

When History is Ignored: Business *Black Swans* and the *Use and Abuse* of a Notion

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Historical enquiry reveals how ideas mutate. This account of the ideas underpinning how fair value accounting (FVA) drifted into corporate financial reporting shows that a primary lesson of business history is that we ignore history at our peril, that frequently we encourage the recall of history for possibly the wrong reason – to supposedly ‘learn lessons’ regarding what we might or might not repeat. It might be more fruitful to use history to gain insight into the development of the ideas (good and bad) that delivered us to where we are.

The case of *fair value* is shown to have drifted from the basis for a specific purpose calculation into a general application in accounting statements of financial position and financial performance. The *Mark-to-Market* (MtM) dispute during the current global financial crisis has nurtured further mutation of its FVA predecessor. What originally arose as an attempt to disclose a present financial state or condition is being denied by many in the name of the alleged virtue of hiding it. Doing so contradicts what history tells us has been the focus from when fair value accidentally ‘drifted’ into the accounting for adaptive companies. Our analysis also highlights historical enquiry aptly showing how accounting is conducive to politicization – an easy victim of interested parties’ special pleading, corrupting its technology function primarily because it is inconvenient to have accounting data *tell it how it is*.

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