The campaign for US President is almost over, the results of the election are imminent and, as the Grateful Dead would say, "What a long strange trip it's been." Strangest of all, to me, is the discussion of accounting standards on the Sunday morning talk shows and on the front page of general business publications. The political, economic, and business planets have collided. The subject of accountants and their accounting is up front and center for politicians and business leaders.

Don't get me wrong. I'm chuffed. I've been writing about accountants, auditors, and their alchemy on my blog, re: The Auditors for the last two years, not necessarily in obscurity, but in a very small room populated predominantly by only more of my kind.

Seeing the US Congress, global regulators, business leaders, academics, lawyers, accounting standards setters, and the Big 4 audit firms all engaged in the debate over issues such as fair value or mark-to-market accounting, regulation of private equity and hedge funds, limits on executive compensation and better corporate governance makes me giddy. What's unfortunate is that this debate is taking place as a result of the inability of accountants to explain and defend their accounting. It's likely that in the absence of other politically convenient scapegoats, accounting standards may take the blame for the worst crisis to threaten the principles of capitalism since the 1930's.

Depending on whom you ask, regulators were either over regulating, under regulating, or not sufficiently enforcing good regulations. The confusion comes because the accounting standard being demonized, blamed for exacerbating the financial crisis, is FAS 157. It's a rather simple standard in theory but complex in its application to the financial services industry and to the "innovative" financial instruments that were used to fund the global housing boom.

In the last sixty days before the US election on November 4th, the US Congress has passed the $700 billion Emergency Economic Stabilization Act of 2008 (EESA) or financial bailout package, major financial institutions have gone bankrupt or had to be taken over by governments all over the world, and central banks have made forced injections of liquidity into global financial institutions via purchases of preferred shares. We may see a second economic stimulus package this year passed by the US Congress. We'll also see public hearings at the end of October by the Securities and Exchange Commission to determine whether they should exercise their right under the EESA package to suspend FAS 157 and mark-to-market accounting for financial institutions.

Senators Barack Obama (D) and John McCain (R) both voted for EESA as members of the US Congress and have been supportive, in public, of the actions of US Treasury Secretary Paulson and SEC Chairman Cox. However, at this late date, Senator McCain's campaign has been using throwing the term "Socialism" around to characterize Senator Obama's tax proposals and reminding voters of huge budget deficits to engender negative feeling towards the Democratic Party controlled Congress and their perceived inability to properly oversee regulators and to keep spending in check. Senator McCain has been quoted as blaming mark-to-market/fair value accounting for making the credit crisis worse. Senator Obama has not yet commented directly on the FAS 157 issue.

Senator Obama is running on a progressive Democratic Party platform and supports corporate governance reform initiatives such as "Say-on-Pay." I expect that he will, once able to take a breath, openly support the accounting standards that reflect the true value of assets. If the latest polls are any indicator, it will be Barack Obama who will lead the US after November 4th, burdened by the impact on the economy of the decisions taken by the Bush Administration and Congress during the last 60 days. Fortunately, Obama may have some experienced SEC Chairman to help him implement a successful economic plan. Three former Chairmen of the SEC, David Ruder, William Donaldson, and Arthur Levitt have endorsed Barack Obama.

The Big 4 audit firms are on the side of right when it comes to FAS 157 and fair value accounting, in seeming conflict with regulators, some Congressmen and their clients. PricewaterhouseCoopers Chairman Dennis Nally and his fellow Big 4 leaders met with SEC Chairman Cox on October 3rd and expressed their disapproval of suspension of FAS 157 rules. Suspending the rules, Nally said, could "plant the seeds for the next crisis." Financial Accounting Standards Board Leadership has said that criticizing fair value accounting is "shooting the messenger."

The accounting firms' concerns, in my opinion, are based more on fear of liability than on professional principle. They fear being forced to sign financial statement opinions with no option to veto management's estimates and valuations of material balances. Their behind-the-scenes lobbying to delay or drop the idea of suspending FAS 157 may head off a reactive, short-sighted, politically motivated suspension of the rules until "President" Obama takes office. Obama and his team will then have time to work with Congress, Treasury, and the SEC to develop a reasonable approach to getting back to "true and fair."

Now that so many of the major global financial institutions have been nationalized, let's hope world leaders stop worrying about self-centered corporate executives and their desire to maintain the status quo of balance sheet illusion and compensation collusion. President Obama and his team can, hopefully, start working right away with both public and private leaders of the major financial institutions to restore integrity, as well as transparency, to the global banking system.