

William Pitt the Younger Award

Acceptance Speech by:

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Allow me first to warmly thank the Editors of The Accountant and the International Accounting Bulletin, especially editors Carlos Martin Tornero and Vincent Huck for this great honor of being awarded the William Pitt the Younger Award for Extraordinary Leadership in Strengthening Democracy through Government Financial Management. I am obviously extraordinarily humbled to have my name associated with the legendary William Pitt the Younger.

Both of these prestigious publications, with a history extending back to 1874, and their editors, have accepted the very noble challenge of assisting the accounting profession to help save western democracy, with the cornerstone of government financial management, transparency and accountability, from a growing tidal wave of destructive populism and reckless government financial management

Our world governments are missing the fresh innovation and quality of government financial management that William Pitt the Younger brought to government over 200 years ago. If western democracy is going to survive populist assaults, governments must regain the trust and confidence of voters with better financial transparency, performance, and accountability. Governments must accept the responsibility to educate current and prospective voters on the importance of internationally comparable government financial statements, especially the impact of a government's decision on the government's balance sheet.

As many of you know, our firm, Japonica Partners, has historically focused on large multi-national corporate turnarounds. It was only in 2012 when we visited Greece that we began to see what happens when a sovereign government's financial management, transparency, and accountability hit rock bottom and even then continues to dig ever-deeper holes. In a country considered to be the cradle of democracy, how was it possible that government financial transparency and accountability are not only absent but viewed by the political and business elite as a plague to be avoided and –importantly– an Anglo Saxon system to be vilified? Truthful financial information is not part of their current system. Numbers are to be crafted to say whatever the elite want in order to serve short-term vested interests. The level of brazen untruthfulness is a warning shot to all western democracies.

I will mention just one Greek example. The example may well be the biggest government financial fictional fabrication (aka a lie) of this century. The example is the Greek government debt Chimera. Not a day goes by where there are not dozens of references to so-called mountainous Greece debt. And, the leadership in Greece is the most vocal telling the world that because its debt is 311 billion euros or 177% of GDP, its finances are unsustainable and the

country needs more debt relief to survive. This, of course, keeps not only investors at bay, but suffocates the economy, and puts fire sale prices on government assets, but – importantly – keeps the focus away from government financial performance and allows the populists to have many enemies to vilify including those in northern Europe and the IMF.

Those within the government who have attempted to report the correct number according to international accounting standards have been sidelined and the IPSAS effort put on the same track as the last seven promises to implement international accounting for the government, a track to nowhere.

In economic reality and correctly calculated in accordance with international accounting standards, Greece government net debt at the end of 2015 was an estimated 72 billion euros not 311 billion euros. Or, 41% of GDP, not 177% of GDP. The sources of the difference are not difficult to understand. Greece debt has undergone at least five major debt restructurings since 2010. This means Greece has a huge competitive advantage with debt metrics about half of member state peers.

And, as for debt relief, Greece has received 354 billion euros in debt relief, 17 times more than the EZ programme country average, but very little of this has been reflected as a reduction in debt, and citing the debt relief numbers within Greece is basically taboo.

Greece has been in a depression for over half a decade. Greece is a lesson in what can happen when a democracy falls to populism and disregards sound government financial management and education of its citizens.

Much of western democracy is under threat of populist assault in no small part for the same reasons Greece has fallen into the abyss and is having such difficulty emerging. If western democracy is going to survive, all key stakeholders must be educated on balance sheets (theirs and their governments), on proper accounting that reflects economic reality, and on the benefits of government financial transparency and accountability.

Thank you again for this extraordinary honour and best wishes in your work to save western democracy from destructive populist assault.