Derailing regulatory change:

Discursive dynamics in the debate on IFRS adoption in the United States

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We are also grateful for comments that we received from Albrecht Becker, Lukas Goretzki, Sebastian Hoffmann, Fatma Jemaa, Andrea Mennicken, Martin Messner, Jan Mouritsen, Margit Münzer, Mike Power, Keith Robson, Rita Samiolo, Stephen Zeff as well as participants in research seminars at Free University of Bozen/Bolzano, IAE Lyon, London School of Economics, NHH Bergen, Stockholm School of Economics and University of Innsbruck, participants at the 34th EAA Doctoral Colloquium in Varese, the 41st EAA Annual Congress in Milan, the 12th Interdisciplinary Perspectives on Accounting (IPA) Conference in Edinburgh, the 5th Workshop on the Politics of Accounting in Innsbruck and the 30th Society for the Advancements of Socio-Economics (SASE) Conference in New York, for their comments on earlier versions of this paper. This work was supported by the Julius Paul Stiegler Memorial Foundation and the Graduate School of Economic and Social Sciences at the University of Mannheim, sponsored by the German Research Foundation. Holger Daske and Christoph Pelger gratefully acknowledge funding from the German Research Foundation (DFG) under the CRC TRR 266 program ("Accounting for Transparency"), Project-ID 403041268.

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Abstract

This study examines how policy proposals can ultimately collapse, focusing on the failure of IFRS adoption for U.S. issuers despite early expectations of inevitability. Using discursive institutionalism as our theoretical lens, we analyse public consultations conducted by the U.S. SEC from 2007 to 2011, including regulatory proposals, Commissioner speeches, constituent comment letters, and roundtable discussions, to identify the micro-level discursive mechanisms that derailed the regulatory change initiative. We find that discursive misalignments between cognitive and normative ideas and between policy-level and underlying programmatic and philosophical ideas created conditions for collapse. Specifically, the SEC's discursive shift towards cognitive justifications for IFRS adoption imposed a higher burden of proof on IFRS proponents, who struggled to substantiate benefits, while opponents more readily quantified expected transition costs. This shows how a regulatory discourse centred on cost-benefit analysis can entrench status quo bias by raising evidentiary thresholds for change. The 2008 financial crisis further exacerbated discursive misalignments, demonstrating how such contextual disruptions can amplify status quo bias. Ultimately, a compromise solution failed because it proposed regulatory change while drawing on ideas that favoured the status quo. Overall, these dynamic interactions highlight the fragility of policy proposals when exposed to discursive contestation and the critical importance of maintaining alignment of supporting ideas across changing contexts to lead to regulatory change.

Keywords: Cost-benefit analysis, discursive institutionalism, IFRS adoption, policy failure, regulation, SEC

1. Introduction

Research on financial reporting regulation has demonstrated continued interest in understanding how regulatory decisions are made. Prior research in this domain emphasises the crucial influence of external actors, particularly preparers of financial statements and big audit firms, in shaping regulatory outcomes (e.g., reviewed in Cooper & Robson, 2006; Gipper et al., 2013). While constituent pressures remain central, recent research has highlighted two additional dimensions: regulators' own preferences (e.g., Baudot, 2018; Becker et al., 2025; Erb & Pelger, 2015; Friedrich et al., 2024; Pelger, 2016) and the role of contextual factors (e.g., Becker et al., 2023; Bengtsson, 2011; Morley, 2016; Pucci & Skærbæk, 2020). To integrate these three dimensions, we employ discursive institutionalism (Schmidt, 2008) as our theoretical framework. This approach theorises how the dimensions interact dynamically through discursive processes, wherein policy proposals and regulatory outcomes emerge from contested discourses. Public consultations thus become a critical site for analysing these interactions.

Discursive institutionalism, as developed by Schmidt (2008), distinguishes between types and levels of ideas used in a communicative discourse between regulators and their constituents. This distinction illuminates how these actors perceive their institutional context: they may invoke normative ideas (value-based logics of appropriateness), or cognitive ideas (interest-based logics of necessity), or both, when issuing or responding to regulatory proposals. The three levels of ideas – policy, programmatic, and philosophical ideas – emphasise that foregrounded discursive arguments are rooted in underlying assumptions about how the world works or should work. By studying these discursive patterns, research mobilising this theoretical framework also reveals how contextual factors can either discredit or legitimise specific policy proposals in the eyes of regulators and their constituents. Ultimately, discursive institutionalism exposes the micro-foundations of regulatory change and continuity through the collision of constituents' discursive responses to regulatory proposals and shifting institutional contexts that disrupt ideational frameworks. Thus, it explains how actors participating in regulatory discourse not only respond to but also reshape their institutional context.

To advance our understanding of the dynamics of regulatory processes, we address the following research question: How can proposals for regulatory change ultimately fail to materialise? Informed by discursive institutionalism, we specifically focus on the mechanisms through which public consultations contribute to such policy derailment. Existing research has documented how consultations lead to the adaptation of policy proposals (Bozanic et al., 2012; Pucci & Skærbæk, 2020) or serve as a legitimising tool for regulators (Arce et al., 2023; Botzem, 2014; Richardson & Eberlein, 2011). However, limited insights exist into how policy proposals collapse when confronted with opposition in public consultations. Understanding the failure of policy proposals is important because many regulatory initiatives ultimately remain unrealised (Botzem, 2012; Pritchard et al., 2025; for exemplary cases, see Morley, 2016; Munzer & Pelger, 2023). Thus, exploring how policy proposals get derailed through public consultations contributes to our understanding of regulatory processes.

We examine this phenomenon through the case of the non-adoption of International Financial Reporting Standards (IFRS) for U.S. issuers. This case represents a particularly striking example of the non-enactment of a policy proposal, one that continues to have significant implications for companies, auditors, and investors both in the United States and globally. When adoption was first seriously considered in 2007, many observers believed the "rise and rise of IFRS" (Chua & Taylor, 2008, p. 462) represented an unstoppable global trend. The European Union (EU)'s decision to adopt IFRS for listed companies had created significant momentum, leading many countries worldwide to follow suit in the early 2000s (Camfferman & Zeff, 2015, pp. 56-92, 494-545). Moreover, following major corporate scandals, the U.S. Securities and Exchange Commission (SEC) initiated a high-profile convergence project between the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) (Baudot, 2014). This project generated strong expectations for harmonisation, with then IASB Chair Sir David Tweedie predicting that "by 2011–12, U.S. and international accounting should be pretty much the same" (quoted in Pickard, 2007).

However, broader regulatory developments soon overshadowed the convergence project. In November 2007, the SEC eliminated the reconciliation requirement for foreign issuers using IFRS (Alon & Dwyer, 2016). A year later, it proposed a roadmap for mandatory IFRS adoption by U.S. issuers, leading some to anticipate "a potential worldwide embrace of IFRS over the next few years" (Epstein, 2009, p. 26), with IFRS adoption seeming like an "inevitable" regulatory change:

> [D]ue to the widespread adoption of IFRS by all major economies, excepting only the United States, we believe that it is inevitable that the U.S. will also ultimately need to adopt IFRS. (PepsiCo, s72708-174)

> At this time, it appears inevitable that IFRS will be the accounting standard in the U.S. and it is contradictory and inefficient to continue to issue accounting standards different from IFRS. (Nationwide Insurance Group, s72708-166)

Contrary to these expectations, the SEC's adoption for U.S. issuers failed to materialise. Instead, recent regulatory discourse even suggests a potential reversal, with SEC Chair Paul Atkins mentioning the possibility of a reinstatement of the reconciliation requirement for foreign issuers (Atkins, 2025). This trajectory highlights the enduring tensions between global harmonisation endeavours and national interests, illustrating the contested nature of transnational accounting harmonisation (De Lange & Howieson, 2006; Rodrigues & Craig, 2007).

While prior research has thoroughly documented the chronology of IFRS non-adoption by U.S. issuers (Camfferman & Zeff, 2015, pp. 177-199; 608), analysed the roles and decisions of successive SEC Chairs (Becker et al., 2023) and studied the influence of ideology on the Commissioners' positions regarding IFRS adoption (Becker et al., 2025), these studies have neglected the pivotal role of public consultations in shaping this policy outcome. Our study employs a qualitative interpretative approach informed by discursive institutionalism (Schmidt, 2008) and systematically analyses regulatory proposals, Commissioner speeches, constituent comment letters and roundtable statements from 2007-2011, the period when IFRS adoption by U.S. issuers was considered by the SEC. Through coding of cognitive (interest-based) and normative (value-based) ideas and reflections on the programmatic and philosophical levels of these idea types, we reveal how discursive interactions between regulators and constituents ultimately led to the abandonment of IFRS adoption.

Our analysis reveals that the failure of IFRS adoption in the U.S. stemmed from discursive misalignments across types and levels of ideas. Initially, constituents' responses to the SEC's 2007 Concept Release that proposed voluntary IFRS adoption showed strong normative support for IFRS as a programmatic idea enhancing global harmonisation but also showed the cognitive undesirability of voluntary adoption as a policy solution, leading the SEC to shift towards a mandatory adoption roadmap in its Rule Proposal. While the SEC increasingly prioritised cognitive ideas, proponents of mandatory IFRS adoption continued to rely heavily on normative ideas, creating a fundamental discursive mismatch. This was compounded by proponents' inability to meet the SEC's demand for cognitive policy-level evidence by substantiating benefits with tangible evidence, e.g., evidence on investor demand for IFRS or capital market benefits, while opponents could more easily provide quantifications of transition costs. Furthermore, the 2008 financial crisis disrupted both cognitive and normative ideational foundations for IFRS adoption, amplifying the cognitive idea of economic competitiveness and the normative idea of national sovereignty. Finally, the policy proposal of mandatory IFRS mobilised constituents who based their arguments on underlying philosophical ideas of environmental determinism and nationalism leading to misalignments with the IFRS proposal. These factors collectively created a context where the SEC could not substantiate the cognitive case for IFRS, leading to the derailment of the regulatory change initiative. Even the later condorsement proposal failed as a compromise because it proposed regulatory change while being anchored in cognitive and normative ideas opposed to such change.

This case illustrates that policy derailment can result from dynamic multi-level ideational misalignments. In particular, a cognitive focus in the discourse, where regulators prioritise evidence, imposes a high burden on change proponents to substantiate benefits, reinforcing status quo bias through heightened evidentiary thresholds. Contextual disruptions like crises can further amplify this bias by reemphasising economic and sovereignty concerns. Finally, compromise solutions that mostly address ideas in favour of the status quo may prove unstable because they neglect the cognitive and normative ideas that drive regulatory change. These dynamic interactions highlight the fragility of policy proposals when exposed to discursive contestation and the critical importance of maintaining cognitive-normative alignment across changing contexts.

Our paper contributes to three streams of literature. First, we extend research on regulatory processes in financial reporting (e.g., Baudot & Cooper, 2022; Bozanic et al., 2012; Gipper et al., 2013) and studies on policy failure (e.g., Baudot, 2018; Morley, 2016; Munzer & Pelger, 2023) by identifying discursive misalignments that can explain policy failure when policy proposals are dynamically discussed in public consultations. These misalignments particularly occur when the regulator's expectations of discourse diverge from the actual contributions of proponents of regulatory change. This divergence is linked to the increasing regulatory focus on cost-benefit analysis as part of evidence-based policymaking (Baudot & Wallace, 2023; Donahue & Malsch, 2024; Leuz, 2018). While extant research has rarely studied the consequences of this shift, we show how a cognitive discursive focus can entrench a status quo bias by raising the threshold as it requires change supporters to provide tangible evidence on benefits, which is often unfeasible.

Second, we contribute to the literature that adopts Schmidt's (2008) analytical framework of types and levels of ideas. Existing studies have highlighted the importance of aligning normative and cognitive types of ideas (Schmidt, 2002; Seabrooke & Wigan, 2016) and aligning ideas across policy, programmatic, and philosophical levels (Crespy & Schmidt, 2014) to ensure successful policy enactment. In contrast, we explore how misalignment across these types and levels can undermine policy proposals and lead to policy failure. In particular, we show how such misalignments, for example, privileging cognitive over normative ideas or failing to base policy-level ideas on corresponding ideas at the programmatic and philosophical levels, discursively hinder regulatory change.

Third, we enrich the literature on the U.S. non-adoption of IFRS. Extant research either reflects on the potential benefits and challenges of IFRS adoption (Hail et al., 2010a, 2010b) or analyses the SEC's internal dynamics (Becker et al., 2023, 2025). Our discourse-focused approach provides a more holistic account of this critical juncture in global accounting harmonisation. Our findings suggest that the policy proposal of voluntary adoption of IFRS for U.S. issuers could have succeeded similar to the policy proposal of allowing foreign issuers to use IFRS (Alon & Dwyer, 2016), if IFRS proponents had been willing to accept a partial fulfilment of their programmatic and philosophical ideas. However, and in contrast to the discourse on foreign issuers, analysed in

Alon & Dwyer (2016), we find no coalition between national and transnational constituents in our case, as in particular the latter group favoured a more radical form of change than the one suggested by the SEC, i.e., mandatory adoption. These two discourses on voluntary adoption of IFRS thus substantially differed in the level of alignment of IFRS proponents' normative and cognitive ideas.

Overall, IFRS proponents' resistance to the voluntary adoption of IFRS in 2007 seems to have prompted the shift of the SEC to increasingly focus on cognitive ideas, the mobilisation of resistance by constituents not sharing the underlying philosophical ideas favouring IFRS adoption, further fuelled by the contextual developments during the financial crisis. Accordingly, the following discourse on the policy proposals of mandatory adoption and condorsement was inherently subject to discursive misalignments, rendering these proposals unviable.

2. Regulatory decision-making in financial reporting

Financial reporting regulation varies significantly across countries, reflecting diverse historical, institutional, and cultural traditions (e.g., Bromwich & Hopwood, 1983). In the United States, the financial market crash of 1929 led to the establishment of the SEC in 1934 as an agency of the U.S. federal government. The SEC was granted authority to regulate financial reporting for U.S. listed companies (e.g., Zeff, 2021). However, rather than actively developing U.S. GAAP, the SEC delegated this responsibility to the private sector. Since 1973, the FASB, an independent private standard-setter, has been responsible for developing U.S. Generally Accepted Accounting Principles (GAAP), with the SEC retaining oversight and occasionally intervening in the FASB's standard-setting process (Zeff, 2020).

Internationally, the IASB, an independent private standard-setter created in 2001, has emerged as a prominent global actor in financial reporting regulation (Botzem, 2012). Many countries adopted

IFRS in the 2000s, either requiring or permitting their use for certain companies (Camfferman & Zeff, 2015; Chua & Taylor, 2008).[1] Some countries require their companies to use IFRS as issued by the IASB, while others adopt IFRS through an endorsement mechanism, which may include modifications (carve-outs or carve-ins) to align the standards with their national contexts (Zeff & Nobes, 2010). Alternatively, some countries chose not to formally adopt IFRS but instead converge their local accounting standards with IFRS (Ramanna, 2013).

In their regulatory decision-making, financial reporting regulators follow a process that involves extensive consultations with their constituents. As a federal government agency, the SEC follows a formal rulemaking process that invites public comment on its policy proposals (SEC, 2025a).[2] Mirroring this process, the private FASB and IASB also rely on public consultations to ensure stakeholder engagement and transparency in their accounting standard-setting process (Richardson & Eberlein, 2011; Pelger & Spieß, 2017).[3] This "due process" is seen as a critical mechanism for balancing political and constituent pressures, with recent research describing it as a "shield" against such influences (Arce et al., 2023, p. 1).

Studies of comment letters submitted during these consultation processes provide insights into the regulatory discourse surrounding financial reporting regulation. Research has shown that preparers of financial statements, auditors, and their professional associations play a pivotal role because of their active participation in the discourse (Jorissen et al., 2012, 2013; McLeay et al., 2000; Pelger & Spieß, 2017). Other studies focus on the content of the discourse and have analysed the opinions

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1 A few countries had already adopted International Accounting Standards (IAS), created by the IASB's predecessor, the International Accounting Standards Committee (IASC) in the 1990s (Arnold, 2012).

2 This practice is rooted in the requirement of the Administrative Procedure Act (5 U.S.C. § 553), which mandates that agencies provide notice of proposed rulemaking, allow meaningful public participation, and respond to the input received, thereby ensuring transparency and accountability in the regulatory process.

3 In this context, the private standard-setters FASB and IASB can be considered *de facto* regulators, as their standards directly or indirectly create mandatory reporting requirements for companies in the United States (FASB) and in many other countries worldwide (IASB) (Baudot & Cooper, 2022).

and arguments of constituents on specific policy proposals issued by the SEC (e.g., Alon & Dwyer, 2016; Arikan et al., 2017; Baloria et al., 2017; Bozanic et al., 2012; Cortese & Andrew, 2020), the FASB (for a review, see Gipper et al., 2013), and the IASB (e.g., Giner & Arce, 2012; Arce et al., 2023). For example, studies have found that constituents use arguments based on the economic consequences of policy proposals, but also discuss their conceptual soundness, which may resonate more strongly with conceptually oriented regulators (e.g., Giner & Arce, 2012). Durocher & Neal (2025) reveal the argument of "standard-setting defects" to play an important role in convincing regulators to abandon policy proposals. While these studies provide insights into the constituents' foregrounded opinions and arguments, they typically fail to explore the underlying assumptions that could explain why certain arguments emerge in the first place.

Several comment letter studies document how public consultations can induce regulators to adjust their stance in response to negative public feedback (e.g., Arce et al., 2023; Bozanic et al., 2012; Pucci & Skærbæk, 2020). Regulators' accommodation of constituents' views has often been interpreted as regulatory capture, where the private interests of constituents, particularly preparers of financial statements, prevail over the public interest (Cortese & Irvine, 2010; Gipper et al., 2013). Kohler et al. (2021) provide a more nuanced perspective, showing how preparers can influence regulators indirectly through big audit firms acting as intermediaries. This process, described as "legal endogenization", reflects how the preferences of the regulated can shape the final regulation. In this vein, the study by Alon & Dwyer (2016) identifies big audit firms and other transnational actors as a critical driver for the SEC's decision to allow foreign issuers in the United States the use of IFRS. This finding is consistent with other studies that have emphasised the powerful role of big audit firms in shaping financial reporting regulation (e.g., Cooper & Robson, 2006; Botzem, 2012).

While public feedback plays an important role, it is not always the decisive factor in regulatory outcomes. In some cases, regulators resist constituent pressure and push through their original policy proposals. For example, during the revision of the FASB/IASB conceptual framework, the Boards maintained their policies despite strong opposition during public consultations (Erb & Pelger, 2015; Orthaus et al., 2023; Pelger, 2016; for other cases see Friedrich et al., 2024; Young, 2014). Baudot & Cooper (2022) show that regulators can also decide *not* to get involved, even when called to action by their constituents, if they do not feel comfortable taking action.

Along these lines, research suggests that the regulators' own preferences also influence their ultimate regulatory decisions. These preferences stem from ideological commitments (e.g., Allen & Ramanna, 2013; Becker et al., 2025; Bischof et al., 2020), adherence to established knowledge templates (Baudot, 2018), or regulators' roles as institutional entrepreneurs (Becker et al., 2023) and issue professionals (Friedrich et al., 2024) who advocate for specific regulatory changes. Research also shows how regulators often conceal their preferences by referring to the preferences of users of financial statements. In this regard, Georgiou (2018) and Georgiou et al. (2021) show how standard setters construct the preferences of idealised users to justify their approaches, which differ from the preferences of actual users (see also Young, 2003, 2006). In a similar vein, Georgiou's (2024) study on the role of the concept of prudence in the IASB's conceptual framework illustrates how regulators may use careful text formulation aimed at securing consent and silencing criticism to sideline political considerations of standard-setting more generally (see also Young, 2014).

Over the past few decades, financial reporting regulators have increasingly focused on evidence-based policy-making (e.g., Leuz, 2018; Schipper, 2010). Grounded in a neoliberal understanding that every regulation needs proper justification (Masur & Posner, 2025), cost-benefit analysis is seen as an appropriate tool for assessing the potential consequences of policy proposals. Baudot & Wallace (2023) examine how the SEC constructs evidence as part of its cost-benefit analysis and find that this tool is subjectively employed to justify certain regulatory decisions, revealing the political nature of evidence-based policy-making (also see Pelger & Spieß, 2017). Donahue & Malsch (2024) highlight the subjective nature of expert judgements as an important input to cost-benefit analysis. Consequently, while the use of cost-benefit analysis signals objective decision-making by regulators, these studies suggest that it often serves as a justification mechanism that still allows regulators to promote their own preferences.

Finally, the broader regulatory context also plays a critical role in shaping outcomes. External events, such as the 2008 financial crisis, can disrupt policy proposals or shift priorities. For instance, some proposals on financial instruments accounting were abandoned or significantly altered due to the experiences of the financial crisis (Bengtsson, 2011; Pucci & Skærbæk, 2020). Internal changes within regulatory bodies, such as the appointment of a new Chair (Becker et al., 2023) or changes in board composition (Morley, 2016) can also influence regulatory outcomes. Conversely, favourable conditions can create momentum for regulatory change. For example, the global push for IFRS adoption (Chua & Taylor, 2008) led the SEC to allow foreign issuers to use IFRS in their financial reporting (Alon & Dwyer, 2016). These examples illustrate how contextual factors can either constrain or enable the enactment of policies.

While the literature offers an increasingly rich understanding of how regulatory outcomes in financial reporting are shaped, there is limited research on how policy proposals developed by regulators aiming for significant change are completely abandoned, and the role public consultations play in this process. In their study of the non-adoption of IFRS for U.S. issuers, Becker et al. (2023) identify public consultations as a contextual factor that contributed to the failure of the policy change initiative. However, their analysis primarily focuses on the role of the SEC Chairs as institutional entrepreneurs in this process, leaving other dynamics unexplored. Morley (2016) provides a similar perspective when examining the IASB's failed project to change the accounting for provisions. She attributes the project's failure to internal lobbying by a group of board members who opposed the policy proposal. This internal resistance enabled constituents to delay the project by raising complaints in public consultations about whether due process was properly followed, which ultimately stalled progress. The delay coincided with the retirement of key board members, leading to the project being shelved. Morley's (2016) study highlights the interplay between internal board dynamics and external feedback in shaping regulatory outcomes, demonstrating how these factors can converge to derail regulatory initiatives. In the related field of banking regulation, Munzer & Pelger (2023) examine how initially ambitious policy proposals by regulators on the separation of deposit and trading activities of banks in the EU ultimately failed to materialise. Through an iterative process of public consultations and proposal adjustments, the arguments of the regulated gradually influenced the regulators' considerations and ultimately led to completely abandoning the policy. Their study highlights the challenges regulators face in maintaining the integrity of policy proposals when exposed to iterative public consultations, a dynamic that is also relevant in the context of financial reporting regulation (e.g., Arce et al., 2023; Durocher & Neal, 2025).

In our paper, we build on this existing research to study how initially compelling policy proposals can unravel through public consultation processes. The phenomenon of proposed policies being discarded before reaching enactment is far from exceptional. Botzem (2012, p. 63) demonstrates this pattern in standard-setting, showing how the International Accounting Standards Committee (IASC) in the 1990s and later the IASB issued significantly more exposure drafts than the number of new or revised standards ultimately adopted. A similar dynamic appears in SEC rulemaking, as Pritchard et al. (2025) document that only 71.6% of all rule proposals issued by the SEC between 1995 and 2024 were ultimately adopted.[4] While the authors find positive correlations of non-adoption with the number and length of comment letters submitted during public consultations, which indicates an important role of these consultations, they do not analyse the content of the regulations and the discourse in more depth.

To analyse how policy proposals fail, we employ discursive institutionalism as our theoretical framework. This approach focuses on how ideas and discourse shape institutional change and stability, providing insights into the interplay between policy proposals and their reception. We apply this framework to examine the competing policies in our case – the adoption of IFRS versus the maintenance of local GAAP – and trace how these alternatives were articulated, challenged, and ultimately resolved in the regulatory discourse. In the next section, we introduce the theoretical framework.

3. Theoretical framework

3.1 Discursive institutionalism

Discursive institutionalism, a theoretical framework advanced by political scientist Vivien Schmidt (2008, 2010a, 2010b, 2011, 2012), emerged from broader efforts in the field of political science to show "how ideas […], rather than self-interests, affect policy making" (Campbell, 2002, p. 21). In her seminal article, Schmidt (2008, p. 306) positions this approach as distinct from other institutionalisms by its dual focus on both the substantive content of ideas and the "interactive

[4] This is also evidenced by the Commission's recent decision to withdraw fourteen rule proposals from the previous administration, declaring no intent to finalise them (SEC, 2025b).

processes of discourse" through which they evolve and gain traction. Where rational choice institutionalism emphasises strategic interests, historical institutionalism examines path dependencies, and sociological institutionalism focuses on cultural norms, discursive institutionalism explains institutional change and continuity through the dynamic interplay of ideas and discursive interaction (Schmidt, 2008).[5]

Ideas represent actors' beliefs about how the world works and how the world should work and, as such, offer justifications and legitimations for institutional change or continuity (Blyth, 2002, p. 11; Schmidt, 2010b). Schmidt (2010a, p. 56) argues that only the analysis of the exchange of ideas, that is, discourse, can help understand "how ideas go from individual thought to collective action." As a consequence, Schmidt (2008, p. 309) criticises political science literature for paying too little attention to "the causal influence of discourse". Instead of primarily asking why *an idea* that backs a proposed regulatory change or continuity succeeds or fails, Schmidt (2008) calls for asking why *the discourse promoting the idea* succeeds or fails.

According to Schmidt (2008), discursive processes operate through two interdependent spheres: *coordinative discourse* among policy actors and *communicative discourse* with the broader public. Coordinative discourses are led by policy actors, including "civil servants, elected officials, experts, organized interests, and activists" who create, elaborate, and justify specific policy proposals (Schmidt, 2008, p. 310). In contrast, communicative discourse encompasses society-wide deliberations that test, contest, and potentially modify these proposals. These spheres are mutually constitutive: while coordinative discourse generates policy proposals, communicative

[5] Schmidt (2012, pp. 707–708) later conceptualised discursive institutionalism as an "umbrella concept" encompassing various approaches to studying ideas and discourse. This includes related organisational theories like institutional work (Lawrence & Suddaby, 2006) and institutional entrepreneurship (Battilana et al., 2009), which share discursive institutionalism's focus on agentic processes of institutional change and stability.

discourse both disseminates them to the public and channels societal feedback back into policy formulation (Schmidt, 2002, p. 232).

Discursive institutionalism advances a dual conception of institutions: they function simultaneously as the context that shapes agents' actions and as the dynamic product of those actions. This reciprocal relationship stems from agents' capacity to both maintain and transform institutions through two distinct modalities. First, agents draw upon their "background ideational abilities" (Schmidt, 2008, p. 314), which comprise the internalised knowledge, dispositions, and practical understanding of "how the world works and how to cope with it" (Schmidt, 2010b, p. 14). These background abilities inform agents' interpretation and navigation of institutional environments. Second, agents employ "foreground discursive abilities" that enable them to "think, speak, and act outside their institutions even as they are inside them" (Schmidt, 2008, p. 314). These capacities allow agents to deliberately reflect upon, debate, and potentially modify institutional rules while operating within them. Thus, institutions simultaneously shape agents' meaning-making through background abilities while being continually reshaped by agents' foreground discursive practices. This dynamic interaction between institutional context and agentic capacity forms the theoretical foundation for examining processes of institutional change and continuity.

Schmidt (2008) presents an analytical framework for studying such processes that examines foreground discourse and allows for uncovering actors' background assumptions. This approach distinguishes between two types of ideas: *normative* ideas, which operate through a value-based logic of appropriateness, and *cognitive* ideas, which follow an interest-based logic of necessity. These idea types manifest across three "levels of generality"— policy level, programmatic level, and philosophical level (Schmidt, 2008, p. 305).

At the *policy level*, cognitive ideas reflect specific policy solutions to identified problems, appealing to actors' interests. In contrast, normative ideas at this level demonstrate how proposed policies align with societal "aspirations and ideals" (Schmidt, 2008, p. 307). Moving to the *programmatic level*, both cognitive and normative ideas address problem definitions and policy goals, with cognitive ideas focusing on technical solutions and normative ideas emphasising value considerations necessary to achieve these goals. Most fundamentally, the policy and programmatic levels are embedded in *philosophical-level* worldviews that typically remain unarticulated in foreground discourse. As Schmidt (2008, p. 306) notes, these deeper assumptions "sit in the background as underlying assumptions" that shape actors' orientations towards specific policies. Cognitive philosophical ideas organise thought around principles derived from scientific disciplines or technical practices, while normative philosophical ideas reflect shared or emerging societal values (Schmidt, 2008, p. 307).

The rare existing applications of Schmidt's analytical framework highlight the critical role of aligning cognitive and normative ideas for policy success. Schmidt (2002), for example, shows how Margaret Thatcher's implementation of neoliberal reforms in 1970s Britain relied on her ability to strategically frame policies through both cognitive logics of necessity ("what must be done") and normative logics of appropriateness ("what should be done"). Schmidt (2008, p. 308) accordingly concludes that "[t]he success of a program does not just depend on the presence of cognitive ideas … [but] … also depends on the presence of complementary normative ideas". This alignment is equally evident in Seabrooke & Wigan's (2016, p. 369) analysis of a global tax reform, where technical experts increased policy traction by pairing empirical cognitive claims about "how things work best" with normative moral arguments about "how things should be." Regarding the interplay of the levels of ideas, Crespy & Schmidt (2014) illustrate how policy change in the case of the proposal of setting up rescue funds to overcome the Eurozone government debt crisis required connecting concrete policy-level ideas to programmatic ideas like budgetary discipline and economic competitiveness, while also anchoring these in foundational philosophical ideas like solidarity and stability. Collectively, these studies demonstrate that policy proposals are more likely to succeed when proponents effectively integrate cognitive and normative ideas in the discourse and achieve alignment of ideas across the policy, programmatic and philosophical levels.

Overall, discursive institutionalism provides a theoretical lens to analyse the interplay of ideas, discourse, and institutional context to explain policy outcomes. Its focus on the alignment of cognitive and normative ideas across different idea levels allows for tracing micro-foundations of institutional change and continuity. In the next subsection, we transfer the theoretical framework to the case of IFRS adoption.

3.2 Types and levels of ideas in the context of IFRS adoption

The policy of IFRS adoption can be justified based on both interest-based (cognitive) and value-based (normative) ideas (see Table 1). Regarding cognitive ideas, prior literature has identified neoliberalism as the underlying philosophical idea that supports IFRS adoption. While Rodrigues & Craig (2007, p. 744, emphasis deleted) see "[t]he general case for international accounting harmonization [as] part of a broad neo-liberal agenda", Mantzari & Georgiou (2019, p. 73) highlight "the fundamental role of the hegemonic neoliberal common sense that serves as a unifying principle for the acceptance of IFRS." Neoliberalism emphasises deregulation, reducing barriers to global trade and the flow of capital, thus enabling free markets to operate more efficiently (e.g., Rodrigues & Craig, 2007). On this basis, at the programmatic level, the cognitive idea in support of IFRS adoption stresses the economic competitiveness of companies within a country by enhancing market efficiencies. Along this line, IFRS adoption is often justified on the grounds that it improves the comparability of financial statements across national borders, reduces information asymmetry, thus attracts foreign investment, and ultimately reduces preparers' costs of capital (Becker et al., 2021, p. 10). Thus, this cognitive idea focuses on whether adopting IFRS serves the economic interests of *local* market participants. Accordingly, at the policy level, IFRS adoption reflects the cognitive idea that local benefits outweigh adoption costs of IFRS.

– Insert Table 1 about here –

In contrast, the normative idea underlying IFRS adoption at the philosophical level is internationalism, the reliance on international organisations and agreements to promote global prosperity (Halliday, 1988).[6] Accordingly, at the programmatic level, the normative idea emphasises the importance of international cooperation to achieve common goals via shared commitments. From this standpoint, adopting IFRS is seen as a way to support the development and use of a single set of global standards, thereby ensuring the production of high-quality, comparable accounting information across the world. This, in turn, is expected to benefit the international community by fostering trust, transparency, and accountability in global financial markets. Accordingly, at the policy level, IFRS adoption reflects the normative idea of *global* benefits of adopting an internationally uniform set of accounting standards.

The policy of maintaining local GAAP can also be motivated by cognitive and normative ideas (see Table 2). Regarding cognitive ideas, at the philosophical level, environmental determinism suggests that it is beneficial to tailor regulations to local particularities to allow firms to operate effectively. Accordingly, "socioeconomic and cultural differences between countries should lead

[6] The distinction between cognitive and normative ideas does not preclude that the cognitive philosophical idea of neoliberalism and the normative philosophical idea of internationalism can go hand in hand (see Arnold, 2005; Hopper et al., 2017).

to different accounting systems, rendering harmonisation a misplaced endeavour" (Rodrigues & Craig, 2007, p. 747). While neoliberalism views regulatory harmonisation positively due to its potential to reduce regulatory complexities (Rodrigues & Craig, 2007), environmental determinism leads to the opposite conclusion. At the programmatic level, this inspires the cognitive idea that regulations tailored to local contexts are economically more advantageous than globally standardised regulations. At the policy level, maintaining local GAAP is based on the cognitive idea that local benefits of this approach outweigh the costs of maintaining local accounting standards (Albu et al., 2014; Ball, 2006; Hail et al., 2010a; Zeff, 2007).

– Insert Table 2 about here –

The normative idea underlying maintaining local GAAP, at the philosophical level, is rooted in nationalism, which can be defined as the "feeling of superiority regarding one's own country" (Alon & Dwyer, 2014, p. 353). Nationalism entails strong beliefs in national autonomy, a unique identity, and pride in this identity (Hutchinson & Smith, 1994, pp. 4–5). At the programmatic level, the normative idea reflects the goal of sovereignty, which emphasises the local benefits of national self-determination and autonomy, often at the expense of international cooperation in developing accounting regulations (De Lange & Howieson, 2006). In this sense, "[l]egislative bodies like the U.S. Congress have an innate resistance to give up power to a foreign authority or standard-setting body" (Hail et al., 2010b, p. 573). At the policy level, maintaining local GAAP reflects the normative idea that this policy entails benefits of maintaining control over accounting standards. Accordingly, Alon & Dwyer (2014, p. 349) find that "more nationalistic countries were more likely not to permit IFRS".

In sum, this subsection highlights how the policies of adopting IFRS versus maintaining local GAAP are justified by distinct cognitive and normative ideas. The underlying opposing philosophical ideas reflect broader tensions between global harmonisation and local autonomy, shaping the discourse surrounding financial reporting regulation. The following section outlines our case and the data that we use to explore the discourse on adopting IFRS versus maintaining local GAAP in the United States.

4. Method and data

This paper adopts an interpretative qualitative approach to address the research question of how policy proposals can fail in regulatory processes, using the case of the non-adoption of IFRS by U.S. issuers. In the United States, the decision on whether and how to adopt IFRS for issuers in U.S. capital markets rests with the SEC and, more specifically, with its five Commissioners.[7] The discourse on IFRS adoption within the SEC reflects the *coordinative* discourse, involving the Commissioners and their staff as policy actors who discuss specific policy proposals. While we do not analyse this internal coordination in more detail, other studies have drawn on interview evidence within and in close circles around the SEC to provide deeper insights into the considerations of the SEC Chairs and their fellow Commissioners regarding IFRS (Becker et al., 2023, 2025).

U.S. legislation requires that SEC actions, such as the recognition of accounting standards, be "necessary or appropriate in the [national] public interest and for the protection of investors" (Sarbanes-Oxley Act, Section 108.b). To ensure that potential rulemakings are in the U.S. public interest, the SEC is required to publicly consult its constituents by soliciting feedback on its proposals (Administrative Procedure Act, para. 553). The issuance of policy proposals by the SEC

[7] The Securities Exchange Act (Section 13) empowers the SEC to decide on the nature of the financial reports that firms have to provide when issuing securities on a U.S. stock exchange.

and the responses by its constituents reflect the *communicative* discourse on IFRS adoption for U.S. issuers.

We use four types of documents to capture the communicative discourse: (1) policy proposals issued by the SEC and its staff, (2) speeches by SEC Commissioners, often related to the issuance of policy proposals, (3) publicly available comment letters, submitted to the SEC in response to its consultation documents, (4) statements from constituents at four SEC roundtable meetings held in 2007, 2008, and 2011.[8] Table 3 provides information about the timing and content of the SEC's public outreach activities as well as an overview of the number of constituents' feedback statements that the SEC received in response to each public outreach activity, the number of analysed letters or statements, reasons for excluding certain letters or statements. Table 3 illustrates that the SEC asked for feedback on three different policy proposals, that is, (1) voluntary adoption of IFRS, (2) mandatory adoption of IFRS, and (3) condorsement of IFRSs, along with the implicit alternative of (4) maintaining U.S. GAAP. Our focus on regulatory documents and comment letters from public consultations aligns with recent qualitative studies on financial reporting regulation (e.g., Baudot & Cooper, 2022; Himick & Brivot, 2018; Orthaus et al., 2023; Georgiou, 2024).[9]

– Insert Table 3 about here –

We analysed the content of the documents as follows. With the help of the software MAXQDA, the first author read each of the documents and assigned codes for constituents' opinions about the

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8 All documents were retrieved from the SEC website (sec.gov). For references to specific comment letters, we use the official file reference number (e.g., s72007-61) and the name of the submitting organisation (e.g., PepsiCo). For references to statements in roundtable meetings we refer to the name of the person and the page number in the official transcript. For Commissioner speeches, we refer to official transcripts, except for two cases, in which we draw on our own transcripts of audio files of two open meetings (SEC, 2008c; 2010d). In these cases, we refer to the audio file and the hour and minute in which the Commissioners' statements appear.

9 Due to our focus on public material, we are unable to study unofficial private interactions between the SEC and constituents, which may have also influenced the regulatory decision-making.

proposed policies[10] and the types of arguments used by the SEC and its constituents to motivate their opinion on the policy proposals. This inductive identification of opinions and arguments was followed by joint discussions about the use of theoretical frameworks to interpret our empirical material. While we initially considered institutional work (Lawrence & Suddaby, 2006) as a theoretical framework to analyse the different types of arguments as work forms reflecting the strategies employed by constituents, we realised that this analytical approach was not sufficiently capturing the SEC's activities and how institutional context shaped the discourse. Therefore, we turned to discursive institutionalism, which explicitly considers ideas, discourse, and context, and thereby allows us to gain deeper insights from our material to address the research question of how policy proposals can fail in light of public consultations.

In the subsequent step of our abductive coding process, we aggregated the inductively identified granular arguments ("1st order code") into common categories as "2nd order themes". We then linked these themes to the different types of ideas (cognitive vs. normative) used in our theoretical framework of discursive institutionalism ("3rd order themes").[11] Table 4, Panel A (ideas supporting IFRS adoption) and Panel B (ideas supporting the maintenance of U.S. GAAP), informs about this coding structure, where the first order codes are arranged in ascending order of their frequency

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[10] If comment letters or roundtable participants did not clearly state their preference, we coded these cases as "ambiguous". We did not code Commissioners' opinions, since all Commissioners supported the release of the Concept Release, Rule Proposal, and the statement in support of convergence and global accounting standards (see SEC, 2007d, 2008c, 2010d). The Commissioners did not vote or provide explicit statements on the staff consultations in 2010–2011.

[11] As a result of this abductive coding process, a few first order codes remained unassigned due to a mismatch with our theoretical lens. These mainly include motivations for adopting IFRS, such as (1) the (sufficiently) high quality of the standards (but not higher than U.S. GAAP), (2) risk of losing influence on IFRS, in case of avoiding a further U.S. commitment. A first order code that reflected a motivation against adopting IFRS which we could not match with our theoretical lens was the idea that competition between standard setters is preferable over one single set of accounting standards (see Sunder, 2009). We only found two comment letters (AAA Financial Accounting Standards Committee, s72808-104; Shyam Sunder, s72808-144) that used the latter reasoning.

within each second order theme.[12] While it is possible to analytically identify and distinguish normative and cognitive ideas at the policy level in the form of arguments, it is not possible to analytically distinguish ideas at the policy level from ideas at the programmatic level, as policy-level ideas nest in programmatic ideas, which nest in philosophical ideas. For example, the policy-level idea that "IFRS adoption will result in reduced reporting costs for U.S. firms" nests in the programmatic idea that IFRS adoption will enhance economic competitiveness, which nests in the philosophical idea of neoliberalism. Furthermore, it is – per se – not possible to analytically identify ideas at the philosophical level, as such ideas are "often left unarticulated as background knowledge" in a discourse (Schmidt, 2008, p. 308). Instead, the analysis of discursive shifts at higher levels of ideas requires an interpretative approach.

– Insert Table 4 about here –

To capture the dynamics of the discourse, we also distinguish among different groups of constituents that provided feedback to the SEC. To this end, we categorised constituents by their professional background (issuers, auditors, investors, and regulators) and nationality (U.S. vs. foreign). For U.S. issuers and auditors, we further approximated their community membership (international vs. national) using information on the geographic focus of their business operations from their comment letters and/or company profiles.[13]

Apart from showing and interpreting individual quotes from documents, our analysis uses descriptive statistics to display the frequency of opinions and types of ideas across constituent

[12] Note that one particular first order code can be assigned multiple times to the same document, if the argument appears in different paragraphs of the document.

[13] For example, J.C. Penney Company describes its background as being "one of America's leading retailers, operating 1,101 department stores throughout the United States and Puerto Rico" (s72708-127) and was therefore categorised as a "national U.S. issuer". While KeyCorp does not provide information about its geographical business operations in its comment letter (s72708-112), its company profile shows that the bank only operates within the United States (https://www.key.com/about/company-information/key-company-overview.jsp).

groups and time periods, where possible (for this approach, e.g., also see Orthaus-Wahl et al., 2025). This use of statistics is meant to provide more transparency to "quantitative claims" in qualitative research, which otherwise often come in the form of verbal descriptions of frequencies, such as "many actors" or "some actors" (Maxwell, 2010, p. 476). However, we note that, in the spirit of interpretative research, it is not the frequency per se that matters for our analysis, but our in-depth reading of the material which, for instance, also considers how extensive and important certain arguments were made in individual statements.

5. Findings

5.1. The discourse around the policy proposal of voluntary IFRS adoption

5.1.1 SEC policy positioning

The SEC's initial policy proposal to permit IFRS for U.S. issuers built on its preceding proposal for foreign issuers to use IFRS (SEC, 2007a, p. 12). Accordingly, Commissioners' public speeches depicted the policy proposal as a natural extension, "a mirror image", of allowing foreign issuers the use of IFRS (Cox in SEC, 2007d, p. 86). These statements reflect an embracement of the philosophical idea of neoliberalism as the policy proposal was intended to ensure an economic "level playing field" for U.S. issuers and foreign issuers (see Atkins, Campos, Casey, and Cox in SEC, 2007d) and to "leave the choice between U.S. GAAP and IFRS to the markets" (Atkins, 2007a, 2007b). While most Commissioners focused on these cognitive justifications, Commissioner Nazareth voiced concerns about two issues reflecting cognitive and normative ideas in favour of maintaining U.S. GAAP: potential increased economic costs for investors under a dual GAAP reporting system in the United States, and loss of sovereignty to a foreign private standard setter (Nazareth in SEC, 2007d, p. 115). Along the same line, Commissioner Campos warned about "unintended consequences" for U.S. investors (Campos in SEC, 2007d, p. 108). In contrast, Chair Cox consistently promoted the normative vision of establishing "a global standard, rather than the Babel of competing and sometimes contradictory national standards", arguing that such harmonisation would benefit "the world's capital markets" (Cox, 2007a, see also 2007b, 2007c).

The SEC's Concept Release, issued in August 2007, mirrored this dual emphasis in its policy rationale. First, the SEC's case rested on the cognitive programmatic idea of market efficiency, positioning voluntary IFRS adoption as a means to facilitate "capital formation in US public capital markets" (SEC, 2007a, p. 14), by (1) strengthening U.S. issuers' competitiveness on global capital markets that became increasingly used to IFRS-based reports and (2) reducing reporting costs for U.S. multinational firms with IFRS-reporting subsidiaries (SEC, 2007a, pp. 12–13). Second, the SEC invoked the normative programmatic idea of benefiting "the global capital markets and investors" by promoting a single set of accounting standards (SEC, 2007a, p. 18).[14] The Concept Release thus depicted the policy proposal of voluntary IFRS adoption as a pragmatically necessary and normatively desirable regulatory change. At the same time, the Concept Release remained silent on the sovereignty-related and economic concerns over adopting IFRS that had been voiced by the more sceptical Commissioners.

5.1.2 Constituent feedback

In 2007, constituents who favoured IFRS adoption dominated the discourse, with 32% supporting voluntary and another 31% mandatory adoption (see Table 5, Panel A). This support varied across constituent groups: *foreign* constituents largely favoured voluntary adoption (68%), whereas

[14] The Concept Release's 35 questions further reflected these cognitive and normative dimensions, requesting constituents' views on issues ranging from (cognitive) market effects (Q1-9) to the (normative) governance of global standard-setting (Q14-16).

internationally active *U.S.* auditors and issuers preferred a mandatory approach (91% and 55%, respectively).

– Insert Table 5 about here –

– Insert Table 6 about here –

Table 6, Panel A, reveals a notable symmetry in the use of idea types between opposing camps. Both supporters and opponents of IFRS adoption employed cognitive and normative ideas with comparable frequency, though predictably in inverse directions.[15] However, among *supporters* of mandatory adoption, 77% simultaneously employed cognitive ideas *for maintaining U.S. GAAP*, nearly as often as opponents who favoured maintaining U.S. GAAP (82%). This apparent paradox emerged because the policy proposal of voluntary IFRS adoption drew criticism from across the spectrum: Proponents of mandatory adoption as well as defenders of U.S. GAAP largely rejected voluntary adoption by using the similar cognitive idea that a dual GAAP system would reduce – instead of enhance – capital market efficiency:

> If the SEC permits IFRS to be used by domestic reporting entities, two reporting standards would be allowed in the U.S. for reporting to the public, those set by IASB and those set by the FASB. The two sets of standards are not yet converged, and the public interest would not be served by allowing companies to elect different accounting standards for economically similar transactions. This would create additional confusion for the investing

[15] IFRS supporters shared the programmatic cognitive idea that IFRS adoption will protect U.S. economic competitiveness, reiterating the two market forces that the SEC had identified in the Concept Release: The risk of "leav[ing] the U.S. capital markets in a [sic] isolated position with its unique U.S. GAAP requirements, while other global capital markets use IFRS based financial reporting" (Ohio Society of CPAs , s72007-37; KPMG , 72007-23) and the competitive disadvantage for U.S. multinationals that need to use two sets of standards: "[H]aving the option to file under IFRS would lower costs for U.S.-based multinational issuers who currently report under multiple standards. To realize these benefits and stabilize the decline of the U.S. competitive position in the global marketplace, it is imperative that the SEC act with diligent speed in allowing U.S. issuers the option to report under IFRS" (U.S. Chamber of Commerce, Center for Capital Markets Competitiveness, s72007-76; see also Committee on Corporate Reporting of the Financial Executives International, s72007-63).

public. (National Association of State Boards of Accountancy (NASBA), s72007-52; see also Unum, s72007-75)[16]

Proponents of *mandatory* IFRS regarded the policy proposal of voluntary adoption to only partially cater to their broader programmatic and philosophical cognitive ideas. While they shared the cognitive idea that the competitiveness with foreign firms was "[t]he most significant market force" (PepsiCo, s72007-61), they warned about offering U.S. firms a "permanent buffet approach" (Ohio Society of CPAs, s72007-37) as the continued "co-existence of two sets of standards for U.S. issuers" would reduce comparability of U.S. firms and thus harm capital market efficiency within the United States (Fitch, s72007-72). At the same time, some proponents of mandatory adoption criticised the SEC's policy proposal for creating a two-GAAP system in the United States on normative grounds, arguing that maintaining U.S. GAAP alongside IFRS was running "counter to the goal of promoting a single set of high-quality, globally-accepted accounting standards" (KPMG, s72007-23).[17]

Unlike the policy proposal on voluntary adoption, which was subject to direct scrutiny by constituents due to the SEC's solicitation of feedback, mandatory adoption escaped a comparable critical assessment. At the same time, the cognitive idea for mandatory IFRS adoption neatly aligned with the normative idea of creating global benefits by enhancing "the efficiency of capital deployment and help[ing] to break down barriers in an increasingly global marketplace" (Moody's, s72007-88; see also U.S. Government Accountability Office (GAO), s72007-85). Since, from

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[16] The same argument was also made by actors who did not adopt a clear stance on IFRS adoption: "The issue of having optionality just imposes or creates a two GAAP system and you want to minimize the period of that. It creates extra burden and confusion for a lot of different people" (FASB Chair Robert Herz in SEC, 2007b, p. 124; see also Gerry White from the CFA Institute in SEC, 2007c, p. 39).

[17] In contrast, while proponents of *voluntary* adoption mentioned multinational firms' reduced reporting costs as their primary reason for supporting IFRS, they also acknowledged hat these advantages would only benefit "some of our firms, not all of them, but some of them and particularly the global ones" (Hal Scott from Harvard Law School in SEC, 2007c, p. 55).

these constituents' perspective, the FASB's and IASB's convergence efforts took "substantially longer than desired" (PwC, s72007-33), they also concluded that the concurrent institutional context created the demand for *mandatory* adoption to ultimately achieve the international harmonisation of accounting standards (see also UTC, s72007-59; Financial Reporting Committee of the Institute of Management Accountants, s72007-81).

5.1.3 Outcome of the discourse

Constituents' responses to the Concept Release provided a new context for the SEC's rule-making process. As our analysis shows, constituents' feedback provided strong support for the general policy proposal of adopting IFRS, as IFRS proponents mobilised similar normative and cognitive ideas as the SEC. At the same time, however, most of these constituents also agreed on the cognitive undesirability of adopting IFRS on a *voluntary* basis as the policy proposal aligned only partially with constituents' cognitive programmatic and philosophical ideas. The voluntary adoption proposal thus entailed a misalignment across levels of ideas.

Even though only a relatively small share of constituents (31%) and none of the Commissioners had voiced their support for *mandatory* IFRS at that time (see Table 5, Panel A), the discourse created a context for the SEC that suggested mandatory adoption as the best policy solution to align cognitive and normative ideas. Accordingly, the SEC interpreted the support for IFRS adoption by the majority of constituents as a request to work on a roadmap for mandatory adoption, positioning voluntary adoption of IFRS as an interim step (see SEC, 2008a).

5.2 The discourse around the policy proposal of mandatory IFRS adoption

5.2.1 SEC policy positioning

The SEC's policy proposal of mandatory adoption was initially shaped by the three incumbent Commissioners, as the other two Commissioners had resigned by January 2008 and not been replaced until July 2008 (see Becker et al., 2023). As illustrated by the following two quotes from Commissioner speeches, in early 2008, globalisation provided the dominating context for the cognitive idea of adopting IFRS:

> [E]ver-faster communications, ever-more-closely linked markets, and truly global competition for capital … have for several years been driving the project to converge the world's two great accounting systems [U.S. GAAP and IFRS]. … The many comments the Commission has received [on its concept release] make one thing exceptionally clear: the rapidly growing acceptance in the rest of the world of IFRS as a high-quality accounting standard will make the U.S. GAAP-IFRS convergence project increasingly important for U.S. investors and issuers. In 2008, [the SEC staff] … will formally propose to the Commission an updated "roadmap" … for continuing the progress that the United States is making in moving to accept IFRS in this country. (Cox, 2008)

> [Constituents' feedback suggests a] broad consensus that the ultimate goal should be a single set of high-quality, globally accepted accounting standards. There was also a general belief that the uniform global standard will ultimately be IFRS, not U.S. GAAP. And, panelists suggested that a roadmap should be established to transition [all] U.S issuers to IFRS. (Casey, 2008)

While Chair Cox and Commissioner Casey interpreted constituents' feedback to the Concept Release as reflecting the prevalence of cognitive ideas in support of developing a new policy proposal, Commissioner Atkins continued to favour the voluntary adoption of IFRS, leaving it to the markets to decide which reporting system is preferred:

> [Voluntary adoption] would leave the choice between U.S. GAAP and IFRS to the markets. If investors prefer one set of accounting standards over another, they may well reward with premium pricing those issuers who use the preferred set. (Atkins, 2008a, see also 2008b)

Thus, while sharing underlying cognitive philosophical ideas of neoliberalism, the three Commissioners differed in how they regarded the two policy proposals to enhance local economic competitiveness and market efficiency. Due to the end of Commissioner Atkins' four-year term on August 1, 2008, Chair Cox had three new Commissioners in office to vote on the Rule Proposal later in August 2008 (see Becker et al., 2023). While Commissioner Paredes adopted the cognitive idea of Casey and Cox (see Paredes in SEC, 2008c, hour 1:21), the first public speeches on the issue of adopting IFRS by the incoming Commissioners Walter and Aguilar showed different emphases. Despite their support for the release of the Rule Proposal, they both stressed the need for concrete evidence backing the cognitive ideas in support of adopting IFRS:

> The world should make no mistake: The SEC is serious about moving to IFRS as the governing accounting standards. But we are equally serious about doing this in the right way. … I believe strongly that we should move forward to mandate IFRS if and only if it is the right thing to do for U.S. investors. (Walter in SEC, 2008c, hour 0:58)

> I very much appreciate the staff's tremendous work in looking at the changing world and developing a framework in which we can ask tough questions and to consider whether or not it is in our country's best interest to move toward the use of IFRS. (Aguilar in SEC, 2008c, hour 1:17)

The Rule Proposal abandoned the policy proposal of voluntary adoption as a long-term solution (SEC, 2008a, p. 32). Instead, it suggested mandatory adoption and almost entirely based this on cognitive ideas, particularly stressing the need to safeguard U.S. competitiveness, while relegating normative appeals to global harmonisation goals to a peripheral role.[18] This cognitive turn mirrored arguments from constituents who had highlighted the cognitive undesirability of voluntary

[18] In contrast to the short passage on the global advantages of adopting IFRS (SEC, 2008a, p. 17), the Rule Proposal included several pages on which the expected benefits arising to U.S. stakeholders, specifically, issuers and investors, were discussed (pp. 9, 11-13, 16). The cognitive idea in support of adopting IFRS was further outlined within the SEC's assessment of costs and benefits of adopting IFRS that arise to U.S. stakeholders (pp. 48-51).

adoption in responses to the Concept Release, as well as the focus on cognitive ideas in public speeches of the five Commissioners who voted on the Rule Proposal in August 2008.

Moreover, the Rule Proposal provided an extensive discussion of various transition costs that different constituent groups would incur (see SEC, 2008a, pp. 28-29, 35-40, 115-119) and outlined factors that might limit the economic benefits of IFRS adoption from a U.S. perspective (see p. 126, 134-135). The questions posed to constituents further reflected this cognitive orientation. The core questions (Q1-15 and 67-70) focused primarily on assessing whether constituents shared the assumptions behind the cognitive idea in support of mandatory adoption and its transition plan.[19]

As the Rule Proposal even included brief sections about normative ideas against adopting IFRS,[20] it differed substantially from the previous Concept Release. While the Concept Release had silenced some of the Commissioners' concerns about adopting IFRS, the Rule Proposal reflected the different views of Commissioners to a much greater extent, including the calls for concrete evidence. It also made clear that the SEC intended to collect feedback particularly on the cognitive ideas underlying the policy proposal of adopting IFRS.

5.2.2 Constituent feedback

Compared to the Concept Release, the Rule Proposal received more attention from constituents (see Table 5, Panel B). While overall participation more than doubled from 96 to 209 constituents, this growth was distributed unevenly across different positions on IFRS adoption. Opposition to IFRS adoption increased significantly during this period. The number of constituents favouring

[19] The remaining questions (Q16-65) addressed technical implementation details, early adoption options, and specific reporting requirements.

[20] Normative ideas in support of maintaining U.S. GAAP included the potential reduction of U.S. constituents' influence on accounting standard setting when replacing U.S. GAAP with IFRS (SEC, 2008a, pp. 46–47) and the perception that IFRS remained less developed than U.S. GAAP in certain areas (p. 134).

U.S. GAAP surged from 17 to 93, a more than fivefold increase. In contrast, support for some form of IFRS adoption grew moderately, from 61 to 80 participants. This shift corresponded with changes in constituents' backgrounds. Nationally operating issuers showed the most substantial increase in engagement, growing from just three in 2007 to 49 in 2008. Among these, 76% opposed any move towards IFRS adoption. Another particularly striking development was the emergence of opposition among internationally operating issuers: While none had supported maintaining U.S. GAAP in 2007, 24 voiced such opposition in 2008.

These changes suggest that the proposal for mandatory adoption mobilised substantially more defenders of the status quo compared to the previously proposed voluntary adoption. At the same time, the SEC's shift of the policy proposal from voluntary to mandatory adoption seemed to have unified adoption proponents behind a single position. While IFRS supporters were divided between voluntary and mandatory approaches in 2007, the distribution of opinions suggests that they united their support for a mandate during the 2008 consultation, with only few (15 out of 80) calling for an option.

Table 6, Panel B, reveals that IFRS proponents and opponents met the SEC's request for feedback on the cognitive ideas to different extents. While 78% of the proponents of mandatory adoption used normative ideas to back the policy proposal of adopting IFRS, only 65% of them mentioned cognitive ideas. In contrast, almost all opponents (94%) stressed cognitive ideas against adopting IFRS.

According to the SEC's own analysis of these responses, "improved comparability was the most commonly cited reason" (SEC, 2010a, p. 20) to cognitively support the adoption of IFRS. Our analysis shows a more nuanced picture, as relatively few constituents argued that adopting IFRS would result in comparability benefits for *U.S. markets* (see TWTC). Instead, most respondents gave the argument a rather normative – instead of cognitive – spin, by mentioning comparability benefits for global capital markets (which include U.S. markets), but failing to provide examples of benefits arising to U.S. markets (see AICPA and IDW):

> We agree that a single set of high-quality global accounting standards is in the best interest of US investors to compare financial information between that of US and non-US companies. (TWTC, s72708-134, see also Deloitte, s72708-87)
>
> We believe one common accounting language would benefit investors, as well as issuers and the capital markets, because it would facilitate the comparison of reporting entities domiciled in different countries. (AICPA, s72708-95, see also Morgan Stanley, s72708-192)
>
> We agree with the Commission that investors in the U.S. and, indeed worldwide, will benefit from an enhanced ability to compare the financial information of U.S. issuers with that of non-U.S. companies. (IDW, s72708-27; see also FEE, s72708-230)

Cognitive ideas in support of IFRS adoption largely referred to the risk of U.S. isolation in global capital markets (see, e.g., European-American Business Council, s72708-203; Deutsche Bank, s72708-164) and reduced reporting costs for U.S. firms (see, e.g., Intel, s72708-76; HSBC North America Holdings, s72708-207), often in combination with attempts to relativise IFRS adoption costs:

> It is our belief that due to the growing level of investment in the U.S., the need for IFRS expertise will inevitably grow. As a result, the one time cost of implementing IFRS may well be less expensive in the long term than maintaining both U.S. GAAP and IFRS capability within the U.S. (PepsiCo, s72708-174)

However, proponents failed to provide tangible evidence to substantiate their cognitive claims. As evident in the quote by PepsiCo, some proponents even employed modal forms, such as "IFRS may well be less expensive" (PepsiCo) or "U.S. investors may benefit" (Deloitte, s72708-87) to express their uncertainty about the likelihood of their claim. Only a few proponents provided some evidence in support of their cognitive claims, either in form of their own experiences (see Verizon) or in form of referring to selected academic studies (see Potash Corp):

> Verizon sees its peers as not only AT&T, but also British Telecom, France Telecom, Deutsche Telekom, Telefonica and other large telecommunication and entertainment companies. So most large companies (with or without international operations) could potentially benefit from using comparable financial information from other countries. (Verizon, s72708-119; see also Alcoa, s72708-110)
>
> [T]he empirical study of Dr. Edward Lee et al … concluded that in the first two years of IFRS mandatory adoption, companies in countries such as the U.K. … benefited more from IFRS and achieved significant reductions in the cost of capital. … The study also noted that, based on the findings, IFRS may well be suitable for stock-market based economies such as the U.S. (Potash Corp., s72708-103; see also Bank of New York Mellon, s72708-175 citing working paper version of Armstrong et al., 2010)

Opponents, in contrast, gave comparability a much more cognitive – instead of normative – spin. While they in principle agreed with the potential comparability benefits of one set of global accounting standards, they simultaneously questioned the attainability of this (theoretical) premise by referring to existing jurisdictional variations in applying IFRS as (practical) counterevidence:

> Theoretically, a single set of global accounting and reporting standards would allow U.S. investors to more readily compare investment opportunities regardless of the location of the investment opportunity. However, several countries have adopted a piecemeal or tailored approach to adoption. Therefore, mandating the use of IFRS in the U.S. would not necessarily achieve this theoretical comparability. (Darden Restaurants, s72708-178; see also URS, s72708-135)

Opponents also exploited the lack of investor demand as an indication of the missing benefits of IFRS adoption. In other words, a lack of evidence was interpreted as counterevidence:

> In our opinion, converting to IFRS is a solution without an underlying problem. In fact, we have never heard an investor in our company, any stock analyst covering Marriott, or any lender with which we do business in the United States or abroad suggest to us that they would prefer we report our results in IFRS. (Marriott International, s72708-36; see also McDonalds, s72708-105)[21]

[21] As only two investor representatives supported the Rule Proposal (see Table 5, Panel B), their feedback tended to confirm a lack of investor demand for IFRS.

Adoption costs offered another possibility to substantiate the cognitive idea for rejecting the policy proposal of adopting IFRS. Various U.S. issuers applied the SEC's cost estimate formula (see SEC, 2008a, p. 117, also pp. 130-131) to their organisations, concluding that spending several million dollars to transition to IFRS was "not a prudent use of [U.S. firms'] resources" (JCPenney, s72708-127; see also FedEx, s72708-64; Intel, s72708-76; Regions Financial, s72708-77; Chevron, s72708-120). While various proponents of IFRS took efforts to relativise IFRS adoption costs, e.g., by downplaying costs of education for auditors and investors (see, e.g., Deloitte, s72708-8; IBM, s72708-49; Dell, s72708-51; Ernst & Young, s72708-59), only two U.S. issuers in support of IFRS calculated their expected transition costs and put them into context with the SEC's estimates:

> We have carefully reviewed the SEC's assessment of costs, and agree in principle with a comparison to the experience of the European Union in 2002 to 2005. However, given our analysis over the past year in potentially transitioning Verizon to IFRS, we have difficulty understanding why transition costs would be approximately 2 ½ times higher than costs incurred in the European Union …. Our analysis suggests that the costs would be more consistent with the European Union's experience or slightly higher, but not 2 ½ times that amount. (Verizon, s72708-119; see also Alcoa, s72708-110)

Moreover, the peak of the financial crisis at the time of the consultation on the Rule Proposal provided opponents with a discursive contextualisation opportunity to reframe IFRS adoption as an ill-timed regulatory burden. Drawing on the cognitive programmatic idea of economic competitiveness, opponents stressed that U.S. firms had to focus "on surviving these uncertain times" (URS Corporation, s72708-135, see also ExxonMobil, s72708-61). Even previous proponents of a timely (voluntary) adoption of IFRS were now cautioning the SEC to "avoid compounding these [economic] stresses by foisting … a myriad of difficult IFRS transition issues" on U.S. issuers (U.S. Chamber of Commerce, s72708-184). This position was also shared by ongoing advocates of mandatory IFRS adoption who suggested that the SEC should "focus their immediate attention on helping our government restore confidence and stability in the U.S.

financial markets, at the expense of the IFRS initiative" (UTC, s72708-66; see also PwC, s72708-218).

Finally, opponents stressed the misalignment between the policy proposal of mandating IFRS and the philosophical ideas of nationalism and environmental determinism. Regarding the former misalignment, constituents' belief in the importance of protecting "ideals of individual freedom and sovereignty" (Congressman Zach Wamp (R-TN), s72708-247; see also NASBA, s72708-47) misaligned with the policy proposal's inherent necessity of ceding authority to a supranational organisation. Again, the financial crisis offered contextual evidence for the benefits of maintaining sovereignty:

> As stated in the Roadmap, the SEC has a national mandate to protect U.S. investors. Congress will hold the SEC accountable to that mandate. … Assume that a future economic crisis exposes a significant deficiency in accounting standards: who would Congress turn towards to fix the deficiency? (Intel, s72708-76; see also FPL Group, s72708-171)

> We have profound doubts about the ability of the IASB to function independently and in the best interests of investors in its current form. Those doubts have been confirmed by the October capitulation of the IASB when European Union politicians, at the behest of the banking and insurance lobby coerced the IASB into amending its accounting standards on the classification of financial instruments without any public due process, including without any solicitation or consideration of investor input. (Investors Technical Advisory Committee, s72708-32; see also Council of Institutional Investors, s72708-194)

Regarding the latter misalignment between the policy proposal of mandating IFRS and the philosophical idea of environmental determinism, constituents' belief in the "very unique legal and regulatory environment in the U.S." (Raytheon Company, s72708-177) underpinned cognitive ideas such as that the FASB was "best positioned" (CIGNA Corp., s72708-205) to develop standards to meet U.S. market demands. Similarly, the belief in the exceptionalism of national regulatory achievements led opponents to challenge the transferability of other jurisdictions' positive experiences with IFRS to the U.S. environment, reflecting both cognitive and normative ideas:

> For other countries, adopting IFRS was an improvement in financial reporting. That is not the case for the U.S. where we have the best accounting and reporting standards in the world. (Regions Financial Corporation, s72708-77; see also National Association of State Boards of Accountancy (NASBA), s72708-47)

5.2.3 Outcome of the discourse

Our analysis points to several factors that help explain the failure of the discourse to create a context for the SEC to proceed with its policy proposal. First, in contrast to opponents, proponents of the Rule Proposal did not follow the SEC's cognitive turn, as they continued to stress normative ideas to a greater extent than cognitive ideas. As a result, the general tenor of proponents' feedback misaligned with the SEC's prioritisation of idea types.

Second, proponents of mandatory adoption also failed to meet the SEC's request to objectify the costs and benefits of adopting IFRS, as they rarely substantiated their cognitive ideas with tangible evidence but only provided rather vague descriptions of expected benefits and costs. In contrast to IFRS adoption opponents, who were provided with a formula to estimate the firm-level adoption costs (see SEC, 2008a, pp. 117-118), proponents lacked a comparable simple means to quantify expected IFRS adoption benefits. The fact that even academic literature at the time was unable to provide such evidence (see Hail et al., 2010a), and later research faced difficulties in estimating adoption benefits and attributing them to IFRS adoption per se, i.e., to establish causality that is relevant for policy advise (see, e.g., Becker et al., 2021, pp. 53-80), underscores the uneven challenges of making ex ante estimations of the expected one-time economic switching costs versus possible long-term economic benefits of a regulatory change, which are more uncertain and difficult to estimate and attribute to the regulatory change.

Third, the financial crisis provided a context that allowed for an effective contextualisation of both cognitive and normative ideas against IFRS. On the one hand, the crisis pushed concerns about immediate economic burdens to the foreground, while potential long-term benefits of a costly regulatory reform lost appeal, which was even acknowledged by IFRS adoption proponents. On the other hand, the financial crisis situation exemplified potential downsides of losing decision-making authority to a supranational organisation and thereby not only provided a discursive contextualisation opportunity but also nurtured nationalistic concerns in the discourse.

Finally, the policy proposal of mandating IFRS mobilised a different set of constituents, as it implied a regulatory change for a much broader spectrum of constituents. In contrast to the previous discourse on voluntary adoption, the discourse during 2008-2009 attracted a much higher number of IFRS opponents. As a result, it was characterised by a much more prominent focus on misalignments between the policy proposal and constituents' beliefs in the philosophical ideas of environmental determinism and nationalism.

Overall, the discourse created a context for the SEC to drop the policy proposal of mandating IFRS. Our findings showcase four discursive misalignments that affected the regulator's decision-making context, namely misalignments between (1) policy proponents' use and the regulators' prioritisation of idea types, (2) regulators' demand for objectification and unevenly distributed objectification abilities between opponents and proponents, (3) the policy proposal and the discursive context, and (4) the policy proposal and underlying philosophical ideas that were shared by a critical mass of constituents.

5.3 The discourse around the policy proposal of the condorsement approach

5.3.1 SEC policy positioning

In line with our interpretation of the effect of the discursive misalignments in the previous section, the SEC paid little further attention to the policy proposal of mandating IFRS after the end of the commenting period. Instead, more than a year after the release of the Rule Proposal, the SEC publicly shared its intent to develop a path towards "incorporating IFRS" (see SEC, 2010a, p. 13).[22] The SEC's communication thereby *exclusively* put the spotlight on cognitive ideas, essentially completing the cognitive turn that had already dominated the earlier Rule Proposal.[23] As the following statement illustrates, the Commission, and especially its new Chair Schapiro, stressed (1) the importance of aligning its decision on IFRS with cognitive ideas embedded in its mission, in particular, investor protection and strengthening capital market efficiency, and (2) the necessity of strong evidence in support of the cognitive premise of adopting IFRS, that is, proof for net benefits for U.S. investors and markets:

> [O]ur decision-making will be guided by investors' needs … And, as I said, our primary focus will be to ensure that investors have the information that they need in a form that is helpful to them to make decisions about the allocation of their capital. But we are also mindful of the costs, and we want to make sure that, if we go in this direction, that we have a transition that makes sense, and is realistic and rational. And again, all the while ensuring that we protect the needs of investors in this process. (Schapiro in SEC, 2011a, pp. 6-7; SEC, 2010a, pp. 1-2, also p. 12)[24]

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[22] While our analysis of the *communicative* discourse helps to understand why the SEC dropped the policy proposal of mandating IFRS, it does not explain why the SEC decided to continue exploring other policy options. This is in line with Becker et al.'s (2023) findings that suggest that the continuation of the discourse on IFRS adoption policy proposals was driven by the *coordinative* discourse among the Commissioners.

[23] The only passage that outlined the normative idea of "one global set of accounting standards" concerned *past SEC actions* in support of the convergence efforts of the FASB and IASB (SEC, 2010a, pp. 5-6). Another passage in the SEC document summarised the normative idea of adopting IFRS *as voiced by commenters* on the Rule Proposal (SEC, 2010a, p. 8).

[24] For an example of the previous SEC Chair's emphasis of normative ideas, see Cox in SEC (2008b, p. 9): "Since I became chairman just over three years ago now, the commission has consistently made it a priority not only to work toward the convergence of IFRS and U.S. GAAP, but to envision and to implement a set of high-quality, globally accepted accounting standards that would be used in every major capital market in the world."

The Commission statement from 2010 was followed by various staff papers, including two invitations for feedback specifically directed to U.S. issuers and investors to help the SEC with its cognitive assessment of the costs and benefits of IFRS adoption.[25] 44 respondents (see Table 3, Panel A), mostly large internationally operating issuers and audit firms, along with six investor representatives, responded to the call in August 2010 to the very specific set of questions. While none of the respondents negated the significant burden of transition costs, IFRS adoption proponents took efforts to relativise these costs by reminding the SEC that accounting changes were to be expected on a regular basis, even when maintaining U.S. GAAP:

> [I]rrespective of a change to IFRS, there is always an ongoing assessment of the potential impact of accounting changes on contracts, governance … and capital adequacy. We do not believe a change to IFRS would significantly add to the current burden. (Bank of New York Mellon (BNYM), 4608-13; see also AICPA, 4608-10)

This focus on transition costs in constituents' responses supported the SEC staff's internal development of a new policy proposal called "condorsement". With its focus on reducing transition costs and ensuring a good fit with local particularities through the combination of a "convergence" and an "endorsement" approach, the proposal aimed at achieving a better alignment with the cognitive programmatic idea of ensuring U.S. markets' economic competitiveness, which was rooted in the philosophical idea of environmental determinism. With its intention to reduce trade barriers by strengthening U.S. efforts to converge U.S. GAAP with IFRS and its ability to ensure the consideration of U.S. particularities in the endorsement of future IFRS, the condorsement proposal aligned the cognitive philosophical ideas of neoliberalism and environmental determinism.

[25] In particular, the staff papers sought to collect information about IFRS adoption effects on preparers' compliance with contractual arrangements and corporate governance requirements, as well as legal standards (SEC, 2010c) and investors' current knowledge of IFRS, as well as their possibilities to extend this knowledge given the current and eventual future educational offers (SEC, 2010b).

Another SEC staff paper, published in May 2011, explained the new policy proposal and invited constituents to comment (SEC, 2011b, pp. 7-19). In a section on "benefits and risks" (pp. 20-23), the paper elaborated on how the proposed policy aligned or conflicted with cognitive and normative ideas. However, the paper already made clear that the proposed policy solution rather aligned with cognitive and normative ideas for maintaining U.S. GAAP than with cognitive and normative ideas for adopting IFRS. For example, while the suggested gradual transition towards IFRS was meant "to accommodate U.S.-specific circumstances" (p. 20) and to thereby "decreas[e] the severity of the IFRS learning curve" for U.S. constituents (p. 21), the proposal also acknowledged that the gradual transition might reduce the transition benefits for some U.S. issuers (p. 22). Next to these cognitive considerations, the proposal discussed implications based on the normative programmatic idea of sovereignty, by pointing to the benefits of maintaining control over accounting standards via an endorsement approach (p. 22). The staff paper further mentioned the "risks of developing 'U.S.-IFRS'" in case of frequently modifying IFRSs during the endorsement process, which would go against the normative idea behind adopting international standards in the first place (p. 23).

The document concluded with a brief invitation for comments on the policy proposal as well as "those approaches explored previously" (p. 24). In contrast to the previous SEC publications that invited constituents to participate in a discourse on whether and how to adopt IFRS, the Commissioners did not vote on the publication. In fact, in 2011, none of the Commissioners mentioned the condorsement approach in any of their public speeches, which indicates the decreasing relevance of the issue on the SEC's agenda.[26]

[26] In 2011, only two Commissioner speeches mentioned adopting IFRS (Casey, 2011; Schapiro, 2011). None of the two speeches referred to the condorsement proposal.

5.3.2 Constituent feedback

Compared to 2008, the composition of constituents in 2011 changed only slightly in terms of their backgrounds (see Table 5, Panel C). Except for the group of foreign (and other) constituents, the condorsement approach became the most preferred policy proposal for all remaining groups. Most notable are the shifts in preferences of the group of national and international issuers, as well as the group of international auditors.[27] The condorsement proposal's ability to attract the support of constituents with very disparate views on philosophical ideas, such as the desirability of internationalism vs. nationalism. This disparity is reflected in the condorsement proponents' reference to a broad mix of normative and cognitive ideas in support for IFRS (31% and 43%) and for maintaining U.S. GAAP (47% to 55%, see Table 6, Panel C).

For example, the Big Four audit firms, who had persistently supported the mandatory adoption of IFRS throughout the previous consultation periods, all expressed their support for the condorsement approach in 2011. In their letters, they made clear that they continued to believe in the normative idea behind mandating IFRS, that is, that "consistent, global application of IFRS would enhance the efficient allocation of capital globally and, ultimately, benefit investors worldwide" (PwC, 4600-120). At the same time, they acknowledged the low likelihood of realising this idea, given the concurrent transnational and national context, that is, international differences in the use of IFRS and key U.S. constituents' lack of support for adopting IFRS. As a result, the

[27] As for former proponents of a mandatory adoption, such as international audit organisations and issuers (see, e.g., the Big Four audit firms (4600-54, 4600-101, 4600-120, 4600-139), the Center for Audit Quality (4600-51), Cisco Systems (4600-85), Eli Lilly and Company (4600-146), PepsiCo (4600-128)), the condorsement approach also became the preferred policy proposal of former opponents of adopting IFRS (see, e.g., URS Corporation (4600-70), Northrop Grumman (4600-100), McDonalds (4600-42), or Edison Electric Company (4600-41)).

Big Four audit firms shifted their support towards the policy proposal that looked most promising for being implemented by the SEC:

> Today, achieving the vision [one global set of standards] remains a longer-term objective. … [A] number of major capital markets have not fully adopted IFRS. … [Further,] the regulatory and standard setting mechanisms that would facilitate improved consistency in application are, for the most part, not yet in place …. Within the US, … sufficient capital market and political support does not currently exist to mandate adoption of IFRS in the US for all domestic public registrants. (PwC, 4600-120; see also Deloitte, 4600-139, Ernst & Young, 4600-54; KPMG, 4600-101)

From the perspective of constituents who had previously supported maintaining U.S. GAAP, the condorsement approach satisfied the cognitive idea of enhancing economic competitiveness grounded in neoliberalism, as it provided a beneficial "common platform" for investors. At the same time, they perceived the proposal as an adequate means to maintain "safeguards" and to "address U.S. specific concerns", rooted in the philosophical ideas of nationalism and economic determinism:

> [A]lthough we agree that a common platform would benefit investors and other users of financial statements, we believe that it is imperative that the complexity of the change to IFRS, the inherent risks involved in undertaking such a change, and the associated costs and efforts to affect a conversion be well understood. … The "Condorsement" approach as described in the Staff Paper provides the ability for the U.S. to move towards IFRS while still maintaining safeguards and processes necessary to protect investors and address U.S. specific concerns. (URS Corporation, 4600-70; see also McDonalds, 4600-42)

Although most constituents were now able to find an alignment between the policy proposal and different types of cognitive and even normative philosophical ideas, they disagreed over two important details of the design of a potential condorsement approach: (1) the SEC's commitment to a "date certain" on which the convergence period should end and the FASB would take over the role of an endorsement agency, and (2) the concrete design of the endorsement process.

While previous IFRS adoption proponents “encourage[d] the SEC to remain committed to making a decision in 2011” (Deloitte, 4600-139, see also KPMG, 4600-100), previous proponents of maintaining U.S. GAAP preferred a more cautious approach, as they feared that setting a date would not enhance U.S. competitiveness. As the following quotes illustrate, these condorsement proponents’ cognitive beliefs in the exceptionality of U.S. capital markets and existing regulations resulted in a rather lukewarm support for the SEC staff’s policy proposal, as they basically supported the continuation of the already existing convergence strategy without making any further commitments to IFRS:

> We support the SEC’s efforts to work toward achieving a single set of high-quality, globally accepted accounting standards. However, unlike many other jurisdictions that have adopted/are adopting IFRS, U.S. GAAP is already high-quality and is globally accepted. In fact, in many areas, we believe that U.S. GAAP is further developed than IFRS. Accordingly, there is less urgency and almost no immediate benefit for U.S. companies to change to IFRS other than to reach a goal of working toward a global set of accounting standards and whatever benefits that may bring (i.e., there is no “burning platform” for immediate change). (Praxair Inc., 4600-50; see also Gregory Jonas representing Morgan Stanley in SEC, 2011a, p. 40; Council of Institutional Investors, 4600-116)

Condorsement proponents disagreed over the design of the endorsement component in a similar way. Based on their underlying philosophical ideas, actors either supported high or low flexibility for diverging from IFRS. For constituents who believed in environmental determinism and nationalism, the condorsement approach was supposed to allow for a high degree of flexibility for adjusting IFRS to U.S. specific needs and to safeguard sovereignty over locally applicable regulations (see Eli Lilly). Instead, for constituents who believed in neoliberalism and internationalism, the condorsement approach was supposed to allow for as few deviations from IFRS as possible to ensure that the benefits of a single set of accounting standards could materialise (see Standard & Poor’s):

> While other countries have adopted IFRS, the U.S. has unique challenges that other countries may not have had to deal with, such as a legal, compliance (e.g. Sarbanes-Oxley) or regulatory environment. … While we should continue to achieve full convergence and not create a U.S. flavor of IFRS, the reality is that there will be differences of opinion on accounting principles and the FASB will need to have some flexibility or mechanism to accommodate those differences. (Eli Lilly, 4600-146; see also Aerospace Industries Association, 4600-59)
>
> We generally support the "condorsement" approach … but … there are several aspects discussed in the Staff Paper that we do not support. … [I]n our view, the [FASB's] authority to reject, modify, or add to international standards should be restricted. We do not support the power to create "carve-outs" or modify IFRSs in a manner that would result in a U.S. version of IFRS. In our view, this will go counter to the main premise of the move to IFRS and lessen global consistency and comparability. (Standard & Poor's, 4600-122; see also CSX Corporation, 4600-43))

5.3.3 Outcome of the discourse

Despite the generally positive feedback, the condorsement approach failed to become enacted (see SEC, 2012). The analysis of the discourse reveals that the SEC found a policy solution that was able to align with cognitive ideas about market efficiency. When the discussion focused on the details of the compromise solution, it became clear that the SEC provided a proposal for regulatory change that built on ideas in favour of the status quo (that is, nationalism and environmental determinism) – instead of ideas in support of adopting IFRS (that is, internationalism and neoliberalism).

Furthermore, with the development of a policy solution that allowed for maintaining national sovereignty but silenced the philosophical idea of internationalism,[28] the SEC made it difficult – or even impossible – for IFRS proponents to successfully promote IFRS adoption based on aligned

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[28] The final staff reports' six main sections likewise reflect the SEC's strong prioritisation of national concerns over ambitions at the international level (SEC, 2012). All sections take a U.S. perspective and mostly build on normative and cognitive philosophical ideas against adopting IFRS. "Sufficient Development and Application of IFRS for the U.S. Domestic Reporting System" and "Independent Standard Setting for the Benefit of Investors" represent normative concerns about the quality of IFRS and the IASB. "Investor Understanding and Education Regarding IFRS", "Regulatory Environment", "Impact on Issuers", and "Human Capital Readiness" capture cognitive concerns about the net benefits of IFRS for U.S. markets. The normative philosophical idea of internationalism is not reflected in the staff report.

cognitive and normative ideas. From a discursive perspective, the condorsement proposal was therefore designed to fail as constituents' broad support only existed superficially. When discussing the details of the proposal, constituents unravelled the same fundamental misalignments between their normative and cognitive ideas that supported IFRS adoption vs. maintaining U.S. GAAP that had existed in the previous discourse on the Rule Proposal.

6. Discussion and conclusion

In this paper, we analyse how an apparently compelling policy proposal can ultimately fail to materialise. For this purpose, we adopt the theoretical lens of discursive institutionalism to study the case of the non-adoption of IFRS for U.S. issuers and focus on the SEC's regulatory proposals and Commissioner statements as well as constituents' feedback as communicated in public consultations. Our study shows that policy derailment can result from dynamic multi-level ideational misalignments: First, a cognitive focus in the discourse, where regulators prioritise evidence, imposes a high burden on change proponents to substantiate benefits, reinforcing status quo bias through heightened evidentiary thresholds. Second, shifting compositions of constituents engaged in the discourse and contextual disruptions like crises can amplify this bias by reemphasising economic and sovereignty concerns. Third, compromise solutions that aim at aligning the proposal with ideas in support of the status quo may prove unstable because they tend to neglect the very ideas that drive regulatory change. In this section, we discuss how these findings and their implications contribute to literatures on regulatory decision-making in financial reporting regulation, discursive institutionalism, and the U.S. non-adoption of IFRS.

6.1 Cost-benefit analysis and status quo bias

We extend research on regulatory decision-making in financial reporting (e.g., Alon & Dwyer, 2016; Baudot & Cooper, 2022; Bozanic et al., 2012) by highlighting discursive misalignments of ideas as a crucial factor for the derailment of policy proposals. More specifically, we document that in our case the SEC shifted the discourse increasingly to focus on cognitive ideas about securing economic competitiveness of U.S. markets, while IFRS proponents continued to rely on normative appeals to global harmonisation. As part of this shift, the SEC demanded concrete evidence of the benefits of IFRS adoption from constituents. The absence of such evidence from proponents weakened the cognitive case for adoption, while opponents leveraged empirical critiques to reframe IFRS adoption as speculative rather than necessary, pointing to a lack of actual investor demand, transition costs, and jurisdictional incompatibilities. This asymmetry in evidentiary support significantly weakened the policy proposal's cognitive legitimacy.

Prior research on financial reporting regulation has documented the rise of evidence-based policymaking (e.g. Leuz, 2018; Schipper, 2010) and explored how regulators operationalise this approach through cost-benefit analysis (Baudot & Wallace, 2023; Donahue & Malsch, 2024). Our paper extends this literature by revealing how an over-reliance on cost-benefit analysis, which reflects a manifestation of cognitive-driven policymaking, creates a structural status quo bias.[29] This bias arises from an evidentiary asymmetry in the discourse: while opponents can readily quantify expected regulation transition costs, proponents struggle to substantiate anticipated long-term benefits with comparable precision.

The roots of this imbalance lie in the neoliberal philosophical ideas that underlie cost-benefit analysis, which can be traced back to presidential Executive Order 12291 issued by President

[29] Note that this structural bias arises for regulatory changes that entail relevant transition costs but would not apply to regulatory changes that deal with the elimination or substantial reduction of current regulations.

Ronald Reagan in 1981 for federal agencies in the United States. Designed to "reduce the burdens of existing and future regulations" (Executive Order 12291), it was widely perceived as a strategic political tool to limit regulatory expansion (e.g., Ashford, 1981; Masur & Posner, 2025).[30] Along this line, the Business Roundtable, a lobbying group of large companies in the United States, has leveraged this tool to successfully challenge SEC regulations in court, arguing that proposed rules lack sufficient cost-benefit analysis (Masur & Posner, 2025).[31] The pivotal *Business Roundtable v. SEC* case in 2011 reinforced this dynamic, with the U.S. Court of Appeals for the District of Columbia Circuit ruling in favour of the (controversial) view that existing law requires the SEC to *quantify* the costs and benefits of its proposed rules (e.g., Coates IV, 2015, p. 886). Thus, the discursive privileging of cognitive ideas through a focus on, and restrictive interpretation of, cost-benefit analysis, while ostensibly neutral, can function as a de facto barrier to regulatory change.

The challenges that we identify complicate calls for more evidence-based policymaking in financial reporting (Leuz, 2018; Schipper, 2010), including the SEC Chief Accountant's recent remarks, directed at the FASB, that he was "extremely focused on" cost-benefit analysis (Kurt Hohl quoted in Ho, 2025). Beyond concerns about regulatory discretion in the selection and weighing of evidence (Baudot & Wallace, 2023; Pelger & Spieß, 2017), our findings suggest that requiring *quantification* may inherently disadvantage reform initiatives. In response to the *Business Roundtable v. SEC* case, the SEC has thus increased its reference to academic evidence in its regulatory decision-making (Geoffroy & Lee, 2021), though such evidence often remains

[30] The Reagan Administration pursued significant deregulation as a core part of its "Reaganomics" policy, aiming to cut government intervention, boost free markets, and spur economic growth by easing regulations. Reagan's statement that "government is not the solution to our problem; government is the problem" (Reagan, 1981, p. 2) reflects this vision. In the words of Rose (1991, p. 690): "Reaganomics and neo-liberalism are, of course, marked by a profound suspicion of the capacity of governments to calculate and regulate in the national interest."

[31] More generally, as reported by Masur & Posner (2025, p. 98), several pro-business organisations, including conservative foundations and research centres funded by the network of the Koch brothers, "have used cost–benefit analysis to oppose regulations in public debate".

scarce or limited in scope. Other regulators have recently tried to develop and apply more advanced methods to quantify the potential benefits of regulatory change in terms of expected cost-of-capital decreases when endorsing individual IFRS standards (see Australian Accounting Standards Board, 2025; UK Endorsement Board, 2025). However, the measurement error in these estimates is notoriously high (e.g., Easton, 2009), and the expected magnitudes of the regulation's treatment effects are well within reasonable ranges of measurement errors; therefore, potential benefits remain rather "guesstimated" (Coates IV, 2015, p. 901) and can easily be discredited in the discourse.

6.2 Discursive misalignments of ideas

Prior research using Schmidt's (2008) discursive institutionalism framework of types and levels of ideas has shown two critical requirements for successful policy enactment. First, existing studies emphasise the importance of aligning normative and cognitive types of ideas within the discourse (Schmidt, 2002; Seabrooke & Wigan, 2016). Second, research highlights the importance of maintaining coherence between the policy, programmatic, and philosophical levels of ideas (Crespy & Schmidt, 2014). Our study both confirms and extends these findings in the context of financial reporting regulation.

The SEC's Rule Proposal from 2008 provides evidence of how an overemphasis on cognitive ideas, to the exclusion of normative ideas, can derail a policy proposal. Moreover, the discourse on the SEC's Concept Release from 2007 shows how the policy proposal of voluntary IFRS adoption only partially met the programmatic and philosophical ideas in support of IFRS adoption, revealing a mismatch between levels of ideas. The condorsement proposal's ultimate failure offers additional insights. While designed as a compromise solution, it attempted to combine a policy proposal supporting regulatory change with programmatic and philosophical ideas favouring the status quo. This internal contradiction proved fatal to the proposal's viability when discussing the details of how it could be enacted.

Our analysis demonstrates that sustainable policy solutions require consistent alignment in support of change across all three levels of ideas – the specific policy proposal must be compatible with both the programmatic and the foundational philosophical ideas that shape constituents' perspectives in the discourse. Additionally, the condorsement case illustrates how proposals attempting to incorporate ideas opposed to regulatory change fail because they lack compelling cognitive and normative rationales in support of the change.

Furthermore, our analysis extends the literature on discursive institutionalism by uncovering three mechanisms that exacerbate discursive misalignments: First, we show how regulators can strategically structure the discourse by privileging certain idea types (e.g., cognitive over normative) and degrees of objectification. Second, we demonstrate how shifting policy proposals can change constituent participation and the shared ideational basis, polarising the discourse. Third, in contrast to research suggesting that crises trigger increases in regulation (Hail et al., 2018; Waymire & Basu, 2011), we show how crises as a contextual factor can affect the discourse by giving more weight to ideas against regulatory change. Together, these insights advance our understanding of how discursive misalignments emerge and persist in regulatory decision-making processes.

6.3 Voluntary adoption as a missed opportunity

We extend prior research on the non-adoption of IFRS for U.S. issuers (e.g., Becker et al., 2023, 2025; Camfferman & Zeff, 2015; Hail et al., 2010a, 2010b) by analysing the communicative discourse between the SEC and its constituents. Our analysis suggests that discursive opportunities for IFRS adoption in the United States were limited. Specifically, we reveal that the 2007 voluntary adoption proposal marked a distinctive period where internationalist ideas temporarily dominated the debate. In the subsequent consultation periods, a significant portion of U.S. constituents relied on notions of U.S. exceptionalism to oppose IFRS, reflecting either the cognitive idea of environmental determinism and/or the normative idea of nationalism. On the cognitive side, IFRS sceptics essentially argued that "a different rule should apply to [the United States] … than applies to the rest of the world" (Koh, 2003, p. 1486). Normative ideas included nationalist claims about the superiority of domestic institutions, with constituents asserting that the FASB and U.S. GAAP are "superior relative to other nations and international laws" (De Lange & Howieson, 2006, p. 1023).

Paradoxically, the eventual failure of the initially compelling idea of adopting IFRS stemmed largely from the lack of support from internationally minded U.S. constituents, including the Big Four audit firms and international issuers,[32] for voluntary adoption, because they aimed for the immediate full embrace of IFRS through mandatory adoption. While voluntary adoption could have established a gradual transition through institutional layering – similar to the successful policy of the elimination of the reconciliation requirement for foreign issuers (Alon & Dwyer, 2016) – the push for mandatory adoption significantly shifted the discourse and mobilised nationalist resistance.

By the time the condorsement compromise emerged, the discourse had become polarised between irreconcilable philosophical ideas that particularly shaped perspectives on the details on how

[32] This finding is notable given the established influence of Big Four audit firms and large issuers in financial reporting regulation (e.g., Botzem, 2012; Cooper & Robson, 2006; Kohler et al., 2021). In this case, however, these actors failed to anticipate how the shift to *mandatory adoption* as the policy proposal would change the discourse, ultimately undermining their influence.

condorsement could be enacted. The discourse on these details revealed that internationalists viewed an endorsement mechanism as a dilution of global standards, while nationalists perceived any IFRS incorporation as a threat to sovereignty. This polarisation might have been avoided had internationalist constituents accepted the initial voluntary adoption proposal, which could have created a foundation for incremental change without provoking the resistance that ultimately derailed IFRS adoption in the United States.

Declaration of generative AI and AI-assisted technologies in the manuscript preparation process

During the preparation of this work the authors used ChatGPT, Deepseek, and Microsoft CoPilot in order to improve language and readability. After using these tools, the authors reviewed and edited the content as needed and take full responsibility for the content of the published article.

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Tables

Table 1: Types and levels of ideas supporting IFRS adoption

Type / Level	Cognitive	Normative
Policy	IFRS adoption: local benefits outweigh adoption costs	IFRS adoption: global benefits arising from an internationally uniform set of accounting standards
Programmatic	Economic competitiveness: local benefits arising from strengthening market efficiency	International cooperation: global benefits of shared commitments to achieve common goals
Philosophical	Neoliberalism: benefits of deregulation and elimination of trade barriers	Internationalism: benefits of using international organisations and agreements

Table 2: Types and levels of ideas supporting the maintenance of local GAAP

Type / Level	Cognitive	Normative
Policy	Maintenance of local GAAP: local benefits outweigh costs of maintaining local accounting standards	Maintenance of local GAAP: local benefits of maintaining control over accounting standards
Programmatic	Economic competitiveness: local benefits arising from local regulations tailored to local needs	Sovereignty: local benefits of national self-determination
Philosophical	Environmental determinism: benefits of tailoring regulations to local particularities	Nationalism: benefits of national autonomy

Table 3: Constituents' feedback on SEC's policy proposals

Panel A: Comment letters

Name of publication	**Concept Release on allowing U.S. issuers to prepare financial statements in accordance with IFRS**	**Roadmap for the potential use of financial statements prepared in accordance with IFRS by U.S. issuers**	**Notice of solicitation of public comment on consideration of incorporating IFRS into the financial reporting system for U.S. issuers**	**Work plan for the consideration of incorporating IFRS into the financial reporting system for U.S. issuers: Exploring a possible method of incorporation**
Type of publication	Concept release	Rule Proposal	Staff paper	Staff paper
Proposed policy	Voluntary adoption	Mandatory adoption	N/A	Condorsement
Date of publication	07 Aug 2007	14 Nov 2008	12 Aug 2010	26 May 2011
End of feedback period	13 Nov 2007	20 Apr 2009	18 Oct 2010	31 Jul 2011
Reference	SEC (2007a)	SEC (2008a)	SEC (2010c, 2010b)	SEC (2011b)
Number of comment letters	92	240	44	158
Excluded due to				
Duplicate	1	2	4	8
No (clear) comment on IFRS	2	10	0	5
Outside comment period	6	3	0	8
Request for extension	0	16	0	1
Students' submissions	13	11	0	0
Analysed comment letters	**70**	**198**	**40**	**136**

Panel B: Roundtables

Name	**Roundtable on IFRS in the U.S. markets**	**Practical issues surrounding the use of IFRS in the U.S. in recent years and its potential expanded use in future years**	**Roundtable discussion on IFRS**	**Roundtable on IFRS in the United States**
Date of roundtable	13 Dec 2007	17 Dec 2007	04 Aug 2008	7 Jul 2011
Proposed policy	Voluntary adoption	Voluntary adoption	Mandatory adoption	Condorsement
Reference	SEC (2007c)	SEC (2007b)	SEC (2008b)	SEC (2011a)
Number of statements	12	14	15	20
Excluded due to				
No (clear) comment on IFRS	0	0	4	2
Analysed statements	**12**	**14**	**11**	**18**

Table 4: Coding structure

Panel A: Cognitive and normative ideas supporting IFRS adoption

1st order code	2nd order themes	3rd order themes
• Reduced reporting costs for U.S. firms • Easier access to capital for U.S. firms • Level playing field between foreign and domestic issuers in the U.S. • Increased U.S. capital market efficiency • Comparability benefits for U.S. market participants • Remedy to rules-based U.S. GAAP system • *Improved transparency under IFRS*	Highlight U.S. benefits of adopting IFRS	**Cognitive ideas supporting IFRS adoption** (local benefits outweigh adoption costs)
• Relativise IFRS adoption/transition costs for preparers, users, auditors and other capital market participants	Downplay IFRS adoption costs and barriers	
• Avoid risk of U.S. isolation in global markets	Highlight inevitability of embracing IFRS	
• Comparability benefits for global capital markets • Increased global capital market efficiency • Reduced reporting costs for multinational companies • Better ability to address globalisation issues with global regulations (such as accounting arbitrage) • Worldwide level playing field • *More efficient standard setting* • *Enhanced global labour mobility* • *Easier tax preparation* • *Easier cross-border acquisitions*	Highlight IFRS adoption benefits for global markets	**Normative ideas supporting IFRS adoption** (global benefits justify IFRS adoption)
• More countries might adopt IFRS, if U.S. adopts IFRS • *U.S. adoption will improve IFRS quality*	Highlight the importance of the U.S. leadership role for promoting the global use of IFRS	

Table 4: Coding structure (continued)

Panel B: Cognitive and normative ideas supporting the maintenance of U.S. GAAP

<table>
<tr><th>1st order code</th><th>2nd order themes</th><th>3rd order themes</th></tr>
<tr><td>• Transition or adoption costs for U.S. preparers, users, auditors and other capital market participants
• Costs of a dual reporting system due to the use of IFRS by voluntary adopters or public U.S. firms only (but not private U.S. firms)
• Lower audit quality, due to lack of audit knowledge
• Risk of further audit market concentration
• Unknown adverse consequences of IFRS adoption</td><td>Highlight IFRS adoption costs</td><td rowspan="3">Cognitive ideas supporting the maintenance of U.S. GAAP
(U.S. adoption costs outweigh benefits)</td></tr>
<tr><td>• One single set of accounting standards is not feasible due to lack of enforcement, jurisdictional variations or inconsistent application across countries
• Voluntary IFRS adoption will not benefit U.S. capital markets as it reduces comparability
• U.S. capital market is big enough and has special characteristics that allow it to thrive without IFRS
• No U.S. investor demand for IFRS</td><td>Downplay or deny IFRS adoption benefits</td></tr>
<tr><td>• Call for a cost-benefit analysis</td><td>Request evidence for net benefits of IFRS adoption</td></tr>
<tr><td>• Loss of sovereignty over accounting standards
• Safeguard U.S. interests by maintaining U.S. GAAP</td><td>Highlight the importance of maintaining control over accounting standards</td><td rowspan="2">Normative ideas supporting the maintenance of U.S. GAAP
(sovereignty considerations require the maintenance of U.S. GAAP)</td></tr>
<tr><td>• U.S. GAAP (and FASB) is better than IFRS (and IASB)
• Downplay or criticise the quality of IFRS and the IASB</td><td>Superiority of US GAAP/FASB over IFRS/IASB</td></tr>
</table>

Notes to Table 4: First order codes are listed in the order of their frequency. First order codes in italics were assigned less than ten times.

Table 5: Constituents' opinions and backgrounds across policy proposals

Panel A: Concept Release of 2007, proposing voluntary IFRS adoption

	All	U.S. GAAP		Voluntary		Mandatory		Condorsement		Ambiguous	
		Abs.	%	Abs.	%	Abs.	%	Abs.	%	Abs.	%
Constituents	**96**	**17**	**18%**	**31**	**32%**	**30**	**31%**	**N/A**		**18**	**19%**
thereof											
Foreign constituents	19	1	5%	13	68%					5	26%
Auditors (national)	6	3	50%	1	17%	2	33%				
Auditors (international)	11					10	91%			1	9%
Investors	13	4	31%			3	23%			6	46%
Issuers (national)	3	2	67%	1	33%						
Issuers (international)	22			9	41%	12	55%			1	5%
Regulators	6	3	50%			1	17%			2	33%
Other constituents	16	4	25%	7	44%	2	13%			3	19%

Panel B: Rule Proposal of 2008, proposing mandatory IFRS adoption

	All	U.S. GAAP		Voluntary		Mandatory		Condorsement		Ambiguous	
		Abs.	%	Abs.	%	Abs.	%	Abs.	%	Abs.	%
Constituents	**209**	**93**	**44%**	**15**	**7%**	**65**	**31%**	**N/A**		**36**	**17%**
thereof											
Foreign constituents	27			7	26%	16	59%			4	15%
Auditors (national)	7	3	43%			3	43%			1	14%
Auditors (international)	10					9	90%			1	10%
Investors	9	4	44%			2	22%			3	33%
Issuers (national)	49	37	76%	1	2%	3	6%			8	16%
Issuers (international)	59	24	41%	2	3%	22	37%			11	19%
Regulators	8	6	75%							2	25%
Other constituents	40	19	48%	5	13%	10	25%			6	15%

Panel C: Staff paper of 2011, proposing condorsement approach

	All	U.S. GAAP		Voluntary		Mandatory		Condorsement		Ambiguous	
		Abs.	%	Abs.	%	Abs.	%	Abs.	%	Abs.	%
Constituents	**154**	**32**	**21%**	**10**	**6%**	**20**	**13%**	**74**	**48%**	**18**	**12%**
thereof											
Foreign constituents	16			2	13%	10	63%	4	25%		
Auditors (national)	11			2	18%	2	18%	7	64%		
Auditors (international)	7							6	86%	1	14%
Investors	13	4	31%	1	8%	1	8%	4	31%	3	23%
Issuers (national)	36	9	25%	2	6%			17	47%	8	22%
Issuers (international)	48	10	21%	2	4%	6	13%	28	58%	2	4%
Regulators	10	4	40%					4	40%	2	20%
Other constituents	13	5	38%	1	8%	1	8%	4	31%	2	15%

Notes to Table 5: Panel A comprises constituents' 70 analysed comment letters on the Concept Release (see Table 3, Panel A) and 26 analysed statements of roundtable participants in 2007 (see Table 3, Panel B). Panel B comprises constituents' 198 analysed comment letters on the Rule Proposal (see Table 3, Panel A) and 11 analysed statements of roundtable participants in 2008 (see Table 3, Panel B). Panel C comprises constituents' 136 analysed comment letters on the Condorsement staff paper (see Table 3, Panel A) and 18 analysed statements of roundtable participants in 2011 (see Table 3, Panel B).

Table 6: Distribution of constituents' use of idea types by opinions across policy proposals

Panel A: Concept Release of 2007, proposing voluntary IFRS adoption

	All	**U.S. GAAP**		**Voluntary**		**Mandatory**		**Condorse-ment**		**Ambiguous**	
		Abs.	**%**	**Abs.**	**%**	**Abs.**	**%**	**Abs.**	**%**	**Abs.**	**%**
Constituents	**96**	**17**	**18%**	**31**	**32%**	**30**	**31%**			**18**	**19%**
thereof, constituents using											
Cognitive ideas for IFRS	65	4	24%	23	74%	25	83%			13	72%
Normative ideas for IFRS	62	4	24%	24	77%	25	83%			9	50%
Cognitive ideas for U.S. GAAP	56	14	82%	7	23%	23	77%			12	67%
Normative ideas for U.S. GAAP	32	15	88%	6	19%	8	27%			3	17%

Panel B: Rule Proposal of 2008, proposing mandatory IFRS adoption

	All	**U.S. GAAP**		**Voluntary**		**Mandatory**		**Condorse-ment**		**Ambiguous**	
		Abs.	**%**	**Abs.**	**%**	**Abs.**	**%**	**Abs.**	**%**	**Abs.**	**%**
Constituents	**209**	**93**	**44%**	**15**	**7%**	**65**	**31%**			**36**	17%
thereof, constituents using											
Cognitive ideas for IFRS	72	10	11%	10	67%	42	65%			10	28%
Normative ideas for IFRS	95	29	31%	4	27%	51	78%			11	31%
Cognitive ideas for U.S. GAAP	141	87	94%	7	47%	24	37%			23	64%
Normative ideas for U.S. GAAP	85	62	67%	1	7%	10	15%			12	33%

Panel C: Staff paper of 2011, proposing condorsement approach

	All	**U.S. GAAP**		**Voluntary**		**Mandatory**		**Condorse-ment**		**Ambiguous**	
		Abs.	**%**	**Abs.**	**%**	**Abs.**	**%**	**Abs.**	**%**	**Abs.**	**%**
Constituents	**154**	**32**	**21%**	**10**	**6%**	**20**	**13%**	**74**	**48%**	**18**	**12%**
thereof, constituents using											
Cognitive ideas for IFRS	43	3	9%	4	40%	11	55%	23	31%	2	11%
Normative ideas for IFRS	69	10	31%	4	40%	18	90%	32	43%	5	28%
Cognitive ideas for U.S. GAAP	88	26	81%	8	80%	3	15%	41	55%	10	56%
Normative ideas for U.S. GAAP	72	21	66%	4	40%	3	15%	35	47%	9	50%

Notes to Table 6: Panel A comprises constituents' 70 analysed comment letters on the Concept Release (see Table 3, Panel A) and 26 analysed statements of roundtable participants in 2007 (see Table 3, Panel B). Panel B comprises constituents' 198 analysed comment letters on the Rule Proposal (see Table 3, Panel A) and 11 analysed statements of roundtable participants in 2008 (see Table 3, Panel B). Panel C comprises constituents' 136 analysed comment letters on the Condorsement staff paper (see Table 3, Panel A) and 18 analysed statements of roundtable participants in 2011 (see Table 3, Panel B).