SMOKE & MIRRORS, INC.
Accounting for Capitalism

NICOLAS VÉRON,
MATTHIEU AUTRET, & ALFRED GALICHON
Translated by George Holoch

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Enron, Arthur Andersen, Parmalat, AIG: business headlines over the last few years have stimulated worldwide interest in accounting responsibilities and standards. *Smoke & Mirrors, Inc.*, is a remarkable introduction to contemporary accounting and its central importance for the operation of modern capitalism. Nicolas Véron, Matthieu Autret, and Alfred Galichon show how accounting always mirrored the features of contemporaneous financial systems, while remaining intrinsically subject to judgment and uncertainty and thus leaving scope for manipulation that can convert a rotten balance sheet into a picture of robust financial health.

Beginning with the story of the fictional company Smoke & Mirrors Inc., Véron and his coauthors provide a brief history of accounting’s emergence and its key concepts and practices. They then shift their focus to the political economy of the various actors involved in the preparation, auditing, and use of financial information and the new challenges facing regulators as capital markets spread across national boundaries. The authors challenge widespread beliefs that accounting practices are neutral and involve the mere reporting of objective data. They trace how different accounting standards, which alter the calculus of what counts as a “fair representation” of business dealings, can change economic behavior. Along the way they provide numerous examples and case studies, including a detailed account of the tricks with which Enron cooked its books.

For students of corporate finance, practicing accountants and businesspeople, and general readers who have followed a seemingly endless parade of financial scandals with disbelief, *Smoke & Mirrors, Inc.*, provides a clear and concise overview of the use and abuse of accounting and of the underlying changes in today’s capital markets.

**Advance Praise for Smoke & Mirrors, Inc.**:

“This book is a fascinating and lively read. I know of no other book that shows with the concreteness of *Smoke & Mirrors, Inc.*, how different economic and political systems demand and produce different kinds of financial information and how the information shapes business practices.”

—Suzanne Berger, MIT, author of *How We Compete*

Nicolas Véron is a research fellow at Bruegel (Brussels) and an independent consultant on financial services. He has been corporate advisor to France’s government and CFO of MultiMania, a listed Internet company. Matthieu Autret is a national expert at the European Commission in Brussels. Alfred Galichon is a Ph.D. candidate in economics at Harvard University. George Holoch is a professional translator and lives in Vermont.