AN EVOLUTIONARY METANORMS APPROACH TO COOPERATION WITH ACCOUNTING RULES

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dx.doi.org/10.18374/JIFS-13-3.15

ABSTRACT

The empirical study included in this paper is an experimental model based on Axelrod 1997's metanorms game. It attempts to isolate mechanisms that might help to enforce accounting regulation and identify conditions that favor their development so that cooperation can be promoted. The case selected relates to the effect of cooperation factors upon the interaction between lenders-borrowers within a controlled environment, where the lending decision is at the core of the experiment. The results showed that defectors from accounting regulation can secure an advantage over the other players in the market if their non-compliance went unnoticed and that the supporting mechanisms as advocated by the literature, in particular, the reputation and the history of the player, the degree and timing of punishment, as well as the nature of the game (one shot versus repeated), play a major role within the co-operative decision making process. Moreover and on the general level, this experiment showed that game theoretical models can be used to explain compliance/defection behaviour in accounting choices and that, subject to the measurement problems, this method can be used to provide a framework for assessing the economic consequences of accounting policy choice.

Keywords: *Accounting Regulation, Enforcement, Compliance, Norms, Metanorms*