Twitter Thread by Cory Doctorow #BLM

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@doctorow

Accountancy is more likely to be mocked than celebrated (or condemned), but accountants, far more than poets, are the unacknowledged legislators of the world.

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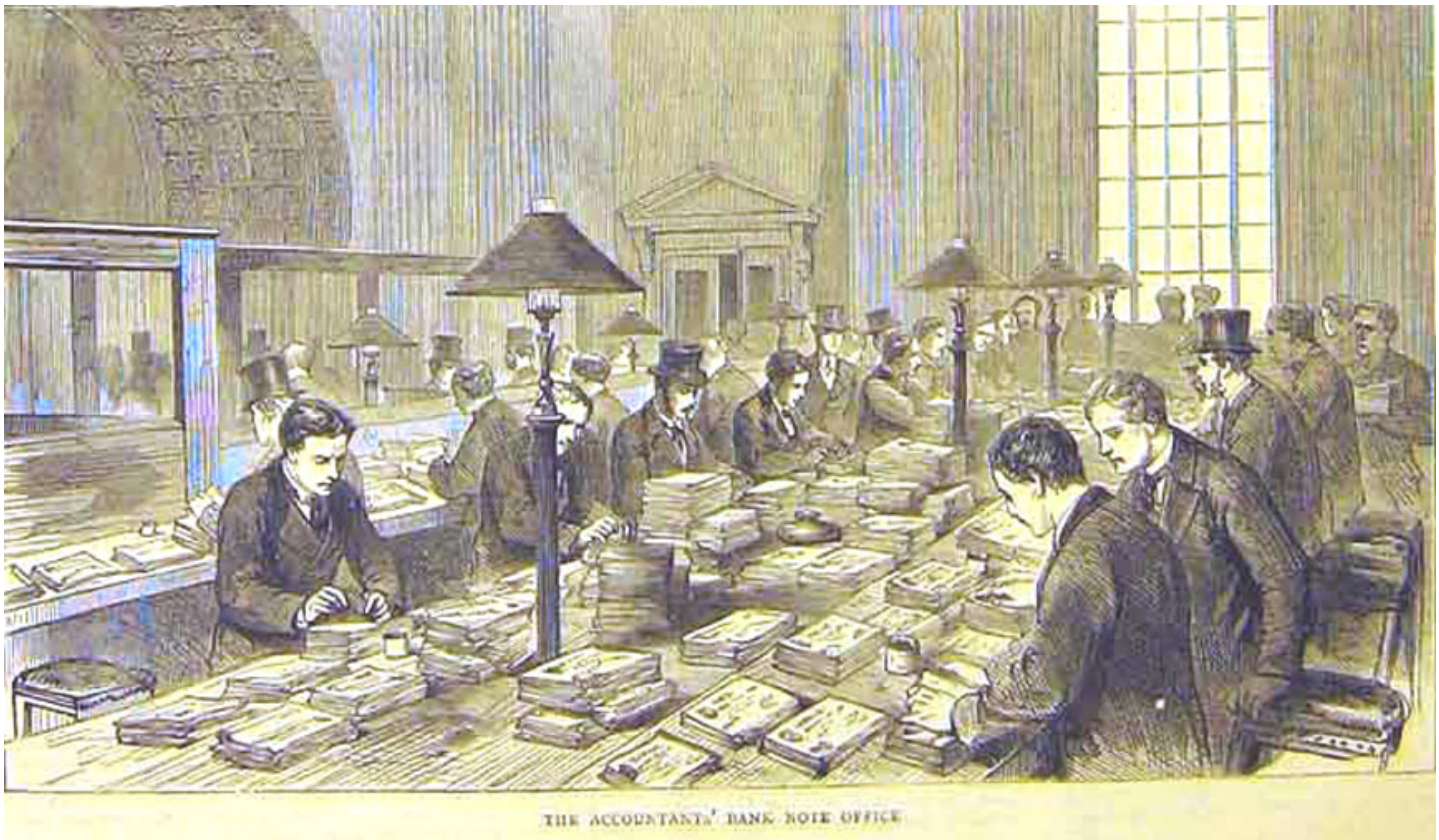

Though "bean counters" are employed by firms, they are notionally bound by a professional code of ethics every bit as serious as the Hippocratic Oath: "count things honestly." Without an accurate accounting of quantities, you can't make good decisions on quality.

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Though accountancy concerns itself with counting things, it is inextricably bound up with the realm of ideas, and accounting conventions (how you account for things) are philosophical matters, not empirical ones.

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It's no coincidence that #ModernMonetaryTheory owes more to accountancy than it does to economics. Economic accounts of the economy have an unfortunate tendency to proceed from first principles, creating models based on pure reason, without checking in on the actual world.

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For example, neoclassical econ's "homo economicus," the rational value-maximizing actor who populated so many models; or economists' insistence on targeting inflation with interest rates; or treating national "debts" like they were household debts.

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It's telling that the greatest economics revolution of my lifetime was "behavioral economics," which could also be called "checking to see whether real people act like we've assumed they acted."

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If it seems weird that economists would spend generations operating on the incorrect assumption that people behave in a certain way without ever checking, consider that Aristotle assumed women had fewer teeth than men, - and never bothered to count.

https://t.co/dApCRKT9yj

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Accountants check, and what they find is…gnarly. In "An Accounting Model of the UK Exchequer," @spatchcockable, @widespreadhaze and Neil Wilson offer a mindbending account (heh) of where money comes from (hint: not taxes), and where it goes ("poof").

https://t.co/5pJBIfYkUN

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The authors did a two-part @MMTpodcast interview describing the paper's findings, and it is the most extraordinary 2.5h audio you're likely to find: not just the realities of money, but the deliberate obfuscation thereof.

https://t.co/IdK92zx2sX

https://t.co/lmCAQfTXQv

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One thing the Exchequer paper reveals is that accountants bat for both teams: team clarity and team obscurity. As many finance scandals and finance dramas have reminded us, accounting can be turned to obscuring and dazzling rather than

revelation.

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After all, somewhere in HM Exchequer is a team of accountants who know EXACTLY how money works - and know that it's nothing like the account produced by economists or politicians. They know it because they are in charge of it. They do money, all day long.

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When accountants go rogue, things get bad. And thanks to neoclassical economics - and its emphasis on the "efficiency" of monopolies - we are living through a golden age of ghastly accounting fraud.

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Just four companies - @ey, @kpmg, @pwc and @deloitte - audit the books of 97% of the 350 largest UK companies; but they make far more selling these companies consulting services, and have made a habit of lying about those books in order to boost their consulting income.

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Accountancy is meant to be a profession that understands that conflicts of interest are a moral hazard. But just as doctors convince themselves they won't get addicted to their own painkillers, accountants talk themselves into believing that conflicts won't corrupt them.

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That's how the Big Four accounting companies came to sign off Carillion's fraudulent books. The company hid £7b worth of debts, took on management of vital government services up and down the country, then collapsed, leaving the nation stranded.

https://t.co/4TII4dPMMp

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For the Big Four, Carillion's collapse was a feature, not a bug. After all, the only accounting firms large enough to oversee its bankruptcy were...the Big Four, who billed millions for cleaning up the mess left behind by their own fraud.

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Accounting fraud is a fascinating potential fracture line in economic reform. After all, fraudulent accountants may help SOME plutes get rich - like, say Bernie Madoff, or Donald Trump - but they often do so at the expense of OTHER plutes.

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Like @exxonmobil, which lied to its investors for 11 years about the value of its shale-gas holdings, which it purchased at the peak of the fracking bubble and whose revenues and liabilities it has buried in its financial statements ever since.

https://t.co/hpSWKt1ahr

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The company is finally writing down $19.3b worth of those assets, but the true figure is more like $50b. And yes, Exxon's big investors include a lot of passive funds that invest pension savings, meaning this hurts Main Street as well as Wall Street.

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But as ever, those pension-savers are the Lucky Duckies here, because - joke's on us - Americans have basically no pension savings, thanks to the wage stagnation and asset inflation that left almost all working Americans facing penury in old age.

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Hey, at least they're not getting ripped off by Exxon! The real victims of this decade-long, multibillion-dollar fraud are the same people who got snookered into buying into shitty Trump casinos and luxury buildings: rich people.

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By definition, rich people deal in quantities that exceed their ability to personally count so they are especially vulnerable to scam accounting. It's only when the frauds tank a company we all suffer, as jobs and businesses disappear, screwing workers and cities.

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The absence of a neutral ref and scorekeeper is a really big deal in online business and policy circles. The ad-tech duopoly isn't merely content to price-gouge advertisers - they also lie about what those sky-high prices are paying for:

https://t.co/pmWMTNsPRp

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But each member of the duopoly has a different scam. Google's frauds are complex, behind-the-scenes market manipulations, an abstruse, mathematical grift that leverages complexity and monopoly to fleece its customers.

https://t.co/gDyvaKtkwZ

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Facebook is much more straightforward. It just lies. Back in 2016, FB lied about how many people were watching videos, and encouraged hundreds of media company to beggar themselves to chase fraudulent video dollars:

https://t.co/GmcR3tDc8B

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Accounting fraud is in Facebook's DNA. After all, this is a company whose primary sales-pitch is, "We will count everything you do and then charge people to help them sell you stuff."

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This proposition is intrinsically hard to evaluate. How can a customer know if their FB ad generated a sale, or whether it was an ad elsewhere, or random chance, or even that elusive beast, customer loyalty?

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The main source for the belief in Facebook's efficacy is...Facebook. It's not a neutral party, and the accountants who sign off on its books have repeatedly shown themselves to be untrustworthy.

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Here's the latest scandal: since 2018, FB's been defending a class-action suit brought by its customers who claim that FB lied about "potential reach" - that is, how many users would see their ads.

https://t.co/alNpNJ8PZw

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And while FB strenuously denies that the inaccuracies in "potential reach" metrics were just normal, unpredictable variations in user behaviors, a whistleblowing FB product manager has produced emails in which they warn execs that they're committing fraud.

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The execs who got these memos rejected them, telling the product manager that acting on them would have "significant revenue impact" - that is, "Our customers wouldn't buy our products if we were truthful about them."

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The fraudulent reach figures begat fraudulent revenues, and those revenues were fraudulently reported to investors. Those investors will now take a haircut if FB loses in court.

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Accounting fraud's pathology is bimodal: it abets the wage-theft and austerity that harms the poorest and most vulnerable - but also the reporting scams that harpoon finance's biggest whales.

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It's a curious alliance of interests. For now, it seems like Big Tech is going to be antitrust and anti-corruption's harbinger, but I wouldn't count accountancy out - it's got exactly the right kinds of enemies to fire sustained political will.

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eof/