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NEWS TIP

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BLOOMINGTON, Ill — The WorldCom accounting scandal makes it all but inevitable that significant tightening of accounting and financial-markets regulation will be passed, according to David Willis, associate professor of accounting and chair of business administration at Illinois Wesleyan University

Willis notes that three models of regulation are being suggested:

• Professional self-regulation, the model currently in place but which seems to lack necessary disciplinary punch.

• Congressional regulation in which the Republicans and Democrats hash it out with, as Willis observes, "a resolution subject to the vagaries of the political process, including intense lobbying of the parties affected."

• Securities and Exchange commission regulation, which would be a variation of the Congressional regulation since the SEC answers to Congress. "What is crucial," says Willis, "is to avoid the creation of an altogether new body that is vested with the power and responsibility to regulate practice."

Why the rash of such scandals? Willis says his hunch is that many of the business and accounting decisions that look so bad now "grew out of the bold optimism of a booming economy when almost any line tossed out on the water led to a big catch. In that environment, bad decisions and judgment calls were often hidden by the general growth in profits for the company and the economy as a whole. In the current lean times, such bad decisions show up more readily."

Adds Willis, "I hope that the scandals and debacles will help the public appreciate the underlying softness of accounting numbers."

For an interview with Willis, contact Jeff Hanna at 309/556-3181 or call Professor Willis at 309/556-3660.