician and his “lovely assistant,” it diverts the attention of the public away from the real interest being protected—the market interest—to the mistaken belief that the public accounting profession, and governmental and private regulatory and standard-setting bodies, protect the public interest thereby creating a false sense of security.

The market is a Leviathan-esque creation whose tentacles extend one way or another into every facet of human existence such that it must be protected at all costs. By (mis)characterizing the market interest as that of the public interest through the public accounting profession, regulatory agencies, and auditing and accounting standard setting organizations that serve as its agents, the market interest persists regardless of recessions, depressions, inflation, deflation, frauds, failures, and scandals.

Does the market need to be protected? Of course. But it must be called what it is. By disguising the market interest with the cloak of the public interest, the AICPA, FASB, SEC, IFAC, IASB,

⁹ In Aldous Huxley’s *Brave New World*, soma is a drug given to the population to place them in a state of euphoria so the government can control the population and prevent dissent.

PCAOB, and others create an illusion that transforms the discourse of protecting the market interest into protecting (a non-existent) public interest. The cloak of public interest confers upon the market interest a legitimacy to which it is not entitled.

To recognize that there is no public in the public interest of the public accounting profession, or the standard-setting and regulatory agencies and organizations, is to begin to undertake a more honest public policy debate on whether and how the public accounting profession should be regulated and the implications of various form of regulation, as well as the concomitant ethical issues that necessarily accompany the public accounting profession. It is to begin a more serious discourse on the public policy issues of how the market should be regulated and how the public interest can actually be protected.

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