
REVIEW of BUSINESS & FINANCE STUDIES

VOLUME 11

NUMBER 1

2020

CONTENTS

Evidence on Ethical Tax Practices by Companies Listed on the Ghana Stock Exchange Salahudeen Saeed	1
The Impact of New Lease Standards Under US GAAP and IFRS on Financial Ratios Umapathy Ananthanarayanan, Peter Harris & Steve Shapiro	13
Accounting for Leases: Understanding the Impact of ASC 842, Leases Brent McCallum, Christopher McCallum & Rafael Romero	29
Towards a General Pedagogic Model of Plagues and Pandemics Keith Akiva Lehrer	41
Democracy in the European Union: The Social Identity Dynamics of Europeanization Benedict E. DeDominicis	77

Review of Business & Finance Studies

Editor in Chief
Terrance Jalbert

Managing Editor
Mercedes Jalbert

Editorial Board

Paolo Agnese LUISS Guido Carli University	Katherine Kinkela Iona College
Khaled Aljifri United Arab Emirates University	Susan J. Kowalewski Dyouville College
Jeff Anstine North Central College	Michael Mahoney Wagner College
Raymond Cairo University of Surrey	Francis Petit Fordham University
Paolo Capuano Università degli Studi di Roma “La Sapienza”	Kalpana Pai Saint Mary’s College of California
Benedict E. Dedominicis The Catholic University of Korea	Laetitia Pozniak University of Mons
Peter Geczy National Institute of Advanced Industrial Science and Technology (AIST)	Rafael F. Romero SUNY Polytechnic Institute
Michael Godfrey University of Wisconsin Oshkosh	Stefania Veltri University of Calabria
Peter Harris New York Institute of Technology	Yi-Fang Yang Chang Jung Christian University
	Lucila Zárrega Cano Universidad del Caribe

Review of Business & Finance Studies (ISSN: 2150-3338 print and 2156-8081 online) publishes high-quality studies in all areas of business, finance and related fields. Empirical, and theoretical papers as well as case studies are welcome. Cases can be based on real-world or hypothetical situations. All papers submitted to the Journal are blind reviewed. The Journal is published once per year by the Institute for Business and Finance Research, LLC. The Journal is distributed in print and through EBSCOHost, SSRN and RePEc.

The views presented in the Journal represent opinions of the respective authors. The views presented do not necessarily reflect the opinion of the editors, editorial board or staff of the Institute for Business and Finance Research, LLC. The Institute actively reviews articles submitted for possible publication. However, the Institute does not warrant the correctness of information provided in the articles or suitability of information in the articles for any purpose.

This Journal is the result of the collective work of many individuals. The Editors thank the members of the Editorial Board, ad-hoc reviewers and individuals that have submitted their research to the Journal for publication consideration.

All Rights Reserved, The Institute for Business and Finance Research, LLC

ISSN 2150-3338 (print) and ISSN 2156-8081 (online)



EVIDENCE ON ETHICAL TAX PRACTICES BY COMPANIES LISTED ON THE GHANA STOCK EXCHANGE

Salahudeen Saeed, University of Professional Studies, Accra

ABSTRACT

The aim of this paper is to gain an understanding of tax behavior of companies, particularly multinationals. It draws on previously designed responsible and transparent tax behavior principles, guidelines, scorecards and benchmarks. The author examined 37 Ghanaian listed companies. The companies surveyed were grouped into three branches of industry: Consumer and Industrial Products and Services (n=17); Energy, Utilities and Resources (n=8) and Financial Services (n=12). The results show that Ghanaian listed companies are not fiscally responsible and transparent. The overall percentage of total points scored by the top 10 companies is 45%. Besides, overwhelming majority (73%) of the companies scored below the minimum amount (0-20 points). What is more, an overall transparency rating on the six principles of good tax governance is 29%. These insights have several implications for tax authorities and moral investors.

JEL: H25, H26

KEYWORDS: Ethics, Responsible Taxpayer, Tax Transparency

INTRODUCTION

Undoubtedly, taxation remains one of the ways corporations can make meaningful contributions to societies. Ethical tax practice is also a vital tool for corporations to achieve the United Nations Sustainable Development Goals (UN SDGs) and have a positive impact on the communities where they operate. It is in this game-changing backdrop that the Government of Ghana (GoG) in an effort to introduce enhanced tax responsibility and transparency measures passed the Transfer Pricing Regulations, 2012 (L.I 2186), Income Tax Act 2015, (Act 896) as amended, Income Tax Regulations, 2016 (LI 2244) and Revenue Administration Act 2016, (Act 915). Some of the legislative in-roads aimed at discouraging irresponsible and unethical tax behavior are: change in accounting date (section 18(3) of Act 896); indirect payments (section 27 of Act 896); Arm's length standard (section 31 of Act 896); Income Splitting (section 32 of Act 896); Thin Capitalization (Section 33 of Act 896); Change in Ownership (section 62 of Act 896); Temporary Concession (section 143 of Act 896) and general anti-avoidance rules (section 34 of Act 896). These measures notwithstanding, questions remain about corporate tax practice in Ghana and internationally. This paper therefore seeks to gain an understanding of tax behavior of companies, particularly multinationals.. Thus, this study will evaluate fairly companies listed on the Ghana Stock Exchange (GSE) on tax disclosures and practices, whereas prior research focused on understanding factors that influence compliance with the tax law. The results show that Ghanaian listed companies listed are not fiscally responsible and transparent. The remainder of this paper is organized as follows: First, the next section provides an inventory of initiatives on transparent and responsible tax behavior. Secondly, the author discusses, data and methodology used in the study. The results are presented in the subsequent section. The paper ends with some concluding comments.

LIETERATURE REVIEW

This section summarizes the previous studies that examine responsible tax practices by companies. The body of literature on responsible tax behavior is small. Thus, the author also reviews the literature on voluntary initiatives by professional organizations. Cotrut and Munyandi (2018) provided an important paper on the prevalence of tax incentives in the world. They examined a total of 207 countries. The surveyed countries were segmented into five zones: Africa, Asia-Pacific; Europe; Latin America and the Caribbean and the Middle East. The results show that tax holidays and reduced tax rates were the most used tax incentives in the world. Moreover, of the 207 countries surveyed, 108 used these tax incentives: 106 countries used investment allowance and tax credits, 93 countries used Special Economic Zones (SEZs) and 47 countries implemented Research and Development (R&D) deductions. Other authors show the relevance of responsible tax behavior in addressing the challenges of Base Erosion and Profit Shifting (Tang, 2018, Pemberton & Majdanska, 2016, Enden, and Baisalbayeva, 2016 and Enden, Baisalbayeva, and Bronżewska, 2016). Dutch Association of Investors for Sustainable Development (VBDO) and PricewaterhouseCoopers (PwC) Netherlands (2019) conducted a comparative study on tax transparency of 77 Dutch listed companies. Their methodology was based on the guiding good tax governance principles designed by VBDO and Oikos (2014). Their study points that Dutch listed companies are more fiscally transparent than ever before in online and publicly available information. Professional Bodies, Business Associations, Non-Governmental Organizations (NGOs), and Intergovernmental Organizations (IGOs) have developed guidelines, benchmarks and scorecards on responsible tax behavior (CSR Europe and PwC Netherlands, 2019, Responsible 100, 2018, United Nations, 2018, The B Team, 2018, PwC 2015 and Oxfam, Action Aid and Christian Aid, 2015). The work here extends the work of Cotrut and Munyandi (2018) by examining the attitude of companies towards tax incentives. This paper extends the work of VBDO and PwC Netherlands (2019) by using set of empirical data to examine responsible tax practices by Ghanaian listed companies.

DATA AND METHODOLOGY

The scope of this study comprised all 37 listed companies on the Ghana Stock Exchange (GSE). The scope can further be divided into three branches of industry: (1) Consumer and Industrial Products and Services (n=17), Fast Moving Consumer Goods (FMCGs), Telecommunications, Manufacturing and Construction; (2) Energy, Utilities and Resources (n=8), Mining and Exploration, Oil and Gas, Renewable Energy and Utilities and (3) Financial Services (n=12), Banking, Insurance and Pensions. Further socio-demographic characteristics of survey respondents of the study are presented in Table 1.

Table 1: Social characteristics of survey respondents

Industry Distribution of Respondents		
	Consumer and Industrial Products and Services	45.94 Percent
	Energy, Utilities and Resources	21.62. Percent
	Financial Services	32.43 Percent

This Table illustrates socio-demographic information by sub-sample. For Age, M and SD were computed, whereas the author used Mdn and IQR for the ordinal scales. Source: Field survey (2019)

Data collection took place between April 2019 and November 2019. The author collected data for the months of April 2019, June 2019, August 2019 and October 2019. In this study, 185 publicly available documents were analyzed (e.g. annual reports, the tax strategy, the sustainability report, a transparency report, governance documents, strategy documents and so on) and 74 interviews conducted, covering 37 companies. First, using the GSE website, which contained information of all listed companies on the GSE, the companies' annual reports were reviewed together with other relevant and publicly available documents. Secondly, for each of the 37 companies in the study, several targeted questions were developed and then discussed in semi structured interview based on the benchmark developed for this study. Ninety-five Percent of the interviews were conducted face-to-face, with five percent conducted over telephone

Appendix A illustrates a detailed list of the questions used in this study, and was adapted from VBDO and PwC Netherlands’ (2019) Tax Transparency Benchmark, . In order to be able to reach an independent verdict on the Tax Transparency Benchmark, an independent tax expert was appointed by the author to weigh the results, assess the validity of the results and determine the rankings of the companies. This further helped in generating more valid and reliable data for the analysis. The respondents were identified and selected using snowball or referral sampling; the respondents then referred the author to acquaintances within their circles who would be willing to participate in the study.

The Blueprint for Responsible and Transparent Tax Behaviour principles designed by CSR Europe and PwC Netherlands (2019) served as the benchmark for this study. Each principle was further segmented into various elements and converted into measurable criteria. These measurable criteria were then tested against publicly available information and responses obtained through interviews. The author reviewed and thoroughly overhauled the CSR Europe and PwC Netherlands’ Blueprint for Responsible and Transparent Tax Behaviour principles to better reflect the latest status, trends and developments on tax transparency from the perspective of (tax) laws, regulations and societal expectations in Ghana. This resulted in an adjustment of some of the principles and the addition of new principles.

The benchmark for this study thus, comprised six parts: Part one served to assess the participants on how well they align taxation with value creation. The second part assessed participants on how well they develop the right processes to manage tax. Part three served to assess how participants disclose relevant tax information to the public. Part four assessed how well Participants manage their relationship with tax authorities. In part five, participants’ attitude toward the impact of tax incentives on public finance was measured. Part six served to assess how well companies engage their stakeholders with their approach to tax. Simple percentages and frequency tables were employed for data analysis with the aid of Statistical Package for Social Sciences (SPSS). To ensure systematic data analysis, the author analyzed the data using a thematic analysis method. Some major themes that emerged from the data are discussed below.

RESULTS AND DISCUSSION

A quantitative and qualitative analysis of the outcomes of the study is provided in this section. In Table 2, the results per responsible and transparent tax behavior principle are presented. The results show that companies scored highest on Principle B: Tax Function Management and Governance and scored lowest on Principle E: Tax Incentives.

Table 2: Result per Responsible Tax Behaviour Principle

Responsible and Transparent Tax Behaviour Principles	Average % Scored by Companies Per Principle
Tax Planning Strategy	18%
Tax Function Management and Governance	37%
Public Transparency and Reporting	14%
Interaction with Tax Authorities	22%
Tax Incentives	0%
Building a Narrative to Accompany a Tax Strategy	24%
Aggregated result	19%

This Table shows the results of listed companies on Ghana Stock Exchange (GSE) per responsible and transparent tax behavior principle. As described in the methodology section, marks could only be earned if the information is publicly available. Scoring is based on an assessment over financial year 2018. Each company was offered the opportunity to respond to the preliminary review. The author is displeased to report that 75% of the companies did not make use of this opportunity. Moreover, companies that provided feedback tend to also rank higher on the study. This would imply that these companies are more active and inclined to improve the degree of transparency with regard to their tax approach, which the author finds very refreshing. Source: Field survey (2019)

In Figure 1, the results of top ten companies’ rankings by industry are presented. The results show that the Financial Services industry ranked highest with 45%, followed by the Energy, Utilities and Resources industry with 30%, with the Consumer and Industrial Products industry trailing with 25%.

Figure 1: Top Ten Companies Ranking by Industry

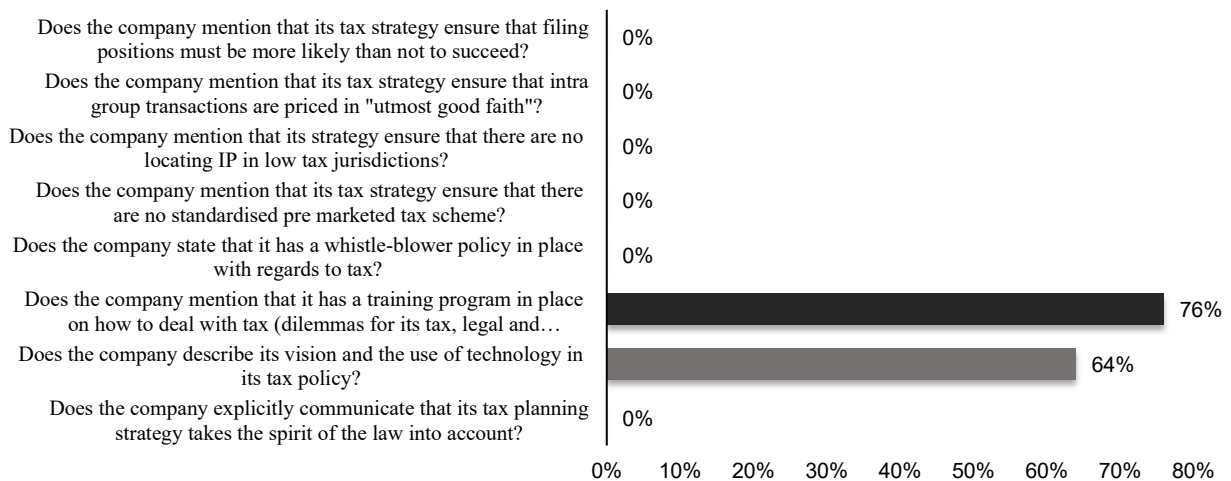


This Table shows the results of top ten companies ranking by industry. The number of companies that scored below minimum is 73%. Out of these lower scoring companies, 21% operate in the Consumer and Industrial Products and Services industry, 43% in the Energy, Utilities and Resources industry and 36% are in the Financial Services industry. Field survey (2019)

Tax Planning Strategy

Multinational enterprises operate on a global scale with a local presence. Tax Planning enables multinationals to manage their global tax structure to avoid double or even multiple taxation. However, tax planning can also result in (double) non-taxation when utilizing mismatches or using locally available preferential tax regimes and tax incentives intended for other purposes. Exploring the outer limits of tax regulations and the international tax system as part of the management of the group’s tax position has led to artificial structures with tax “savings” as their only objective. This led to the erosion of local tax bases and profit shifting across jurisdictions. This in turn has triggered a wide range of policy responses by the Organization for Economic Cooperation and Development (OECD), the European Union (EU), tax authorities and others, and profound academic debate (CSR Europe & PwC Netherlands, 2019). In Figure 2, the results on companies’ tax planning strategies are presented. The results show that most of the companies failed to align taxation with value creation. The author is very displeased to report that 92% of the 37 companies included in this study failed to communicate their views on tax either in a tax strategy or a tax policy.

Figure 2: Result on Principle A – Tax Planning Strategies

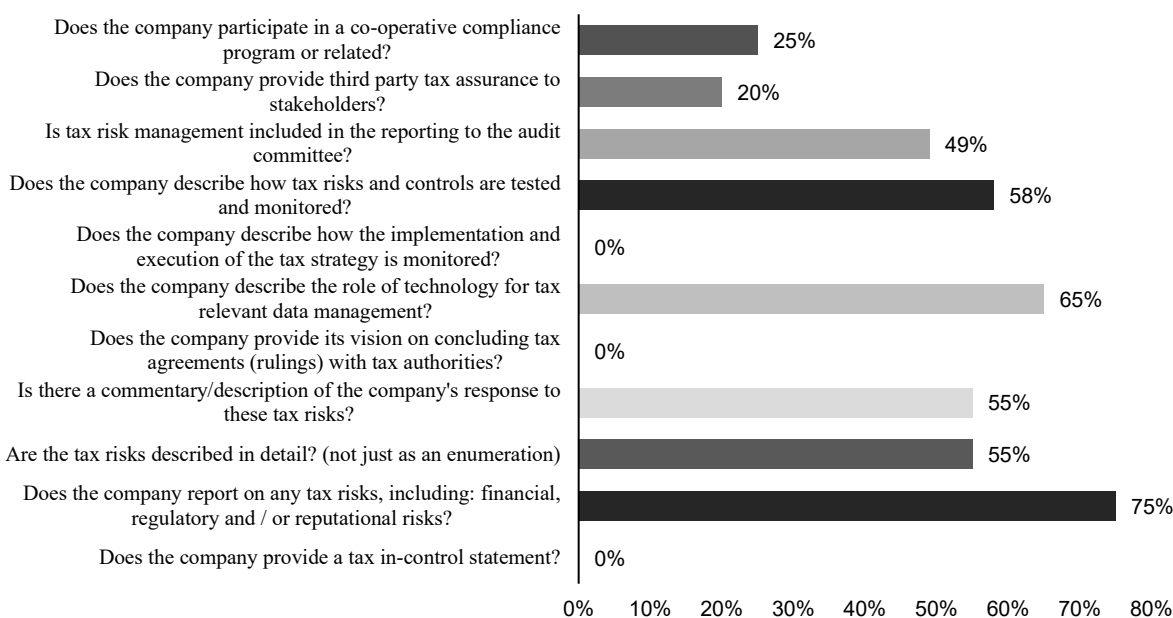


This figure shows the results on tax planning strategies. Participants were asked seven (7) set of questions on Tax Planning Strategies which required Yes or No answer and was adapted from VBDO and PwC Netherlands (2019) Tax Transparency Benchmark. Source: Field survey (2019)

Tax Function Management and Governance

“Tax should not be seen as an isolated business component but as an integral part of the company and as part of the broader business. As such, tax should not be in the exclusive domain of the tax department. In principle, a company should declare profits and pay taxes where it conducts business activities and should be transparent on how this is done. Tax risk management is a proactive process that is demonstrably embedded within the risk management and internal control function of the company” (VBDO and PwC, 2019). In Figure 3, the results on companies’ tax function management and governance are presented. Companies scored highest on this principle; 75% of the companies reported on tax risks, including financial, regulatory or operational risks and 0% of the companies provided their vision on concluding tax agreements with tax authorities; 20% of the companies provided third party tax assurance to stakeholders. What is particularly encouraging is that 65% of the companies described the role of technology for tax relevant data management.

Figure 3: Scores on Principle B – Tax Function Management and Governance



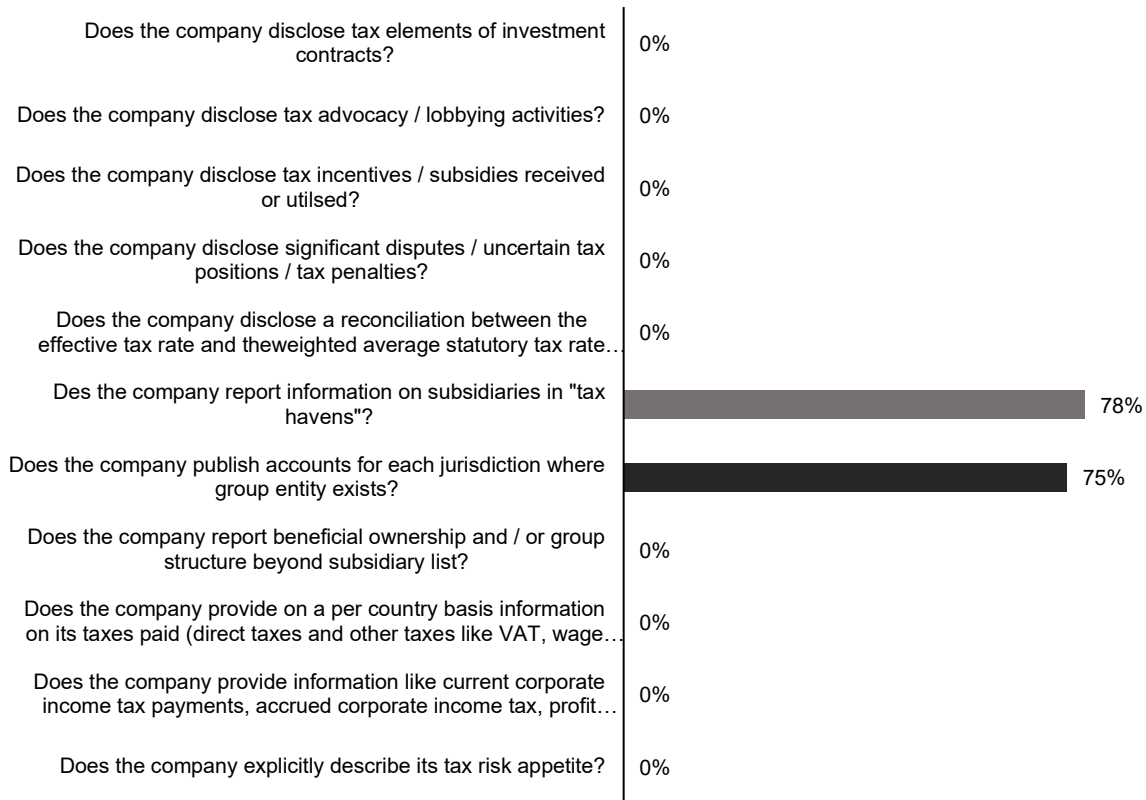
This figure shows the results on tax function management and governance. Companies were asked twelve set of questions on how well they develop the right processes to manage tax which required Yes or No answer and was adapted from VBDO and PwC Netherlands (2019) Tax Transparency Benchmark. Source: Field survey (2019)

Public Transparency and Reporting

Firstly, due to the COVID-19 crisis, governments will generally become much more focused on raising revenue, increasing compliance and preventing the erosion of their national tax base due to tax planning, fraud and abuse. Secondly, there is growing public interest in large businesses paying their “fair” share of tax. This will lead to a surge in new – mandatory or voluntary – reporting and disclosure requirements and initiatives related to tax, both within the non-public domain as well as outside it. In the non-public domain, companies are expected to report not only to the tax authorities but also to the public on their tax strategy and how and where they pay taxes in a meaningful and understandable way. Are Ghanaian listed companies’ tax transparent?. In Figure 4, the results on companies’ public transparency and reporting are presented. The results show that 0% of the companies explicitly described their tax risk appetite, none of the companies provided information like current corporate income tax payments, accrued corporate income

tax, profit before However, 75% of the companies published accounts for each jurisdiction where group entity exists

Figure 4: Scores on Principle C – Public Transparency and Reputing



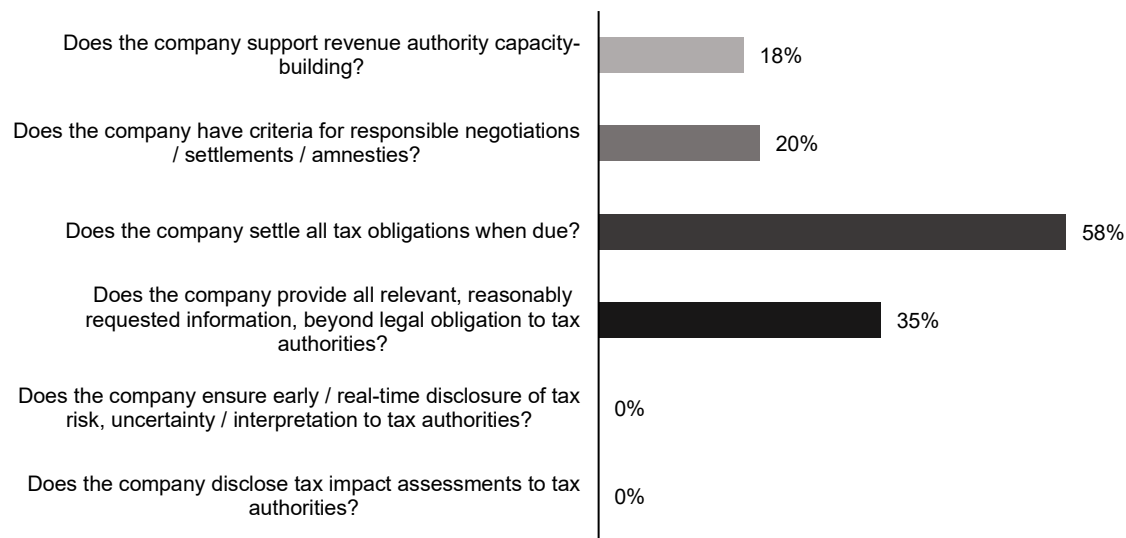
This figure shows the results on public transparency and reporting. This assessed how participants disclose relevant tax information to the public. Participants were posed twelve set of questions centered on Public Transparency and Reporting which required Yes or No answer and was adapted from VBDO and PwC Netherlands (2019) Tax Transparency Benchmark.. Source: Field survey (2019)

Interaction with Tax Authorities

“Companies should be prepared to provide additional tax information to regulators, tax authorities and other stakeholders to provide for a certain level of assurance regarding tax data and processes. One way to create more certainty is through a tax in-control statement. The company provides their own tax in-control statement in which it declares to what extent the processes and operations worked and were in control. In addition, assurance can also be provided by a third party. Third party tax assurance gives stakeholders certainty about the performance of the tax processes” (VBDO and PwC, 2019). Are Ghanaian listed companies effectively managing relationship with tax authorities?

In Figure 5 the results on companies’ relationship with tax authorities are presented. The results show that companies scored third highest on this principle; 58% of the companies settled all tax obligations when due; 35% of the companies provided all relevant, reasonably requested information, beyond legal obligation to tax authorities; 0% of the companies provided a tax in-control statement.

Figure 5: Scores on Principle D – Interaction with Tax Authorities



This figure shows the results on how well Participants manage their relationship with tax authorities and digital transformation of tax administration. . Participants were asked seven set of question which required Yes or No answers and was adapted from VBDO and PwC Netherlands (2019) Tax Transparency Benchmark. (e.g. Does the company provide all relevant, reasonably requested information, beyond legal obligation to tax authorities? Yes = .35%).

Source: Field survey (2019)

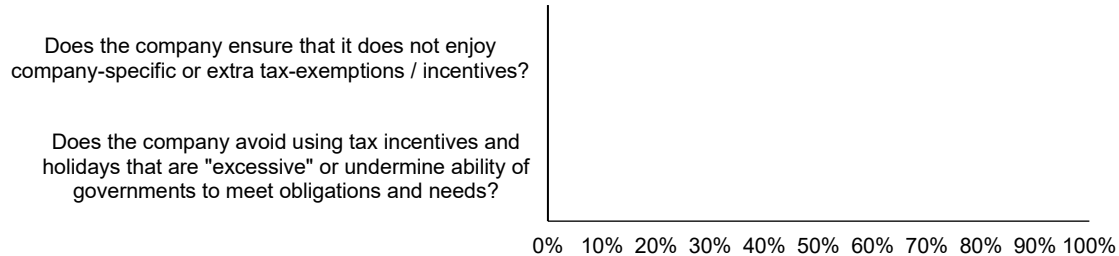
Tax Incentives

The debate not only concerns the tax strategies of multinationals, but also the tax policies of governments. One example is the use of tax incentives. Why are they granted and how are they used? (White, 2019). Tax incentives can be introduced in different forms, resulting in a favorable tax treatment or a reduced overall tax burden for companies. Countries introduce the tax incentives to achieve two ultimate objectives; attracting foreign investment; and fostering economic growth (OECD, 2016). By attracting (foreign) investments and stimulating innovation, counties aim to improve their economic foundations and international competitiveness, investments and innovations should also lead to increased employment and stimulate economic growth and prosperity in counties. Well-designed and well-calibrated tax systems (including local tax incentives) also enable counties to attain Unated Nations Sustainable Development Goals (UN SDGs) through the mobilization of domestic resources (Intenational Chamber of Commerce (ICC), 2018). Given the importance of subsidies to the economic and social well-being of countries, a number of studies on their macroeconomic effects have seen the light (Kleman, and Van Parys, 2009). The impact of tax incentives on the economic growth and revenue collection is not uniform and varies between counties (UN & International Center for Tropical Agriculture (CIAT), 2018).

While in some countries, tax incentives may play a positive role in attracting new foreign investments that contribute to economic growth and development, in others, a particular tax incentive may lead to little investments, resulting in significant costs to governments (ibid). By granting tax incentives, national governments (and parliaments) underline which areas they consider to be important or even vital for the national economy. This is essentially a political choice made by the ruling governments of sovereign countries, which can sometimes trigger political controversy (CSR Europe & PwC Netherlands, 2019). Besides, tax incentives are usually not available to all taxpayers. They are often restricted to e.g. a certain industry or region. Because of its potentially selective nature, some stakeholders argue that the system of tax incentives should be closely monitored. What is the attitude of Ghanaian listed companies towards tax incentives? In Figure 6, the results on companies’ attitude towards tax incentives are presented. The results show that companies scored zero on this principle. Of the two questions that were posed “Does the company

avoid using tax incentives and holidays that are “excessive” or undermine ability of governments to meet obligations and needs?” and “Does the company ensure that it does not enjoy company-specific or extra tax-exemptions / incentives?”, none of the companies scored a point.

Figure 6: Scores on Principle E – Tax Incentives



This figure shows the results on participants’ attitude toward the impact of tax incentives on public finance are presented. Companies were asked to reply to two multiple choice questions about tax incentives by marking the correct answer from a set of two (e.g., “Does the company avoid using tax incentives and holidays that are “excessive” or undermine ability of governments to meet obligations and needs?”). The author constructed these items for the purpose of this study.

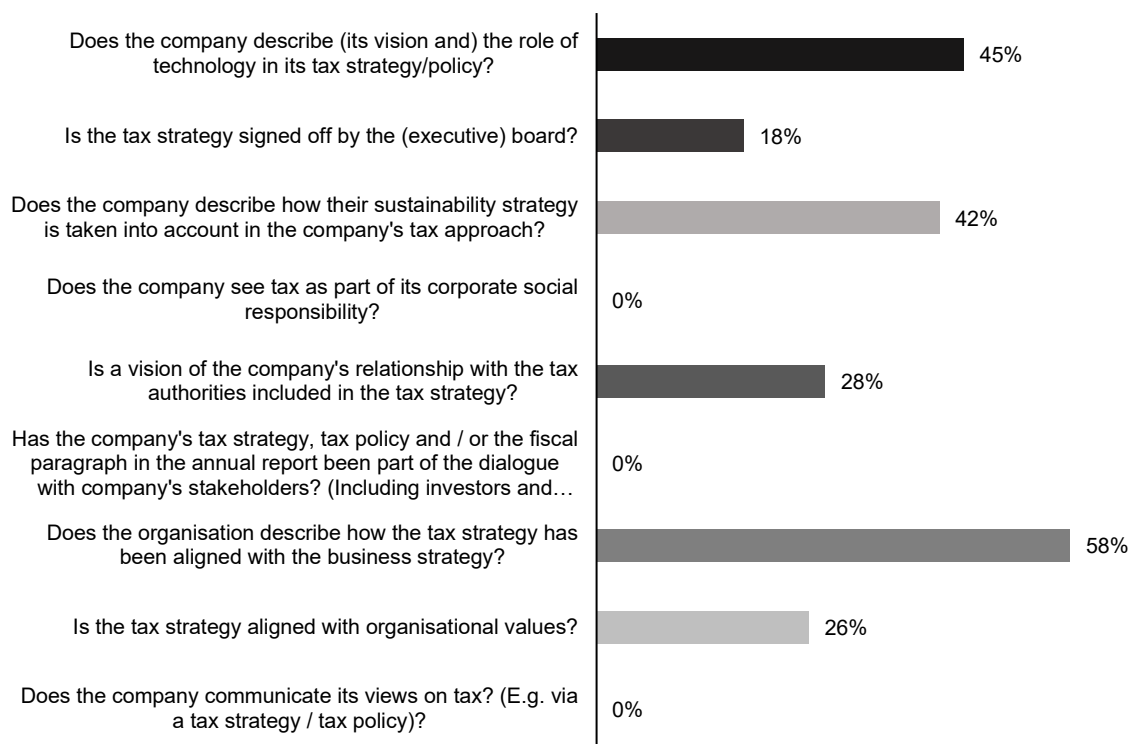
Source: Field survey (2019)

Building a Narrative to Accompany a Tax Strategy

Building a clear narrative about a company’s tax strategy is increasingly important in the context of the still intensifying global debate on tax transparency and responsible tax behavior by corporations (The B Team, 2018). In this changing environment, some companies have started clarifications and context to accompany their tax strategy and tax principles. A narrative enables a company to describe the approach, internal processes and operations that support the implementation and execution of a tax strategy in greater detail (CSR Europe & PwC Netherlands, 2019). In order to ensure that the various different stakeholders within a business are aligned around the need to be more transparent about a company’s approach to tax, it is critical that those involved seek internal alignment with, and ensure the support of, all relevant functions – involved in managing or communicating tax within the organisation. This will include, but not limited to, the tax department, investor relations, legal, sustainability or corporate responsibility, media communication and the finance function. In addition, organization’s risk and audit committee, executive committee and the Board need to be aligned with the decision to publish detailed information on a company’s tax position, particularly when this is done at a country-by-country level (ibid). To what extent do Ghanaian listed companies engage stakeholders with their approach to tax?

In Figure 7, the results on companies’ engagement with stakeholders on their approach to tax are presented. The results show that none of the companies communicated their views on tax? (E.g. via a tax strategy / tax policy); 0% of the companies see tax as part of their corporate social responsibility and none of the companies included a vision of the company’s relationship with the tax authorities included in their tax strategy.

Figure 7: Scores on Principle F – Building a Narrative to Accompany a Tax Strategy



This figure shows the results on how well companies engage their stakeholders with their approach to tax. Participants were asked nine set of question which required Yes or No answers (e.g. Does the company communicate its views on tax via a tax strategy / tax policy)?, Yes = .0%) and was adapted from VBDO and PwC Netherlands (2019) Tax Transparency Benchmark. Source: Field survey (2019)

CONCLUDING COMMENTS

The aim of this paper is to gain an understanding of tax behavior of companies, particularly multinationals. It draws on previously designed responsible and transparent tax behavior principles, guidelines, scorecards and benchmarks. The author examined 37 Ghanaian listed companies. The companies surveyed were grouped into three branches of industry: Consumer and Industrial Products and Services (n=17); Energy, Utilities and Resources (n=8) and Financial Services (n=12). The results show that Ghanaian listed companies are not fiscally responsible and transparent. The overall percentage of total points scored by the top 10 companies is 45%. Besides, overwhelming majority (73%) of the companies scored below the minimum amount (0-20 points). Out of these lower scoring companies, 21% operate in the Consumer and Industrial Products and Services industry, 43% in the Energy, Utilities and Resources industry and 36% are in the Financial Services industry. What is more, an overall transparency rating on the six principles of good tax governance is 29%. The paper argues that in order to promote enhanced responsible and transparent tax behavior, they ought to be a change in the dynamics of the current relationship between the three key players in tax administration: tax administrators; tax advisors and the taxpayer. Moving from a relationship that is characterized by confrontation to that of cooperation. This paper has some limitations. It considers only companies listed on the Ghana Stock Exchange (GSE). Therefore, the findings of this study may be difficult to generalize about all Ghanaian companies. This study can therefore be improved if it is done on all Ghanaian companies.

APPENDIX

Appendix A: Benchmark Methodology

A	Tax Planning Strategies	Point
	Does the company describe its vision and the use of technology in its tax policy?	2
	Does the company mention that it has a training program in place on how to deal with tax (dilemmas for its tax, legal and compliance officers)?	2
	Does the company state that it has a whistle-blower policy in place with regards to tax?	2
	Does the company mention that its tax strategy ensures that there is no standardized pre-marketed tax scheme?	2
	Does the company mention that its strategy ensures that there are no locating IP in low tax jurisdictions?	2
	Does the company mention that its tax strategy ensure that intra group transactions are priced in “utmost good faith”?	1
	Does the company mention that its tax strategy ensure that filing positions must be more likely than not to succeed?	1
B	Tax Function Management and Governance	
	Does the company provide a tax in-control statement?	2
	Does the company report on any tax risks, including: financial, regulatory and / or reputational risks?	2
	Are the tax risks described in detail? (not just as an enumeration)	2
	Is there a commentary/description of the company’s response to these tax risks?	2
	Does the company provide its vision on concluding tax agreements (rulings) with tax authorities?	2
	Does the company describe the role of technology for tax relevant data management?	2
	Does the company describe how the implementation and execution of the tax strategy is monitored?	2
	Does the company describe how tax risks and controls are tested and monitored?	2
	Is tax risk management included in the reporting to the audit committee?	2
	Does the company provide a tax in-control statement?	2
	Does the company provide third party tax assurance to stakeholders?	2
	Does the company participate in a co-operative compliance program or related?	2
C	Public Transparency and Reporting	
	Does the company explicitly describe its tax risk appetite?	2
	Does the company provide information like current corporate income tax payments, accrued corporate income tax, profit before income tax, accumulated earnings and FTE’s on a country-by-country basis? (In case the company is domiciled in only one jurisdiction, this question refers to this jurisdiction)?	2
	Does the company provide information on its taxes paid and government subsidies on a per country basis? (if the company operates in only one jurisdiction, this question refers to this jurisdiction.?)	2
	Does the company report beneficial ownership and / or group structure beyond subsidiary list?	2
	Does the company publish accounts for each jurisdiction where group entity exists?	2
	Des the company report information on subsidiaries in “tax havens”?	2
	Does the company disclose a reconciliation between the effective tax rate and the weighted average statutory tax rate reconciliation (either numerical or in percentages)?	2
	Does the company report on any tax risks, including: financial, regulatory and / or reputational risks?	2
	Does the company disclose significant disputes / uncertain tax positions / tax penalties?	2
	Does the company disclose tax incentives / subsidies received or utilised?	2
	Does the company disclose tax advocacy / lobbying activities?	2
	Does the company disclose tax elements of investment contracts?	2
D	Interaction with Tax Authorities	
	Does the company disclose tax impact assessments to tax authorities?	2
	Does the company ensure early / real-time disclosure of tax risk, uncertainty / interpretation to tax authorities?	2
	Does the company provide all relevant, reasonably requested information, beyond legal obligation to tax authorities?	2
	Does the company ensure that there is no reliance on cross boarder secrecy / to information exchange?	2
	Does the company settle all tax obligations when due?	2
	Does the company have criteria for responsible negotiations / settlements / amnesties?	2
	Does the company support revenue authority capacity- building?	2

E	Tax Incentives	
	Does the company avoid using tax incentives and holidays that are “excessive” or undermine ability of governments to meet obligations and needs?	2
	Does the company ensure that it does not enjoy company-specific or extra tax-exemptions / incentives?	2
F	Building a Narrative to Accompany a Tax Strategy	
	Does the company communicate its views on tax? (E.g. via a tax strategy / tax policy)?	2
	Is the tax strategy aligned with organizational values?	2
	Does the organisation describe how the tax strategy has been aligned with the business strategy?	2
	Has the company’s tax strategy, tax policy and / or the fiscal paragraph in the annual report been part of the dialogue with company’s stakeholders? (Including investors and civil society organizations)?	2
	Is a vision of the company’s relationship with the tax authorities included in the tax strategy?	2
	Does the company see tax as part of its corporate social responsibility?	2
	Does the company describe how their sustainability strategy is considered in the company’s tax approach?	2
	Is the tax strategy signed off by the (executive) board?	1
	Does the company describe (its vision and) the role of technology in its tax strategy/policy?	1

This appendix shows a detailed list of indicators and their respective scores and was adapted from VBDO and PwC Netherland’ (2019) *Tax Transparency Benchmark*. Assessment was based on publicly available information and responses obtained from interviews conducted

REFERENCES

CSR Europe and PwC Netherlands. (2019) “A Blueprint for Responsible and Transparent Tax Behavior”. Retrieved from <https://www.prosus.com/NaspersPortal/media/Naspers/Pdf/tax/A-Blueprint-for-Responsible-and-Transparent-Tax-Behaviour.pdf>

OECD. (2016) “Technologies for Better Tax Administration.” Available at <http://www.oecd.org/publications/technologies-forbetter-tax-administration-9789264256439-en.htm>

Income Tax Act of 2016, Act 896 (ITA). Retrieved from <https://gra.gov.gh/wpcontent/uploads/2018/11/INCOME-TAX-ACT-2015-ACT-896.pdf>

PwC. (2015) “Global Tax Transparency and Risk Management, *the Tax Function of the Future* series”. Retrieved from <https://www.pwc.com/gx/en/tax/publications/assets/tax-transparency-and-risk-management.pdf>

Revenue Administration Act of 2016, Act 915 (RAA). Retrieved from <https://www.coursehero.com/file/23686256/revenue-administration-act-2016-act-915/>

The B Team. (2018). A New Bar for Responsible and Transparent Tax Behavior. Retrieved from <http://www.bteam.org/announcements/responsible-tax-2/>

Oxfam, Action Aid, and Christian Aid. (2015) “*Getting to Good – Towards Responsible Corporate Tax Behavior*,”. Retrieved from https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/dp-getting-to-good-corporate-tax-171115-en.pdf

Cotrut, M. and K. Munyandi, (2018) “Tax Incentives in the BEPS Era”, *IBFD Tax Research Series*, Volume 3, p. 4.

Tang, P.(2018) “Rapporteur on the Common Corporate Tax Base and EU Digital Services Tax in: VBDO and PwC Netherlands, Tax Transparency Benchmark”.

Pemberton, J. L. and A. Majdanska “Can Cooperative Compliance Help Developing Countries Address the Challenges of the OECD/G20 Base Erosion and Profit Shifting Initiative?”, *Bulletin for International Taxation*, 2016 (Volume 70), No. 10

Ghana's Transfer Pricing Regulations 2012, (L.I 2186)

Enden, E. and K. Baisalbayeva, (2016) "The Relevance and Sustainability of Co-operative Compliance Models for Tax in African Countries", ATRN working paper

Enden, E., K. Baisalbayeva, and K. Bronżewska, (2016) "Tax Codes of Conduct: Fit for Purpose?", *Bulletin for International Taxation*, 2016 (Volume 70), No. 9.

VBDO and PwC Netherlands. (2019) "Tax Transparency Benchmark 2018, A comparative study of 76 Dutch listed companies" (p. 34-36), available at <https://www.pwc.nl/nl/actueel/publicaties/assets/pdfs/pwc-tax-transparency-benchmark2018.pdf>

EU (2013). Directive of the European Parliament and of the Council of 26 June 2013 ("CRD IV")

White M. C. (2019) "Corporate tax breaks can backfire — as New York City just found out", NBC Business news, 15 February 2019, available at <https://www.nbcnews.com/business/business-news/corporate-tax-breaks-can-backfire-new-york-city-just-found-n971761>

Klemm A.D. and S. van Parys, (2009) 'Empirical Evidence on the Effects of Tax Incentives', IMF working papers, 2009, available at <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Empirical-Evidenceon-the-Effects-of-Ta>

Responsible 100. (2018) "Scorecards, 2018". Retrieved from: <https://www.responsible100.com/questions/finance-and-governance/tax-transparency/>

UN, CIAT. (2018) "Design and Assessment of Tax Incentives in Developing Countries. Selected issues and a country experience", UN publication 2018, available at https://www.ciat.org/Biblioteca/Estudios/2018_design_assessment_tax_incentives_UN_CIAT.pdf

The International Chamber of Commerce (ICC). (2018) "Tax and The United Nations Sustainable Development Goals", position papers available at <https://cdn.iccwbo.org/content/uploads/sites/3/2018/02/icc-position-paper-on-tax-and-the-un-sdgs.pdf>

ACKNOWLEDGEMENT

The author profoundly acknowledges the technical support of CSR Europe, PwC Netherlands, Dutch Association of Investors for Sustainable Development (VBDO) and Deon and Noed International (DNI) Ghana. He is also indebted to the editor of IBFR and the two anonymous reviewers for the constructive comments during the review process.

BIOGRAPHY

Salahudeen Saeed is a Certified Public Accountant and a Taxation and Fiscal Policy lecturer at University of Professional Studies, Accra (UPSA). He also serves as a Tax and Financial Advisory Manager for the Ghana Center for Democratic Development (CDD Ghana). His research interest includes tax accounting from either an archival or behavioral research perspective

THE IMPACT OF NEW LEASE STANDARDS UNDER US GAAP AND IFRS ON FINANCIAL RATIOS

Umapathy Ananthanarayanan, Active Researcher
Peter Harris, New York Institute of Technology
Steve Shapiro, New York Institute of Technology

CASE DESCRIPTION

Most of the world financial market economies have adopted International Reporting Standards (IFRS) as the necessary framework for financial statements. In the United States, Generally Accepted Accounting Principles (GAAP) is still required, but the adoption of IFRS has the support of many accounting firms and professional organizations and is under consideration by the SEC. The revised lease guidelines under GAAP and IFRS shows a similar effect on the financial ratios and eliminate off-balance sheet financing. This case study illustrates the differences in the treatment of leases and the impact of these differences on financial statements and selected financial ratios after the year 2019. In a given situation, students use GAAP financial statements and prepare an IFRS based balance sheet, cash flow statement, and income statement. It is necessary to understand both the revised GAAP and IFRS rules regarding leases to address our case study. Our case study is designed to be used at undergraduate and graduate levels and courses like Intermediate Accounting, Accounting Theory, Analysis of Financial Statements. The instructor/s can offer our case study as an individual case study or as a group project

JEL: M4, M41, M42, M48, M49

KEYWORDS: US GAAP, IFRS, Right-of-use Asset, Capital Lease, Operating Lease, Financial Ratios

INTRODUCTION

Thomas, Peter, and Michelle, (2016) in a case study, illustrated the treatment of lease under the GAAP and IFRS and their impact on the financial ratios. They demonstrated that under IFRS, the financial statement ratios had a more negative impact on bond covenant agreements as well as other liabilities. Our case study illustrates the GAAP and IFRS treatment of leases and the impact on financial ratios under the revised lease rules Accounting Standards Update (ASC) 842 and IFRS 16. The Financial Accounting Standards Board (from now on FASB) is amending the FASB Accounting Standards Codification and creating Accounting Standards Update(ASC) 842, Leases. This Update, along with IFRS 16, Leases, is the results of the FASB's and the International Accounting Standards Board's (IASB's) efforts to meet that objective and improve financial reporting (FASB Accounting Standards Update 2016). The updates are effective for fiscal years beginning after December 15, 2018, including interim periods for the following entities:

- (a) public business entity,
- (b) a not for profit entity that has issued or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and
- (c) An employee benefit plan that files financial statements with the U.S. Securities and Exchange Commission (SEC). For other entities, amendments are effective for fiscal years beginning after December

15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The FASB allows the early application of the amendments for all entities (FASB ASC 2016_02 Section A). “ASC 842 requires businesses to recognize most leases on their balance sheet—essentially all contracts that meet the definition of a lease, including operating leases, will be recognized on balance sheets via a right-of-use (ROU) asset and a lease liability. The right-of-use asset is a lessee's right to use an over the life of a lease. If a right-of-use asset is determined to be impaired, the impairment is immediately recorded, thereby reducing the carrying amount of the asset” (FASB 2016).

“ASC 842 signifies a substantial revamp of the accounting treatment for leases, with the most significant change being that most leases, including most operating leases, will now be capitalized on the balance sheet. Under ASC 840, FASB permitted operating leases to be reported only in the footnotes of corporate financial statements. Under ASC 842, the only leases that are exempt from the capitalization requirement are short-term leases less than or equal to 12 months in length” (ASC 842 Review 2018).

Another important update is the Type A and Type B leases. The “level of consumption” is the determining factor. “Type A lease is one where a more than an insignificant amount of the value of the leased asset is used up during the lease period. Most leases other than property, such as equipment and vehicles, fall into this category. Type A lessees would recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments and recognize the unwinding of the discount on the lease liability as interest separately from the amortization of the right-of-use asset” (Lease Query 2016).

“In Type B leases, an insignificant portion of the leased asset is consumed during the lease period. Most real estate leases fit into this category. Type B lessees would recognize a right-of-use asset and a lease liability initially measured at the present value of the lease payments and would recognize a single lease cost on a straight-line basis, combining the unwinding of the discount on the lease liability with the amortization of the right-of-use asset” (FASB 2016).

It is to be duly noted that ASC 842 differs from International Financial Reporting Standards (from now on IFRS) 16 in certain aspects of the lessee accounting model. ASC 842 makes a distinction between finance and operating leases in the financial statements in the lessee accounting model, whereas IFRS 16 requires all leases to be accounted for consistent with ASC 842 approach for finance leases. As a result, operating leases under ASC 842 will be considered differently from IFRS, and that will show a different effect on the statement of comprehensive income and the statement of cash flows than previous IFRSs. This case study explores the impact of ASC 842 (FASB Accounting Standards Update 2016) and the IFRS 16 changes that come into force from Jan 1, 2019.

A global lease capitalization study by Price Waterhouse Coopers (PwC) shows an increase in median debt and Earnings before interest, tax, depreciation, and amortization (EBITDA) for most of the industries (IFRS -16).

CASE INFORMATION

ACE Corporation (ACE), a publicly traded NASDAQ company (symbol ACE), is a manufacturer of electrical automobiles. It is based in Detroit, Michigan and the company has been operating since 1996. The company sells its electrical automobiles to auto manufacturers as well as the retail market on a worldwide basis. Its major clients are Ford, General Motors, and Toyota. ACE has captured about 10 percent of the world market of electrical automobile sales. Its stock sells at 25 U.S. Dollars per share, and its 52-week price range is between 19.75 and 27.15 U.S. Dollars, with a market cap of 10.6 billion dollars.

Their financial statements presented below for the year ending December 31, 2019, has been prepared using GAAP. The controller would like to see the effect of IFRS treatment of leases on the financial statements;

you have been assigned this task. In particular, the controller would like to know the impact GAAP and IFRS differences have on the balance sheet, income statement, cash flow statement, and selected financial ratios. The company would like to adopt IFRS by as early as next year as it is considering a new stock issue in the Tokyo Stock Exchange, which requires IFRS compliance.

Table 1: U.S. GAAP Balance Sheet for ACE Corp. at 12/31/2019 and 12/31/2018

Ace Corporation		
Balance Sheet (in 000 Except Par Value)		
as of December 31, 2019, and 2018		
ASSETS	2019	2018
Current Assets		
Cash	\$33,000	\$ 19,000
Accounts Receivable (net)	25,000	17,000
Inventory (FIFO)	<u>50,000</u>	<u>21,000</u>
Total Current Assets	108,000	57,000
Noncurrent Assets		
Security Available for Sale	\$ 10,000	0
Property, Plant, and Equipment	100,000	\$136,000
less Accumulated Depreciation	<u>(30,000)</u>	<u>(28,000)</u>
	80,000	108,000
Intangible Assets		
Trademark	5,000	7,000
Goodwill	<u>7,000</u>	<u>7,000</u>
Total Noncurrent Assets	<u>12,000</u>	<u>14,000</u>
Total Assets	<u>\$200,000</u>	<u>\$179,000</u>
Liabilities And Shareholders' Equity		
LIABILITIES		
Current liabilities		
Accounts payable	\$18,000	\$17,000
Accrued interest	2,000	2,000
Accrued operating expenses	13,000	19,000
Income taxes payable	<u>7,000</u>	<u>6,000</u>
Total current liabilities	40,000	44,000
Noncurrent Liabilities		
Deferred income taxes	\$ 5,000	\$ 4,000
Bonds Payable	<u>45,000</u>	<u>45,000</u>
Total noncurrent liabilities	<u>50,000</u>	<u>49,000</u>
Total Liabilities	90,000	93,000
SHAREHOLDERS' EQUITY		
Common stock (\$1 par)	20,000	18,000
Additional paid-in capital	30,000	17,000
Retained earnings	<u>60,000</u>	<u>51,000</u>
Total Shareholders' Equity	<u>110,000</u>	<u>86,000</u>
Total Liabilities and Shareholders' Equity	<u>\$200,000</u>	<u>\$179,000</u>

Table 1 shows the Balance Sheet of Ace Corporation for the years ended 12/31/19 and 12/31/18 presented under U.S. GAAP reporting. Note that the presentation is based on the order of liquidity-most liquid items followed by less liquid items.

Table 2: ACE Corp. U.S. GAAP Income Statement for the Year Ended December 31, 2019

Ace Corporation		
Income Statement (in 000, Except Per Share Data)		
for the Year Ended December 31, 2019		
Sales		\$270,000
Cost of goods sold		<u>(175,000)</u>
Gross profit		95,000
Selling and administrative expenses	\$ 31,000	
Amortization and depreciation expense	10,000	
Interest expense	<u>4,000</u>	<u>(45,000)</u>
Income before taxes		50,000
Income tax expense		<u>(15,000)</u>
Income before extraordinary item		35,000
Extraordinary loss from the hurricane (net of \$6,000 tax savings)		<u>(14,000)</u>
Net Income		<u>\$21,000</u>
Earnings per share:		
Earnings per share from continuing operations		\$1.75
Extraordinary loss per share		(0.70)
Earnings per share		<u>\$1.05</u>

Table 2 presents a statement of income for the year ended 12/31/19 prepared under U.S. GAAP reporting. Also included is the earnings per share amount, which is derived by taking net income and divided by the number of common shares outstanding.

Table 3: ACE Corp. U.S. GAAP Cash Flow Statement for the Year Ended December 31, 2019

Ace Corporation		
Cash Flow Statement (in 000)		
for the Year Ended December 31, 2019		
Cash from Operating Activities		
Net income		\$21,000
Adjustments for noncash items:		
Loss from hurricane	\$14,000	
Depreciation expense	8,000	
Amortization expense	2,000	
Increase in accounts receivable	(8,000)	
Increase in inventory	(29,000)	
Increase in accounts payable	1,000	
Change in accrued operating expenses	(6,000)	
Change in income taxes payable	7,000	
Increase in deferred income taxes	<u>1,000</u>	<u>(10,000)</u>
Net Cash from Operating Activities		11,000
Cash from Investing Activities		
Insurance proceeds	\$10,000	
Purchase securities available for sale	<u>(10,000)</u>	
Net Cash from Investing Activities		-0-
Cash from Financing Activities		
Issue common stock	\$15,000	
Pay dividends	(12,000)	
Net Cash from Financing activities		<u>3,000</u>
Net increase in cash		\$14,000
Cash December 31, 2018		<u>19,000</u>
Cash December 31, 2019		<u>\$33,000</u>
Additional supplemental disclosure:		
Cash paid for income taxes		\$7,000
Cash paid for interest		\$4,000

Table 3 presents the Statement of Cash Flows for Ace Corp. for the year ended 12/31/19 under U.S. GAAP. The cash flow presented is the indirect method. Alternatively, the Direct method-not presented here is also the other acceptable cash flow statement under both U.S. GAAP and IFRS. The Direct Method is illustrated in the solution for question 5C, where the Direct Method is presented in the solution under IFRS.

ADDITIONAL INFORMATION

1. ACE entered into a noncancelable lease on January 2, 2019, with the following terms:
 - A- ACE leased specialized machinery manufactured by the lessor, Bell Corp., which enables ACE to manufacture their electric cars in a much more efficient manner. This machinery did not have a resale market and was made specifically for ACE to meet its specifications.
 - B. The lease term is for 3 years, with an annual lease payment of \$10,000. Payment is due on December 31 of each year, with the first payment due on December 31, 2019. At the end of the lease term, ownership reverts to the lessor. There is no option for ACE to buy the equipment.
 - C. The lessee will pay all executor costs of \$1,500/year, which included in 2102 selling and administration expenses.
 - D. The estimated useful life of the lease is 49 months (4 1/12 years.)
 - E. The fair market value of the equipment is \$30,000 on January 1, 2019.
 - F. The implicit rate of Bell Corp. is 6 percent, and the lessee, ACE, knows this.
 - G. ACE's incremental borrowing rate is 7 percent.
 2. ACE Corporation did not sell any plant assets; however, plant assets with a cost of \$36,000 and accumulated depreciation of \$6,000 were destroyed in a hurricane. Insurance proceeds of \$10,000 were collected by the company.
 3. Two million shares of common stock were issued at the beginning of 2019.
 4. Securities available for sale were purchased on December 31, 2019.
 5. Cash dividends were paid during 2019.
 6. ACE's bonds payable have several covenants that involve net income and cash from operating activities. The controller is especially concerned that the IFRS treatment of leases does not violate those covenants. She is concerned that renegotiating the debt covenants will be costly to ACE.

QUESTIONS

1. Differentiate between an operating lease and a capital/ financing lease for financial reporting purposes.
2. Under GAAP, has this been treated as a capital lease/financing lease or an operating lease by ACE? Why?
3. Under GAAP ASC 842, should this lease be classified as operating or a financing lease? Why?
4. Under IFRS, should this lease be classified as an operating or a financing lease? Why?
5. Under revised IFRS 16, should this lease be classified as an operating or a financing lease? Why?
6. Describe the different reporting results between GAAP and IFRS and make the necessary adjusting entries to conform the financial statements to IFRS compliance for 2019.
7. In answering the following parts, keep in mind companies usually prefer to report higher net income and higher cash from operating activities (although accounting research has identified exceptions to this).
 - A. Prepare an income statement under IFRS for 2019.
 - B. Prepare balance sheet under IFRS on December 31, 2019.

C. Prepare a cash flow statement under IFRS for 2019.

8-Compute the following ratios for 2019, under both IFRS and GAAP reporting:

1. Current Ratio
2. Quick Ratio
3. Cash Ratio
4. Times Interest Earned
5. Debt to Capital Ratio
6. Debt to Shareholder Equity Ratio.

9. Comment on your findings in 8 above.

10. Which method (USGAAP or IFRS) produces a better financial position of the firm?

REFERENCES

ASC 842 Review. (2018, November 22). Retrieved from <http://leaseaccounting.com/asc-842/>.

FASB. (2018, Jan). FASB Organization. Retrieved from FASB-Accounting Standards Updates: <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1218220137102>.

FASB Accounting Standards Update 2016. (2018, November 22). Retrieved from https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176167901010.

IAS plus 2016. (2016, November 22). Retrieved from IAS Plus.Com: <https://www.iasplus.com/en/news/2016/01/ifrs-16>.

IFRS. (2019, March 17). Retrieved from IFRS.ORG: <https://www.ifrs.org/>.

IFRS-16 The Leases Standard is Changing. Are you Ready? (2016, September). Retrieved from PWC.com: www.pwc.com.

Lease Query. (2016, December 7). Retrieved from <https://leasequery.com/blog/type-a-type-b-leases-under-new-rules/>.

Radebaugh, L. H. (2009). International Accounting and Multinational Enterprises, 6e with IFRS Primer Set (Vol. 6e). Wiley.

Revsine, L., Collins, W. D., Bruce, J., Fred, M., & Leonard, C. S. (2018). Financial Reporting and Analysis (7th ed.). McGraw Hill Education.

Thomas, B., Peter, H., & Michelle, L. (2016). GAAP vs. IFRS Treatment of Leases and the Impact on Financial Ratios. Review of Business & Finance Studies, 7(1), 93-104.

THE IMPACT OF NEW LEASE STANDARDS UNDER US GAAP AND IFRS ON FINANCIAL RATIOS

TEACHING NOTES

Umapathy Ananthanarayanan, Active Researcher
Peter Harris, New York Institute of Technology
Steve Shapiro, New York Institute of Technology

CASE DESCRIPTION

This case focuses on the revised GAAP and IFRS differences in the treatment of leases and the grounds for classification as an operating or capital lease under the revised ASC-842 and IFRS 16. It is designed to have students research GAAP and IFRS pronouncements. They must compare and contrast the differences in the treatment of leases under the two frameworks. It also requires students to prepare the adjusting entries for the conversion to IFRS. They will prepare IFRS statements and compute and compare financial ratios for both GAAP and IFRS statements. Finally, they will discuss the status of IFRS lease adoption and the impact of its adoption in the U.S. Since this case requires research into GAAP and IFRS pronouncements, it is most appropriate for students who have completed or are currently enrolled in intermediate financial accounting II. It can be used at the graduate or undergraduate levels in a variety of additional financial reporting courses including accounting theory, international accounting, and financial statement analysis, as well as an investment finance course.

CASE LEARNING OBJECTIVES

The case is designed to have students identify reporting issues and apply the U.S. and international authoritative accounting literature by researching the FASB Accounting Standards Codification and the International Financial Reporting Standards (IFRS).

The specific learning objectives are for the student to:

- a) Identify differences in GAAP and IFRS treatment of leases under the revised guidelines.
- b) Prepare adjusting entries to convert GAAP based financial statements to IFRS income statement and balance sheet.
- d) Prepare an IFRS income statement, cash flow statement, and balance sheet and
- e) Calculate several ratios to illustrate the impact adopting revised IFRS accounting for leases could have on them.

Suggested Teaching Approach

The case may be offered as an individual case study or as a group project. For more advanced accounting students, this case should be an individual project. It could weight 10-15 % of the final course grade. When offered as an individual project, students will need three to six hours to research and prepare the case solution. For less advanced students, the case may be offered as a collaborative group project that would enable students to demonstrate and develop team-working skills. The case presents an opportunity to discuss the status of IFRS implementation in the U.S. and the impact IFRS had on ACE Corp. The in-class review of the solution and case discussion can be completed as part of a 50-minute class. In grading the case write-ups, instructors should evaluate the identification of relevant issues, proper accounting for the

IFRS conversion and computation of the ratios including the computational accuracy of numbers, quality and depth of research as evidenced by appropriate citations of the literature. We suggest that the instructor explain the basis for grading at the outset.

Pointers for Classroom Discussion

After the review of the IFRS statements, the instructor may wish to discuss the impact of IFRS. Suggested questions to ask the class are: What impact will IFRS have on ACE Corp.'s income statement, cash flow statement, and balance sheet? What are the benefits of adopting IFRS? What are the disadvantages of IFRS?

You may wish to have students research the status of the FASB/IASB discussions on leases under the revised standards and its effect on off-balance sheet financing.

SUGGESTED SOLUTION

Question 1: Differentiate between an operating lease and a Capital/ Financing Lease for financial reporting purposes.

Solution 1: Operating lease payments are treated as rent expense and recorded on the income statement. An operating lease is an off-balance sheet transaction and is preferred by companies because it lowers liabilities, the debt ratio and does not result in “frontloading expenses” in the early years as does a capital lease. A GAAP capital lease is treated as a purchase of Property, Plant and Equipment and, therefore, capitalized on the Balance Sheet. Capital leases are termed “financing (or finance) leases” under IFRS. The present value of minimum lease payments required on the lease is recorded as a liability on the balance sheet. The discount rate is the lessee’s incremental borrowing or the implicit rate of the lease if it is lower and known by the lessee. The liability is separated into its current and long-term components, which affects the current ratio.

Pointers for Classroom Discussion

Discuss the differences between rules-based U.S. GAAP versus principles-based IFRS requirements for distinguishing between operating versus capital/financing leases.

Question 2: Under U.S. GAAP 840, is the lease treated as a capital lease/financing lease or an operating lease?

Solution 2: Under GAAP, if the lessee has a noncancelable lease and meets at least one of the four tests listed below, the lease is treated as a capital lease; otherwise, it is an operating lease.

Test 1: Transfer of Ownership Test: If at the end of the lease term, ownership transfers to the lessee, then this test is satisfied. Test 1 is not met in this case, as there is no transfer of ownership at the end of 2021.

Test 2: Bargain Purchase Option: If the lessee has the option to purchase the lease at a bargain purchase price, then this test is satisfied. In this case, there is no purchase option (bargain or not), so test 2 is not met.

Test 3: Economic Life Test: If the lease term is equal to or greater than 75% of the economic life of the asset, it is a capital lease. In this case, the lease term is 36 months divided by the economic life of 49 months, yields 73%; Test 3 is not met.

Test 4: Economic Recovery Test: If the present value of the minimum lease payments is 90 percent or greater of the fair market value of the asset, then it is a capital lease. In this case, the present value of the

minimum lease obligation is \$26,730 (see Table 3). The present value divided by the fair market value of the leased asset of \$30,000 is 89 percent; just shy of the 90% requirement. Test 4 is not met.

Since none of the four tests is met, the lease is treated as an operating lease to the ACE Corp. under U.S. GAAP. Note should be made that ACE just missed some of these tests by fractional amounts.

Table A: Minimum Lease Payments

Date	Payment	Interest (6%)	Principal	Liability Balance
Jan. 2, 2019				\$ 26,730
Dec. 31, 2019	\$ 10,000	\$ 1,604	\$ 8,396	18,334
Dec. 31, 2020	10,000	1,100	8,900	9,434
Dec. 31, 2021	<u>10,000</u>	<u>566</u>	<u>9,434</u>	0
Totals	<u>\$ 30,000</u>	<u>\$ 3,270</u>	<u>\$ 26,730</u>	N/A

Table A shows the interest and principle payments for each year of the lease. It also shows the liability at the end of each year. The interest expense is the beginning of the year lease obligation multiplied by the 6% interest rate.

Pointers for Classroom Discussion

Discuss why a corporation has an incentive for making a lease classification as operating rather than capital. The reasons, as discussed above are avoiding recording current and noncurrent liabilities and the frontloaded expenses in the early years; however, there is one positive aspect of a capital lease – under operating leases, the lease payment is classified as an operating cash payment which reduces cash from operating activities. As a capital lease, the interest paid for the lease payment is classified as an operating activity, but the principal reduction payment is categorized as financing. Treatment under IFRS of the cash payment on a finance lease is the same.

Question 3: Under revised U.S. GAAP ASC 842, should this lease be classified as an operating or a financing lease? Why?

Under ASC 842, all long-term (greater than one year) non-cancellable leases must be capitalized and reflected on the Balance Sheet as a Right-of-Use Asset and a lease liability. The right of use asset (ROU) is reflected as a separate part of the Property, Plant, and Equipment section of the Balance Sheet and is reduced by an Accumulated Amortization balance. These ROU leases are termed as either finance or operating leases and termed as Type A and Type B leases respectively. The difference in these leases lies in the income and cash flow statement treatment. In a Type A lease, the lease payment represents an interest and principal component. The expense will equal interest and amortization (previously called depreciation expense), and the cash flow will include operating cash payments for the interest and financing cash flow for the principal payment. The total expense will decrease every year by a declining outstanding principal/liability balance. Hence, a Type A lease is termed as an accelerated payment lease. In type B, operating lease, the lease payment is a rent expense amount in full and is a cash outflow from operating activities. The rent expense will be equal every year during the lease term, and as such is termed as a straight-line lease. The rent expense will equal the interest expense, plus amortization expense; which will be the difference of the annual lease expense less the interest expense.

ASC requires that type A and B leases, be reflected as a separate component of the Property, Plant and Equipment section of the Balance Sheet, with each type of lease be presented separately less accumulated amortization amount. On the liability side, Type A and B leases should be shown separately, in the current liabilities and long-term liabilities sections of the Balance Sheet.

For a lease of one year or less, short-term leases, the company has the option to either capitalize these leases or treat them as an off-balance sheet transaction whereby the rent payment will represent a rent expense.

Since the lease term is more than 12 months, the lease should be treated as financing lease as type A because the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. Alternatively, if the accounting policies of the firm suggest alternative treatment, then use Type B lease accounting treatment.

Note: The effect of lease effects on the operating lease (Type B) on the net profit is the same. The only difference is in the method followed (Accelerated and Straight-line method)

Question 4: Under IFRS, should this lease be classified as an operating lease or a financing lease?

Solution 4: Under IFRS, this lease is a financing/capital lease as the criteria of lease type is based on principles, and not rules. Under IFRS, if the lessee assumes the economic benefit and risks of the leased asset, and the facts of the situation are such that the lease resembles a financing lease, then it is treated as a financing lease. The fact that this machine is specialized in nature for ACE's use, and many of the tests under GAAP are nearly met are indicators of a finance lease rather than an operating lease. The lessor manufactured this equipment to ACE's specifications and in effect transferred the risk to ACE upon the inception of the lease. Further, ACE was able to circumvent the capital lease rules under GAAP by making estimates work to its advantage.

Question 5: Under revised IFRS 16, should this lease be classified as an operating or a financing lease? Why?

Solution 5: Under the revised IFRS 16, the distinction between operating and financing leases is eliminated for all lessees, and a new lease asset (representing the right to use the leased item for the lease term) and lease liability (representing the obligation to pay rentals) are recognized for all leases. All lessees should initially recognize the right-of-use asset and lease liability based on the discounted payments required under the lease. Under IFRS 16 lessees may elect not to recognize assets and liabilities for leases with a lease term of 12 months or less. In such cases, a lessee recognizes the lease payments in profit or loss on a straight-line basis over the lease term. To be able to apply for this exemption, entities need to determine the lease term. The determination of short-term lease is consistent with the definition of a lease term, i.e., the options to extend should be taken into account if an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. Any lease that contains a purchase option is not a short-term lease.

Since the lease term is more than 12 months, the lease should be classified as a financing lease. Moreover, the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. Treat this as a financing lease.

Note: The overall impact of lease payments of an operating lease (IFRS 17) on the net profit is the same, which is similar to GAAP ASC-842.

Question 6: Describe the different reporting results between GAAP and IFRS and make the necessary adjusting entries to conform the financial statements to IFRS compliance for 2019.

Solution 6: In each of the three years of the lease, both GAAP and IFRS treat the lease as a financing lease from the *lessee's point of view* as the lease term is more than 12 months and non-cancellable lease.

A: Year of lease Inception (2019):

Under IFRS, the financing/ capital lease is treated as a purchase of Right-of-use asset and capitalized on the balance sheet as such for \$26,730. Additionally, the minimum lease obligation is shown on the balance sheet as a liability of \$18,334 (\$26,730 less the year 1 payment of \$8,396). Of this amount, \$8,900 is classified as a current liability, and \$9,434 is classified as a long-term liability. On the income statement, depreciation expense is \$8,910 (26,730 divided by the lease term of 3 years), and interest expense is \$1,604, for a total of \$10,514.

B: Subsequent to Year of Inception - 2020 and 2021 of lease payments:

IFRS: The \$10,000 lease payment is treated as an interest expense as calculated above; \$1,100 in 2020 and \$566 in 2021 in addition to a depreciation expense of \$8,910. Over the 3 years, the total expense will be the same (\$30,000) under both methods of reporting (operating / capital/financing.)

ADJUSTING ENTRIES 2019 TO CONFORM TO IFRS

1. This is a summary journal entry that records the leased asset as a capital lease, records the current and noncurrent portions of the lease liability (as of December 31, 2019), and “reclassifies” the December 31, 2020 lease payment from rent expense to interest expense and a reduction of the lease liability.

Right-of-Use Asset	26,730	
Interest expense	1,604	
Lease obligation – current liability		8,900
Lease obligation – noncurrent liability		9,434
Selling and administrative expenses		10,000

2. This entry records the leased asset amortization expense for 2019 using straight-line amortization.

Amortization Expense	8,910
Accumulated amortization	8,910

3. This entry reclassifies the extraordinary loss into the body of the income statement, see the discussion below (in 4) for a reason. The income tax effect of the loss is also discussed in 4, below.

Loss from Hurricane	20,000
Extraordinary loss from hurricane	20,000

There is no prompt in the case for the reclassification in 3. Students must demonstrate critical thinking by identifying that IFRS does not allow for the use of an extraordinary item. It is essential to point out that we should not be so focused on one issue (lease treatment) that we overlook other issues that should be apparent.

3a. Entry 3 assume that ACE made the following entries during 2019 when the loss, insurance recovery, and related tax savings were recorded:

Cash	10,000	
Accumulated depreciation	6,000	
Extraordinary loss from hurricane	20,000	
Property, plant, and equipment		36,000
Income tax payable	6,000	
Tax savings from hurricane loss		6,000

The tax savings were netted against the extraordinary loss on the U.S. GAAP.

4. This entry reclassifies taxes saved from the hurricane loss (which GAAP netted with the extraordinary loss, but IFRS would include with income tax expense); the entry also records the deferred tax effect of switching to IFRS for public reporting purposes, but not switching for income tax purposes.

Tax Savings from Hurricane Loss	6,000	
Deferred income taxes	154	
Income tax expense		6,154

Adjusting entry four assumes ACE made the following summary entry to record income taxes in 2019:

Income Tax Expense	15,000	
Deferred income taxes	1,000	
Tax savings from hurricane loss	6,000 (netted against the hurricane loss)	
Income taxes payable	1,000	
Cash	7,000	

It also assumes that ACE would continue to report the lease as an operating lease for income tax purposes, therefore the tax ACE owed for 2019 would not change, There would be a reduction of deferred income taxes for the tax rate times the difference between the expenses reported under a financing lease (amortization expense plus interest expense) and the rent expense reported under an operating lease. [30% * (8,910+1,604)-10,000].

Pointers for Classroom Discussion

Show that under capital/financing lease treatment, the expense plus depreciation plus interest will be more than the operating lease, but the impact on net profit is similar under each of the methods. In the entire term of the lease, each method will yield identical expense totals. Use of the amortization schedule will illustrate this clearly.

Question 7A: Prepare an Income Statement under IFRS for 2019. Assume that the net income remains the same under IFRS as it does for GAAP and any difference is reconciled in the tax expense and tax payable accounts.

Solution 7A: See Table B

Table B: ACE Corp. IFRS Income Statement for the Year Ended December 31, 2019

Ace Corporation Income Statement (in 000, Except per Share Data) for the Year Ended December 31, 2019		
Sales		\$270,000
Cost of goods sold		(175,000)
Gross profit		95,000
Selling and administrative expenses	$\$31,000 - 10,000(1) = 21,000$	
Amortization and depreciation expense	$10,000 + 8,910 (2) = 18,910$	
Interest expense	$4,000 + 1,604 (1) = 5,604$	
Loss from hurricane	(3) 20,000	(65,514)
Income before taxes		29,486
Income tax expenses	$15,000 - 6,154 (4) =$	(8,846)
Net Income		\$ 20,640
Earnings per share:		\$1.03

Table B shows the impact on the income statement of the conversion to IFRS. The numbers in parenthesis refer to the adjusting entry made to record the conversion to IFRS.

Question 7B: Prepare a Balance Sheet under IFRS for 2019.
Solution 7B: See Table C

Table C: ACE Corp. IFRS Balance Sheet as of December 31, 2019

Ace Corporation Balance Sheet (in 000 Except par Value) Using IFRS as of December 31, 2019, and 2018		
	2019	2018
ASSETS		
Intangible Assets		
Trademark	\$5,000	\$7,000
Goodwill	<u>7,000</u>	<u>7,000</u>
Total Intangible Assets	12,000	\$14,000
Noncurrent Assets		
Property, Plant and Equipment ¹	\$126,730	
less Accumulated Depreciation & Amortization ²	<u>(38,910)</u>	136,000
	87,820	<u>(28,000)</u>
Security Available for Sale	<u>10,000</u>	0
Total Noncurrent Assets	97,820	108,000
Current Assets		
Inventory (FIFO)	50,000	21,000
Accounts Receivable (net)	25,000	17,000
Cash	33,000	<u>19,000</u>
Total Current Assets	<u>108,000</u>	<u>57,000</u>
Total Assets	<u>\$217,820</u>	<u>\$179,000</u>
Liabilities And Shareholders' Equity		
EQUITY		
Share capital	\$20,000	\$18,000
Share premium	30,000	17,000
Retained earnings *	59,640	<u>51,000</u>
Total Shareholders' Equity	<u>\$109,640</u>	\$86,000
LIABILITIES		
Noncurrent Liabilities		
Lease obligation – noncurrent liability ³	9,434	0
Deferred income taxes ⁴	4,846	4,000
Bonds Payable	45,000	<u>45,000</u>
Total noncurrent liabilities	<u>59,280</u>	49,000
Current liabilities		
Accounts payable	18,000	17,000
Accrued interest	2,000	2,000
Accrued operating expenses	13,000	19,000
Income taxes payable	7,000	6,000
Lease obligation – current liability ⁵	<u>8,900</u>	<u>0</u>
Total current liabilities	<u>48,900</u>	<u>44,000</u>
Total Liabilities	<u>90,000</u>	<u>93,000</u>
Total Liabilities and Shareholders' Equity	<u>\$217,820</u>	<u>\$179,000</u>

Table C shows the IFRS Balance Sheet after conversion. Where adjustments were necessary, they are indicated next to the account. Note that IFRS recommends listing accounts in reverse order of liquidity. The common stock is shown as share capital and additional paid-in capital as share premium.

¹ $100,000 + 26,730 (1) = 126,730$ * Retained earnings Dec. 31, 2018 \$51,000

² $30,000 + 8,910 (2) = (38,910)$ IFRS net income 20,640

³ (1) \$9,434 Dividends declared -12,000

⁴ $\$5,000 - 154 (4) = 4,846$ Retained earnings Dec. 31, 2019 \$59,640

⁵ $8,900 (1) 8,900$

The numbers in parenthesis refer to the adjusting entry made to record the conversion to IFRS

Table D: ACE Corp. IFRS Cash Flow Statement as of December 31, 2019

Ace Corporation	
Cash Flow Statement (in 000) Using IFRS	
for the Year Ended December 31, 2019	
Cash from Operating Activities	
Cash collected from customers ¹	262,000
Cash paid for inventory ²	(203,000)
Cash paid for selling and administrative costs ³	(27,000)
Cash paid for income taxes ⁴	<u>(7,000)</u>
Net Cash from Operating Activities	25,000
Cash from Investing Activities	
Insurance proceeds ⁵	\$10,000
Purchase securities available for sale ⁶	<u>(10,000)</u>
Net Cash from Investing Activities	-0--
Cash from Financing Activities	
Issue common stock ⁷	15,000
Cash paid for interest ⁸	(5,604)
Payment on financing lease ⁹	(8,396)
Pay dividends	<u>(12,000)</u>
Net Cash from Financing activities	<u>(2,604)</u>
The net increase in cash	\$14,000
Cash December 31, 2018	<u>19,000</u>
Cash December 31, 2019	<u>\$33,000</u>

Noncash investing and financing activity: Ace recorded a \$26,730 finance leased asset. (This could also be disclosed in the notes to the financial statements.)

¹ Sales	\$270,000	² Cost of goods sold	\$(175,000)
Increase in acct. Rec.	<u>(8,000)</u>	Increase in inventory	(29,000)
	<u>\$262,000</u>	Increase in acct. pay.	+ 1,000
			<u>\$(203,000)</u>
³ Selling & admin. exp.	\$(21,000)	⁴ Income tax expense	\$(8,846)
Dec. in accrued oper. exp.	<u>(6,000)</u>	Increase in income tax payable	1,000
	<u>\$(27,000)</u>	Increase in deferred tax liability	846
⁵ Given in case			<u>\$(7,000)</u>
⁷ Change in common stock (share premium)	\$ 2,000	⁶ Given in case	
Change in APIC (share premium)	<u>13,000</u>	⁸ Interest expense	\$(5,604)
		Change in interest payable	<u>0</u>
			<u>\$(5,604)</u>

Question 8: Ratio Calculations on December 31, 2019

Solution 8: See Table E

Table E: Ratio Calculations

	GAAP & IFRS
Current Ratio=current assets/current liabilities	2.21
\$108,000/\$40,000	\$108,000/\$48,900
Quick Ratio=current assets-inventory/current liabilities	1.19
(108,000-50,000)/40,000	(108,000 – 50,000)/48,900
Cash Ratio=cash/current liabilities	0.67
33,000/40,000	33,000/48,900
Times Interest Earned =EBIT/ Interest Expense	8.83
34,000/4,000	49,486/5,604
Debt to Capital Ratio=Total Liabilities/Total Assets	0.50
90,000/200,000	108,180/217,820
Debt to Shareholder Equity Ratio=Liabilities/Shareholder' Equity	0.99
90,000/110,000	108,180/109,640

Financial ratios: The ratios presented above show similar effects of using U.S. GAAP versus IFRS. Solution 9 resented below, provides an overview conclusion of the impact of using U.S. GAAP versus IFRS and the resulting financial consequences on these key 6 ratios.

Question 9: Comments

Solution 9: From the lessee's point of view, the ratios indicate that both GAAP and IFRS rules result in more conservative ratio results. The revised lease standards (ASC 842 and IFRS 16) show similar results suggesting that GAAP and IFRS similarly treat the long-term leases and they will have far more significant negative implications on bond covenant agreements as well as other long and short-term creditor legally binding contracts. Thus the new leasing standard may compel more organizations to reassess their strategy ‘lease vs. buy’ decisions, which also indirectly affect lessor IFRS 17.

Question 10 Which method (USGAAP or IFRS) produces a better financial position of the firm?

Solution: The students need to specify the differences between IFRS and USGAAP rules for leases. The students need to set the parameters for lease option under USGAAP. The students need to justify the selection of Type A and B lease. If type A lease is selected their USGAAP financial statements more or less concur with IFRS statements and the financial position may be more or less similar to each other. However, if the students exercise type B lease, their USGAAP statements will differ from IFRS, and they may find that financial position is better under USGAAP. Students should highlight the changes in the operating cash flow under the two standards under type B lease treatment.

CONCLUSION

The new lease standards under USGAAP and IFRS bridges the gap between the two standards and eliminate the dangers of off-balance sheet financing to a certain extent. The IFRS is the future of worldwide financial reporting and should be included as a significant part of any accounting and business curriculum in the U.S., as well as the rest of the world. The revised standards affect virtually ratios and financial performance metrics such as gearing, current ratio, asset turnover, EBITDA, operating profit, net income, and operating cash flows. This case illustrates a situation where students use a Balance Sheet, and Income Statement is prepared using GAAP as a basis and convert to IFRS for comparison purposes, from the creditor point of view. In this case study, revised IFRS rules are discussed, and critical lease GAAP and IFRS accounting similarities and differences are addressed and the implications on the corporation’s creditors.

BIOGRAPHY

Dr. Umapathy Ananthanarayanan is an active researcher and previously worked at New York Institute of Technology as an assistant professor of accounting and as a lecturer in AUT University, New Zealand. He has published articles in Auditing: Journal of Theory and Practice, International Journal of Business and Finance Research, Accounting and Taxation and Review of Business and Finance studies.

Peter Harris is a Professor of the Accounting and Finance department at the New York Institute of Technology. Previously, he has worked for Ernst and Young LLP and authored over 40 refereed journal articles and over 100 intellectual contributions and has presented and continues to present seminars to nationally and globally audiences on topics relating to financial reporting and taxation. He is a member of several professional organizations.

Steven J. Shapiro is a Professor of Finance at School of Management, New York Institute of Technology.

ACCOUNTING FOR LEASES: UNDERSTANDING THE IMPACT OF ASC 842, LEASES

Brent McCallum, State University of New York Polytechnic Institute, Utica
Christopher McCallum, University of Maryland, College Park
Rafael Romero, State University of New York Polytechnic Institute, Utica

CASE DESCRIPTION

The case seeks to contrast the lease accounting under the previous standard (ASC 840) and the guidance to be implemented in 2019 (ASC 842). The case is relevant for accounting majors especially those taking Intermediate Financial Accounting II. It is also relevant for business and finance majors dealing with corporate financial statements. It is also useful for professionals in practice/industry interested in how the new rules will affect their company. In the context of a hypothetical CFO and finance function of a domestic airline company, the case requires the performance of a web search and the procurement of information on former and current lease accounting. The case also requires the write-up of responses to questions comparing and contrasting the old and new guidance under ASC 840 and ASC 842, respectively; and, the creation of Right-of-Use Asset (“ROUA”) and lease amortization schedules. The paper is suitable for undergraduate classes. Individuals or groups may be required to simply write-up their answers to the questions posed or present their research to the class for discussion and comment, especially with regard to the last, optional question. Completion of the case should require 5-10 hours outside of class. Classroom discussion should be about two hours.

JEL: M41, M42

KEYWORDS: Lease Accounting, Accounting Standards Codification (ASC) 842, International Financial Reporting Standards (IFRS) 16, Airline Industry, Off-Balance Sheet Financing

CASE INFORMATION

Historically Problematic Nature of Lease Accounting

The accounting for leases has posed problems for decades. Since at least the late 1940s, accounting standard-setters have wrestled with the issues relating to lease accounting. In 1976, after more than 25 years of increasing pressure from users and the leasing industry, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) 13, Accounting for Leases. SFAS 13 became the much-amended basis of ASC 840 in the Accounting Standards Codification at its inception in 2009. The standard aimed to capitalize long-term financing leases on lessees’ books, provided they met at least one or more of four very specific rules or tests.

The FASB amended SFAS 13 numerous times; the net effect of which became the now superseded ASC 840 – Leases. However, this failed to stem the tide of off-balance sheet (“OBS”) financing because lessees managed to avoid the bright-line thresholds that undergirded the four, “bright line” rules or tests for whether a lease should be capitalized. The “bright line” rules or tests required on-balance sheet capitalization and recognition of the often-enormous lease assets and liabilities. How did lessees manage to avoid capitalizing leases? They found loopholes! Thus, lease accounting ultimately has the dubious honor of being the most frequently amended financial accounting standard. As a result, lease accounting

is frequently adduced as “Patient Zero” evidence of the failure of rule-based or “bright line” thresholds in accounting standards and of the need for principle-based standard setting.

In February 2016, as part of a multi-decade joint effort at convergence in lease accounting, the Financial Accounting Standards Board issued ASC 842, “Leases.”. The International Accounting Standards Board issued International Financial Reporting Standard 16, “Leases.” This guidance supersedes the preceding guideline ASC 840. For most companies these changes will take effect on January 1, 2019 but will take effect for public companies on December 15, 2018. ASC 842 changes the guidelines on how lessees and lessors report assets and liabilities on their balance sheet. The most pertinent aspect of ASC 842 is determining whether it is a finance lease or an operating lease and subsequently following the rules for asset/liability recognition.

To recap: SFAS 13 was the original US GAAP pronouncement that was amended and re-interpreted numerous times. ASC 840 was the Codification of SFAS 13 (as amended) in 2009. SFAS 13/ASC 840 comprises the former (“bright line”) way of accounting for leases under US GAAP. ASC 842 is the new/current, method of accounting for leases under US GAAP. It supersedes the SFAS 13/ASC840. IFRS 16 is the new/current version of international GAAP and a very close cousin of ASC 842. (See Question/Solution 10 for details on similarities and differences between ASC 842 and IFRS 16.)

We Have to Do WHAT with Our Leases?

The Company: Table 1 provides a brief description of key operational and leasing facts and circumstances of a hypothetical domestic airline company, BlueSky Airlines.

Table 1: Brief Description of the Key Operational and Leasing Facts and Circumstances of BlueSky Air

1	BlueSky Air is a United States domiciled airline company that began operations in 2019.
2	Due to being relatively new to the industry, BlueSky Air does not have the financial wherewithal to buy a sufficient number of planes to conduct the volume of activity necessary for it to meet its budgeted goals. Therefore, they lease ten (10) of their 15 planes from Columbia Financial, Inc.
3	BlueSky Air was able to keep costs low by using a bank and operating under a 10-year lease that ends December 31, 2029 with an option to buy at the end. BlueSky Air is looking to expand their fleet by leasing five more planes; however, it is concerned about how the adoption of ASC 842 is going to affect their balance sheet. Additionally, BlueSky Air is concerned with the transition of their current leases to the new accounting standards.

This table shows some of the key operational and leasing facts and circumstances of BlueSky Air.

The Chief Accounting Officer (CAO) needs to know what the impact on assets and liabilities will be upon adoption of ASC 842. Table 2 notes the lease accounting guidance the CAO requires on several issues:

Table 2: Lease Accounting Guidance the CAO Requires

1	Is there still a net benefit to leasing instead of purchasing the aircraft?
2	Is it more advantageous to use a finance lease instead of an operating lease?
3	How will these new rules affect reported assets, liabilities, earnings, and ratios vs. the old rules?

Table 2 displays the lease accounting guidance the CAO requires.

The CAO has asked a member of the accounting staff to report on the new ASC 842 guidelines in order to bring the staff up to date.

Lease Details: Table 3 details the significant lease provisions with which BlueSky and their accounting function will have to contend.

Table 3: Lease Details

1	The term of the lease is ten years. The planes have an expected economic life of 20 years.
2	The planes have a fair value at the inception of the lease of \$54,554,859.79 [this item can be omitted from the fact pattern] with an unguaranteed residual value of \$24,503,130.96.
3	The expected residual value is greater than the guaranteed residual value.
4	BlueSky Air has an incremental borrowing rate of 8%, but Columbia Financial Inc. sets their annual rental rate to earn a rate of return of 6% per year. BlueSky Air knows this rate.
5	The lease agreement is non-cancelable, requiring equal annual payments in the amount of \$5,238,919.71 on January 1 of each year, for ten years, starting January 1, 2019.
6	BlueSky Air amortizes the right-of-use asset (“ROUA”) on a straight-line basis.

Table 3 notes important details of the plane lease including its term, estimated economic life and the relevant discount rates, among other items.

QUESTIONS

1. Access one of the Big Four/Global Eight public accounting firms and obtain the firm’s publication on ASC 842. You are only looking for an overview of the guidance. The CAO only wants an introduction to the guidance not detailed information. Attach a file to your report with this information or publication for review by the CAO.
2. Indicate the ASC standard followed by BlueSky Air prior to the adoption of ASC 842. (Use of the ASC is preferred but current pre-convergence guidance from an Intermediate Accounting text should suffice.) What is the number of the newly minted IFRS standard that corresponds to ASC 842?
3. Describe the main differences when accounting for leases between the prior standards (ASC 840) and the standards to be implemented (ASC 842).
4. What are the lease classification tests for differentiating between a Finance lease and an Operating lease? Perform a lease classification test for the lease agreement described above.
5. Verify the calculation of the present value of lease payments for one of BlueSky Air’s planes to determine the capitalized amount/ lease liability. (Use Columbia Financial’s implicit rate of return.)
6. Create a Lease Amortization Schedule and a Right-of-Use Asset Amortization Schedule using the effective-interest method for one of BlueSky Air’s leases.
7. Prepare journal entries on the books of BlueSky Air, as of January 1, 2019, for recording one of the leases and the first lease payment. Prepare the journal entry to record the lease expense, the increase in the lease liability and amortization of the ROUA as of December 31, 2019, on the books of BlueSky Air.
8. In your opinion, does the new method of accounting for leases provide a clearer picture of the company’s financial position?
9. When using ASC 842, should the ASC 840 lease amounts be disclosed in a note to the financial statements or simply ignored?

Depending on the amount of time to be devoted to the case, the following step may be assigned.

1. Complete a review of four articles written by the Big Four discussing the pros and cons of the new standard. Specifically address the following issues:

- a. How will lessees recognize leases on the balance sheet? Address the lease liability initial value and subsequent measurement as well as the Right-of-Use Asset's initial value and subsequent measurement for finance and operating leases.
- b. What are the expanded quantitative and qualitative disclosures?
- c. What are the similarities and differences between the new lease accounting under US GAAP, ASC 842, as opposed to IFRS 16?

REFERENCES

- Baker Tilly (2019). "ASC 842 Lease Accounting," *Baker Tilly*. Retrieved August 2nd, 2019 from the Baker Tilly Web site: <https://www.bakertilly.com/specialties/asc-842-lease-accounting>
- BDO (2018). "BDO Knows: FASB Topic 842, Leases," BDO. Retrieved August 3rd, 2019 from the BDO Web site: https://www.bdo.com/getattachment/7d41743b-395b-49ee-b818-f09266315053/attachment.aspx?BDO-Assurance-Practice-Aid-Leasing_7-16.pdf
- BDO (2019). "BDO Knows: FASB Topic 842: Presentation and Disclosure," BDO. Retrieved September 3rd, 2019 from the BDO Web site: <https://www.bdo.com/insights/assurance/fasb/fasb-topic-842-presentation-and-disclosure>
- Deloitte (2016). "ASC 842 – Leases," *Deloitte*, Accessed August 3rd, 2019 at: <https://www.iasplus.com/en-us/standards/fasb/broad-transactions/asc842>
- Deloitte (2019). "Applying the New Lease Accounting Standard," *Deloitte*, Accessed September 3rd, 2019 at: <https://www2.deloitte.com/us/en/pages/audit/articles/a-roadmap-to-applying-the-new-leasing-standard.html>
- Ernst & Young (2019). "Lease accounting," *Ernst & Young*. Retrieved August 2nd, 2019 from the Ernst & Young Web site: [https://www.ey.com/publication/vwluassetsdld/financialreportingdevelopments_00195-171us_leaseaccounting_28august2019-v2/\\$file/financialreportingdevelopments_00195-171us_leaseaccounting_28august2019-v2.pdf](https://www.ey.com/publication/vwluassetsdld/financialreportingdevelopments_00195-171us_leaseaccounting_28august2019-v2/$file/financialreportingdevelopments_00195-171us_leaseaccounting_28august2019-v2.pdf)
- Kratzke D. and D. Cherwin (2016). "New Lease Accounting Standards with Implementation Strategies and Considerations," *Grant Thornton*, Accessed August 4th, 2019 at: https://www.grantthornton.com/~/_media/content-page-files/advisory/pdfs/2016/INFOCUS16/INFOCUS-Lease-Accounting-Standards.ashx
- KPMG (2016). "International Financial Reporting Standards (IFRS) 16," *KPMG*, Accessed August 2nd, 2019 at: <https://home.kpmg/ch/en/home/services/audit/ifrs16.html>
- KPMG (2017a). "Handbook: Leases," *KPMG*, Accessed August 1st, 2019 at: <https://frv.kpmg.us/content/dam/frv/en/pdfs/2017/kpmg-handbook-leases.pdf>
- KPMG (2017b). "IFRS Compared to US GAAP," *KPMG*, Accessed August 3rd, 2019 at: <https://frv.kpmg.us/content/dam/frv/en/pdfs/2017/ifrs-us-gaap-2017.pdf>

KPMG (2018a). “Executive Summary: New Leases Standard-Lessees,” *KPMG*, Accessed August 3rd, 2019 at: <https://frv.kpmg.us/content/dam/frv/en/pdfs/2018/executive-summary-lessees.pdf>

KPMG (2018b). “Executive Summary: New Leases Standard-Lessors,” *KPMG*, Accessed August 3rd, 2019 at: <https://frv.kpmg.us/content/dam/frv/en/pdfs/2018/executive-summary-lessors.pdf>

KPMG (2018c). “Leases: Top differences between IFRS 16 and ASC 842,” *KPMG*, Accessed August 1st, 2019 at: <https://advisory.kpmg.us/articles/2018/ifrs-16-asc-842-differences.html>

PricewaterhouseCoopers (2018). “Leases: Accounting guide,” *PricewaterhouseCoopers*. Retrieved August 2nd, 2019 from the PricewaterhouseCoopers Web site: <https://www.pwc.com/us/en/cfodirect/publications/accounting-guides/pwc-lease-accounting-guide-asc-842.html>

RSM (2019). “Lease Accounting Resource Center,” RSMUS, Accessed August 1st, 2019 at: <https://rsmus.com/what-we-do/services/assurance/lease-accounting-resource-center.html>

Rowe, Oliver (2019). “Lessons from Accounting Implementation,” *Financial Management*, Accessed August 1st, 2019 at: https://www.fm-magazine.com/news/2019/jul/lease-accounting-ifrs-16-201921504.html?utm_source=mnl:adv&utm_medium=email&utm_campaign=09Jul2019

ACCOUNTING FOR LEASES: UNDERSTANDING THE IMPACT OF ASC 842, LEASES

TEACHING NOTES

Brent McCallum, State University of New York Polytechnic Institute, Utica
Christopher McCallum, University of Maryland, College Park
Rafael Romero, State University of New York Polytechnic Institute, Utica

CASE DESCRIPTION

The case seeks to contrast the lease accounting under the previous standard (ASC 840) and the guidance to be implemented in 2019 (ASC 842). The case is relevant for accounting majors especially those taking Intermediate Financial Accounting II. It is also relevant for business and finance majors dealing with corporate financial statements. It is also useful for professionals in practice/industry interested in how the new rules will affect their company. In the context of a hypothetical CFO and finance function of a domestic airline company, the case requires the performance of a web search and the procurement of information on former and current lease accounting. The case also requires the write-up of responses to questions comparing and contrasting the old and new guidance under ASC 840 and ASC 842, respectively; and, the creation of Right-of-Use Asset (“ROUA”) and lease amortization schedules. The paper is suitable for undergraduate classes. Individuals or groups may be required to simply write-up their answers to the questions posed or present their research to the class for discussion and comment, especially with regard to the last, optional question. Completion of the case should require 5-10 hours outside of class. Classroom discussion should be about two hours.

GENERAL COMMENTS

This case is designed to be used in an Intermediate Financial Accounting class. However, with slight modification, it might be useful to finance classes on financial statement analysis, a senior strategic management class, or an MBA financial management or financial reporting course. The case was developed for use in a country that uses US GAAP and the Accounting Standards Codification (ASC). However, the IASB and FASB standards are being developed in concert are thus very similar. Thus, the case can be modified to reflect IASB guidance. This case is not designed for students to understand the intricacies of lease accounting, but rather as an introductory look at the new process for, and basics of, lease accounting. Any changes to the standards will more likely than not change the approach under ASC 842 and the case would need to be modified appropriately.

SOLUTIONS

Question 1: Access one of the Big Four/Global Eight public accounting firms and obtain the firm’s publication on ASC 842. You are only looking for an overview of the guidance. The CAO only wants an introduction to the guidance not detailed information. Attach a file to your report with this information or publication for review by the CAO.

Solution 1: This step in the case allows the user to see that there are many sources of information about the IASB and FASB guidance.

Table 1: Listing of Relevant Publications Related to ASC 842 – Leases from Each of the Big Four Websites and Links to the Remainder of the “Global Eight”

a	PWC: https://www.pwc.com/us/en/cfodirect/publications/accounting-guides/pwc-lease-accounting-guide-asc-842.html . This link (PricewaterhouseCoopers, 2018) brings the user to the PWC site and gives them an option to download a guide or watch a video series.
b	Deloitte: https://www2.deloitte.com/us/en/pages/audit/articles/a-roadmap-to-applying-the-new-leasing-standard.html . This link (Deloitte, 2019) brings the user to the Deloitte site that has both detailed guidance and summarized lease accounting guidance. There are also highlights for different aspects of the lease accounting process towards the bottom of the page (see also Deloitte, 2016).
c	KPMG: https://frv.kpmg.us/content/dam/frv/en/pdfs/2017/kpmg-handbook-leases.pdf . This link (KPMG, 2017a) brings the user to a KPMG guide on the effect of the new standard on corporations. This link brings the user to the leasing rules and analysis under ASC 842.
d	EY: https://www.ey.com/publication/vwluassetsdld/financialreportingdevelopments_00195-171us_leaseaccounting_28august2019-v2/\$file/financialreportingdevelopments_00195-171us_leaseaccounting_28august2019-v2.pdf This link (Ernst & Young, 2019) brings the user to the EY site and a downloadable guide on ASC 842..
e	The following link to several of remaining Global Ten professional accounting firms. Students can research their perspectives at their web sites. Some additional links are included in the References section.
1	Grant Thornton: https://www.granthornton.com/ ; Kratzke and Cherwin, 2016
2	BDO: https://www.bdo.com/ ; BDO, 2018; BDO, 2019
3	RSM McGladrey: https://rsmus.com/what-we-do/services/assurance/featured-topics/lease-accounting-842.html (RSM, 2019)
4	Baker Tilly: https://www.bakertilly.com/ ; https://www.bakertilly.com/specialties/asc-842-lease-accounting (Baker Tilly, 2019)

Table 1 provides a listing of relevant publications related to ASC 842 – Leases from each of the Big Four websites and the relevant websites of other large international public accounting firms.

Question 2: Indicate the ASC standard followed by BlueSky Air prior to the adoption of ASC 842. (Use of the ASC is preferred but current pre-convergence guidance from an Intermediate Accounting text should suffice.) What is the number of the newly minted IFRS standard that corresponds to ASC 842?

Solution 2: BlueSky previously followed ASC 840. The newly minted IFRS standard for leases is IFRS 16.

Question 3: Describe the main differences when accounting for leases between the prior standards (ASC 840) and the standards to be implemented (ASC 842).

Solution 3: The main differences between ASC 840 and ASC 842 are the recognition of assets and recording of liabilities for lessees *on* the balance sheet especially with regard to operating leases. Table 2 provides a summary of new lease accounting rules.

Table 2: Summary of New Lease Accounting Guidance under ASC 842

1	Lessees are required to recognize assets and liabilities for leases with lease terms of more than 12 months.
2	Leases will continue to be classified as a finance (formerly ‘capital’) or operating leases. However, BOTH finance AND operating leases will be recognized on the balance sheet.
3	Additional disclosures of a quantitative and qualitative nature to communicate better the amount, timing, and uncertainty of cash flows arising from leases are required.
4	Lessor accounting is largely unchanged. Improvements align lessor and lessee accounting consistent with the updated revenue recognition rules issued in 2014.
5	Impact on Financial Reporting: <ul style="list-style-type: none"> a Capitalizing leases will have a significant impact on recognition of assets and liabilities on the balance sheet for a wide variety of companies. This will change balance sheets, net income, and various ratios but will NOT affect cash flows. There will be increases in EBITDA, Total Assets, Total Liabilities and Leverage ratios. There will be decreases (increases) in EPS in earlier (later) years, Net Assets, and Interest Coverage and Asset Turnover ratios. b Financial Management (Rowe, 2017) estimated that companies listed on major stock exchanges have a combined \$3 trillion in leasing commitments over 85 percent of which are not reported on the companies’ balance sheets under ASC840. Due to differing financing structures, risk to the system is heightened via a lack of transparency and of comparability. c It is anticipated that the industries where this will have the biggest impact on companies’ income before taxes are retail, telecommunications, information technology, transportation, construction, and agriculture. However, any company that has lease agreements will be affected.

This table provides a listing of some of the key elements of the accounting rules under the recently implemented ASC 842. (See KPMG, 2017a; KPMG, 2018a; KPMG, 2018b).

Question 4: What are the lease classification tests for differentiating between a Finance lease and an Operating lease? Perform a lease classification test for the lease agreement described above.

Solution 4: The lease classification tests for differentiating between a Finance lease and an Operating lease are listed on p. 339 of KPMG, 2017a.

If the answer to any one of the questions at the citation above is “yes”/if any of the lease characteristics listed above applies, the lessee classifies the lease as a finance lease. If the answer to ALL one of the questions is “no”/if none of the lease characteristics listed above applies, the lessee classifies the lease as an operating lease. Table 3 analyzes the BlueSky lease against the classification tests under ASC 842.

Table 3: Analysis of Lease Classification Tests Applied to BlueSky

1	Transfer of ownership test: The lease does <i>not</i> transfer ownership to BlueSky Air.
2	Purchase option test: Columbia Financial does <i>not</i> allow for an option to purchase the asset that BlueSky Air is reasonably certain to exercise.
3	Lease term test: The lease term is half the asset’s (10 out of 20 years) economic life. This does <i>not</i> meet the general threshold of 75% of the estimated economic life of the leased asset for classification as a finance lease.
4	Present value test: The lease does <i>not</i> pass the present value test because the present value of the sum of the lease payments does <i>not</i> equal or exceed substantially all of the underlying asset’s fair value (using the 90% threshold). Note: the lessee residual value is unguaranteed and therefore not included in the present value computation for purposes of lease classification.
5	Alternative use test: Because the asset could potentially be leased out to a different airline following the life of the lease, it does <i>not</i> meet the “no alternative use” test.

Based on the above information, the lease does not meet any of the finance lease classification criteria. Therefore, it would be classified as an operating lease.

This table analyzes the BlueSky plane lease against the classification criteria of ASC 842. It concludes the lease does not meet any of the finance lease classification criteria and that it would be classified as an operating lease.

Question 5: Verify the calculation of the present value of lease payments for one of BlueSky Air’s planes to determine the capitalized amount/ lease liability. (Use Columbia Financial’s implicit rate of return.)

Solution 5: See Table 4

Table 4: Calculation of the Present Value of Lease Payments to Determine Capitalized Amount and Lease Liability

N	I	PV	PMT	PV
10	6%	54,554,860	(5,238,920)	(24,503,131)
Date	Annual Payment	Interest (6%) on Liability	Reduction of Lease Liability	Capitalized Amount/Lease Liability
1/1/2019				54,554,860
1/1/2019	5,238,920	-	5,238,920	49,315,940
1/1/2020	5,238,920	2,958,956	2,279,963	47,035,977
1/1/2021	5,238,920	2,822,159	2,416,761	44,619,216
1/1/2022	5,238,920	2,677,153	2,561,767	42,057,449
1/1/2023	5,238,920	2,523,447	2,715,473	39,341,976
1/1/2024	5,238,920	2,360,519	2,878,401	36,463,575
1/1/2025	5,238,920	2,187,814	3,051,105	33,412,470
1/1/2026	5,238,920	2,004,748	3,234,172	30,178,298
1/1/2027	5,238,920	1,810,698	3,428,222	26,750,076
1/1/2028	5,238,920	1,605,005	3,633,916	23,116,161
1/1/2029	-	1,386,970	-1,386,970	24,503,131

This table shows that the capitalized amount/lease liability are \$24,503,131.

Question 6: Create a Lease Amortization Schedule and a Right-of-Use Asset Amortization Schedule using the effective-interest method for one of BlueSky Air’s leases.

Solution 6: See Table 5 and Table 6

Table 5: Lease Liability

Date	Annual Payment	Interest (6%) on Liability	Reduction of Lease Liability	Capitalized Amount/Lease Liability
1/1/2019				54,554,860
1/1/2019	5,238,920	-	5,238,920	49,315,940
1/1/2020	5,238,920	2,958,956	2,279,963	47,035,977
1/1/2021	5,238,920	2,822,159	2,416,761	44,619,216
1/1/2022	5,238,920	2,677,153	2,561,767	42,057,449
1/1/2023	5,238,920	2,523,447	2,715,473	39,341,976
1/1/2024	5,238,920	2,360,519	2,878,401	36,463,575
1/1/2025	5,238,920	2,187,814	3,051,105	33,412,470
1/1/2026	5,238,920	2,004,748	3,234,172	30,178,298
1/1/2027	5,238,920	1,810,698	3,428,222	26,750,076
1/1/2028	5,238,920	1,605,005	3,633,916	23,116,161
1/1/2029	-	1,386,970	-1,386,970	24,503,131

Table 6: Right-of-Use Asset Amortization Schedules

Date	Lease Expense (Straight Line)	Interest (6%) on Liability	Amortization of Right-of-Use Asset (ROUA)	Carrying Value of (ROUA)
1/1/2019				54,554,860
1/1/2019	5,238,920	-	5,238,920	49,315,940
1/1/2020	5,238,920	2,958,956	2,279,963	47,035,977
1/1/2021	5,238,920	2,822,159	2,416,761	44,619,216
1/1/2022	5,238,920	2,677,153	2,561,767	42,057,449
1/1/2023	5,238,920	2,523,447	2,715,473	39,341,976
1/1/2024	5,238,920	2,360,519	2,878,401	36,463,575
1/1/2025	5,238,920	2,187,814	3,051,105	33,412,470
1/1/2026	5,238,920	2,004,748	3,234,172	30,178,298
1/1/2027	5,238,920	1,810,698	3,428,222	26,750,076
1/1/2028	5,238,920	1,605,005	3,633,916	23,116,161
1/1/2029	-	1,386,970	-1,386,970	24,503,131

These tables show the amortization patterns for the lease liability and Right-of-Use Asset under the BlueSky plane lease.

Question 7: Prepare journal entries on the books of BlueSky Air, as of January 1, 2019, for recording one of the leases and the first lease payment. Prepare the journal entry to record the lease expense, the increase in the lease liability and amortization of the ROUA as of December 31, 2019, on the books of BlueSky Air.

Solution 7: The entries are as follows:

	1/1/2019	
Right-of-Use Asset	54,554,860	
Lease Liability		54,554,860

To record Right-of Use Asset and related lease liability at inception of lease. See calculation of present value of lease payments.

Lease Expense	5,238,920	
Cash		5,238,920

To record initial rent payment on lease aircraft

	12/31/2019	
Lease Expense	5,238,920	
Lease Liability		2,958,956
Right-of-Use Asset		2,279,963

To record interest component and amortization component Right-of-Use Asset (These are separate under IFRS)

Question 8: In your opinion, does the new method of accounting for leases provide a clearer picture of the company's financial position?

Answer 8: Students may have a variety of answers. The answer with the most support should be one that says the substance of the company's financial position as a result of the leasing transactions it has entered into is more clearly conveyed under the new lease accounting guidance of ASC 842.

The new lease accounting rules were created via an exhaustive process commencing in 2006 at the request of investors, regulators, ratings agencies, and other financial statement users for more faithful representation of the substance of leasing activities, and reflect their input in the form of numerous drafts exposed for comment and hundreds of comments. Specifically, critics of ASC 840 lease accounting viewed the off-balance sheet motivation and element of lessee lease accounting to be an egregious failure to capture the substance of long-term leasing transactions. To that end, the new lease accounting rules end the widespread practice of conforming to bright-line rules for capitalizing in form but not in substance. Now, companies will be required to recognize assets and liabilities associated with nearly all lease activities (there are exceptions of short term and low dollar value leases).

In addition, similar to many recent pronouncements by accounting rule-makers, disclosure of leasing transactions have been greatly enhanced, requiring more qualitative and quantitative disclosures which should better inform financial statement users and assist them in better assessing the amount, timing and uncertainty of future cash flows arising from leasing transactions.

Question 9: When using ASC 842, should the ASC 840 lease amounts be disclosed in a note to the financial statements or simply ignored?

Answer 9: Per KPMG, 2019, "Lessees have a choice of adopting ASC 842 by restating comparatives (comparative method) or without restating comparatives (effective date method)." In the comparative method, prior period amounts are restated to conform to ASC 842. Under the effective date method, prior period amounts are not restated.

The following step may or may not be assigned depending on the amount of time desired.

Question 10: Complete a review of four articles written by the Big Four discussing the pros and cons of the new standard. Specifically address the following issues:

a-How will lessees recognize leases on the balance sheet? Address the lease liability initial value and subsequent measurement as well as the Right-of-Use Asset's initial value and subsequent measurement for finance and operating leases.

b-What are the expanded quantitative and qualitative disclosures?

c-What are the similarities and differences between the new lease accounting under US GAAP, ASC 842, as opposed to IFRS 16?

Solution 10: Answers will vary based on the resources accessed. The References lists typical sources. References such as KPMG, 2016; KPMG, 2017a; KPMG, 2018a; and KPMG, 2018b, respectively, will be useful to the Instructor for responding to items a and b, above. Item c responses should incorporate the US GAAP/IFRS similarities and differences identified in KPMG, 2017b, KPMG, 2018c, and PricewaterhouseCoopers, 2018b, respectively.

ACKNOWLEDGMENTS

The authors gratefully acknowledge the research assistance provided by Austin Roney, MBA student at SUNY Polytechnic Institute, Utica.

BIOGRAPHY

Brent McCallum, CPA, CMA, CIA, CFM, CFE, CGMA, MS is an Assistant Professor of Scholarly Practice at SUNY Polytechnic Institute in Utica, New York. His research appears in journals that include *Current Issues in Auditing*, *The Journal of Financial Planning*, *Emerging Markets Finance and Trade*, *The CPA Journal*, *Compensation and Benefits Digest*, and the *International Research Journal of Applied Finance*. He can be reached at SUNY Polytechnic Institute, College of Business Management.

Christopher McCallum is a student at the Robert H. Smith School of Business University of Maryland (B.S. Finance, B.A. Philosophy, Class of 2019). His research interests include current accounting and auditing issues, lease accounting, and behavioral finance. He can be reached at University of Maryland, Robert H. Smith School of Business.

Dr. Rafael Romero is an Associate Professor of Economics and Finance and Chair of Dept. of Business at State University of New York Polytechnic Institute. He can be reached at SUNY Polytechnic Institute, College of Business Management.

TOWARDS A GENERAL PEDAGOGIC MODEL OF PLAGUES AND PANDEMICS

Keith Akiva Lehrer, York University

ABSTRACT

Plagues have been recorded, as a natural part of human history, since time immemorial. They have also acted as trigger points for major socio-political change, in Egypt, according to biblical history, and in the world's then most powerful and advanced civilization of Athens, millennia ago. Quite possibly we are witnessing something of a similar nature: the unleashing of social fissures, plus expectations of radical systemic and/or institutional change, under the pressure of the current plague. This would seem to potentially parallel the Athens crisis in the most powerful, yet currently most vulnerable nation of the world today -the U.S. Athens succumbed to the new superpower Sparta. America seems to be threatened by a similar challenge from our modern world's second-most superpower, -China. This paper offers a simplified, pedagogic model of the process of plagues, and the stages that humanity invariably has to deal with. In so doing, it is hoped to reduce the opacity of the phenomenon, together with the deceptions foisted on a gullible populace, by official leaders -both authoritarian and democratic. Its simplicity is intended to encourage the youngest in the world, to be able to actively participate in the epidemiological research effort. The traditional response of vast portions of humanity to consider plagues with resignation, as probably Divine retribution for wrong-doing, could thus be reduced, and supplanted by a set of expectations for plague control, based on rational decision-making and empirical research. Advances in science in the past century have encouraged a change in human expectations, regarding health, longevity and disease control. Political and economic evolution are argued not to have kept up with this scientific evolution. The aspiration is that the youngest generation be offered an institutional opportunity, at a global level, to help change the current disequilibrium.

JEL: I10, I13, I15, I18, I20, I31, I38, I39

KEYWORDS: Plagues, Pandemics, History, Coronavirus, Covid-19, Pedagogic Model, Systemic Change, Institutional Change, Black Lives Matter

INTRODUCTION

The Central Issue to Be Addressed, Plus Urgent Issues Arising

The central issue to be addressed is how to conceptualize the current pandemic in terms which are available for comprehension by the majority of the population, from children to heads of State, with the aid of a simplified model. The model is deliberately generalized to be able to explicate not just the current plague, but all plagues throughout history. The intention is to remove some of the mystery and deceptions which have gone along with the explanation of plagues, their trajectories and policies for remedies, all of which have been foisted on gullible populations throughout history, and still remain a major issue, both national and global, in the 21st century. How the world confronts the cluster of central issues currently facing humanity, and exposed by the current pandemic, but not caused by it, is proposed as an organizational problem, which in addition to systemic change, requires more fundamental and global institutional change. The role of the youngest generation is suggested as invaluable, if not crucial, in this endeavor.

Many of the issues arising from the present crisis are spillovers from the central issue of disease management/control, into the social, political and economic domains, e.g. compliance vs defiance in societies, the conflicting ‘modi vivendi’, as well as ideology, of authoritarianism and democratic liberalism; and how expectations, like entitlement, can be exposed under the extreme pressure of the calamity, which has laid bare racial and ethnic cleavages in some societies, notably but by no means exclusively, in the U.S. Ensuring that the economy does not ‘tank’ has been a major preoccupation of both major world powers. It is not addressed in this paper. However, equity in the distribution of economic and life-sustaining resources has also raised its head again, in Canada and elsewhere, although not (yet) to the point of pan-revolution, as occurred across Europe, in 1848, the time Marx was writing his Communist Manifesto (Marx and Engels, 1848). Nonetheless, it is regarded as crucial to an understanding of all the dimensions of ‘collateral damage’ which have ensued from the evolution of the pandemic crisis: in food shortages amongst the poor, to the point of starvation among hundreds of millions, in the growth in numbers of other diseases, and fatalities therefrom, e.g. Tuberculosis, which are not being adequately controlled, due to lack of resources; or worse, lack of concern about other health issues due to the focus on the Coronavirus, e.g. the rise in deaths from opiate overdoses, whose numbers have exceeded the numbers of fatalities from Covid-19, in large jurisdictions. Finally, the notion of humans as no longer at the apex of the food chain, but as potential fodder for the trillions of cells, which are proliferating and mutating on a daily basis, may become one of the most pressing scientific issues confronting humanity. Whilst potentially urgent in its implications, in the long term, it has been considered outside the scope of the present paper.

The remainder of the paper is organized as follows. First, a broad review of the history of plagues in general, and its recording in historical literature from early times, to the present. Second, presentation of a pedagogic model, consisting of the following stages, which are metaphorically referred to as Ocean, Pool, Tank, Bucket and Earth. Each is explained and explored. The intention is to help naïve readers, especially children, but also the less informed members of society, to follow some of the major steps in dealing with a plague, and particularly a pandemic, such as the current epidemic. In addition, it is hoped that it also may serve as a guide, useful for the more sophisticated members of the community, such as scientific researchers, professionals and administrators, who are involved in plague management, insofar as its modules can be magnified and divided as needed by the user, without losing sight of the simplified, skeletal model. Third, Implications of the model are explored, contemplating some of the some of the social, political and health-related issues brought to the fore by plagues, both in the long past, the more recent and the current situation. These include:

- The role of truth and transparency among those responsible for plague management;
- Human expectations regarding disease and plagues;
- Spread and its control;
- Spill-over effects;
- The resurgent specter of the theory of ‘Eugenics’;
- Truth, trust and power;
- Kids, truth and trust.

Fourth, the notion of one path forward is replaced by the admission of multiple paths forward, some of which are explored:

- Research: -playing the numbers game of multiple paths;
- Policy, strategy and rational decision-making: market vs government rationing;
- ‘Leave it to the kids’: the potential value inherent in a pedagogic model of plagues;
- Institutional vs systemic change;
- Defiance vs Compliance: Don Quixote and ‘Don Presidente’;
- Alternatives to the defiance-compliance dichotomy;
- A tentative path mapping out institutional change, at a global level.

Finally, concluding comments are followed by a brief concluding summary.

LITERATURE REVIEW

A Few Brief Statistics About the Magnitude and Significance of the Issue

As with all pandemics, the potential human population at risk, for contracting the plague, and dying therefrom, is whatever the global population happens to be at the time. Thus, the appropriateness of the ‘ocean’ metaphor. At present about 8 billion humans are at risk. Consequences to the global animal population have been ignored in this paper, and have not so far been a major focus of current research. At time of writing (late July, 2020) some 16 million cases have been reported, together with some 2/3 million deaths, world-wide. Using ECDC (2020) reporting, the following is a brief synopsis of some of the salient data:

Total global cases recorded: 15.8 million (approx. 0.2% of the human population)
Total global deaths reported: 640,000 (less than 1 in 10,000 persons).

The ability to control the virus varies enormously, not just by country, but by specific areas within a country. The U.S. would be the most publicized example of aggregate cases and deaths, being by far the highest in the world, at over 4 million cases, and nearly 150,000 deaths, both figures still rising fast. However, the aggregated figures hide the phenomenon of variability by area. To give just a few examples:

The State of Hawaii had recorded a cumulative figure of 1,435 cases until July 22, and a total of 25 deaths. By contrast, the State of Florida had recorded 379,619 cases by July 22, and deaths of 5,345. To put Florida’s plight into starker perspective, the daily totals for July 22 alone were: 9,785 new cases, and 139 deaths. In the State of Texas, the day’s number of deaths on July 22 rose to a new record, of 197, to reach a cumulative total of 4,348. The highest State case load has now passed from New York to California, with 413,576 cases accumulated, but a lower fatality rate of just under 8,000, actually significantly lower than New York State’s cumulative fatalities of more than 25,000 (L.A. Times, 2020).

Elsewhere in the world, the insulation afforded to island States seems to be reflected in lower case incidence and lower fatality rates: Cyprus recorded 1,000 cumulative cases and 19 deaths, to July 25; Iceland 1,800 cases and just 10 deaths; and the most publicized success story: New Zealand, recorded 1,200 cases, and 22 deaths. It should be noted that NZ has a far larger population than the other island States reported, with a shade under 5 million inhabitants. The population of Hawaii is a shade over 1.4 million, or roughly ¼ that of NZ., but with very similar case numbers and fatalities. (ECDC, 2020).

The number of countries worldwide, whose reported case load has reached 200,000, or more, is 16. It remains nevertheless difficult to ascertain with any accuracy the veracity of the numbers of cases and deaths reported from each country. However, the computation of “excess deaths”, at a national and global level, might provide a better, more realistic indicator of actual morbidity, than the figures reported. This method cannot be employed for authentication of number of cases, for a multitude of reasons: incomplete record-keeping, conscious deception on the part of various levels of administration, including both health and government, local and central. At time of writing, again, neither a vaccine nor a successful drug treatment is available for global use. However, there are some 200 vaccines being tested, and hundreds of organizations are presently employed in formulating and testing drug treatments. The US Federal Government announced, July 22, a deal to purchase 100 million vaccines, from US company Pfizer Inc, at a price of \$1.95billion. Hedging its bets, the same US dept. of Health and Human Services announced previously that it would provide “up to 1.2 billion to the UK company AstraZeneca, which is collaborating to develop a vaccine with Oxford University, and plans to take the vaccine to “Phase 3”, with a 30,000-person study to be conducted in N. America. The hope is to have 300 million vaccines available, the first

doses possibly by October, 2020. AstraZeneca has also announced “agreements with several governments and other organizations to produce at 400 million doses, and stated it had “secured manufacturing capacity for one billion doses. The HHS’s agency BARDA (Biomedical Advanced Research and Development Authority) agreed earlier to “provide up to 483million to the biotech company Moderna and \$500million to Johnson and Johnson for their separate vaccine efforts.” (New York Times, Report by Kirkpatrick, D., 2020).

The Current State of the Literature in General Terms

The current state of the literature is unsurprisingly in a state of extreme flux. The number of papers multiply in compound fashion, on a daily basis. It is therefore considered outside the scope of this introduction to do justice to the present state of its progress. Suffice to say that, owing to 1/ the availability of communication channels, not just TV, radio, printed word and internet-based, and 2/ the extremely low cost of putting out one’s perspective, and 3/ the general consciousness of the existence of the plague and the risks that it poses, among billions of people, we can expect the literature to continue to multiply logarithmically, until another more urgent topic takes the plague’s place. In terms of reliable sources of information, some of the most reputable universities have a stake in providing accurate, fact-based information. Imperial College, London, Oxford University, the University of Edinburgh, have all produced worthwhile ‘progress reports’ and made some valuable suggestions, some of which are addressed in the body of this paper. Johns Hopkins University and the European CDC have both done their best to keep up with daily incidences of cases and fatalities, and have made them available gratis. Whilst general theories are not in abundance, an increasing number of researchers and commentators are considering the wider aspects of the calamity, such as the collateral damage of higher incidences of other diseases and plagues, domestic violence and addictions (especially opiates, which in some jurisdictions, (such as British Columbia, in Canada, have given rise to more deaths than the virus itself!). Agencies providing valuable data include the WFP, the WHO, UNICEF, all of whom work, and write reports, under the umbrella of the UN. Journal such as the Lancet and Science have been constantly publishing research, some of which have had to be withdrawn, through lack of authentication, but most of which indicate the state of progress of information, as well as highlighting our present state of flux.

This paper endeavors to add to the now enormous existing body of literature, by outlining a novel approach to explicating epidemics, via a simplified pedagogic model, which hopefully will be found to be ‘kid-friendly’, and in addition, via delving into some of its implications, explores a multi-focus approach to plagues in general, and the current epidemic in particular. Some of the wider issues brought to light in and through the current pandemic, are explored, including the diverse approaches to plague management which have been exposed: coercive, representative, science-based and institution-changing. This will segue into considering some novel paths for the future.

Review of the Literature of Plagues Through Human History

Fast-spreading diseases, known by various names, have plagued living species (vegetable, animal and human), since antiquity. The Old Testament of the Bible recorded the 10 Plagues, but it was ethnocentric, and reported through the prism of religion and Divine intervention. Despite any modern misgivings about accuracy, it is noteworthy that locusts, boils and the ultimate plague of the “Slaying of all the First-born male” have had resounding echoes, in the history of human plagues, from the writing of the Scriptures - recorded inter alia via the Dead Sea Scrolls (Anon., 70 CE., reviewed by Cohen, 2018); through the most well-documented of international plagues through the ages; until the most recent ‘avalanche’ of information, correct and false, plus explanation, again much of it unfortunately conflicting, ambiguous and lacking clarity, in the present plague, which by now has, unfortunately correctly, been given the appellation of a ‘pandemic’.

The earliest well documented plague, still somewhat localized, was one which killed off some 35% of the population of the City State of Athens, at the time one of the greatest cities, by population size, economic and political power, and social development. The Plague lasted some 4-5 years (430 BCE-426 BCE). It triggered the beginning of the end of Athenian, more popularly recognized as ‘Greek’, supremacy in Europe and the Middle East (Ancient History, 2016).

The ‘scientific endeavor’ was promoted by Thucydides (426, BCE), in his depiction of the Athens Plague. Many of his insights are highly germane to the progress of the current plague in the Nation State currently most afflicted, namely the United States of America, in the current year of 2020 CE (Common Era).

Since we find ourselves in the middle of what has been hailed as the worst plague since the “Spanish Flu” of a century ago (Johnson and Mueller, 2002) it is difficult, not to say impossible, to do justice to the plethora of literature which is currently being added to this topic, on a daily basis. However, the paper is more concerned with tracing the history of plagues, and how humanity has dealt with them, than just focusing solely on our current crisis. Thus, we do need to return to some of civilization’s early writings. The Dead Sea Scrolls, the writing of which was attributed to the Essenes in a span of time from around 150 BCE to about 70 CE (Cohen, 2018), recount virtually all of the Old Testament of the Bible, so we no longer have to rely on the King James Authorized Version of the Bible (Old plus New Testament), to read, among much else, an account of the 10 Plagues, which were ostensibly quite selective, in smiting just one nation. According to the Scriptures, the Plagues were a Divine punishment meted out exclusively to the Egyptians. At least 4 of them will be familiar to historians and epidemiologists alike, in modern times: Boils, Pestilence, Locusts, and the death of first-born males. It is noteworthy that the locusts would have stripped vegetation bare, thus striking at the food supply. (as is happening again, during our current viral pandemic! Just like in the biblical narrative, it is quite selectively targeting, not Egypt, but a wider N. African region - Ethiopia/Yemen, in particular, with numbers of locusts counting in the trillions posing a grave risk almost overlooked, through the world focus on Coronavirus (FAO, Science Monitor, 2020)). Likewise the mysterious targeting of first-born male children has its counterpart in the disproportionately high number of deaths of young adults (“high death rate among healthy adults 15 to 34 years of age”) in the historically recent Spanish Flu (Jordan, 2019); and in the current pandemic it has been found that males have a far higher probability of dying than females, a discovery attributed to the extra chromosome in the female DNA, which provides a ‘double dose’ of protective resources, to combat the novel coronavirus. (Conti, P., Younis, A., 2020). However a major difference between what was reported in the Bible, and, likewise, also in the history of the early 20th century Spanish Flu, and what has been recorded thus far for the current pandemic, is that the older age cohorts are progressively more susceptible to major impact, from catching the virus, to the extent that (in Canada, according to its Chief Medical Officer, Dr. Theresa Tam -Globe and Mail, April 29, 2020), the proportion of deaths attributable to the institutionalized elderly has been estimated at 79% of the total of all Canadian deaths.

Apparently, cholera was less picky -all ages seem to have been at risk, and continue to be so, but children below the age of 5 seem to have been, and to this day to remain still, the most vulnerable to sickness and death, according to the WHO’s Global Task Force on Cholera Control (WHO: GTFCC, 2017). In the mid 19th century a Dr. John Snow is attributed with the honor of founding the new science of epidemiology, by punctiliously recording the incidence and location of an outbreak of cholera cases in Central London, and tracing them to one fecal-polluted source of water used for drinking (Snow, 1850).

In providing a scientific and empirically observable explanation for the incidence and spread of a plague, Snow was able, at least potentially, to change the discourse as to the root cause of plagues. No longer would it be quite so easy to persuade a credulous people that a Divine Force had decided to wreak vengeance on a recalcitrant community or nation. Nonetheless, all major faiths still encourage the notion of “Insha’alla” (for Moslems) (Oxford Dictionary 2019); “Si Dios Quiere” (for Latin Christians) (Linguee Dictionary, 2020); and “Im Yirtzeh Hashem” (for traditional Jews) (Letterstojosep.com, 2015). All have in common,

at least on the face of it, a fatalistic belief in the Divine Will of God remaining at the root of natural calamities, such as plagues (and floods, and earthquakes, etc.); and perhaps even more tragically, a facile justification for the human ‘plague’ of wholesale killing, of both warriors and civilian populations, in war. (the Bible, again, per Dead Sea Scrolls, *op. cit.*, the Qu’ran, 609-632, CE, Julius Caesar, 58-49, BCE).

Remarkable for his rationalistic and prematurely psychological approach, to chronicling the course and consequences of the Plague of Athens, historians, scientists and other academics alike owe a debt of gratitude to Thucydides (426 BCE). It was he who noted that the disease followed international trade routes -unlike others at the time, who attributed the cause to deliberate poisoning by Athens’ enemies. Likewise, he noted how the social behavior of citizens became less civilized and more concerned with self-preservation, as this new norm, sparked by the epidemic, was reducing the sense of cohesion and communal responsibility in the face of everyone’s potential demise. It is worth noting some parallels in the historic Athenian Plague, and the current pandemic. Today, the pressure on all human systems, (health and economic in particular, but food provision and distribution, political, policing, social, juridical, and other aspects of public governance and administration) can be likened to the pressure of natural phenomena, like volcanoes and earthquakes; where fissure points create cracks, some major and devastating, to the cohesion of human society. American society, always open to inspection by both national and global sources, seems in some respects to have fragmented, under the pressure, in its capacity to administer itself, with many cities and States coming to increasingly oppose or ignore entirely the admonition of the federal government; and many citizens choosing to ignore safe practice, and manifest self-interest, as was noted in similar circumstances over two and a half millenia ago, in the then leading world power. During our current 2020 pandemic, the Administration of the richest country in the world, the USA, playing a role similar to that of historical Athens, has blamed the virus spread on its contemporary arch-rival, the PRC, with the US President referring to the source of the disease as ‘the Chinese virus’ (possibly taking his cue from the “Spanish Flu”). For a time it was suggested, by members of the US Administration, that it might have been produced, either deliberately or accidentally, in a laboratory in Wuhan, (CTV News, 2020), rather than being transmitted from an animal to a human in one of the so-called ‘wet markets’, which was the explanation provided by Chinese authorities, and accepted as the most plausible explanation, by the majority of the scientific community (CIDRAP, 2020). More recently many people in China have been led by Chinese politicians, such as Lijian Zhao, a spokesperson for China’s foreign ministry, to believe that the virus was imported from the West, possibly implemented deliberately by the US Military (The Guardian, April 14, 2020, and CTV, *op.cit.*, 2020). That rejoinder smacks of being a deliberate quid pro quo for comments by the US Administration, including President Trump himself, cited in the article. Whilst plagues are indubitably human disasters, they come with political ramifications, not just in the pre-Christian times of the Greek and Roman Empires, but also in our own. The politics deflect attention from the primary need -understanding the plague process, which in marrying structure and systems, the model proffered in this paper (below), is an albeit simplistic attempt to move towards its containment, but in so doing possibly helping us come to grips with it.

An additional comment needs to be made concerning potential commonalities between the Athens Plague and the Covid-19 pandemic. Thucydides was aware of the impact of their plague on the power and cohesion of Athenian society. It was the beginning of the end of the Greek Empire, which was overrun, within a generation or so, by the Spartans. Together with its political might, Athens lost its economic hegemony, and both it and the rest of the world lost the momentum of its highly advanced civilization. Although it is too early to predict definitively, an increasing number of scholars (Atlantic Monthly, March 23, 2020) are predicting a much more precipitous decline in the power of the U.S., at a global level, triggered by its handling of the current pandemic, however the decline is measured: politically, economically, or ideologically. It could not have been possible for any contemporary social scholars to ignore the disparity between the management of the pandemic in China, where the number of cases and deaths has been reported as having more or less peaked, and remained quite static, since March, at the level of some 85,000 cases, and 4,500 deaths; whereas the number of both cases and deaths in the U.S. has continued to steeply rise -

surpassing 3 million cases, and 130,000 deaths in early July. The contrast is made even more stark (some might say horrific), if one adjusts for the disparity in each country's population size: China has roughly 4 times the number of citizens to protect; conversely the US might have been expected to have roughly ¼ of cases and deaths than China, instead of its actual numbers of roughly 35 times more cases, and still increasing daily, and correspondingly, 30 times more deaths. If one were to adjust for population size, China has reportedly succeeded in containing Covid-19 spread some 140 times better than the US, relative to its population, and suffered 1/120 the proportion of deaths (i.e. less than 1% of that of its arch-rival)! It is arguable that much of the rest of the world is watching, and will be judging which system of government has proven itself more efficacious, in protecting its citizens. An early barometer of a shift in world opinion might have been provided by the number of member states in the United Nations, which supported the Cuban declaration that the PRC was completely entitled to reduce the autonomy of Hong Kong, through recent new legislation, which came into effect at 23.00, June 30 2020. (Science Mag, July 1, 2020,). The extremely unfunny joker in the pack, of Covid-19 statistics reported and updated daily by China, is that a less than credible world, as exists at present, might be forgiven for looking askance at a completely static trajectory of cases and deaths, over the last several months, in a population approaching 1.4 billion; whilst other countries with mega-populations, even apart from the US, e.g. India, Iran, Brazil, Mexico and Russia, have all (albeit reluctantly and often belatedly) had eventually been impelled, by independent evidence, to report their constantly increasing numbers of cases and deaths. The issue could then become: by how much is any given jurisdiction providing incorrect figures, either by deliberate falsification, or by faulty accounting? This would of course include not just China, but all jurisdictions. Verification becomes significantly more difficult in a jurisdiction run as a Police State, where whistleblowers are 'disappeared'.

THE SIMPLE PEDAGOGIC MODEL PROPOSED

The current pandemic has led to the depiction of its progress principally by means of statistically based charts of its daily and cumulative incidences and deaths. The results are presented mostly by country, but in the case of 'hot spots' of reported infections, by more localized areas, such as States, Provinces, cities and even localities within each. In some instances, the number of tests is also provided, but not in all. The quality of the testing process(es) employed is not generally included or assessed in the statistical reporting. The result is publication of figures which have been clothed with the respectability of statistical professionalism and integrity, but owing to the methods of data collection, can (and arguably should) be considered to some extent inconsistent, incomplete, and inaccurate. In some cases, the data is provided and reported bona fides, even when not complete; in others it has been considered to be deliberately falsified and misleading -mostly for political reasons within each jurisdiction. In more confusing cases, it can be a combination of the two! Brazil would be a well-illustrated culprit, but by no means alone: Venezuela is an additional S. American State, clearly 'cooking its books'; Belarus and Nicaragua likewise -the list goes on (Reuters, 2020; Courthouse News, 2020; The New Humanitarian, 2020; Science, 2020; Financial Times, 2020).

By depicting the overall global pandemic, and its constituent components per jurisdiction, in the foregoing statistical manner, the public has become accustomed to thinking of its progress as, originally, a wave, somewhat like a tidal wave; and more recently as a potential series of waves.

It is argued here that this portrayal originally compounded the misleading nature of the reporting; and even with the more recent recognition of a 'second wave', and even more recently the admission of the possibility of successive waves, that presentation of the reality can and should be augmented by other means. This suggestion is oriented in particular towards those unaccustomed to statistical analysis and reporting, which may be the majority of the world population, all of whom are affected, both directly and indirectly, by the current pandemic.

It is therefore proposed here to use a more basic pedagogic approach. This would be especially valuable perhaps for children, but also 1/ for the wider population and even 2/ for those most involved in getting to grips with the pandemic, by using a more comprehensive approach than the current “wave” or “waves” model. We could call our approach a process or a system or decision-making/strategic model, to likewise clothe it in academic respectability. However, for pedagogic purposes, and especially if oriented towards children, it might be better to label it something like the “Ocean-bucket-Earth” model of plagues and pandemics. As with the current design of cars, whilst there is a basic prototypical model, there are potentially as many intermediate stages as the model-user wants to employ, in order to minimize or maximize its “system sophistication”. As at least a start-point it is suggested that, to possibly give the model more “kid-appeal”, the start-point should be the recognition of children being born daily, which serves to augment the “ocean” of humans. It might also put the model and hence the modelling process in a more positive or sanguine light, by acknowledging humankind’s continuing capacity to replenish itself, even in the midst of a plague such as we are all experiencing, including our children. In addition, the two intermediate stages most valuable for both comprehension, and possibly more detailed system analysis, would be the “Pool”, followed by the “Tank”. Thus, the basic model could be presented in very simplified graphic terms (see Figure 1).

The model is quite skeletal. As a pedagogic tool aimed at youngsters, it behooves the user to keep it simple, and within the comprehension of the audience. That does not mean they should be patronized, but a huge quantity of statistical information and complex explanations of technique would be out of place, esp. if both source data and many of the techniques currently employed are suspect, and have later to be amended or supplanted. As a start, each of the dimensions marked in bold lettering need nonetheless be given greater yet still simple pedagogic explanation:

‘OCEAN’ is intended to depict an entire population, be it that of the globe as a whole, or a selected part thereof (e.g. all persons currently within the European Union). Although the model just shows its constant flow of augmentation as by natural human births, of course the reality is far more complex: all persons entering the segmented area will add to that ‘ocean’ of persons. This would include immigrants (legal and illegal, tourists, refugees, etc.), who have managed to enter, plus military foreigners, mercenaries and those classified as ‘terrorists. At the outset of a plague, this means that all persons who have yet to be grouped and categorized, with regard to their status for plague infection, make up this very large entity. In the world’s current situation, this refers to Covid-19 infection. However, it is worth bearing in mind that further pandemics and plagues would require a repetition of the model’s approach, starting with the ocean of all the world’s populations, which could be aggregated to encompass our present number of some 8 billion live souls.

‘POOL’ represents the reservoir of persons under current or potential investigation, or “testing” for infection by the disease in question -in the current situation, most eyes are on the most recently discovered pandemic, Covid-19; however, there are still currently many other plagues deserving of a similarly searching and rigorous approach, including cholera, malaria, dengue, AIDs, tuberculosis, and such commonplace diseases as measles, chicken pox and the flu. In historical terms, our current pandemic has as yet killed a tiny proportion of the total world population, compared to some of its worst predecessors, which often did not cease until it had killed off a significant proportion, if not the majority of the population. The New World succumbing to the plague of Smallpox, in the 15th Century, is a case in point. Roughly 95% of the population of Mexico, or some 10 million people, succumbed. (Roos, 2020). If we were to extrapolate that rate of extinction to our present global population, we would of course no longer be talking of millions of deaths, but billions. Even at a ‘pool’ level, a 95% mortality would virtually extinguish our human civilization, as we presently know it.

Figure 1: A Simplified Model of Plagues and Pandemics

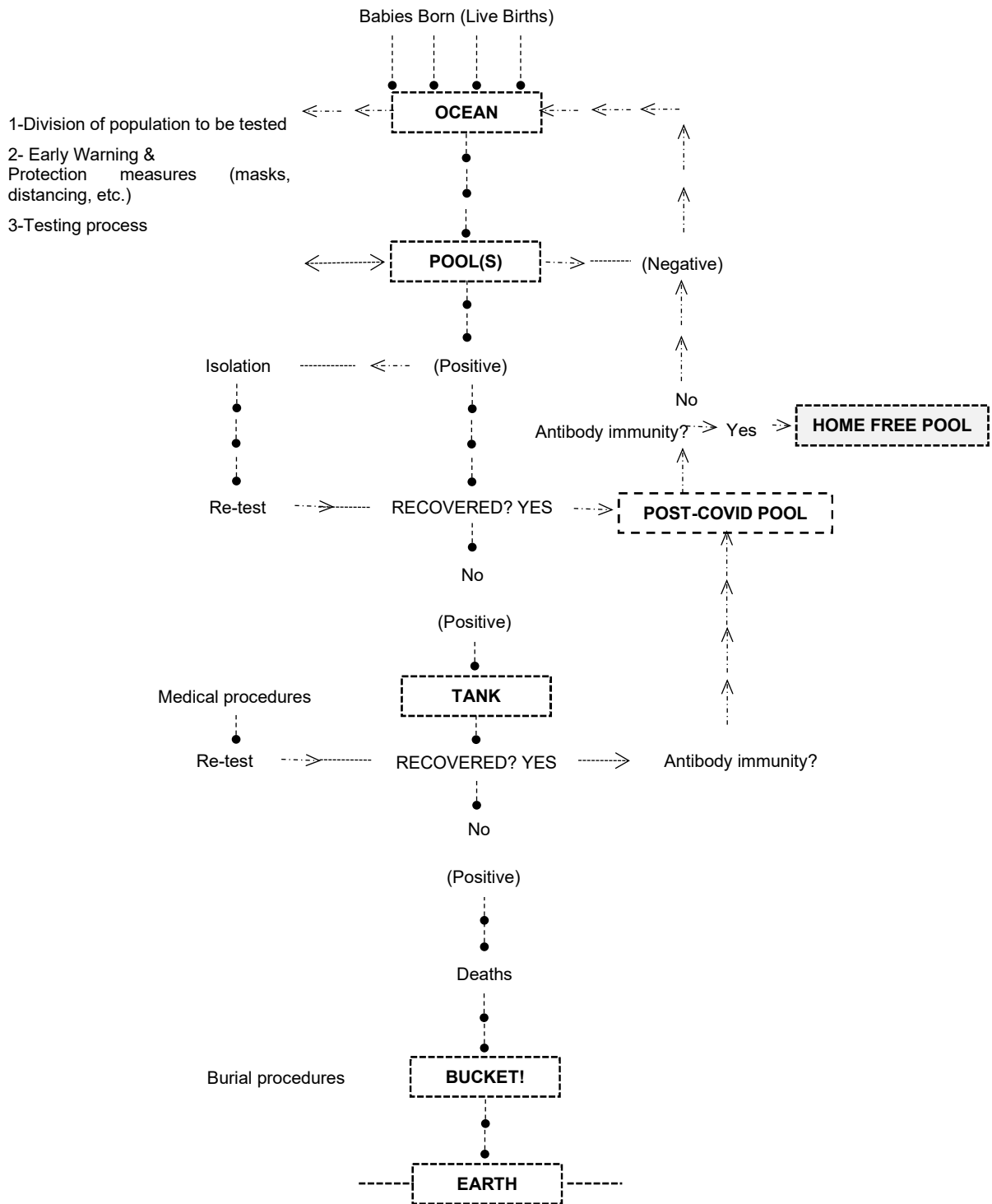


Figure 1 presents a proposed pedagogic model

The image of the pool may still have a salutary impact: it conjures up a relatively enclosed and specifically identifiable location, where inhabitants, whether fish or humans, swimming or potentially infecting each other with germs and disease, can be dangerously close to each other, actually in contact; OR they can be advised, or cajoled, as necessary, to spread themselves apart; thus, keeping themselves, (or being kept by others), physically separate from each other.

Regrettably, the testing process was initially highly restricted, due to widespread supply shortages and system bottlenecks. For example, by mid-May, 2020, some 1 million persons had been tested in Canada, which has a population of over 37 million, and is considered a rich country, from a global perspective, with an adequate health infrastructure, in normal circumstances. Clearly these cannot be considered normal circumstances when

1/ at that early rate of testing, it would have taken years before the whole population had undergone testing procedures; (the situation is incomparably worse in under-resourced countries, esp. in Africa, Asia and Latin America (KFF, 2020));

2/ the testing procedures cannot be guaranteed to give accurate results, owing to the high incidence of false positives and, probably worse in terms of outcomes, false negatives;

3/ consequently, repetition of tests is both valuable yet not available for the vast majority of ‘pools’ worldwide, and worse, still inconclusive, in terms of results and perhaps most disquieting of all, when;

4/ again at point of writing, no sure cure has yet been discovered, and treatments are therefore at best ‘hit and miss.’

In order to reduce anxiety among the young and potentially more impressionable, hence psychologically vulnerable segment of the readers/population at large, it would be worth underlining the risk/probabilities of recovery, if (or, more probably, at this point in the world’s aggregate inability to control spread, when) an individual contracts the disease. In the case of Covid-19, the preliminary research marks a low incidence of severe symptoms and fatalities among the younger segment of the population, and a correspondingly far greater incidence of severe symptoms and fatalities, among older segments. In Canada, for example, where records of fatalities at least can be given reasonable epidemiological credence, the incidence of fatalities of ‘seniors’ measures over 80% of the total, (Toronto Star, May 7, 2020,). This was reported some 4 months into the pandemic, and 2 months into official Government response by Federal and Provincial authorities, in Canada: the time lag is both worthy of historic note, for future pandemics, and of concern and investigation, in the context of the current plague.

For adult readers/audiences the pedagogic model can be fleshed out, amplified and expanded upon, depending on the target group on which it is focused. For example, the “ocean” of persons potentially infected could comprise all humans on the globe, or a specifically demarcated global region, such as a continent (e.g. Africa, which as of mid-May had not received its due attention, to the point of being virtually ignored by the ‘developed’ world, during the current pandemic. One might argue that the same phenomenon occurred in previous plagues and pandemics, such as AIDS, Ebola and others -a potentially immense cause for the BLM movement to take up, connected to Covid-19 indirectly via “collateral damage” through fissures in the social fabric -see infra.).

Each smaller, more contained group (‘pool’ in model terms) could comprise a country e.g. Australia, or a state within a country (e.g. New South Wales), or a city or even a district thereof (Sydney; then the further subdivision of the beach suburb Bondi). Should it be considered clearer for users, the model could be expanded to provide an additional intermediary level, which we could label ‘reservoir’; that potential extra level has been omitted here, in order to maintain the model’s relative simplicity. Clearly the smaller the

pool, the more manageable one would expect the organizational process to be, for attempting to contain the spread of any plague/pandemic, including our current one, which has underlined many gaps and inefficiencies, not to mention the potential for corruption and deception, within organizational processes, public and private. Regrettably, catastrophes can provide fertile ground for the increased practice of fraud, corruption and deception -an opportunity which corrupt regimes as well as private business organizations with flexible ethics would be unlikely to miss. Eight million defective medical face masks were exported from a Chinese supplier to Canada, at a time when Canada was facing a dire medical predicament of acute shortages. (Global News, May 8, 2020).

Not to be too cynical, in reporting progress on managing the current pandemic, we should point out that such relatively small nations as S. Korea, Taiwan, Singapore, (all in S.E. Asia), New Zealand (in Oceania), Austria (in W. Europe), and Costa Rica (in Latin America), were all quite nimble and efficient in establishing effective procedures along the lines proposed in our model: Costa Rica, for example has been publishing regular reports from its governmental health authorities, which identify cases and fatalities by each local and specifically identified region. This can be taken as a nice example of splitting the total pool (or reservoir, if preferred) into what kids would easily comprehend as mini-pools or ‘puddles’ -which of course is a relatively easier administrative job in a country of 5 million potential positive cases, but might have helped direct the country as a whole towards the extraordinarily minuscule number of some 42 fatalities in total (as of July 16 -Tico Times); compared to, for example, the United Kingdom with admittedly 12 times the population, at some 60 million persons, but instead of having some 500 deaths, which might have been extrapolated, following Costa Rica’s lead, it had suffered some 110 times that number, at over 45,119 deaths (as of July 16, Statista, Conor Stewart, 2020). That should be sufficient reason to encourage large nations to split their total population into pools of a size sufficiently manageable to engage in “efficient and effective” testing, to coin a popular management accounting phrase. In fact, rather late in the game, Toronto health authorities have just announced (CBC News, May 27) the identification of so-called ‘hot-spots’ of contagion, employing the computer and phone-based identification technology (‘contact tracing’) harnessed already months ago by the countries with greatest success rates at identifying and thus potentially containing the spread of the disease. Whilst privacy issues assuredly arise, and are a legitimate concern, especially in less ethical and transparent regimes, still potentially ravaged communities might be expected to opt for less freedom, (at least temporarily), in return for a higher potential for longevity, for a large proportion of its population.

Whilst pools identified by region/location may be more readily acceptable, identification and classification by other categories may be both medically salutary and ethically more questionable, in terms of privacy issues. Classification by age pools would make clearly intelligible sense, given the differential of infection and probability of death, for different age cohorts. Classification by race or ethnicity might also be helpful in terms of identifying high-risk ‘pools’, but might give rise to greater concerns about potential abuse by those with access to such potentially sensitive information. The same caveats will apply.

Not splitting a very large pool into more manageable, ‘bite-size’, container groups may also lead to the administration in charge providing less scientifically-based projections of infection. Time reported (July 18, 2020) that Hassan Rouhani, President of Iran, had cited his Health Ministry as estimating a figure of 25 million existing cases of COVID-19; on top of that estimate, which has not been substantiated, the President “also said he believes an additional 30-35 million people could be infected in coming months...without citing the basis for his estimate.” (op. cit.). Taken together, that would represent some 75% of Iran’s total population. Such an estimate may fit into the structure of our model, if Iran is unwilling or unable to divide its total population into more manageable ‘pools’, for the purposes of both testing and then providing the necessary information for the ‘tanks’ available, to provide treatment. Leaving some 80 million people with little hope of survival, and relying on the religious philosophy of “insha’allah” would seem to harken back to ‘managing’ (or not managing) the far earlier plagues of history, alluded to elsewhere in this paper.

Are there any other ‘short-cut’ methods, other than pool segmentation, to help reduce the total number of cases to test to a more manageable number? According to a study conducted in the U.K. roughly 20% of the population is at relatively high risk (the older age cohort, plus those with chronic diseases making them more prone and vulnerable) In addition, each person in the above 2 categories is generally looked after by a principal caregiver, which the research team labelled appropriately “the shielder”. This made up an additional 20% of the population. The other 60% are considered to be low risk -meaning that even if they fall prey to the disease, they are extremely likely (>95% likely) to recover. The ‘trick’ is to identify the 40%, and to get them tested asap; and then get those testing positive safely isolated, for their own protection. A group of academic experts at the University of Edinburgh, have provided their advice to the U.K. Government, the report still to be peer-reviewed (as reported in the Independent, May 5, 2020).

The U.K. is an old country with a high proportion of older people. Countries with a lower proportion of elderly people should have an easier job of ‘pool testing’ the most vulnerable, though clearly one should not minimize the job in any situation. The efficacy of the testing process is likewise an important element in any plague containment process, including the current one, since it is appropriately called the novel or new coronavirus (SARS was a previous variant). Each requires a test specific to its genetic composition. False positives skew the results, but with perhaps less disastrous results than its corollary of false negatives. A large proportion of false negatives renders the whole process not just redundant but downright dangerous, by lulling those tested into a sense of false security, thus potentially infecting others, before the incorrect assessment is rectified (if ever). Some of the present testing results have been reported as extremely misleading, for not just scientific reasons but, equally dangerous, for procedural reasons, of incorrect test-taking. (Estimates have suggested that some 15% of results may provide false negative outcomes, for example -NPR, Procop G, 2020)

None of this needs to be emphasized in a simplified pedagogic model geared to children, for fear of contributing to their anxiety, and child psychologists are recommended to oversee the access and deployment of any such model, for different age cohorts. For adults, all of the caveats inherent in the model, as ‘tweaked’ for different user groups, should be underlined, quantified and stressed, if the model is to be of optimal use for others, esp. administrators, professionals, and academics, in their respective fields.

‘TANK’ The conceptualization of the ‘tank’ is intended to conjure up the image of far more intensive observation of those enclosed, with the object of concentrating those in greatest need of further testing, intervention and treatment, in a place with facilities to handle those enclosed. At the same time the physically closed nature of the tank should help to protect those in the outside, (the ‘pool’ inhabitants,) from higher risks of infection from those already infected.

Thus the “tank” element of this admittedly simplified pedagogic model may serve to cover the multitude of health and medical systems, into which persons thought to be infected are placed. We usually think of hospitals, health centers, and specialized parts thereof: in particular, in extremis, of the Intensive care units charged with the responsibility of keeping patients alive. We might also want to treat more or less closed institutions, like prisons, old-age and nursing homes etc., as potential ‘tanks’, if the concentration of plague cases is demonstrated quantitatively through testing, to warrant it. Certainly, in Ontario and Quebec, the most populous provinces in Canada, the ‘tank’ approach towards long-term care facilities for the elderly and otherwise vulnerable, would have alerted the appropriate medical authorities to the severity of the pandemic casualties, far sooner than actually occurred, with, potentially, a consequent reduction in severe cases and the thousands of lives lost.

In ‘pools’ of physically, financially and/or medically under-resourced groups, visits by professional health care workers to those considered infected, but with no facilities available to accommodate them, might be the closest surrogate to a physical ‘tank’, such as a hospital. However, the concept remains intact and potentially valuable. Within such pools temporary and provisional ‘tanks’ of medical facilities can be set

up, to provide more intensive and more extensive medical care. Clearly this last category could be considered both most at risk, since the health care provided would in all likelihood be less regular, comprehensive, technically sophisticated, or intense; but of equal or greater concern, the likelihood of infected persons acting as mini “hot spots” for the spread of the disease would be greater, the greater the social/physical interaction of the infected person, within the ‘pool’. As far back as Biblical times, lepers were generally enclosed in a ‘leper colony’, a quasi-prison intended not to cure the infected person so much as reducing the incidence of disease spread. We can therefore see the on-going ‘double-function’ nature of any enclosed space, or “tank”, in providing not just potential treatment, but also serving to protect those still hopefully uninfected (our “ocean”, or in a more advanced stage of the process, our “pool”). The PRC publicized its construction of ‘instant hospitals’ within the Wuhan district, which appears to have been the original pool of infections. With dramatically less National Government initiative, a provisional medical tent was set up in Central Park, New York City, (New York Post, April 9, 2020), by the non-profit relief ‘Samaritan’s Purse’, to help deal with the ‘spill-over’ of cases, from the emergency department at Mount Sinai Brooklyn Hospital – part of the formal health system which, swamped as it was, was unable to manage.

As with all elements of the above model, breaking up the various stages allows not just a cursory understanding of interconnected processes: it can also serve to allow those most concerned with the processes contained in each stage, to expand that element in the whole model. This is perhaps most easily understood in the ‘tank’ stage, since the medical and health systems are often considered the center of potential help, in controlling disease. But this current epidemic has focused much greater interest than ever before on the role of research, medical, bio-medical and other, which is working in collaboration, more or less, with the medical system. Likewise, the pharmaceutical industry is hugely involved in the potential and actual development and provision of drugs, which might help in treating the disease; and as an end-goal in providing a vaccine to forestall the disease before its onset. Similarly, the provision of PPE’s, such as masks, gowns and gloves, and more sophisticated and costly items, such as oxygen equipment, and as a potential final measure, the use of medical ventilators, for the mortally sick, is a vital part of the process in keeping the medical and health system operation (our ‘tank’) functioning. In a more complex and sophisticated model each of these can be visually represented as input elements into the central ‘tank’ element. The simplified model thus lends itself to both telescoping and ‘microscoping’ each element, as required or desired by the user.

In the interests of simplicity, not shown in the model is the potentially continuous loop dimension of the medical interventions which may (or may not) be available at the ‘tank’ stage. One can reasonably expect that, the wealthier and better resourced both the facility and its patients, the greater both the extensity and intensity of the medical procedures followed at this stage. (The same could also be expected at the ‘pool’ stage, but perhaps with a lower sense of urgency by those in charge).

‘**BUCKET**’ is deliberately employed as a vulgar but familiar illustrative term, to depict fatalities, almost but not quite the end of the road, for each individual. It is plagiarized from the old English executioner’s adage of “kicking the bucket”, referring to withdrawal of the final physical support for the doomed person, leading to his quick death; considered an apt term in the present context.

In the context of plagues, not excluding our current, the spillover potential is the most germane when considering the ‘bucket’ metaphor. In many pool locations, even in so-called “rich” locations such as the U.S., and in one of the cities normally considered one of its richest -New York, disposal of the dead has become a worsening problem, since the funeral system has been literally ‘swamped’ by the extra-ordinary bottleneck of corpses to be buried, due to the current pandemic. It has been reported to be many degrees worse in Guyaquil, a multi-million-person port city on the West coast of Ecuador, and as its name indicates, an extremely hot location; unfortunately, now also deemed a “hot spot”, not just in terms of incidence of both cases, but more highlighted by its dramatic number of fatalities exposed. Bodies have been left in the

streets to decompose, (Washington Post, 2020); offering further cause for risk of other diseases, unrelated biologically to Covid-19 (according to present scientific information). Other out-of-control interment situations around the world abound, and demand not just private but urgent jurisdictional attention -the first steps being recognition, then admission, then quantification of the problem -before practical solutions can be planned and implemented. Ignoring the problem will add a further dimension of disease and additional mortality, caused by this further aspect of ‘collateral damage’.

Implications of the Model

“The truth, the whole truth and nothing but the truth’. Regrettably, our model cannot offer any magic-wand panacea for controlling plagues, be they endemic or as is the case now, so manifestly pandemic. One aspect almost covered by a conspiracy of silence, by both the political sphere of so-called leaders, administrators and policy makers, and even by the majority of the scientific and medical community, has been the nature of vaccines and their longevity of effect. Whilst it has remained shrouded in mystery how long any specific vaccine will provide long-term immunity, and to what extent over the whole population, the worse piece of knowledge that is recognized is the gradual deterioration of efficacy of all vaccines: it appears that resistance increases towards them by the viruses targeted, across the board. This ‘inconvenient truth’, to coin the past President candidate (Al Gore, 2006!) had until very recently, together with the potential breakthrough by Oxford University (2020), not been transparently divulged, and its potentially alarming implications discussed, by any of the groups named above. Just 2 years ago when, at the World Vaccine Congress, over 1,000 vaccine scientists convened in Washington, not one session focused on this issue of vaccine-induced evolution, leading to pathogen resistance. One researcher who has conducted investigations into the less than expected impact of vaccines on resistance by pathogens, suggests that “...researchers are afraid: they’re nervous to talk about and call attention to potential evolutionary effects because they fear that doing so might fuel more fear and distrust of vaccines by the public...” (Moyer, 2018). The rate of proliferation of ‘miscreant’ pathogen genomes is almost beyond human imagination; it is fueled by the by the replication rate of viruses. The same article provides the following gem of information: “Three days after a bird is bitten by a mosquito carrying West Nile virus, one milliliter of its blood contains 100 billion particles, roughly the number of stars in the Milky Way.”! The scientific community could have been alerted to this potential hazard some 30 years ago, with the introduction of a new vaccine for whooping cough, recommended by the US Center for Disease Control (NBC News, 2019). It appeared better than the old, but protection waned quickly, and new epidemics for whooping cough (“*Bordetella pertussis*” in Medical Latinate Jargon) proliferated. By 2001 scientists in the Netherlands had proposed that the resurgence of this plague might be due to the vaccine itself promoting the preferential evolution of parts of the virus which had mutated or not been targeted by the new “acellular” model of vaccine. Longitudinal studies from 2008-2012 backed up that proposition (Ruiting Lan, 2014).

Human Expectations

One of the consequences of our model splitting up the process of dealing with plagues etc., is that it may make us more aware of a change in human expectations with regard to living and dying. In a world where ‘pools’ and ‘tanks’ either did not exist, or were not available for the vast majority of the population, expectations for surviving a contemporary catastrophe could be expected to be low. Conversely, the more visible, obvious, available and successful the social and physical construction of pools and tanks, the higher the expectations of an increasingly greater proportion of humanity might become. To magnify this concept further, we could think of splitting the rather general notion of ‘expectations’ into at least a 3-part graduated set: aspirations, expectations, and entitlements. Each would place different levels of demand, or pressure, on the system as a whole, and each part of the system. One could posit that, in times of very high morbidity, expectations of survival would be low. That probably would have been the case, not just historically, in early plague situations, where medical science and health systems infrastructure were notably absent, but also in times of rampant man-made slaughter, during wars and other internecine conflicts.

To the extent that these situations still exist, we can expect a devaluation of common human life; arguably the greater, the more vulnerable the individual. While gladiator sports, which made public entertainment out of physical pain and death, are considered relics of past civilizations, in recent and current times similar activities have been tolerated and/or encouraged, likewise with the purpose of demoralizing a subject group, and having the ultimate societal purpose of dehumanizing them. In such societies, plague situations could be merely expected to play out the same scenario of more or less total disorientation, for the subject population, regardless of the resources at the ‘pool’ and ‘tank’ (and even the ‘bucket’ stages of our model.

Spread Control, and Lack Thereof (Leading to Its Consequent ‘Spill-Over’ Effects)

The ‘Ocean’ stage would seem an unlikely point at which to conduct any research into spread control. However, pandemics having the unearthly quality of getting humans interacting in ways hitherto unforeseen, we should take this stage into account, in terms of spread potential. That is less easy than it may sound. If we use the ‘ocean’ classification to demarcate national boundaries, for example the total population in excess of 100 million making up residents of Bangladesh, do we employ what epidemiologists call the ‘effective spread rate’ for Bangladesh as a whole, or should we (more sensibly?) estimate a different, and probably significantly higher, effective spread rate, for the roughly 1 million Rohingya refugees from Myanmar, not quite but virtually locked at very close quarters into the largest refugee camp in the world? No possibility of the 2-metre social distancing recommendation continuously broadcast in Ontario, within the confines of “Cox’s Bazar”. A report by the Guardian in the UK graphically reported on the crisis (Guardian, May 15, 2020). The same logic should propel arguments with regard to estimating effective spread rates for one of the richest plague ‘oceans’ in the world -that of the U.S., where the President had been fond until mid-May, of pointing to low overall per capita incidences of infection, (despite high aggregate numbers, due to its large overall population); but there too, inequalities in effective spread rates between, early on, New York City, and more recently, other “hot spots” like Miami, compared to less affected areas, are arguably as significant as differences in the highly impoverished State of Bangladesh.

Using the ocean-bucket model may serve better to highlight how the present inadequacy of spread control will contribute to a ‘spill-over’ effect, into the next stage, be it the ‘pool’ or the ‘tank’; each bottleneck situation at the higher level will exacerbate the situation at lower, more intensively investigated and medically intervened stages of virus control (or lack thereof); such that spill-over will ultimately turn into that illustrated graphically and horrifically in previous plague outbreaks in human history. Not paid as much attention as its major successor, the Black Death (see below), the Justinian Plague of 541-544 CE still killed 1/3 of the population of its ‘epi-center, Constantinople. By the year 546, it was estimated that close to 100 million people had died, “in Asia, Africa and Europe”. (Frith, History, Volume 20 No.2).

In terms of effect on total world population, the deadliest pandemic recorded is still from the Middle Ages: it was known known by various names: ‘Bubonic Plague’, ‘Black Death’ and, as recorded within the context of the Old Testament’s ‘10 Plagues’, ‘Pestilence’. It is recorded as having lasted some 8 years, from 1346-1353 CE. The estimated range of deaths is huge, and the upper limit of the range is recorded as 200 million, which would have made it the deadliest plague recorded to date, in human history. Benedictow (2005) writes that Florence, one of the major cities of Europe at the time, registered 60% of its population as exterminated by the Black Plague, within a few months.

With reference , not just to its rate of “metastatic spread”, but also to the time lag between recognition of the epidemic and its original outbreak, the parallel to the progress of the Black Death of the 14th century, and the current 2020 pandemic is strikingly, and one might suggest depressingly, similar: “in the countryside it took about forty days for realization to dawn; in most towns with a few thousand inhabitants, six to seven weeks; in the cities with over 10,000 inhabitants about seven weeks and in the few metropolises with over 100,000 inhabitants, as much as eight weeks.” Early reports of the current plague were made by doctors in December, 2019. The machinery of case by case disease recognition and spread, at the universal

level of the current plague in 2020, is actually slower than that which occurred some 660 years ago. For the Black Death, historians provide a wide range of death rate for total population of between 30% and 60%: we might surmise that the vast majority of deaths would have bypassed any stages such as those posited in our model (pool-tank-bucket,) due to lack of reliable information sources, coupled with a lack of relevant medical/epidemiological bodies of knowledge. And yet: quarantine was not just practiced for lepers in Biblical times, but on a much greater and widespread scale, where feasible, by 30-day isolation, later extended to the standard 40-day (i.e. “quarantine”) period. (History Today, 2020). The pool concept was definitely something understood, back in what might have been dismissed as the ‘Dark Ages.’ Regrettably remedies were so scarce that chicanery and charlatanism flourished, in lieu of authentic treatments. Ironically, quack ‘treatments’ abound in the current pandemic, demonstrating that human behavior, in terms of increased decency and honesty, has not kept pace with advances in technology. As reported in, “People died with such rapidity that proper burial or cremation could not occur, corpses were thrown into large pits and putrefying bodies lay in their homes and in the streets.”

Estimates of the number of deaths world-wide from the 14th century plague, range from 50-200 million. By comparison, then, the so-called Great Plague of London was really quite local and in terms of absolute numbers, modest. 100,000 people were estimated to have died. However, the population of London was then estimated as 500,000, so the death rate per capita was one in five. Some degree of social order was imposed, and/or self-imposed: “People were incarcerated in their homes, doors painted with a cross” (opus cited.). The rate of contagion was not dissimilar to that witnessed in the current pandemic, at 7,000 mortalities per week. Far more recent in relative historical terms, the “Spanish Flu” so-called (falsely, in terms of origins), did introduce some medical interventions: isolation and treatment programs were launched, and eventually a flu vaccine discovered and distributed; but not before over 50 million people had been buried (CDC, 2020)-again, with a substantial proportion skipping most if not all of our intermediate, and potentially life-saving stages (the ‘bucket’ apart, but that has been included not for macabre reasons, but because so many human societies have invariably placed, and still continue to place, extremely high value on the burial rites of passage demarcating life and death

The Spillover Phenomenon

As implied by our simple pedagogic model, one way of assessing the efficacy of any health system is to measure the degree of spillover from each level of plague containment, directly to the earth, the final (and ultimate) container. It would seem that in early stages of human history, the degree of spillover was controlled principally by the virulence of the plague. If we fast-track to the present time, much depends on the jurisdiction ostensibly managing the current plague. That in turn depends, not just on the highly differential resources put at the disposal of plague management by each jurisdiction; but also, on human expectations -both as clients and suppliers, to coin an apt economic differentiation; or perhaps more conventionally in the plague context, as health providers and (potential) beneficiaries. One could posit that early manifestations of plague encountered both severely limited resources to control and/or combat it; and relatively low expectations of human efficacy at that control or combat. Interestingly, we could consider the relationship between resource deployment/management and expectations, as to some extent mutually interdependent, rather than unidirectional. It is suggested that one could be witnessing the playing out of this relationship, both globally, in aggregate, with the (questionable?) benefit of near-global connectivity; and, at the same time, in every jurisdiction; and as is evident in the United States, not just at the national level.

President Trump may not have been as crazy as he was presented to be, when he suggested the cases in the US seemed to be out of control, simply because the great United States of America were so much better at testing, than heretofore, or than elsewhere in the world. He was, (perhaps unwittingly and probably unconsciously), admitting that one or more of his containers had filled up; and rather than admitting to such spillover, and hence, reducing further the public trust in the system as a whole, he reflected that it might be

wiser to put a brake on the case-testing. Naturally, he would not have wanted to point to deficiencies in the rest of the health system, so it was considered by him more astute to gamble on people's credulity, and lie (or joke, as he later claimed). However, had he liked reading better, or been more on top of developments in the world's most precipitous crisis (or both), he would have been able to point to the research in Scotland, home to his golf course. At the University of Edinburgh, it was suggested by researchers (some time ago, in the compressed time-space of the Covid-19 crisis! i.e. Medrxiv.org, May 2020), that 60% of the population were not in urgent need of testing, since they had a very high probability of recovery. It followed, then, their argument logically went, that in time of potential spillovers, such as at the outset of the plague, until the present time, it would make very good epidemiological sense to concentrate scarce resources towards focusing attention on the 40% most at risk (40% applying in the UK, but maybe a different percentage elsewhere). This percentage of the total 'pool' (in terms of our model) consisted of the most inherently vulnerable, i.e. the elderly and sick (roughly 20%); but in addition, their caregivers (which the Scottish research team labelled 'shielders'). As before, they had come up with no magic wand, but it was still an invaluable suggestion, based on empirical observation and reasoning, and still implicitly using an ocean/pool/tank spillover containment approach.

The Ocean-Bucket Model and the Specter of Eugenics

The converse approach is implied by what has been exposed as the Canadian process. Dr. Samir Sinha, a geriatrician at Mount Sinai and University Health Network Hospitals in Toronto, went on record with the following statement:

“More than 80 per cent of Canada's deaths have occurred in seniors' homes, where just 1 per cent of Canadians live.” (quoted in 'Canada's Hidden Shame': Zoomer, 2020).

Of (16) OECD countries investigated, Canada had the dubious honor of being worst, in its job of protecting its elders (Medical Press, 2020). It would perhaps be too cynical to contemplate that this was a pre-meditated policy, to get rid of the segment of its population which sucked up most of its health resources, and conversely had least in terms of productive, income-, and tax-producing years still to live (a Sparta-like strategy, but focusing on the extreme end of the age spectrum, rather than the extreme beginning!) (Andrews, 2018). That is the model for 'life insurance' (mislabelled': actually, the payout sum in the -highly predictable- event of death); providing also a basis for much early welfare economics modelling, where remaining productive lives provide a surrogate for the value of the societal benefits of saving a life, in the context of limited resources (Hicks, 1939).

One could be tempted to widen the 'eugenic approach' to include significant disparities between other groups in society, in particular ethnic/racial groups. Turning the eugenic philosophy on its head, it would be possible to posit "systemic bias" against protecting certain groups from any major disease, including the current pandemic, but not excluding other causes of disease and premature death: opiate addiction has been identified as having increased substantially during the last 6 months of Coronavirus, suggesting collateral damage -even, or more likely, especially, in wealthier societies (Silva and Kelly, AJMC, 2020) It will be a miracle (possibly science-based), if the majority of the victims of Covid-19, both directly (through Coronavirus infection and death) or indirectly (through many indirect results, such as famine and loss of resources available for other plagues, diseases and other health issues,) do not end up being members of the racial and ethnic groups which the eugenics 'philosophy' pronounced as inferior, and not worth keeping alive. Eugenics had its political heyday in Nazi Germany, culminating in the Holocaust: the well-managed, mass-production extermination of Jews, Gypsies, homosexuals, and other groups deemed a danger to the maintaining the purity of the 'Aryan Race' (there were very few Africans and Asians available in Germany at the time). The 'philosophy' of Eugenics has been experiencing something of a comeback, during this crisis period, together with time-honored conspiracy theories, all purporting to unravel the mysteries of the plague. One is tempted to say "plus ca change, plus ca reste la meme chose": similar pseudo-explanations

have been resorted to in every major calamity (dating back at least to the Athens Plague, before the Christian Era); and they gain traction in particular during a natural disaster as unpredictable and omnipotent as a pandemic such as that in 2020. By replacing rational thinking and new empirical investigation, with already preformulated pat answers, they purport to help the gullible, in emotionally dealing with the dread of what remains for most still a deadly unknown.

Truth, Trust and Power in Pandemics

It can be said that truth is a potential casualty in all crises. Those who might be considered responsible for a crisis, or accountable for actions to manage that crisis situation, may well have something to hide. A plague situation is an example, writ large, of just such a crisis situation. Are there any guidelines by which to measure, or if not measure, at least to make propositions for leadership behavior, at the highest levels of government, for the pedagogic purposes of our simplified model?

One proposition might be, that the more authoritarian the leadership, the more the temptation to conceal, partially or totally, the scope and severity, or in extreme cases even the very existence of the plague, together with its spread through the population pool for which the leader is responsible. A recent example was provided by the leadership in Iran, the Supreme Leader Ayatollah Ali Khamenei calling the plague “a hoax, a conspiracy from the country’s enemies” at the same time that “the regime tried to cover up the number of fatalities, until cellphone videos appeared that showed bodies being hurriedly buried”, in order to avoid exposing the leadership’s deception (McKenna, CBC Report, March 24, 2020).

It could be posited conversely, that Democratic leaders, on the other hand, ultimately have little alternative than to accept and expose the reality of the crisis, lest they are held accountable for lax leadership, by their electorate. Even leaders in democracies, with authoritarian orientations, must finally accede to some degree of responsibility, or face the price of loss of office; unless s/he is able to deflect blame effectively on to other parties (preferably foreign). The incumbent president of the U.S., despite his office providing him with prime responsibility for leading the most powerful economy in the world, and one which purports to espouse democratic principles as a cornerstone of its polis, appears increasingly to have expended much of his energy engaged in responsibility deflection practices, or finding others to blame for his highly questionable efficacy in managing the pandemic crisis in his country, or the socio-political crisis of BLM, plus the economic crisis, of massive unemployment and recession, all of which were arguably triggered by the nature-based plague, for which natural disaster the country was manifestly ill-prepared.

The President of Brazil is likewise the leader of a democratically elected political system. His behavior has also pointed towards the authoritarian use of his power, by initially denying the existence of the crisis,; and, when many persons in medical positions refused to be silenced, to downplay its magnitude, and to blame incompetence among high-level staff, firing one Health Minister, and then forcing the resignation of his successor, when they started to provide a more accurate account of the disease and the ineptitude of response, at the highest level. Brazil has now been reported to have among the highest numbers of infections in the world.

The quantification of crucial data, such as number of confirmed cases, and number of confirmed deaths, becomes a major factor, in the presentation of the reality, or partial reality, or total misrepresentation, both in the initial stages, then throughout the process of any plague. In legal terminology, partial and total misrepresentation may be innocent, borne of ignorance, i.e. incomplete data collection (given an emergency situation, this can always be presented as a plausible explanation); or, in a more sinister and Machiavellian vein, the misrepresentation may be ‘ab-used’ by political leaders to either cover up their incompetence in dealing with the crisis, or even worse, denying its existence altogether. The last script was followed initially by, among several others (e.g. the presidents of Nicaragua and Belorussia) 3 major world political figures: the Presidents of China, of Russia, and of Brazil. In each of the 2 latter cases, gradually a more realistic

quantification of those infected in their respective pools of over 100 million and over 200 million persons respectively, has been exposed, via daily global updated data collected and presented by, inter alia, Johns Hopkins University. (2020). The more closed and closely censored information system in China maintains a large question mark, both over its volume of cases and deaths. In that arguably antediluvian manner, the President may conveniently absolve himself and his administration, from closer scrutiny, either domestically or internationally.

The truth or accuracy of the “ocean” is relatively uncontentious -census figures are if not 100% exact, reasonably accurate. The world as a whole contains roughly 8 billion humans alive, as of date of writing, of which the PRC (People’s Republic of China) has the largest national population of roughly 1.4 billion, India a close second, at over 1.2 billion. Together they make up roughly one third of the world’s total population. Each could be arguably considered an ocean of potentially infected humans in need of investigation, in their own right. The model is flexible enough to provide a framework for both that approach, where the ‘pool’ is reserved for smaller portions of each population, by State, City etc.; and in addition, and as a separate exercise, for the model to be employed in aggregate at the global level, to depict the ocean as representing the global population of 8 billion in its entirety. Both have the valuable characteristic of starting on fairly ‘safe’ statistical ground, since in ambitious modelling such as that envisaged, the old adage of ‘GIGO’ (garbage data in, garbage results out) is particularly germane.

This unfortunately allows and requires us to segue into the less safe waters, of quantifying the smaller entities, which have been labelled ‘pools’, pre- and post-testing, in our model. One way of depicting this stage is to split the total pool (e.g. the Province of Ontario, within the federal Nation State of Canada), into many mini-pools (each testing center possibly representing a pool). As might not have been expected, given the state of preparedness of most urban centers in a rich country such as Canada, and with a health infrastructure considered more than adequate for most circumstances, even a mid-size city like Toronto has shown the difficulty of testing its entire population fast enough, to detect all infected persons, in order to isolate and treat those found to be infected. Toronto and its environs “account for more than three-quarters of active Covid-19 cases in Ontario, but only half the province’s population...” (CMAJ News, May 27, 2020). The Province as a whole reported 6,600 cases, but the vast majority of persons still need to be tested, and according to the Globe and Mail, (and the repeated urgings of its Premier), testing facilities are working substantially below capacity. (Globe and Mail, April 26, 2020, and CityNews, May 24, 2020). The truth of the unpreparedness of Canada as a whole, and of some provinces in particular, took time to be publicized by the political leadership. Trust in situations such as that which has unfolded over the year 2020 could reasonably be compared to what has occurred in earlier plagues, e.g. the medieval European Black Death (Britannica, 2020.)

The early lack of essential supplies, such as PPE, plus the re-agent necessary to conduct the test for virus, seems to have been compounded, if not caused by, the buying up of as many supplies as were globally available, by the one country acutely aware of the potential consequences of the disease, since it originated there. At the outset, in late December and early January, the PRC was in the unique position of being able to quantify its urgent need for medical supplies for the unfolding epidemic, as it shut down the region of 50 million, in itself a population larger than Canada’s entire population, and also the vast majority (215) of the rest of the world’s sovereign States (excluding the Roman See) (Worldometer, 2020). This provided the PRC with 2 options: 1/ to divulge the truth to the rest of the world, so that the rest of humanity could prepare itself as best it could; or to suppress the truth for as long as feasible, and thereby take advantage of its “first mover’s” strategy of monopolizing the world’s resources of essential medical supplies.

China appeared to choose the latter course. Thus, virtually all other countries were caught ‘with their pants down’ to coin a colloquial expression. A couple of months later, when due to whistleblowing, China was forced to acknowledge the outbreak of the plague there, countries such as Canada were scrambling to quantify at least approximately their shortage of vital equipment, and to seek supplies in the world market,

including from excess supplies in China, in order to set about its catch-up process. However, the time lag in disclosure to the rest of the world population, could be said to have caused a significant surge of cases at the preliminary ‘pool’ stage of screening, for the remaining non-Chinese, 85% of the world.

In terms of trust, the behavior of China, first in concealing the outbreak and punishing/’disappearing’ those doctors who exposed it, and then in cornering the bulk of the global market for PPE, would each be considered in legalistic terms to be a breach of trust. Whether or not the U.S. succeeds in its threat to “punish” China for its conduct is not germane to the thrust of our argument here. Regardless of potential financial compensation, or imposition of punitive sanctions, what China has lost in psychological terms could potentially be considered far more valuable and possibly long-lasting. It is the loss of trust of a large proportion of the world, and especially its more democratic nations. It is possible to argue that, once trust is lost, it is hard to regain. However, it is likewise possible to argue that, in the world of global ‘realpolitik’, China has little to gain by pursuing more honest and trustworthy policies. Growing manifestations of Its increasing power may well act as a more effective counterweight to any expectation by weaker nations of China’s interest in truth, honesty or magnanimity.

Kids, Truth and Trust

Since the pedagogic potential of this model has been stressed, we return to the impact of a plague such as Covid-19 on the psyche and emotional/intellectual development of children. In present circumstances are kids entitled to the truth? If they discover they have been told untruths, by those in authority, including health practitioners, teachers and government officials, how much will this affect their relationships to community and society? However, in the special case of relationship with parents and family, on whom they might have depended, for a relationship of trust heretofore, there is likely to be more at stake. In a more general sense, those in authority can be considered in many societies to have a greater responsibility to provide the truth, the greater the dependence of those under their authority. This might be a common social ethic, with regard to truth and trust.

In not just the particular case of children, but also in the case of other dependents, such as the elderly and incapacitated), one might hope that a higher bar of honesty be felt by those in authority, including medical staff and caregivers, but especially the primary caregiver,

Kids often grow up realizing that they have not been told the truth. Fairy stories abound, in most societies; ancestral ‘tall stories’, legends and myths. Eventually the kids treated to such stories discover that they are not true, or only contain some truth, (i.e. the truth has been stretched for the convenience of the story, either as entertainment, or as illustration of a moral principle such as generosity or charity, which the story-teller wants to point to, as ‘the moral’ to be learnt). A widespread story is often linked to the celebration rites of a religious festival, perhaps the most famous being Father Christmas, or Santa Claus, whose principal task is to bring gifts for children at the festive season, and with it ‘good cheer’. Although later in life the children will discover there is no such person as Father Christmas, not many people are sufficiently outraged at this lie, perpetrated on successive generations of children, to make it illegal or a criminal offence. Many might argue that children benefit from distinguishing ‘fairy stories’ from real life, and hence this is part of their cognitive and moral development (Kohlberg, 1958). One could thus posit an end point in our spectrum of truths and untruths as harmless, or possibly even ‘benevolent’ and perhaps ‘beneficial’. If a diseased person has an infinitesimal chance of recovery, what is the correct response of those in charge of his medical condition? What if the person is a child?

In the case of plagues, it may be difficult to conceal from children beyond an early threshold of understanding, that something is not right, that their world and that of their family and the rest of the community with which they are familiar, has changed. They are expected to follow new rules restricting behavior, movement and contact with others. Explanations may be more or less forthcoming, honest, or

clear. We come to the thorny issue skirted above: what is ‘good’ for the child to know? How much of the truth will help a child understand, be prepared for his/her reality, optimize his/her chances of survival, and that of her/his family and others held dear? We might use the umbrella expression ‘shades of truth’, like an artist’s color palette, to depict the moral and intellectual spectrum presented.

In one sense, the answer is simple: the truth is “we don’t know”. This is not just true for our parents, caregivers or teachers, if we are still young children. It is equally true, but in a potentially far more comprehensive way, for people with greater knowledge, responsibility and authority, e.g. scientists, medical officers, politicians, heads of State, and the like. The major potential difference between the (unrealistically labelled) blissful ignorance of the young child, and the ‘knowledgeable’ caregiver or other authority figure, is that the latter is more or less aware of the dimensions of what s/he does not know -something like the ‘perimeters of knowledge’ which exist, around any particular topic or problem, such as our current multifaceted crisis, sparked by the pandemic, but clearly not restricted to it, or even to health issues sparked by the outbreak, like famine, opioid crises, loss of control of other illnesses, diseases and plagues, etc. A major area which has demanded the attention of all political leaders is the tug-of-war between the immediate exigencies of health, and the continuing, underlying demands of the economy, including ‘re-booting’ industries which have precipitously shrunk, e.g. tourism, hospitality and restaurants. Interwoven with that basic supply-side issue, is the need to re-boot employment, or if that is impossible, (appreciated since the time of Keynes (1936), and F.D. Roosevelt’s New Deal, to still find ways to keep hundreds of millions of un- or under-employed people with the continued wherewithal of survival -to feed, clothe, shelter and care for themselves and their dependents. Like a huge and elusively elastic jigsaw puzzle, some pieces start to fit together, whilst, in the way of science, both natural and social, other pieces fragment into yet more smaller parts, in need of researching and then fitting into the whole.

A major difference then, between earlier plagues in the history of humankind, and our current pandemic, is that some part of humanity, at least, is increasingly aware of what we don’t know, and is to some extent prepared, intellectually, economically, technologically, emotionally and morally, to delve into that unknown, in an attempt, never seen heretofore in the history of humankind, in order to place this plague under human control -not, as in the worst plague histories of the past, leaving it to mere providence, or the beneficence or indifference of some existent or non-existent deity.

The above has deliberately put a positive spin on the human search into truth, via scientific and medical research. The following recent report reminds us of the power of authoritarian leadership to reverse course, almost as though they were attempting to re-create the dystopia of Orwell’s ‘1984’ (opus cited): the Iranian Head of State, in mid-July, adjusted his figures for predictions of Covid-19 casualties, to 30 million, (‘or maybe 35 million’), in addition to the adjusted estimate of current casualties, from the number reported, of 270,000, to 25 million (a 100-fold increase!). The total population of Iran is approximately 81 million. President Hassan Rouhani is therefore tacitly admitting that virtually his whole ocean of population will succumb to the Plague, via the apocalyptic estimates cited above. (Time, 2020). It is hard to know how a citizenry responds to such a message, especially when just a few months before, the leadership’s message was casting in doubt the very existence of a major virus problem in Iran. We must leave to another paper all the other shades of truth-untruth, from authoritarian and democratic leaders, which for the purposes of brevity we have omitted here. Instead, we return to the more positive perspective of the potential role of the younger generation in the survival of humanity, below.

A PATH OR MULTIPLE PATHS FORWARD?

It would have been difficult to predict that the spreading of a virus, precipitous as it has been, could have precipitated such a cataclysm of social disruption, and ‘lifted the garbage lid off’ from so many inequities, within the health field, within the distribution of the basic necessities of life, like food, water and shelter, and the marginalization if not downright exclusion of huge proportions of the human population, on the

basis of color, creed, sexual orientation, mental health, and the list goes on. We have sometimes touched on some of these issues in the paper, but have not done justice to the exposures laid bare.

Having made that admission, we return to our principal focus: which is the potential role of rational, but simplified models of decision-making, to help trace progress, or otherwise, in the evolution of this (and past, and subsequent) plagues.

Research: Playing the Numbers Game of Multiple Paths

What might have seemed feasible at the outset of the current pandemic, in terms of a plain and singular path forward, now (presently just 6-7 months into its progress), seems to have morphed into a 32-lane highway, to extend the metaphor. Each lane may potentially converge and diverge multiple times, as was evident in the research revolving round President Trump's neat but erroneous cure-all plan of adopting the anti-malaria drug hydroxychloroquine, (which, has been found not just ineffective in treating the current virus, but actually toxic: the latest available update from the FDA, of July 1, 2020, on Covid-19 and this drug, provides a recent review of safety issues, and "includes reports of serious heart rhythm problems and other safety issues, including blood and lymph system disorders, kidney injuries, and liver problems and failure."), - In plain language then, while some plans may in fact work in complementary fashion, whilst others will be mutually exclusive, it is probable that the majority will need to be consigned to the garbage heap. That is the nature of research, especially when conducted, as now, under the most extreme pressure of a crisis situation. It does not need to be further undermined by duplicity from political, or business or any other leaders involved in the process.

Given humanity's constant of scarcity of resources, the most rational thinking available will be needed to make, then to implement, a strategic decision model, which will need to be re-assessed on a constant basis, with the aid of the largest computers deciphering and digesting the myriad new data which is now being communicated daily, via the inputs of hundreds of millions of smart phone transmissions. The contact-tracing already put into place by China has provided its huge population with a major head-start in its potential to contain Covid-19 spread. Its cost is loss of privacy. The concern is that, once a police state has set up real-time access to its entire population, they are all potentially captive to constant surveillance, for as long as the State determines. In this respect the present pandemic has created a new order, some might say reverberating Huxley's *Brave New World* (Huxley, 1932), which once created, humanity may be unable to reverse.

History can still be reviewed to help in humanity's putative attempts at planning. From such a review, we may come to the conclusion that plagues, whether endemic, epidemic or pandemic, are regularly redoubtable, slippery, and notoriously sneaky, despite 21st century advances in scientific research (Institut Pasteur, 2014). The vaccine nay-sayers may correctly point to the existence and recurrence to this day of the Athens Plague, Bubonic Plague (primarily now in Madagascar!), Cholera -over 500 deaths in various parts of Congo, during the past 12 months (ECDC 2020), tuberculosis -10 million cases worldwide in 2018, and some 1.5 million deaths, which figures are still double those of our current pandemic! (WHO 2020); the many variants of influenza, which despite vaccine still produce about 1 billion cases per year (about 12% of the entire global population), and an estimate of mortality ranging from 290,000 to 650,000. (Hopkinsmedicine, 2020) -to name just a few. For this reason, if for no another, it behooves a researcher not to use the singular, but, like all rational investors and gamblers, to play the game of probability, in any decision-making and strategic model, and to remain not averse to the hedging of one's bets. Unfortunately, human beings, even scientists the caliber of Einstein, in deciphering Relativity (Einstein, 1951) could not be omniscient; in today's dilemma none is able to follow every different path discovered. An enormous advantage, however, that this, our generation of humanity has, over previous generations in history, who were also plagued with similar, or worse epidemics, is that our individual memories, and intellectual capacities, especially in regard to multifaceted calculations, have become so much more collective, and

potentially communal and accessible, via the computing and connectivity revolution. ‘Hundreds of organizations’ are working on treatments (Hopkinsmedicine, 2020), and close to 200 vaccines are in various stages of trial, as of end of June (NPR, 2020.) Thus, in the political realm of human endeavor, Senor Bolsonaro, President of Brazil, responsible as he is for the lives of nearly 1/4 billion human beings, no longer needs to act as if in a one-horse race, with the horse already proven lame (hydroxychloroquine may have had the dubious honor of being President Trump’s horse, but has been proven ineffective and possibly harmful, in a number of studies -e.g. FDA, 2020, opus cited). As an individual Bolsonaro can choose to be cavalier as a chevalier, with his own life, by comparing Covid-19 as he has, to the ‘sniffles’. However, now that he has been (as of early July) actually diagnosed with the current plague, his planned path for recovery could be advantageously changed from a package of tissues, or a couple of aspirins, or even a drug already disproven, to the embracing of the most recent advances in treatment, however uncertain these admittedly are. Heads of State, as potential leaders, can still choose to be effective role models, even in crisis. In fact, their role is magnified, for better or worse, in both human and nature-based calamities, such as the current coronavirus pandemic.

Rigorous rational and uncorrupted thinking is probably much easier to understand in theory, than it is to implement in practice. Take the 2 cases of what are considered by many scientists to be the greatest potential sources of human salvation from our current plague: in the short term (3-30 months) a new and dependably efficacious treatment, or set of treatments; and in the longer term (6-60 months), a new vaccine. The parallel of gambling, specifically that of horseracing, is quite illustrative. Dozens if not hundreds of both treatment and vaccine candidates have already ‘joined the field’; some with greater promise of success than others. However, the problem is not just that of high-quality scientific research. That in itself approximates very closely to the horse race, but with infinitely greater stakes. The probability models of mathematics, created for horseracing and developed at Berkeley, might be salutary in this context (Ali, 1998)!

The human world population is now some 10,000 times greater than that of Athens, the epicenter of our earlier human plague catastrophe; (-but within the drama of the Covid-19 crisis, we as humans would be foolish to ignore completely the other both immediate and long-term global crisis of climate change, with implications to our other global stakeholders, such as trees, tree ants, insects and fish!), We humans must formulate policy/policies, be they based on collaboration, competition or consensus, driven by political ‘leaders’, scientists, the pharmaceutical industry, the supranational institutions such as the WHO and/or the UN, or the totality of human recipients, via referenda; or some concoction of all, as appears to be the chaotic case at time of writing. The policy/policies need to come to grips with making strategic decisions among a number of unpalatable policy options:

Policy, Strategy and Rational Decision-Making: Market vs Government Rationing

How many project candidates does one allow to proceed?

Who decides, and on what basis?

How is funding arranged and managed for next stages, including the manufacture and distribution of vaccine?

Who, or which organizations, will be providing funds for next stages, especially final testing, manufacture and distribution?

Who, or which organizations, public or private, national or international, will decide on pricing of the vaccine(s)?

Who, or which organizations, as above, will decide on quantity (ies) of vaccine manufactured, and the prioritizing of its distribution?

While it might seem ethically clear that the entire global human population should be equally entitled to access to the vaccine, that position shirks the awful responsibility of producing, distributing, and finally effectively and efficiently administering a vaccine, or vaccines, even assuming that the necessary tests of its or their effectiveness have been uncorrupted, scrupulously undertaken, and passed.

Without wishing to adopt the role of Jeremiah, it should be obvious that the way ahead is manifestly full of obstructions: political, economic and (the phrase which has come to the fore since the advent of the ‘Black Lives Matter’ movement), systemic, at more than just a social and cultural level. Given that it will be unfeasible to manufacture, distribute and administer all of some 8 billion vaccines simultaneously, (at least in the short-term future, for the current crisis), how will the process prioritize its final administration to each individual recipient, and on the basis of what criterion, or, more likely, set of criteria?

It is not obvious that the human community, if such a construct exists and is meaningful, will deal with the future of this pandemic any better than it has shown itself to deal with global hunger and, increasingly, thirst. While, over the course of history, richer persons have rarely lacked for food and water, poorer groups have traditionally labored (and died) under that inequity -and to the shame of humanity, not through lack of total resources, but as now, through the practicalities of distribution, and/or, more lamentably, through human indifference. The current situation, however, according to the WFP, is worse than ever before, with those at the point of starvation being exacerbated by the current pandemic, to the extent of an additional 130 million (WFP, 2020) – a figure still far exceeding the number of deaths from the pandemic itself (still below 1 million, at July 20, 2020!)

Whilst free-market economists, and those in politics, academia and business who adhere to their ideology, might argue for the whole system of manufacture, distribution and administration to be left to Adam Smith’s notional ‘invisible hand’, (Smith, 1776), it is conceivable that, were Mr. Smith able to rise from the grave, he might now shout a resounding ‘no’ to the magic of his invisible hand: Monopolies, monopsonies, hegemonies at both business and government levels, have all torn up the ‘level playing field’, on which Adam Smith’s model was predicated. New, updated thinking cries out to be heard.

It is arguable that, when it comes to health care crises such as pandemics, the usual rules should be set aside, for the welfare (or survival?) of humanity, or a large proportion thereof. The recent exposures of gigantic stock market profits by drug company insiders questions any assumptions along those lines. (New York Times, 2020). Similarly, a recent M.I.T. study, suggested that maintaining the emergency measure by airlines, of keeping middle seats vacant, “reduces risk by 79%.”, of contracting the Coronavirus. The converse is clearly equally valid. He noted that, while low, the risk of contracting Covid-19, is a far higher one, than dying through a plane crash. “Delta, JetBlu and Southwest have chosen to keep middle seats empty, while United and Spirit are filling them.” American Airlines is likewise opting for profits over safety, with the same policy. Those three airlines have chosen to take the riskier path, on behalf of their bottom line.

It must be immediately admitted that manufacture, distribution and administration of our hypothetically effective new treatment(s) and vaccine(s), by the 200-odd governments of the world, could be equally as catastrophic as leaving the process to the notional invisible hand, or ‘business as usual’. Instead of rationing via prices and markets, individual governments would need to prioritize treatment vs vaccine research, and then subsequently, production, distribution and administration. This would look quite different in countries equipped with well-functioning transport and health infrastructure, as opposed to those without. Crude GDP per capita figures could be misleading. For example, Cuba has a relatively low GDP per capita, but a high-quality health system and viable distribution and administration systems. In Haiti, one sees the worst of

both worlds: low GDP, plus a malfunctioning State apparatus, such that their 3 necessary sub-systems are individually defective, and taken together, deficient in effective co-ordination.

Those two countries have relatively minuscule populations. Clearly China has the largest. It also has the capacity as a one-party authoritarian jurisdiction, to impose policy on its population, at least in the short-term and with the acquiescence of the majority of its 1.3 billion citizens. Having shown itself capable, at least ostensibly, of controlling virus spread, by initially locking down some 50 million people within the infected area, by emergency decree, it soon considered the plague situation safe enough to cautiously open up its economy, with very high compliance in maintaining protective measures, which has been constantly and stringently controlled in real time, by means of smartphone apps and centralized technological surveillance. Most dissidents and potential whistleblowers, e.g. in the health care system, have been ‘disappeared’ -which is one way of maintaining high levels of compliance, again at least in the short to medium term. The incarceration and later death of only one doctor, who had the integrity and courage to reveal the existence of the plague, back in December, weeks before its existence had been officially recognized by the Authorities, was one of the few disappearances which leaked into the internet system, thus causing a public backlash; which promptly precipitated the reversal of policy by the Authorities. The quickly-deceased doctor was miraculously converted, in true Orwellian style, from traitor into a (no longer dangerous) public hero. 6 doctors have now been reported as Coronavirus victims from the same Wuhan Central hospital. According to a Guardian report by Alison Rourke (Guardian, June 2, 2020, “The death of their colleague Li Wenliang in February triggered a national outpouring of grief and rage against the government as he documented his final days on social media.” Orwell’s ‘1984’ (Orwell, 1949) was not only prescient: it also appears to have acted as a blueprint for not only Stalin’s so-called communist system, but also the current system in China, however dystopian that system might seem to the relatively free citizens of, again, relatively open and democratic regimes.

Are there other options? One is to adopt a ‘stoic’ approach, which is not quite the same as the fatalism inherent in the ‘Divine Plan’ approach of major religions, mentioned above. It is however likewise grounded in early writing, this time in the realm of philosophy, as distinct from religion. (Marcus Aurelius, 174 CE) We humans are advised, in the writer’s most famous book *Meditations*, to stoically accept what we cannot change, and plan our own course accordingly. This will save a lot of wasted energy, as well as stress and anxiety. It is possibly valuable advice at the personal, psychological level, and is attributed the honor of giving intellectual respectability to the notion of Stoicism (Crook, 1967, 1995), though it hardly helps to solve a universal policy crisis, except perhaps as a means to encourage personal compliance, without its concomitant of State (or communal) coercion. It is worth noting that the author of ‘*Meditations*’ was the Emperor of the world’s then greatest power, The Roman Empire, over a span of 20 years. There may be some nice parallels there with the Little Red Book of the sometime venerated China’s Chairman Mao (Mao Tse-tung, 1964).

A final thought on the future plans “Of mice and men” (Steinbeck, 1937). If, in the face of evidence from the present pandemic crisis, the current global institutions, like the WHO and the UN, have proven themselves to be not up to the job of keeping the world a minimally safe place, should we look to another institution/institutions? How would they be authorized, financed and structured? Would their mandate be restricted to Covid-19, to pandemic management, to global disaster management in general, or to global health? This wide scope could even be expanded, possibly including the health of every living organism, as opposed to being restricted to a human perspective, thus enabling it to include under its umbrella the impending but potentially precipitous tipping point of climate-induced catastrophe. And would such institution(s) work better alongside the present institutions, or replace them?

We can only conjecture. Dag Hammarskjöld is quoted in a recent article of the Economist (June 20, 2020), which deals with the record and the future of the United Nations and its associated bodies, like the WHO and the IMF. He made the following observation: ‘The UN “was not created to take mankind to heaven,

but to save humanity from hell.” Unfortunately, the institution has become arguably more sycophantic, moribund, corrupt and hence less credible and effective, than during Hammarskjöld’s tenure as its head, from 1953, until his untimely death by plane crash, in 1961. His unchallenged personal integrity also helped the UN’s credibility. This is no longer so.

Despite the Economist’s recent admonition, it is worth exploring options -either to replace or to buttress the present set-up. The first takes us back to our pedagogic model. It is followed by an even more radical (some might say fanciful) set of proposals. The two are complementary, rather than mutually exclusive.

‘Leave It to The Kids’ -The Potential Value Inherent in a Pedagogic Model of Plagues

Leave it to the kids? Making a pedagogic model such as the one proposed, or something similar, universally accessible, in terms not only of internet connectivity, but more importantly, clarity and comprehension, without undue complexity, would have the following unquantifiable advantage. It could multiply the brainpower involved, in thinking of creative solutions, a million-, if not a billion-fold.

The natural corollary to the above would be the creation of one or more apps, in which different scenarios and options and probabilities can be played with, of sizes of pools and tanks, differential rates of recovery per pool, per age cohort, (including themselves, their parents, their grandparents, etc.), according to resources available in that ocean and that pool. Not to be too macabre, apps could include some probability-based expectations of ‘spill-over’ at each stage of the model, in their particular ocean/pool and possibly even tank. This ‘hi-tech’ approach would embrace children into the search. It could conceivably convert what has been presented as the gravest crisis in the lives of the young, into something quite different: an ultra-modern version of “the ring-a-ring of roses” alluded to below (Greenaway, 1881), i.e. a game, the solution to which could be offered potentially as fun! Of course, an additional bonus would be providing an intellectually challenging game for relatively uncluttered brains -hence maybe a welcome diversion, not just from enforced isolation, but even from the violence of video games. In addition to the intrinsic motivation that might be harnessed, with a level playing field at the global level, for 3-4 billion children, we might not consider it impossible for monitoring systems to sift out the most promising models for each specific location, and potentially provide some extrinsic motivation (financial reward? One year’s free food for the family? Free education? And/or prompt and free treatment for any family member testing positive - twice, because of the high proportion of false positives!

It is noteworthy that many of the little children’s games played, and nursery rhymes sung, to the present day, have their roots in the plagues of history: “ring-a-ring of roses”, “sing a song of sixpence”, “oranges and lemons” and many others were concocted as pretty simple diversions, which acknowledged, as opposed to denying or camouflaging, the harsh reality of life, amidst earlier plagues, where little was known of their provenance, and just as little, or even less, of cures (Greenaway, 1881). Whilst present-day science can offer some hope of potentially successful treatment and cure, (of the present catastrophe, at least), we of the present generation could also be sufficiently humble to recognize some of what was socially learnt and passed on, to help assimilate into human experience the agony of plagues in previous centuries.

Institutional in Addition to Systemic Change

Much talk has been heard of the need for systemic change, since the outbreak of Covid-19, followed swiftly by the outbreak of Black Lives Matter: particularly in the US, but followed pandemic-like in Canada, Europe and elsewhere. Systemic change is doubtless necessary in specific organizations, particularly in police forces and health systems. However necessary systemic change is, it remains doubtful whether it would be sufficient: even improving the transparency of the systems, and working to change the perspectives of participants, to become more understanding of, and empathetic towards, the social circumstances (or plight) of the majority of its “clientele”, would be unlikely to swiftly and radically effect

fundamental change in any society, on the scale intended, or aspired to, according to some of the principal stakeholders. (BAR, 2020; News, Research, YorkU.ca, 2020). For one reason, the fissures revealed by the response to the pandemic are arguably deeper than those institutions, which are charged to provide cohesion to society, are proving capable of mending. The cleavage thus revealed has been increasingly recognized in the US, but perhaps less elsewhere. The commander in chief in the US could be likened, after 6 months of failure in coming to grips with the enormity of his country's existential multi-faceted calamity, to the biblical portrayal of Samson who, blinded, decides to destroy the whole edifice upon which his empire is founded. The President will succeed only in bringing down part. However, observing the slippery downward slope in power of the US world-wide, accompanied by the complementary, scissor-like ascendancy of power by China during the same short period, one can be forgiven for searching around for better ways of the world coming to grips with how to govern itself, with the interests of the whole superseding those of the parts, however the parts are systemically governed. A blueprint is offered below, as the finale to the potential "way ahead". Before that, it may be worth re-examining the implications of the two stances of the two major world powers.

Defiance and Compliance: Don Quixote and Don Presidente

Don Quixote (Miguel de Cervantes, 1605) is famous for his oft-repeated but always abortive attempts at changing the course of events, and/or the forces of Nature, by 'swinging at windmills'. Similarly, State Presidents seem to sometimes feel, or even expect, that Nature is obliged to comply with, or at least to defer to their wishes. Unfortunately for their subjects, Nature always has the last word. As our simple pedagogic model serves to remind us mortals, despite any virtual depiction of reality, we invariably and always end up buried in the earth (or are disposed of in some other way). As the old English aphorism candidly reminds us, our final legacy, our ultimate humble but democratic contribution to humanity, is to help in "kicking up daisies.". (Malaphors, 2019).

What, if anything, can this tell us of, for example, the present predicament, facing all governments, but particularly those with the largest numbers of human beings all, at time of writing, still "alive and kicking"? Should the person(s) in ultimate authority treat their populations as "subjects", and hence subject them to whatever to whatever measures of compliance deemed necessary, on the premise asserted, that this is for their own good? In times of any perceived crisis, be it war between states, civil war, revolution, riots, demonstrations or unlawful congregation; or disasters, humanly triggered, like Chernobyl, or as we have now, a plague, apparently naturally triggered, those in authority have the argument, more or less plausible, that the exigencies of the crisis override all other considerations, such as the niceties of freedoms -of expression, congregation, movement, etc. From this perspective the paramount duty of all citizens is to comply, not just for the individual but for the common good. This would be the rationale behind the measures of the PRC, in locking up some 50 million of its subjects at the outset of the current plague, which measure some liberal democrats might view as draconian, or authoritarian. It is a rationale used, with the seeming concurrence of the great majority of the citizens of the Philippines, by the democratically elected President Duterte, who appears to remain popular despite major restrictions/violations of freedoms, especially of any critical comments in the media. (Human Rights Watch, 2020).

Ironically, the quixotic stance of the US President has ignored, or wished away, or been in denial of, the manifest power of the current pandemic to dictate its own terms of combat. Some cases have spilled over directly from the enormous ocean, that is the US, straight into the bucket, or the earth; but most cases have been channeled into the large numbers of pools, where many cases have been left to founder, until tests could be provided and processed, or again, if tanks were not available, the 'cases' would expire before reaching the 'tank', for the possibility of treatment. At every stage, the bucket and the earth were ready for spill-over, from earlier stages. An increasing number of influential people have been attempting to change the public defiant stance of the President, whom they regard as arguably complicit in the soaring numbers

of positively diagnosed cases, now that testing has become more available; and worse, the highest number of deaths directly related to coronavirus, in the world.

The President's defiant stance, was not just oriented quixotically against the 'malignant' behavior of Mother Nature. As the course of events worsened, he looked for other parties to blame, including many in his own Administration and health care system. Defiance of the situation widened into defiance of the advice of his highest medical authorities, the CDC and the Director of the National Institute of Allergy and Infectious Diseases, Dr. Fauci, who has held that top post through many presidential terms, both Republican and Democratic, since 1984.

It is arguable that, just as violence can beget violence, as in gun deaths, so defiance may stimulate a like response. In that case, President Trump's defiant stance may have been complicit in encouraging the stance of defiance against the admonitions of the medical authorities, in flouting the very rules put in place to protect them, such as social distancing, washing of hands, and the most controversial and 'politicized' measure: the wearing of protective face masks in public places. This last has been attacked as violating an individual's freedom of choice. Regrettably for the well-being of 350-odd million people, its leader has still been shown in public, mask-free, until July. (As polls have started to reveal declining popularity, the incumbent has been 'hedging his bets', at last suggesting that masks may be a useful protection for people in close quarters, such as hospitals!)

Alternatives to the Defiance-Compliance Dichotomy

Clearly human responses cannot be simplified into just the duality of defiance vs compliance; in the same way that humans don't just conform to the 'fight or flight' dichotomy considered dominant in the animal kingdom. Courtiers, courtesans and, in the present generation, government bureaucrats will find it convenient in many circumstances to hide their true responses behind the mask of complaisance, which is closely connected with 'pleasantries', and trying to please. Another response could be indifference, which might be seen to emerge as a modus vivendi for large swathes of people, who ironically and cynically might articulate their feelings about the current crisis as being "sick to death" of hearing about it. Resignation is not quite the same, since the respondent may be concerned, but feels s/he has little or no control of either the crisis, or the impact that it has had, or may have, on his/herself and family/community. Whilst the whole spectrum of emotions are important to identify and understand, the compliance-defiance duality may still be convenient from not just a behavioral perspective, but also a political, for highlighting a major dichotomization of respondents, in a time of extreme crisis.

Societal Cleavage and Disruption in Times of Crisis: The Black Lives Matter Eruption, and Demands for Systemic and Institutional Change

While this topic is worthy of a paper in its own right, it does seem necessary to link the defiance discussion above with the sparking of a major social movement, Black Lives Matter, where defiance of police brutality and, indeed, authority, has erupted -not just in hot spots but throughout much of the US, and thence to Canada, the UK, EU and elsewhere. It has come to include the Indigenous communities, frequently left out of the discussion of racial and ethnic inequity and abuse. Acts of defiance have spilt over only infrequently to date, (mid-July, 2020) into major acts of violence, on the part of the demonstrators. However, Amitai Etzioni, a noted sociologist, cautioned that "Violence even by a small minority within a movement is "food for the adversary." (Etzioni, 2020). We are indebted to him for highlighting the relationship between coercion and compliance, in the early evolution of organizational theory (Etzioni, 1961).

A tentative path mapping out major changes in institutions, at a global level (perhaps quixotic, but in a positive light!)

The power of will and moral authority, of one solitary female teenager -Greta Thunberg- reminded those willing to listen, (hundreds of millions, as it turned out), of 2 of the most pressing, present-day social constructions of reality (Berger and Luckman, 1960):

1/ the dire need of humanity as a whole to treat climate change as the greatest risk to humankind; and

2/ the ability of young people to think and reason at least as well as, or perhaps more clearly than, the adults presently running our major institutions. (Thunberg, 2019)

This second aspect is the one most germane to the current topic of this paper, although both are arguably highly connected to our most recent dilemma. Bill Gates has gone on record as addressing the necessity of addressing health issues at a global level. He has suggested a huge injection of funds into the present institutions, such as the WHO, to help finance what he sees as a potentially worsening situation of famine and disease. These statements were made early on in 2020, before the scale of the calamity from the current plague had unfolded. However, the US Administration has since then stated it will withdraw its funding contribution to the WHO by \$400million, as of next year. which contribution dwarfs, and historically has always dwarfed, the contribution of all other countries, including China. According to David Maxwell, senior Fellow at the FDD (Foundation for Defense of Democracies), the total contribution of the US Government for 2019 was \$893million. By contrast, the total contributions of China were \$86million, or less than 10% that of the US. (H. McKay, Fox News, 2020). The US President's statement of withdrawal would ipso facto make a non-State entity, the private Gates' Foundation, the chief donor of the WHO, having contributed \$531million, or 12% of the total budget of the WHO, in the current 2-year cycle (Devex, 2020). This recent history of politicking by the major powers, amidst the latest global crisis, reminds us starkly of Ms. Thunberg's 2 major insights. It leads to the following potential path forward.

The Possibility Always Exists, of Sidelining the Machinations of the United Nations, and Its Organ the World Health Organization

The suggestion here is the establishment of a new global institution, or cluster of institutions, with 2 fundamental mandates: global health and fast, urgent implementation of climate change. Since it does not seem within the competence and/or the perceived self-interest of global policy makers as presently configured, the question becomes, what other resources can be tapped? One answer would appear to be 3-fold:

1/ establishment of a new agency, or 2 twin agencies, with those 2 fundamental mandates; and

2/ provision of financing which is autonomous from the United Nations -a smallish 3-tiered tax, of perhaps 0.25% of GDP annually from low-income countries, 1% of GDP from medium income countries, and 2% from the richest echelon; all to be sent directly to the agency/ies; and

3/ creation of a one- or two- tier structure of elected representatives, of young persons only, in addition to professional non-elected expert staff; the purpose of those elected officials being to establish policy and broad strategies, for the new agency/ies.

How young should the representatives be? One returns to the role-model of Ms. Thunberg: if a single assembly were considered not too unwieldy, the age range for representatives might be 13-23. If a 2-tier governing body were considered more organizationally effective, then in the same way that many national governments are modelled, the "lower house" might be made up mostly of a younger cohort, maybe of 12-16 year-olds, while the "upper house" might comprise mostly the 17-23 cohort. Some degree of overlap might help mutual understanding, respect and trust. One would anticipate that the large majority of the

funds would go to financing the projects related to the 2 fundamental missions mentioned above. Some projects would clearly straddle both missions, especially those dealing with optimal food production. It is doubtful that any nation state would show great willingness to cede authority to such institutions, in the same way that they do not accede readily to the requests and urgings of the United Nations and its various organs. Be that as it may. An overarching supranational institution, composed of young elected representatives from across the world, may well provide more moral authority, in addition to sound aggregative reasoning, from a global perspective, than the sectarian approaches of individual nation states. At this divisive stage of world history, one could posit that we have little to lose, and potentially the future of humanity to gain.

CONCLUDING COMMENTS

We return to considering the pedagogic value of this model (or any model similar, and in time more sophisticated than this). What might be its value? Hopefully it might reduce the fear of the unknown, in the minds of all, but particularly those with least bodies of knowledge, with which to arm themselves, i.e. our children. In terms of both intergenerational equity (Lehrer, 2020) and the Sustainability of Planet Earth, (Lehrer, 2002), this would seem an eminently rational policy. However, it is also quite feasible to convert the bare bones into an interactive model, where input figures can be estimated and consequences of outputs computed; e.g. speed of spread per pool, as opposed to effective speed in aggregate. In this way, the model could be presented as a game, and our first generation of “Covid-kids” may spawn substantial awareness of the hitherto somewhat obscure and esoteric discipline of epidemiology, whose origins are generally attributed to John Snow, in his tracing of cholera in London via a ‘spot map’ (Snow, 1854).

At a more technical level, a model such as this can be adopted by professional/academic scientists, including epidemiologists, who could adapt it to their own needs. Each of the categories of ‘ocean’, ‘pool’, ‘tank’ and ‘bucket’ could be set up as required. The obvious advantages over the wave approach is that, given some parameters which are quite accurate, like estimates of the ‘ocean(s)’, of potential ‘infectees’, it could become fairly visible where bottlenecks and spill-overs can be expected to occur, and reasonably quantified best estimates computed; and perhaps of even greater long-term medical value, an ongoing ‘running tab’ of how large a proportion of the population in specific ‘pools’, ‘oceans’ and the world in total have been treated, with what degree of success, over how long a period of time, and how many should be presumed still at risk. Estimates can perhaps more easily be made and ‘massaged’ in light of the presumed degree of authenticity or otherwise, of any data provided by political leaders, who may either be ignorant of their jurisdiction’s reality, or pursuing their own agenda in providing data, or both. Current published figures seem to take reported figures across the range of 200 nations, with highly diverse claims to accuracy and transparency, at face value (Transparency International, 2019, Johns Hopkins University, 2020). To be fair to research centers such as Johns Hopkins, they do provide the caveat stating “confirmed cases”. In the case of Venezuela, as an example from May 28, 2020, these are reported as 1,245, with 11 deaths. The population of Venezuela is close to 30 million. Its health care system is reported as in a state of collapse (The Lancet, 2018). The reported figures would fit better in a fairy story.

Does the basis of our model have any countries whose conduct in the midst of our current pandemic might bear out the model’s utility and credibility? One does come to mind -admittedly in a rather lonely minority position for the moment. -whilst the wave model appears to be the standard explicator of the plague’s progress. The exception however, Sweden, has to its credit the reputation of being one of the world’s most advanced nations, in terms of its social as well as economic and political development. It has not embraced a government-imposed lockdown and the plethora of regulated isolation measures of the vast majority of nations and jurisdictions. Its rationale is not explicitly recognizing the virtue of our model; instead it talks of respect for the good sense of its people, and suggests that they take necessary precautions to safeguard themselves and their loved ones. The result however is, in this “first wave”, a far larger incidence per capita,

of confirmed plague cases, and fatalities, than that of its neighboring countries making up Scandinavia - Denmark and Norway, who have adopted the more orthodox approach.

How does Sweden's unorthodox approach implicitly recognize the value of our model? The implicit recognition lies in the expectation that, not only will there almost certainly be a second and maybe a third and fourth wave; but that the plague will potentially continue, until the ocean or pool has been totally drained, in which case the other countries are living in a "fools' paradise", by subscribing to the inherently myopic model of recorded waves of cases and fatalities, concomitant lockdowns and economic havoc. A long-term perspective may help to promote long-term planning for a plague, whose duration no-one knows. A recent article in *Foreign Affairs* appears to agree with this argument! (*Foreign Affairs*, May 12, 2020). One further argument which would lend theoretical support to the Swedish approach comes from Sweden's decision to switch the driving side of roads, some decades ago. Instead of accidents and fatalities increasing, as doomsayers predicted, the incidence of both declined, at least for a while! This led to G. Wilde's famous and highly controversial theory of "risk homeostasis" (Wilde, 2014).

Needless to say, the models are not mutually exclusive: they can help to complement one another. Subscribers to both models would be equally expected to maintain the fervent hope that science will provide the 3 major breakthroughs for which the whole world is waiting, with baited breath: a successful long-term treatment, the so-called herd immunity phenomenon slowly bringing spread under control, and ultimately a successful long-term vaccine. Until that time, we may hope for the best, but need to become far more prepared to combat the worst.

Concluding Summary

This paper has, somewhat ambitiously, attempted to trace the history of human plagues through the course of millenia, via our sources of literature, leading us to our current pandemic. A model was proffered, intended to simplify the stages of plagues in general, and thus to act as a potential pedagogic tool, especially focused on children, but hopefully sufficiently elastic to be expanded, as needed, for use by more sophisticated individuals concerned with management of the current plague. Implications of the model were explored, and some different paths forward, for coping with both this and future calamities proffered, via not just systemic but institutional level, focusing on the role of the youngest generations.

REFERENCES

Ali, M.M. (1998) "Probability models on horse-race outcomes", *Journal of Applied Statistics*, V25(2), p. 221-229

The Plague at Athens, 430-427 BCE (2016) Horgan J., *Ancient History Encyclopedia*. Retrieved from <https://www.ancient.eu/article/939/the-plague-at-athens-430-427-bce/>

Andrews E. *8 Reasons It Wasn't Easy Being Spartan*. History, September 1, 2018.

Anon, ascribed mostly to Essenes. The 'Dead Sea Scrolls', recording most of the known Old Testament of the Bible, circa 70 C.E

Atlantic Monthly. *What the Great Plague of Athens Can Teach Us Now*. Kelaidis K. March 23, 2020. Aurelius, Marcus. *Meditations*. 174, CE

BAR Book Forum. 'Edward Onaci's "Free the Land"', July 1, 2020. Retrieved from <https://www.blackagendareport.com/bar-book-forum-edward-onacis-free-land>

Benedictow O.J. The Black Death: The Greatest Catastrophe Ever. *History Today*. Vol 55, Issue 3. March, 2005, p. 42-49

Berger, P. and Luckman, T. *The Social Construction of Reality*. Random House, 1966.

Britannica. *Black Death. Pandemic*. Medieval Europe. 2020

Caesar, J. 'Bellum Gallico'. Written and Published (in Latin), by Julius Caesar. 58-49, BCE.

CDC -Center for Disease Control. 1918 Pandemic (H1N1 virus) Influenza (Flu), 2020

CIDRAP (Center for Infectious Disease Research and Policy) (May 12, 2020): "Scientists: 'Exactly zero' evidence came from a lab" Retrieved from <https://www.cidrap.umn.edu/news-perspective/2020/05/scientists-exactly-zero-evidence-covid-19-came-lab>

CityNews. "Doug Ford urges Ontarians to 'go get a test' for COVID-19". May 24, 2020.

CMAJ News. "Toronto...accounts for more than three-quarters of Ontario's cases". April 27, 2020

Cohen, J. '6 Things You May or May Not Know About the Dead Sea Scrolls.' History.com, Updated August 29, 2018

Conti, P., and Younis, A. *Coronavirus COV-19/SARS-CoV-2 affects women less than men: clinical response to viral infection* (published online ahead of print, J. Biol.Regul.Homeost. Agents, April 7, 2020

Courthouse News. 'Latin America fights losing battle against Covid-19.' Government of El Salvador. April 8, 2020.

Crook, J. A. (1995), *Law and Life of Rome, 1967; Legal Advocacy in the Roman World*, London, Duckworth Press.

CTV News. "...new reports that U.S. officials are investigating the possibility the coronavirus was secretly manufactured in a Chinese lab...". April 16, 2020.

Devex. 'Big concerns' over Gates foundation's potential to become largest...'. June 5, 2020.

Economist, *The new world disorder*. P.8, June 20, 2020.

Einstein A. *The meaning of relativity*. 5th Edition. Methuen. 1951.

Etzioni, A. *A comparative Analysis of Complex Organizations*. Free Press of Glencoe, 1961.

Etzioni, A. *Violence even by a small minority within a movement "is food for the adversary."* The National Interest, June 29, 2020.

FAO (Food and Agriculture Organization) Science Monitor. "The Locust Plague....". Cassella C. July 3, 2020.

FDA. "FDA cautions against use of hydroxychloroquine or chloroquine for COVID-19.....". July 1st Update, 2020.

Financial Times. “*The ‘Ostrich Alliance’: the leaders denying the coronavirus threat.*” April 16, 2020.

Foreign Affairs: “*Sweden’s Coronavirus Strategy Will Soon Be the World’s*”. N. Karlson, C. Stern and D. Klein, May 12, 2020.

Fortune. *Flights with empty middle seats decrease COVID risk 79%, study says...MIT Professor Arnold Bennett’s conclusion...*” July 16, 2020

Global News. *8 million N95 masks from a single distributor failed to meet federal standards.* Report by Jim Bronskill, The Canadian Press, May 8, 2020

Globe and Mail. “*Ontario’s COVID-19 testing continues to lag*”. April 26, 2020.

Globe and Mail. Walsh M. and Semeniuk I. “*Canadian seniors are suffering the most from Covid-19, with 79% of all deaths in the country now connected to long-term care and seniors’ homes.*” April 29, 2020.

Greenaway K. (1881) *Mother Goose*, Berliner & McGinnis Press

Guardian. Coronavirus outbreak. “*US military chief: ‘Weight of evidence that Covid-19 did not originate in a lab.’*”. Borger J., Washington, April 14, 2020.

Guardian. Coronavirus outbreak. Global Report: “*Wuhan doctor who worked with whistleblower dies.*” Alison Rourke and other agencies. June 2, 2020.

Hicks, J.R. The Foundations of Welfare Economics. *The Economic Journal*. Vol. 49, No. 196, pp 696-712, Dec 1939.

Hopkinsmedicine.org. ‘*Coronavirus Treatment: What’s in Development.*’ Updated July 1, 2020

Hopkinsmedicine.org. ‘*Coronavirus Disease 2019 vs. the Flu.*’ Updated July 9, 2020

Human Rights Watch. ‘*Philippines: Rappler verdict a blow to Media Freedom.*’ June 15, 2020.

Huxley, A. (1932). *Brave New World*. Chatto & Windus Press

Independent. “*Coronavirus: Experts suggest lockdown exit plan allowing restrictions to be eased for 60% of population.*” Adam Forrest, May 5, 2020.

Institut Pasteur. *Predicting Mutations that lead to Epidemics.* June 12, 2014.
Johns Hopkins University, Coronavirus Resource Center, 2020.

Johnson, P. and Mueller.J. *Updating the accounts: global mortality of the 1918-1920 “Spanish” influenza pandemic.* Bull. Hist. Med. 2002. 76 1): 105-115.

Jordan, D. et al “*The Deadliest Flu: The Complete Story of the Discovery and Reconstruction the 1918 Pandemic Virus*”. Center for Disease Control. Last reviewed December 17, 2019.

Keynes, J.M. (1936). *General Theory of Employment, Interest and Money*. Palgrave Macmillan Publishing Co.

KFF. “COVID-19 Spreads into LMICs in Middle East, Latin America, Africa, South Asia.” Kaiser Family Foundation. June 5, 2020.

Kohlberg, L. *The Development of Modes of Thinking and Choices in Years 10-16*. Ph.D. Dissertation, University of Chicago, 1958.

Lane, C. R (2014). Salmonella enterica Serovar Enteritidis, England and Wales, 1945–2011. *Emerging Infectious Diseases*, V20(7), 1097-1104

Lehrer, K. *Overt and Covert Consequences of Covid-19*. Proceedings of GCBF, San Jose, Costa Rica, June, 2020.

Lehrer, K. *Sustainability and Conflict Management. Ch. 7 in Conflict Management of Water Resources*, Eds. Chatterji, Arlosoroff and Guha, Pp. 163-178, Ashgate, 2002.

Letterstojosep.com. ‘*Im Yirtzeh Hashem*’, 2015.

Linguee Dictionary. ‘*Si Dios Quiere*’. 2020.

Macchiavelli, N. *The Art of War*, 1521

Malaphors. *Kicking up the daisies*. March 23, 2019.

Mao Tse-tung. Quotations from Chairman Mao Tse-tung (‘The Little Red Book’). Publ. The People’s Liberation Army, PRC, 1964.

Marx, K. and Engels, F. *The Communist Manifesto*. 1848.

McKay, H. ‘*Coronavirus: US gives 10 times the amount of money to WHO than China*’. Fox News, April 10, 2020

McKenna T. ‘*Tremendously dangerous: In Iran, conspiracy theories and religious bickering slow COVID-19 response*.’ CBC News investigative report, March 24, 2020.

Medical Press. *Canada ranks worst in elderly care home coronavirus deaths: study. June 25, 2020 Medrxiv.org. Segmentation and shielding of the most vulnerable members of the*” Perry R. University of Edinburgh, May 8, 2020.

Moyer, M.W. *Vaccines are pushing pathogens to evolve*. Quanta Magazine. May 10, 2018.

New York Post. An inside look at Central Park’s makeshift coronavirus hospital. E. Rosner and N. Musumeci, April 9, 2020.

New York Times. “*\$1.2 billion From U.S. to Drugmaker to Pursue Coronavirus Vaccine*”. Kirkpatrick, D., June 9, 2020.

New York Times. *Corporate Insiders Pocket \$1billion in Rush for Coronavirus Vaccine*. Reported by Gelles, D. and Drucker, J. July 25, 2020.

NPR. “*Study Raises Questions About False Negatives From Quick Covid-19 Test*.” Reported by Procop, G. Morning Edition, April 21, 2020

NPR. Short Wave. *'A covid-19 Vaccine: What you need to know'*. June 26, 2020.

Orwell, G. 1984. Secker and Warburg, 1949.

Oxford Dictionary. *'Insha'alla'*. 2019.

Qur'an. 609-632, C.E.

Reuters. *"Brazil has likely 12 times more coronavirus cases than official count."* April 13, 2020

Roos, D. *How 5 of History's Worst Pandemics Finally Ended*. History.com, March 2020.

Science. *'Researchers are tracking another pandemic, too -of coronavirus misinformation.'* Miller, G. March 24, 2020

Science Daily. *'Waning potency of pertussis vaccine a significant contributor to recent whooping cough outbreaks.* June 10, 2019

Science Magazine. *"Hong Kong universities rattled by new security law"*, July 1, 2020.

Shakespeare, W. *Romeo and Juliet*. Act 3 Scene 1. Play, 1597.

Silva M.J., Kelly, Z. (2020), *The Escalation of the Opioid Epidemic Due to COVID-19 and Resulting Lessons About Treatment Alternatives,*" *American Journal of Managed Care*, V26(7), p. 202-204

Smith A. *The Wealth of Nations*. W. Strahan and T. Cadell, London Publisher, 1776.

Snow, J. *Spot Map of Cholera Outbreak in Golden Square, identifying its source*. London, 1854, retrieved from http://www.ph.ucla.edu/epi/snow/pharos62_2_8_1999.pdf

Statista. UK: *coronavirus deaths*. Conor Stewart, July 16, 2020.

Steinbeck, J., *Of Mice and Men*. Covici Friede, 1937.

The Guardian. *"Fears Rohingya refugees face disaster after Covid-19 reaches Cox's Bazar"* R. Ratcliffe and R. Ahmed, May 15, 2020

The Lancet. *The collapse of the Venezuelan health system*. Volume 391, Issue 10128, P1331, April 7, 2018.

The New Humanitarian. *'Known unknowns: the challenge of collecting Covid-19 data in Venezuela.'* June 4, 2020.

Thucydides. *History of the Peloponnesian War, 426 BCE*, *Wikipedia*. Retrieved from <https://en.wikipedia.org/wiki/Thucydides>

Thunberg, G. *Address to the United Nations, "How Dare You?"* United Nations Climate Action Summit. Sept 23, 2019.

Tico Times. *Costa Rica coronavirus updates*, July 16, 2020.

Time. *'Iran President Says Up to 25 Million Might Have Been Infected With COVID-19'*. Vahdat A., Associated Press, July 18, 2020.

Toronto Star. *"82% of Canada's Covid-19 deaths have been in long-term care"* May 7, 2020
Transparency International. *Corruption Perception Index*, 2019.

Washington Post. *'Every day it's getting worse.': Bodies of coronavirus victims are left on the streets in Ecuador's largest city*. Armus T. April 3, 2020.

WHO. *Global Task Force on Cholera Control -Surveillance Working Group Report*. Geneva, 2017.

WHO. *Tuberculosis*. Fact Sheet. March 24, 2020.

WFP. *'WFP Chief warns of hunger pandemic as COVID19 spreads'* UNWFP, April 21,2020.

Wilde, G., *Target Risk 3 -Risk Homeostasis in Everyday Life*. Toronto. PDE Publications -Digital Edition, 2014

York University Research News *'Aparna Mishra Tarc interviewed by Black Agenda Report about her book "Literacy of the Other"'* ., July 8, 2020.

Zoomer. *Canada's Hidden Shame: The Covid-19 Report*. Alex Roslin, pp 52-58. July/August 2020.

BIOGRAPHY OF AUTHOR

Keith Akiva Lehrer earned his Honors degree in Economics from Manchester, UK, and his Masters and Ph.D. from York University, Canada, where he is currently Assistant Professor. He has published one book *'The Landlord as Scapegoat'* (Fraser Institute), a Government White Paper, for the Government of New Zealand, several chapters in other books, plus papers.

DEMOCRACY IN THE EUROPEAN UNION: THE SOCIAL IDENTITY DYNAMICS OF EUROPEANIZATION

Benedict E. DeDominicis, The Catholic University of Korea

ABSTRACT

This analysis shows how the European integration drive spurs image alteration of national self and other through applying findings from social psychology. It highlights the implications of the EU constraining national polity punishments against civil society actors violating sovereignty-based norms. The EU encourages cross-border activity strategies among the multitude of private sector, interest group and social movement actors. National actors undergo inducements to justify and defend their transnational vested interests domestically and regionally. These incentives motivate European national polity actors to transcend traditional national stereotypical images of self and other when confronting negative social self-image intra-European comparisons. This study analytically outlines how, instead of engaging in the social psychology of zero-sum social competition, European integration facilitates adopting strategies emphasizing intra-European social mobility and social creativity. Social mobility includes self-identity transformation, legitimated within a framework of being so-called European. The opportunity for pursuit of a strategy of social creativity, i.e. being different but equal in social status, is supported. EU policy making institutions functionally serve to coopt national sovereignty to legitimize social deviance. These institutions accommodate nationalist values while encouraging the perception of deviance as a form of social creativity contributing to the constitution of a European great power identity ideal.

JEL: F02, F5, F52, F53, D74

KEYWORDS: European Union, Nationalism, Social Competition, Social Creativity, Social Deviance, Social Mobility

“The great thing about living here [in Northern Ireland] is that you can be British, Irish, European all at the same time,” said Ms. Walsh, a chef. “Why are we now being forced to choose?” (Ceylan 2019, para. 26).

INTRODUCTION

The first Eurobarometer survey following the May 2019 European Parliament elections indicated the highest levels of support for national membership within the EU since 1983 at 68%. The same survey reported that 56% of EU citizen respondents stated that “their voice counts in the EU,” representing a 7% increase since March 2019. It is the highest affirmative response since the question was first asked in 2002. The European Parliament (2019a) website summarizing the findings described this “steep increase” as “even more significant for the democratic legitimacy of the EU.” The 2019 EP election turnout rate increased by 8% to 50.6% of eligible voters, i.e. the highest rate since 1994 and the first reversal in the steady decline in participation since 1979. The website highlights that “Europe’s young and first-time voters [...] drove turnout figures up: With 42% of the 16/18-24 year-old citizens voting in the European elections, their participation rate rose by 50%, compared to the youth turnout of only 28% in 2014. Similarly strong was the 34% increase in the age group of 25-39 years, rising from 35% to 47%” [*sic*] (European Parliament, 2019a, para. 1-3). This paper provides a framework for analyzing change in European attitudes particularly

evident among younger generations. Post-Cold War deepening and widening of European integration has strongly affected their formative experiences and socialization. This study thus aims to contribute to the literature on European citizenship and identity.

The paper applies findings from social psychology in the analysis of nationalism to present a framework outline for conceptualizing European integration from a social identity development perspective. Nationalism refers to patterns of individual and collective perception and behavior. These patterns derive from ingroup vs. outgroup self-identity predispositions which social actors form and reproduce, e.g. family and national identity. National self-identities are primary intensity self-identity predispositions with the ingroup focus constituting potentially vast numbers of individuals, e.g. the Chinese nation. Individuals and collectivities displaying strong national self-identity predispositions show a comparatively heightened predisposition towards stereotyping of self and other (Cottam and Cottam, 2001, 3-4).

The motivations for nationalistic behavior derive from perceived invidious comparisons of self with a politically relevant other. The channeling of those responses through legal frameworks aims to promote social identity evolution in a pan-European direction. The construction and enforcement of this legal framework paradoxically utilizes the policy capacities of prevailing European nation-state self-identification while attempting to reinforce a European identity. The EU aims to provide opportunities for individual social mobility and group self-identity evolution, i.e. social creativity, without directly threatening positive self-identification with pre-existing nation-states. It is a political dilemma confronting European integration. The European integration project is a European long-term peace strategy utilizing the power of the nation-state to create liberal economic and political incentives for strengthening a pan-European identity. British political constituencies perceiving a threat to British sovereignty from the European Union precipitated the Brexit crisis, ongoing since 2016. Brexiters tend to perceive the EU as challenging British “national sovereignty” and therefore “(democratic) accountability” (Gordon, 2016, 342).

This study critiques the European integration peace project’s functional propositions within a political psychological framework. They functionally promote de-linking the institutionalized equation of nation with state because it is a significant contextual factor promoting European inter-national conflict. The EU as a peace strategy aims operatively to transcend the national self-identity association of citizens with the legal framework of the nation-state. The tactical approach is to legitimate politically relevant social deviance that in effect progressively relegates the national sovereignty-based ethical and legal system. Social deviance is not a pejorative term (“Deviance,” 2017).

The European nation-state exists, and a European peace strategy must build upon it even as it functionally aims to transcend it. Invidious national comparisons of self and other characteristically tend to focus upon the nation-state to rectify the perceived affront through national public and foreign policy. Policy pattern behavior reflects self-identity images that emerge from social comparison. As utilized previously in DeDominicis (2018), Cottam and Cottam present a framework for conceptualizing the emotive impact and action consequences of invidious national comparisons. They outline the essential foundations of a theory of social identity political dynamics: 1) preserving a constructive self-perception is a human preoccupation; 2) an individual’s identity and self-perception gain backing from inclusion within groupings; 3) by comparing their own grouping with other groupings, individuals assess their particular groupings; 4) an affirmative judgement of an individual’s particular ingroup with other groupings substantively governs this individual’s self-image. A positive comparison provides the individual with an affirmative social self-identification with the community (2001, 90).

This paper builds upon the outline of the Cottam and Cottam (2001) social identity framework approach to nationalism. The literature review section then continues by introducing research on social deviance and group member reactions to it. It applies these findings to conceptualize the function of European integration

in legitimating social deviance, i.e. converting it into social mobility and creativity, while mitigating social competition. The data and methods section surveys a selected sample of titles and editions of EU college textbooks in terms of their critique of the so-called democratic deficit supposedly characterizing the EU. It highlights how the EU utilizes its policy making process founded on EU treaty law to institutionalize the transformation of social deviance into European social mobility and creativity.

The results and discussion section focuses on the role of the European Parliament as the only directed elected representative body in the EU. Its functions include institutionally channeling far-right national Euroscepticism into EU-level social mobility and creativity. It generates incentives to coopt this form of nationalism-based European political deviance into longer term attitudinal trends supporting European integration. The nationalist Brexit case is a high-profile case study, elements of which are critiqued using this framework. The next section includes a discussion of corporatist policy making as a political outline for responding to the worldwide conservative populist nationalist backlash. It may contribute to a political strategic response to the increasing intensity of comparative social identity polarizations arising from globalization. The conclusion addresses the role of the EU within global international relations while confronting external, populism-magnified challenges from erstwhile allies and adversaries.

LITERATURE REVIEW

Cottam and Cottam remark that if a social agent makes a communal comparison and finds the assessment of its status to be unacceptable, then the social agent commonly has three optional response strategies. Social mobility is one response: actors can at times forsake their self-identity ingroup to join the group that they perceive superlatively. In communities within which salient constituent groups are relatively penetrable, this social mobility strategy is feasible. This option produces individual rather than collective action, requiring a personal belief in the achievability of social mobility. In the US, instances are pervasive in which classes are permeable but in most cases races are not. The salience of group identity is essential regarding the likelihood of a social actor to select this strategy. The selection of this strategy is more unlikely to the extent to which persons: a) have invested emotionally into a self-identity group; b) perceive their self-identity ingroup as categorically suffering from an obvious disadvantage (2001, 92).

Another response to comparative disadvantage resulting from a negative social comparison consists of social creativity strategies. Here, actors a) select alternative dimensions for comparison. E.g., they can opt to compare group wealth instead of comparing power. Another option is to b) select another group for comparison. E.g. instead of self-comparing with residents long present in the host country, a newly arrived immigrant group member may choose to self-compare with other immigrant groups. A social creativity response may also include c) redefining the substance of the comparison from undesirable to desirable. E.g. racial minorities may reappraise positively their cultural customs heritage. The positive assessment in regard to their own group will gain enhancement for the social agent by way of each of the above three social creativity attitudes (Cottam and Cottam, 2001, 92). This collective reassessment of ingroup cultural features may occur, e.g., if those cultural features produce demonstrable material and status benefits, such as profitable trends in popular culture-based products. “Beginning in the early 1990s, hip-hop and rap music and culture, advanced by young black males, became a popular entertainment genre with multiracial appeal” (Branchik and Davis, 2018, 463).

Lastly, Cottam and Cottam highlight another response to negative social comparison to address this shortcoming consists of social competition. A prevailing perception emerges within the group actor, ethnic, racial or otherwise, that prevailing patterns of intergroup social relations are fundamentally zero-sum. This view can cause an attack on the status quo political context. Severe political conflict can emerge from social competition, e.g. insurgent and secessionist movements. The public’s assessments of the essential character of social relations among societal component groups will critically shape the selection of strategies. Actors endeavor to achieve or preserve positive social self-identity through these strategies. Especially significant

is the prevailing perception of stability and legitimacy, i.e. the degree of immutability, of the consequences that intergroup comparison is seen as generating (2001, 92-93).

Cottam and Cottam note that in terms of evoking social competition, negative intergroup comparisons are insufficient. Recognizing feasible changes to the prevailing intergroup relational connection should be achievable by ingroup adherents. Elements contributing towards the recognition of options involve 1) the perception of the injustice and illegitimacy of the differences in status; 2) a prevailing view of the status system being unstable. Both conditions are essential, and if they emerge, then the assessments turn insecure and unstable in terms of their tolerance. From the awareness of alternatives, an increase in mutual ethnocentrism intensifies concurrently with the increase in the salience of group membership and the enhancement of group self-image. The impact of political trends and events can destabilize the status quo, undermining the prevailing view that a relationship is just and legitimate. In sum, the shared identity of individuals in a salient group becomes essentially stronger and more distinct. This intensification also emerges due to the social creativity and social competition strategies themselves in response to an unacceptable comparison (Ibid.).

Social Status, Deviance and Nationalism

Status comparison is “context dependent” (Alexandre, Waldzus and Wenzel, 2016, 476). Alexandre et al. state that “[o]verall, our findings suggest that it may be beneficial to encourage groups involved in undesired but pervasive intergroup inequalities to consider the normative-comparative context to be complex and multifaceted” (Ibid., 478) “...[T]his [perceptual ingroup member vs. outgroup member] dynamic is context dependent, as a complex representation of the inclusive category [e.g. being European] also reduced the reversed RIP [relative ingroup prototypicality] differences between a higher status and a lower status group for a negatively valued inclusive category” (Ibid., 476). In sum, a complex superordinate inclusive ingroup category can assist in reducing predisposition to stereotype members of lower relative status as well as higher status groups. European superordinate identity promotion via EU integration can mitigate intragroup so-called relative ingroup prototypicality in negative and positive perceptual predispositions towards subgroups. It can thereby reduce prejudices among European national majorities and minorities.

McDermott and Miller note that moral disengagement is necessary for so-called vigilante justice. The latter focuses on punishing a transgressor engaging in social deviance for violating a deep social norm, e.g. punishing violently a person engaged in the act of child molestation. For less affective disruptions of social norms, vigilante justice is modified as well. E.g. in response to violating gender role stereotypes only civil society social sanctions are employed against the violator. Tendencies towards vigilante justice tend to be modified for those individuals who have a relatively deeper “need for cognition” making moral disengagement to permit vigilante justice more problematic. Moral disengagement to permit vigilante justice is strengthened in those who display an orientation towards legal authoritarianism (2016, 189). A function of European integration is to subsume state sovereignty as the ultimate arbiter of justice within a broader cognitive and participatory context. If the EU enforces its commitment to human rights for historically marginalized groups, then it does so within the dense, complex integration network of EU business, cultural and political relationships. Opportunities to engage in and satisfy need for cognition increase.

Traditional notions of national norms of behavior are also questioned. I.e. what the typical co-national simply assumed to be right versus wrong behavior, e.g. the right to vote is limited to national citizens, can no longer be taken for granted. E.g. EU citizens resident in another EU country may vote in elections to the European Parliament to select representatives for the EU country in which they are resident (Your Europe, 2019). Cameira and Ribeiro find evidence supporting a tendency towards perceiver self-disidentification with a valued ingroup if derogation, i.e. punishment, of an ingroup member deviant/offender is not feasible. In sum, “when deviance occurs within a valued ingroup, derogation of the deviants is the ultimate strategy

whereby members address the incident; consequently, it [derogation] cannot be replaced by *disidentification*” (2014, 245). Logically, if derogation/punishment of co-national deviant is not feasible because of EU protection, then incentives build for deemphasizing national identity ingroup self-identification.

Through integration in the European Union, prospects for social mobility and social creativity ideally should grow for individual, group and national community actors. The relative success in casting the EU as an association not being a facade for a particular European national imperial scheme is a critical precondition. Some national politically Eurosceptic parties assert that the European Union is actually in effect a screen for neoliberalism (Dostál and Hlousek, 2015, 100). The function of the German economy as the Eurozone’s keystone risks increasing the political sensitivity of this claim, reinforcing it (DeDominicis, 2018). An issue is how prevalent, relevant and intense is this perception amidst the various national communities of EU public opinion. Politically marginal actors in the Greek nation-state have perceived German policies and their alleged domestic clients in such a manner (Kitsantonis, 2017, 2019). Protests against alleged German domination of Greece were part of Greek public discourse indicating that these concerns were salient, but not sufficiently intense to cause Greece to leave the eurozone (Constantinou, 2018). The Greek authorities accommodated the so-called troika, i.e. the European Commission-European Central Bank-International Monetary Fund. Greece accepted their conditionality demands for austerity measures in return for loans to prevent a Greece sovereign debt default.

“The universalist version [of nationalism] takes the nation as a point of departure rather than a natural resting place: ‘The nation is but the starting-point of a universal mission whose ultimate goal reaches to the confines of the political world’” (Ross, 2013, p. 287, quoting Morgenthau, 1967, 323). The propagation of the perception that particular disguised national universalist intentions employing neo-colonialist tactics are driving European integration is a pitfall to avoid. The intertwining of US-led NATO and the EU plays an important, problematic role in relation to this imperative. National identity sovereignty preoccupations of self towards the other are at the core of this priority to avoid provoking nationalist resistance to perceived neo-colonial imperialism.

Russian nationalism contributes to Moscow’s suspicion regarding European Union authority regarding Ukraine in reacting to Euro-Atlantic foreign policy (Mihaylov and Sala, 2018). The EU is a confederation while the EU has at least until recently appeared in Moscow to be an international actor subservient to the will of the US (Duleba, 2016, 125). The EU responded to US president Trump’s fierce criticism of comparatively limited European NATO military spending. EU leaders emphasize developing its “strategic autonomy” through its Permanent Structured Cooperation program (Kobrinskaya (ed.) and Machavariany (ed.), 2019, 89). French President Macron has controversially called for the EU to strive towards “strategic autonomy” from the US and NATO due to the reluctance of the Trump administration to coordinate with its NATO allies (Erlanger, 2019a, para. 2). Macron has pushed to weaken trends moving towards zero-sum competition between Russia and the West. Macron supported Moscow’s re-integration into the human rights-focused Council of Europe and into the Group of 7 while refocusing on Moscow’s cooperation on Ukraine and Iran and postponing EU enlargement (Erlanger, 2019b).

McNamara recalls Charles Tilly’s dictum that in Europe “war made the state and the state made war” (McNamara, 2010, 129, quoting Tilly, 1975, 42). Nation-states have a potential power base mobilizational advantage relative to multiethnic and multinational states, i.e. non-nation-states (Cottam and Gallucci, 1978). War between nuclear powers is potentially suicidal. The European Union as a peace strategy based upon the ideal of European identity reconstruction around universalist human rights values partly reflects today’s indirect methods in great power competition. Social competition in the nuclear era has emphasized targeting polities (DeDominicis, 2019). Political appeals to targeted internal polity constituencies may be placed on a “continuum” of cosmopolitan versus nationalistic at the two poles (Helbling, 2014, 26). A task confronting the EU peace project is to contain or circumvent competitive external intervention in European

national affairs that serves to exacerbate internal intra-European social competition. E.g. US military involvement in the Ukraine civil war “inevitably” would lead to escalation of the conflict because of US-Russian competition for influence (Alexandrova-Arbatova, 2016, 39).

One leading expert, Joseph Stiglitz, openly articulated his misgivings concerning the endurance of the euro after the 2008 global financial crisis (Goodman, 2016). Berlin’s readiness to dedicate the financial reserves required to maintain sovereign debt crisis EU member states, namely Greece, inside the euro area demonstrates the criticality of the role of Germany. The eurozone’s preservation indicates the relative dormancy of nationalism within the prevailing political views among the principal governments of the predicament, namely Portugal, Spain, Ireland and Greece. I.e. the respective prevailing views within these governments does not perceive their relationship with the German polity as unjust and unstable. The degree of influence exercised by the German national community, concurrently with perceived German goals, have not produced preponderant extrapolations of a tacit yet existent German neo-colonialist scheme (Rupnik, 2016, 83). Some observers do indeed see the EU project as moving in this direction which will result in a nationalist backlash leading to a political crisis and disintegration (Coughlan, 2016).

The publicized intricacy and complexity of European Union policy-making methods purportedly promulgates the so-called democratic deficit of the EU (Kanter, 2017). This complexity shapes predominating European and individual national government prevailing views of the EU. These views consent to varying degrees of EU supervision over an EU member state’s processes of fiscal and monetary policy making. European Union political reins controlling German economic capabilities prevail sufficiently to undercut communal threat perceptions in the form of German economic power-based neo-colonialism. EU influence over the respective polity policy making processes in Greece and elsewhere enjoys a significantly higher level of tolerance than it would otherwise. Avoiding the stimulation of old-style nationalist stereotypical threat perceptions of the motivations of others requires, as its price, this same EU relative policy making process complexity. The latter’s essential nature is its authority dispersal. Avoiding the provocation of latent nationalist sentiments is a critical success of the EU integration project, and this formidable policy-making process complexity is actually a critical part of its explanation. E.g. the population of Poland suffered genocidal attacks during the Second World War. Today, western media reports do not highlight Polish fears of German neo-colonialism despite Germany being Poland’s largest source of foreign direct investment (Lankowski, 2015, 39).

The European Union’s alleged democratic deficit is a focus of debate from various definitional perspectives (Rousseau, 2014). As approached here, it stems from an alleged deficiency of policy making process transparency due to a supposed dearth of democratic answerability of European Union officeholders. The comparative issue is the source of this discernment of supposedly greater political comprehensibility and representative responsibility in nation-states. This examination emphasizes the propensity of the national public audience to associate the governmental organization at the summit of the self-governing nation-state as symbolizing the sovereign national public (Cottam and Cottam, 2001, 2). A neo-Gramscian framework analysis would highlight the evolving strategies that nation-state authorities utilize to generate obedience to their hegemony by lower socio-economic classes (Herman, 2012). The populace in such nation-states inclines to recognize the power of the ruling elite as epitomizing and exercising the sovereignty of the nation. The so-called democratic deficit of the EU will not be superseded until European nationhood emerges, i.e. a predominant self-identification with an EU demos is attained in the distant future, if at all.

Maier states, “demoi are made, not born” (2017, 35). The disintegration of the Soviet Union and socialist Yugoslavia demonstrate the limitations to which demoi may be created through brutally coercive modernization. For a European demos to emerge, the intensity of this pan-European self-identification would surpass the presently dominant individual EU national public community self-identifications. Perception of a democratic deficit within the European Union would prevail and yet be fortuitous until that distant time. Avoiding arousal of generally latent but potentially intense suspicions that the European

integration project is a pretense for the neo-colonial tactical goals of a specific nation-state or band of states is a careful necessity. The political circumstances that risk provoking such latent sentiments are unique to each member state, but the Brexit referendum demonstrated that they may not stay latent. The form and intensity of nationalist provocation depends upon the idiosyncratic historical, self-perceptual context of each national community. E.g. politically prevailing British public perceptions of British modern national sovereignty assertion are not characterized by recognition of recent catastrophic and ignominious sovereignty defeat (Edgerton, 2020). The twentieth century history of German, French and Italian national sovereignty self-assertion has not been so venerable.

Opportunities to achieve social mobility and creativity constitute the substance of individual and collective self-determination. Social competition arises from the failure to provide such. European identity reconstruction is an outcome of a functional political strategy of regional social creativity and mobility opportunity creation. It may incorporate EU component member state national defense or expansion aspirations towards challenges external to the EU. “European citizenship can be perceived as an ideal of solidarity and union of European peoples and of a more inclusive form of political and social membership in Europe” (Ivic, 2016, 6-7). Long term European identity reconstruction ultimately consists of culture creation. ““Culture” is neither a descriptive generality of what some group does nor the extrasomatic systematicity of the social milieu; culture is that which is cultivated, the stories, myths, symbols, rituals, and stylized actions and interpretations the group uses to make sense of what they are doing, what they have done, and what they should do” (Batteau, 2000, 727). Creating a European demos implies creating an internalized European culture. This culture in the long term would prevail in shared self-identity cultural community loyalty intensity among the modal EU citizenry if forced to choose among their multiple self-identities in a political conflict. Social identity dynamics involving deviance, competition, creativity and mobility constitute the processes by which this culture may or may not be created.

The reconstruction of European regional identity mandates the construction and encouragement of social creativity opportunities. I.e. the construction of Europe is a project to which all heretofore sovereign national groups autonomously choose to contribute. An authoritative element in Germany’s favor for perceived social primacy is its economic preeminence while other national groups play their role. Some social creativity compensation is available to southern European nation-states through providing EU frontier defense and leisure consumption opportunities. Eastern European EU member states bordering Russia play a similar security role. France controls continental Europe’s nuclear military force. The essence of social creativity strategy requires the perception of oneself and the other as different but equivalent in status within the regional European community. European identity community reinforcement means generating supportive political circumstances to permit adequately extensive opportunities for social actors to achieve social creativity and mobility to arise. Recourse to social creativity, mobility or competition strategies is “context dependent” (Wohlforth, 2008, 36). Creating the suitable circumstances associates with reconstructing this European identity which heretofore had been relatively ambiguous (Ellemers, Spears and Doosje, 2002, 164). This reconstruction occurs through the European integration political project. A functional purpose is to escape or avoid the intensification of intra-European national social competition.

Unlike a sovereign state, the EU may not claim the right ultimately to enforce its sovereignty because of its commitment to liberalism, i.e. avoiding authority dependence upon coercion as a key control device. The USSR paid verbal homages to national member community self-determination. Cottam and Cottam (2001) note that a disproportionate source of the leadership personnel for the bureaucratic control apparatus for this coercive regime was the Russian national community. Other Soviet national groups viewed Russia as comprising the de facto core cultural community of the late Soviet state. Russian self-identifiers tended to view the Soviet Communist state as exploiting Russian resources to subsidize other national groups (214-17). The EU in contrast should continue as a confederal project. This constraint exists outside of circumstances when the EU received restricted specialized authority within a specific policy field, signifying emerging functional EU sovereignty in that field (Story and Saltmarsh, 2011). This authorization

may indicate de facto European Union federal sovereignty limiting an individual member state's collectively perceived policy option range, e.g. regarding the boundaries of fiscal policy (Spiegel, 2014). In antitrust, trade policy and eurozone monetary policy, the EU member states have agreed, ultimately by liberal intergovernmental treaty law, to give EU institutions sole formal legal policy making authority (Pleșea-Crețan, 2015, 29).

The EU “shares competence,” i.e. shares formal legal policy making authority, with the EU member state governments in other policy areas, and has no competency in others (O'Halloran et al., 2018, 93, Peterson and Sbragia, 2018, 107). De facto confederalism predominates in EU relations with its member state governments regarding other policy fields (McCormick, 2015). While satisfying this prerequisite, the reconstruction of European self-identity can credibly be undertaken to encourage social creativity and mobility.

In responding to social deviance, disidentification with the ingroup is more likely to happen if the ingroup is unable to derogate the deviant, i.e. administer punishment. If the EU protects traditionally marginalized and negatively stereotyped groups, such as gender and ethnic minorities, then it undermines attitudinal predispositions towards nationalistic behavior. Derogated minorities can form lobby groups and political parties. Their identification had been national and subject to national sovereignty. The pooling of sovereignty in the EU, i.e. the de facto relegation of sovereignty, blurs the distinction between ingroup and outgroup. The deviant cannot be so-readily formally or informally punished by the nation-state majority. The reaction according to the above findings will be for the modal national citizen to experience greater social psychological incentives to marginalize the intensity of their self-identification with the nation. The perceived political arena context is no longer limited to the sovereign nation. As policy making authority shifts increasingly visibly to the EU level, ingroup derogation of deviance may increasingly become marginalized as well.

Punishing/derogating is intrinsic to nationalistic behavior and national identity reinforcement. If it cannot be applied, then the utility of nationalism declines. Reinforcing a sovereign, primary terminal self-identity community is a product of incentives upon individuals to achieve collectively social creativity and to engage in social competition and social mobility. They do so in a global context that until recently in Europe has been typically intensely conflictual. The nation is a support for the actor that seeks an ingroup in order to access resources including security. Deviance is punished because the group needs to remain cohesive to access effectively the resources for the actors within it. To be European means to shift the ingroup formation to a new ingroup within a globalizing world context. The smaller national groups benefit disproportionately from it.

Pan-EU transformative human rights-focused policies and organizations will at times face the imperative to justify their integration drive in terms of national self-determination as a human right. E.g. European integration has arguably encouraged the Catalan and Scottish devolutionary national self-determination social movements (Calzada, 2017). National self-determination may become less intense as national identity groups pool sovereignty to achieve national objectives against certain perceived challenges. E.g. threats to social democracy from neoliberal globalization may help drive EU integration. These national decisions to “pool sovereignty” would need to incorporate guarantees against perceived domination by other European national groups (Pellerin-Carlin, 2014, 82). Global sustainable development is another objective in which member states agree to cede sovereignty in particular policy areas, i.e. “pooling of sovereignty,” to pursue common goals and aims (Szarka, 2012, 32).

The paradox of exploitation of national sovereignty with the ultimate functional objective to expedite its relegation is epitomized in the EU enlargement process. State effectiveness is necessary to implement the transformative effects of EU accession across most areas of foreign and domestic policy. Latent, but still salient nationalism must be harnessed and assuaged; the Brexit trauma illustrates this political paradox. “As

a result of the growing nationalization of EU Enlargement Policy, the role of the national parliaments of the Member States has also grown. Though, it is important to notice that this is a trend that has coincided with the increased role of national parliaments in creating EU public policies in general” (Miščević and Mrak, 2017, 194). National social movements target the authorities in their focus on social justice at minimum to change policy and prevailing societal norms and values more broadly (Armstrong and Bernstein, 2008). They can aim to alter prevailing societal conceptions of normal rules and roles of different actors. European social movements seek in effect to legitimate and institutionalize certain types of social deviance by transforming it into European social creativity.

Tarrow (2011) notes that left and right social movements are creatures of the modern era and they are accompaniments to the rise of the modern state (6). Social movements as forms of sustained, contentious politics emerge to challenge the status quo to institutionalize policy change and, ultimately, perceptual and attitudinal change within society (see Figure 1 below). European integration channels participatory social action into a European regional framework. It serves ultimately to reduce the salience and intensity of collective orientation towards traditional, institutionalized nation-state sovereignty. Through this legitimation function with an orientation towards universal values such as human rights and climate protection, EU institutions convert politically relevant social deviance into social creativity. Efforts at reconstruction of European identity via European integration implies this attempt to institutionalize this dynamic legitimation function as a mechanism by which this reconstruction may occur.

This functional strategy’s relative political effectiveness, including the resistance it may help generate, are closely related issues. The success of the Brexit referendum, as well as the rise of conservative populism in Hungary and Poland and elsewhere illustrates the reactive capacity of conservative nationalism. Conservative populist nationalism in Poland and Hungary follows the cooptation by western European leaders and their post-Communist east European clients of nationalism within a liberal framework. The post-1989 slogan prevalent throughout the post-Communist nations of eastern Europe to “return to Europe” via accession to the European Union epitomizes this tactic (Pirro, 2014, 603). The frustration of these euphoric expectations and other disillusionments among certain nationalist constituencies have contributed to the rise of nationalism-driven conservative populism in Europe (Schmemmann, 2019).

After EU accession, these European political cooptation incentives apply to surging national Eurosceptic parties themselves. E.g. the Hindu nationalist prime minister of India, Narendra Modi, in October 2019 met with a group of 27 members of the European Parliament. They were permitted to visit the Muslim-majority Kashmir region of India, which Modi placed under federal government direct rule through martial law. 22 of the MEPs belonged to national “anti-immigration” ... “far-right populist parties” ... “with histories of anti-Muslim rhetoric” (Abi-Habib, 2019, para. 1 and 3). These MEPs, from Eurosceptic parties including Alternative for Germany, Poland’s Law and Justice Party and France’s National Rally, by virtue of their EU official positions acquire global authority status.

A socio-political function of the European Union is to regulate punishment of intragroup, i.e. national, deviance by legitimating it, e.g. defending gender minority human rights. The intensity of national ingroup self-identification will ideally be subsumed into broader identities, i.e. European identity:

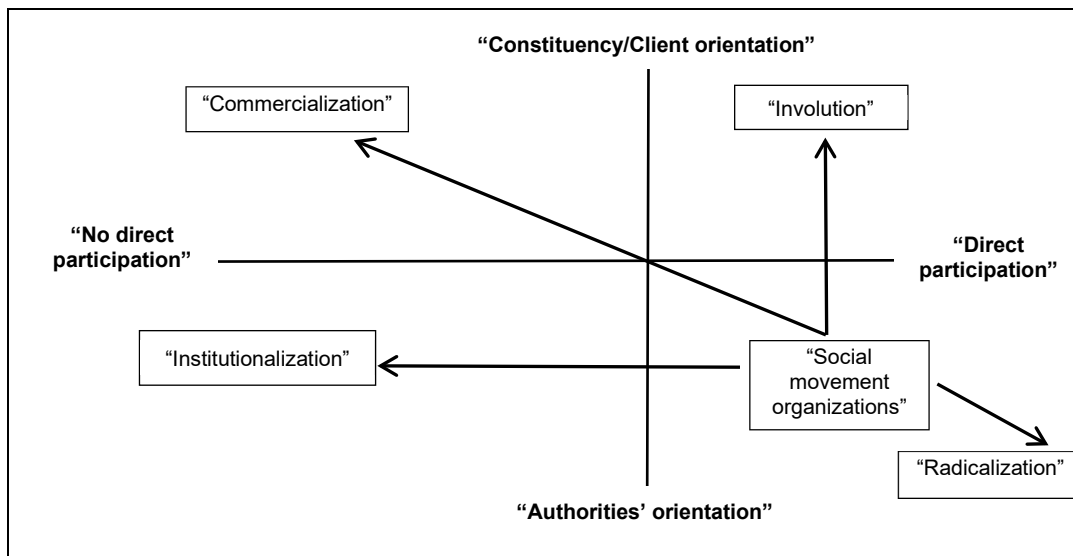
“[T]he black sheep effect consists of an apparently contradictory pattern of intergroup judgments: when targets are normative, individuals tend to evaluate in-group members better than they do out-group members, but when targets are deviant, they tend to evaluate in-group members more harshly than out-group members. That individuals derogate in-group deviants in a relatively extreme way suggests that they have an additional motive for punishing them. ..., [T]he motive is the restoration of in-group positivity (which is unnecessary when the deviant belongs to an out-group)” [sic] (Cameira and Ribeiro, 2014, 234).

Social context may make social creativity and mobility options feasible. If they are not feasible in terms of real-world positive consequences to compensate the perceiver, then the perceiver is more likely to engage to social competition while punishing perceived ingroup deviants.

In sum, Europeanization has to provide real concrete benefits minimally over the longer term if not immediately if only because of the cost to actors of challenging the status quo. Deviance becomes legitimated if a social movement succeeds in being coopted by the authorities which corresponds with new social mobility and creativity opportunities being institutionalized (see Figure 1 below). Deviance equates with challenging the authority norms upon which the authorities sit at the pinnacle of the system. Social creativity threatens the stability of the authority norms even if others view this deviance as a form of social creativity that is desirable and achievable. Norms changes are codified into law if the authorities decide that they are important for re-stabilizing the status quo. I.e. the new norm system supports strategic policy objectives within the existing system of authority norms with its hierarchical arrangements of group constituency power and influence.

In the private sector, social deviance may be acceptable via commercialization if it supports opportunities for more profit in the competitive marketplace, e.g. legalizing cannabis. A deviant social actor may relate to the superordinate context, e.g. social creativity contributes to entry into European-level social mobility. This European-level social mobility should appear potentially lucrative and beneficial to be attractive. I.e. purchasing and displaying a product enhances social status. Promoting social mobility persuades potential customers to make an unfavorable social comparison and therefore to engage in social mobility by purchasing the deviance-affirming product. E.g. a response to new social movements has been to make social creativity profitable by the marketization of rebellion into consumption products. The EU has funded alternative urban artistic movements that city authorities have incorporated into their city marketing campaigns (Ufer, 2015, 67). The artifacts of these new social movements were thereby coopted into becoming consumption vehicles for transnational social creativity and mobility. Figure 1 below summarizes the authorities' forms of impact on social movements and their leadership organizations: "commercialization," i.e. business cooptation; "involution," i.e. civil society cooptation through individual self-help integration; "institutionalization," i.e. political cooptation; and "radicalization," i.e. social competition due to coercive suppression.

Figure 1: “Trajectories of Social Movement Organizations”



Social movements evolve within their societal political context responding to the authorities' policy utilization generating positive and negative incentives. The authorities may coopt social movement symbols via commercialization converting them into vehicles for social mobility e.g. fashion trends. Cooptation focusing on involution, i.e. self-help and improvement, also converts the movement's social creativity assertion into social mobility vehicles. Cooptation of social movement leadership institutionalizes the movement as part of the establishment. Social movements that are not coopted, institutionalized or suppressed are prone to social competition, i.e. radicalization. The European Union political integration project facilitates cooptation and institutionalization of social movements to legitimate national deviance (Tarrow, 2011, 213, adapted from Kriesi, 1996).

Engaging in social creativity effectively within a societal context is one standard by which to evaluate EU political participation. Effectively means the degree to which the EU clearly becomes a reference point for assisting the actor in satisfying “human needs” (Zhang, 2013, 152). Social deviance may be conceptualized as a consequence of attempts to satisfy individual and group needs that evolve along with their societal context.

“Institutions’ effect through dictating, limiting, and enabling actions, and as such through making some actions more attractive than others, covers the direct effect. However, institutions might not only have a regulative and an interpretative effect. They may also have profound influences on the socialization and learning of regulatees and, it follows, make fundamental changes to regulatees’ basic motives. For example, historic and longitudinal studies show that changes in environmental values and norms at society level have changed not just businesses’ environmental behavior, but also the environmental values and norms of the businesses. They are profoundly more pro-environment than they were thirty years ago” [sic] (Nielsen and Parker, 2012, 450).

Actors confronting national societal penalties against deviance may gain EU assistance to engage in social mobility and creativity. European polity creation uses the European nation-state as the foundation stone for creating new institutions for achieving social creativity by transforming social deviance to facilitate its cooptation. The European Union incentivizes the “NGOization” of social movements, e.g. the LGBT movement, along with their “institutionalization” and “professionalization” within Europe (Paternotte, 2016, 398).

DATA AND METHODS

This analysis is focused on the dynamics of creating expanding notions of personal freedom and self-determination concomitantly with new identity generation through social identity dynamics. This process occurs within a regional international community characterized by nationalism and sovereignty (Cottam

and Cottam, 2001, 48-50, 53, 124-26). It requires that institutionalization of participation permit the adequate representation of the evolving motivational group values of the various EU citizenry constituencies. In addressing the so-called EU democratic deficit issue, one popular introductory edited textbook on the European Union comparatively evaluates the democratic credentials of the EU. In this edited textbook, Corbett (“Chapter 7: Democracy in the European Union”) applies the following criteria: 1) representation: do representative assemblies adopt legislation? 2) separation of powers: does the EU separate powers among the institutions of government? 3) democratic accountability: is the executive democratically accountable? 4) rights protection: does the EU guarantee fundamental rights? 5) party pluralism: do EU voters have genuine choices among competing political parties? (2018, 149).

This study critiques Corbett’s comparative analysis of the liberal democratic qualifications of the EU governance system. It applies the social and political psychological findings outlined above in the literature review section to generate this analysis. This study relies upon information available in news media of public record and on the websites of EU institutions as well as scholarly research findings for triangulation to corroborate findings.

The reasons for utilizing the evaluation criteria of Corbett (2018) for EU democracy include the propinquity of the successful Brexit referendum. The Corbett Chapter 7 text is part of a textbook with chapters by different authors currently edited by Kenealy, Peterson and Corbett. This textbook, *The European Union: How Does It Work?*, is now in its fifth edition (2018) published by Oxford University Press. This writer has used the Peterson et al. edited textbook since first assigned to teach what is today the undergraduate “EU Policy Making” course at his current institution, the Catholic University of Korea (CUK). This writer has taught this course at least once per year over ten years, utilizing initially the Peterson et al. (2008) edited third edition. The Peterson et al. edited (2018) fifth edition textbook was the most recently updated EU undergraduate textbook available for purchase for use in the Fall 2019 semester. Except for the continual editorial and content contribution of Peterson, what is today the Kenealy, Peterson and Corbett edited textbook has had different editors and chapter contributors over this time. Updated editions typically are issued approximately every 3-4 years, so this writer used another textbook published in 2017 (sixth edition) by Olsen and McCormick. This writer has also taught the CUK graduate school counterpart to this course in Fall 2012 and Fall 2013, utilizing the textbook by Nugent (2010). For the Fall 2014 graduate school course, this writer used the edited textbook by Cini and Borrigan (2013, third edition).

This writer utilized another, Zeff and Pirro edited textbook (2015) focusing on the political impact of the EU on each of the (then) 28 individual member states, *The European Union and the Member States*. It was required reading in CUK’s “European Politics and Society” undergraduate course offered annually every Spring semester since 2016. It limits its discussion of the nature of the evolving EU international organization from confederalism towards varying degrees of de facto federalism in different policy areas without an official constitution (McCormick, 2015). The Brexit referendum is discussed in the Zeff and Pirro edited textbook in regard to British internal debates over the UK’s EU membership. They resulted in an implemented campaign promise to hold an EU membership referendum by David Cameron who lead the Conservative party to victory in May 2015 British national parliamentary elections (Mather, 2015, 124-26).

Aside from passing references to Brexit in the Olsen and McCormick (2017) textbook, the Kenealy, Peterson and Corbett (2018) edited textbook explores in-depth the implications of Brexit. Chapter 10, “Brexit and the Future of the Two Unions” (Kenealy, Peterson and Corbett, 2018) includes a discussion of the potential implications for the United Kingdom. It focuses on the future status of Scotland and Northern Ireland which voted to stay in the EU in the 2016 Brexit referendum. As referenced above, Chapter 7 in the same textbook by Corbett (2018), “Democracy in the European Union,” is a substantial revision from the same titled chapter and author in the previous edition (2015). The 2018 chapter critiques the so-called democratic deficit in the European Union through a comparative focus on EU formal governance

institutions and their functioning. In the 2015 edition of chapter 7, a greater focus is on EU-level interest aggregation and representation with an emphasis on EU interest groups and lobbying in the discussion of an alleged democratic deficit. The other, older textbooks referenced above focus on lobbying and elite-driven “parliamentization” of the EU by granting more formal policy making authority to the European Parliament (Smismans, 2013, 344, Nugent, 2010).

This writer infers that Corbett in the Chapter 7 2018 edition is responding to UK Brexit debate claims. Corbett is tackling assertions that the EU institutionally is comparatively suppressive of liberal democratic political participation compared to national political systems in the developed democracies. The revisions to the other textbooks will likely begin to become outdated as soon as they are published. E.g. the Kenealy, Peterson and Corbett (2018) edited textbook edition reiterates that the UK would leave the EU in March 2019.

RESULTS AND DISCUSSION

Generally, checks and balances maintained through separation of powers to varying degrees between legislative, executive and judicial branches exist in a liberal democratic constitution. Corbett notes that constitutionalism requires that government powers be “checked” by distributing them among institutions and agencies. The aim is to ensure the propriety of each other’s actions and to keep them regulated within the limits the constitution has conferred on them (2018, 154).

Corbett argues that constitutionalism prevails when the rule of law predominates in government, and the law in the constitution must include provision for the fundamental rights of human beings. He outlines the separation of powers as the constitutional-political principle that different agencies should exercise different governmental functions: 1) executive decision making, i.e. the pursuit of policies, and their development through decision making in individual cases. It may include delegated rule-making for the purpose of implementation. Ministers are the decision makers; 2) legislative function, i.e. general law-making, belongs to a more broadly-based and representative legislature. All parts of the polity, all shades of opinion, and all classes and kinds of people can have representation; 3) adjudication function, i.e. application of existing rules in particular cases of dispute between citizens or between government and citizen. The separation of powers doctrine requires the establishment of a system of courts, with competent and conscientious judges independent of the executive and the legislature. They apply the law on the basis solely of what they consider to be its appropriate interpretation. Without courts to monitor disputes without being a contestant, legislative power is likely to collapse into the hands of the executive (Ibid.).

Institutionalizing European Social Deviance as Social Creativity through Human Rights Protection

Corbett reiterates to his college readership that democracy means not only rule by the majority but also protection of minorities and the rights of individuals. Governments and parliaments can be challenged in the courts for failure to respect fundamental rights. In the EU, judicial protection of fundamental rights occurs through European Court of Justice case law. The ECJ recognized this principle, and all EU member states had signed and ratified the European Convention on Human Rights as members of the Council of Europe. Therefore, the ECHR should be source of law for the ECJ. The 1992 Maastricht treaty entrenched this principle and the case law stemming from it in the EU treaty itself (2018, 159).

Corbett highlights that the 2009 Lisbon Treaty gave the EU its own Charter of Fundamental Rights. It aimed to make the ECHR more readily applicable to the EU, while also complementing them with other rights. By incorporating the Charter into the EU treaties, it more directly binds the EU institutions and the EU member states when applying EU law. The ECJ can strike down decisions or acts of the EU should they fail to respect the rights that the Charter contains. The 2009 Lisbon Treaty also provided for the EU itself to accede to the ECHR. Upon accession, plaintiffs will be able to appeal to the Council of Europe’s

European Court of Human Rights should they fail to obtain satisfaction from the European Union's European Court of Justice. It would be similar to how plaintiffs unhappy with the final judgment of a national court may seek to apply to the European Court of Human Rights. In sum, the EU's legal system will be accountable in the same fashion as the member states' respective legal systems, i.e. to the Council of Europe's European Court of Human Rights. The EU system and procedures appear appropriate in terms of prevailing standards of democratic accountability in relation to the formal criterion of respecting fundamental rights (2018, 160).

Ewing notes that the EU Charter of Fundamental Rights incorporates civil and political as well as economic and social rights (2015, 83). The latter include the right to collective bargaining at different levels of European governance to meet these rights obligations (Ibid., 86). Ewing (2015) argues that these collective bargaining rights are under assault as a consequence of EU leadership commitment to neo-liberal austerity to which he and other lawyers should be on alert to defend. EU accession to the ECHR has not yet occurred as of January 2020 (European Parliament, 2019b).

Corbett underlines that the European Convention on Human Rights (ECHR) is separate from the EU and the EU's Court of Justice. The 47 member states of the Council of Europe have signed and ratified the ECHR and are therefore parties to it. Any of the residents in them who feel that their rights, as expressed in the ECHR, have been violated by the state can appeal to Strasbourg's European Court of Human Rights. This court's judgments are binding on the state (2018, 148-49). The ECHR thus formally legitimates the politically relevant national social deviance that is to be tolerated which is ideally translated into European social creativity. Both the ECHR and the EU Charter of Fundamental Rights apply to protect the private life of individuals. The ECJ will have the responsibility to develop the application of the ECHR via the Charter as a legal instrument that is also available to private corporations but as a constraint on public authorities (Julicher, Henriques, Blai and Policastro, 2019, 24-25). Holzacker notes the "boomerang" effect, i.e. dissidents utilize international organizations to pressure their respective national governments to uphold and implement the human rights to which they have committed. Information and argumentation "ricochet" throughout the EU multilevel governance system. Civil society organizations (CSOs) exploit European multilevel governance to pressure their respective national governments to uphold their state's respective human rights commitments (2013, 2).

The institutional capabilities of the EU are limited and challenged in constraining the discriminatory, illiberal policies of conservative populist authoritarian regimes, e.g. in Hungary towards immigrants (Sarokin, 2019, 919-20). Variation exists across the EU member states regarding their respective national capacities to implement their international treaty human rights obligations. This capability inversely correlates with the frequency with which cases are brought, for example against state governments regarding allegations of torture, e.g. CIA activities at European "black sites" (Conant, 2016, 294-95). Behrmann and Yorke describe how the European Union uses its capacities as an actor in international relations to support the export of its conceptualization of the requirements of human rights law. EU support for CSOs seeking to limit and abolish the death penalty in states outside of Europe have had a notable impact. These CSOs built and developed their capacities concurrently with the development of EU human rights laws and institutions themselves (2013, 69-77).

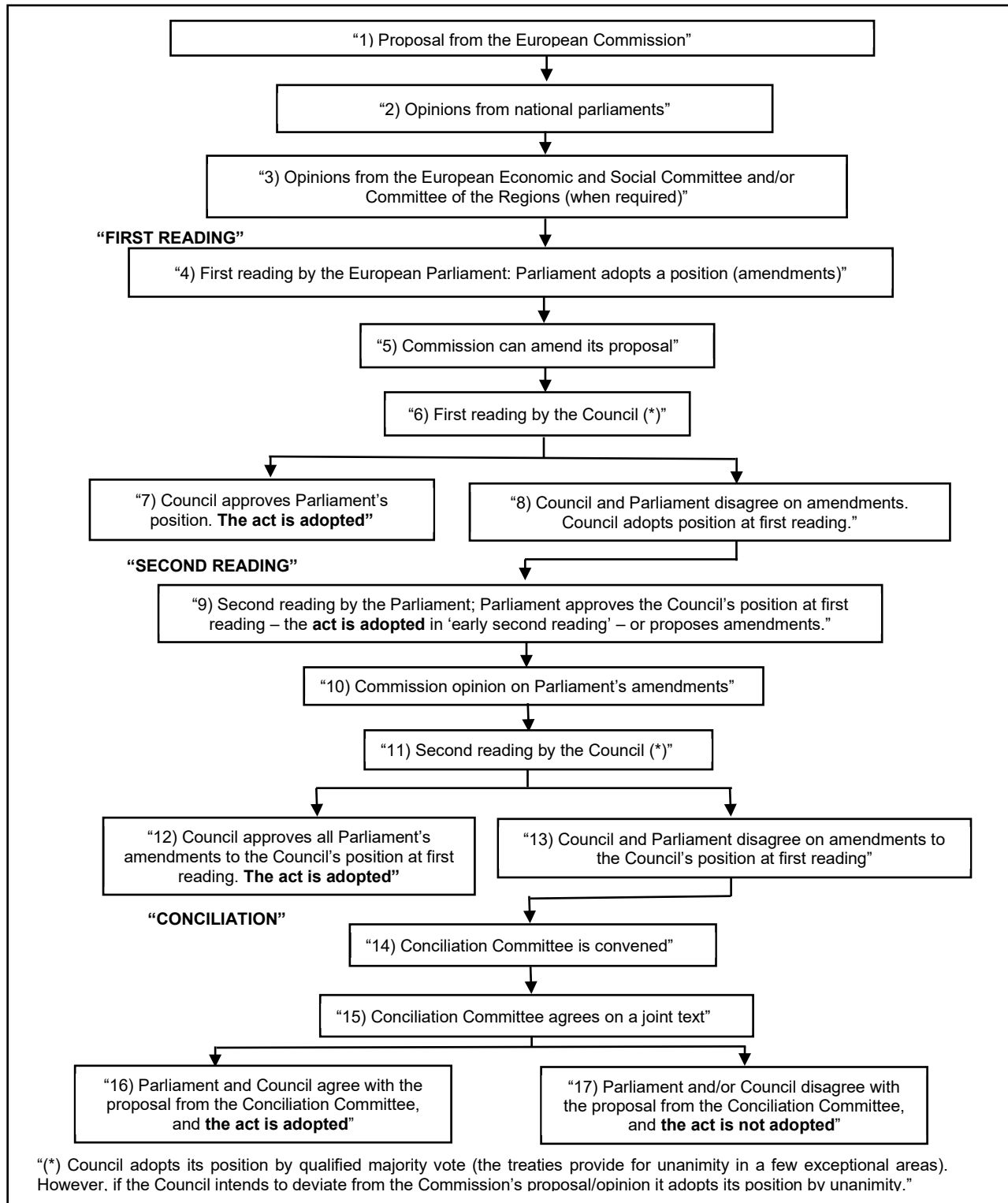
de Búrca notes that the 2016 Brexit campaign emphasized rejection of the jurisdiction of the ECJ over the UK. The EU Charter of Fundamental Rights authorized the European Union's ECJ to oversee British constitutional human rights law because the Charter's content primarily draws from the ECHR. The European Court of Human Rights had been the court of last instance to which to appeal for redress of grievances regarding alleged UK human rights violations. The expansion of ECJ jurisdiction in this sensitive area regarding British nationalism and identity added further impetus to the Brexit campaign (2018, 344-45). E.g. policing tactics in Northern Ireland had been a source of many of the cases appealed from the UK to the Strasbourg court (McEvoy, 2014).

In addressing European nation-state sovereign identity, Corbett notes that in 2014, the weighted bloc vote system of voting in the Council of Ministers in the EU ended. The new system to pass EU legislation now requires a double majority to approve legislation: 1) each state gets one vote, 2) each state gets a bloc vote, weighted by population. The effect is to combine within the Council the principles of bicameralism of each state being equal in one chamber, while citizens are equal in another chamber. The European Parliament also represents citizens, but even it is “digressively proportional” in that small state have more MEPs proportional to their population than do large states (2018, 152). I.e. qualified majority voting in the Council is used as part of the ordinary legislative procedure (see Figure 2 below). It requires that a legislative proposal pass in the Council with a vote representing 55% of the member states constituting 65% of the EU’s population. As of 2019, in the European Parliament, Malta had 6 MEPs for 493,000 people, i.e. 1 for every 82,167 Maltese, while Germany had 96, i.e. 1 for every 864,783 Germans. The bicameral legislative function of the Council of the EU and the European Parliament in the so-called ordinary legislative procedure is outlined below in Figure 2. The European Union thereby may plausibly seek legitimation by continuing to strive to recognize “two constituting powers, i.e. the EU citizens and the EU peoples” as “equal partners in all legislative functions” (Habermas, 2012, 344).

The ordinary legislative procedure (OLP), as its name implies, currently applies to most but not all EU legislation, which still must first be formally proposed by the European Commission. Necessary EU treaty reforms to build a genuinely “doubled” sovereign “to eliminate the existing legitimation deficits of the EU” are laid out by Habermas (2015, 554-55). Current limitations maintain the ultimate confederal nature of the EU. I.e. the member states still have ultimate oversight authority through the European Council, whose members are the heads of EU states and governments. In the OLP, the European Council is not formally engaged. The member states are represented by the specific policy area ministers of these governments meeting in the different configurations of the Council of the EU/council of ministers. In contrast to the Council which represents national governments, the European Parliament is the legislative body whose members the EU citizens elect directly to the EU. The Commission retains the right to sole power of legislative initiative. The European Parliament cannot formally introduce legislation to be debated, amended and rejected/approved.

A Commission refusal to respond positively to requests from the EP to propose desired legislation may be politically problematic for the Commission. Yet, the case of the Commission’s refusal to propose legislation to ban the importation of cloned animal products shows (below) that the Commission will not necessarily accommodate the EP. I.e. the EU member states do not agree to such legislation, so the Commission has declined to propose it. In sum, the EU is progressing towards but has not yet achieved the “double sovereign of European citizens and peoples” proposed by Habermas (2015, 554).

Figure 2: European Union’s Ordinary Legislative Procedure



This figure outlines the so-called ordinary legislative procedure (OLP) for passing most EU legislation, as it was so renamed in the 2009 Lisbon Treaty. Most EU legislation, i.e. that addressing the single market as well as most justice and home affairs issues, is considered by the European Union using the OLP. Prior to the Lisbon Treaty, it was labelled the consent procedure, i.e. the European Parliament’s consent was necessary. By renaming it the OLP, the European Union proclaims that the European Parliament is a co-equal body with the Council (from European Commission, 2012, 6). Existing limitations maintain the EU as an entity whose nation-state members are not ultimately subject to democratic EU sovereignty. Nationalist sentiment among the member state publics is a significant political source of these limitations that integration confronts.

Corbett notes that EU member states have representation in one chamber, the Council, while having the EU citizenry directly represented in another, the European Parliament. The political acceptability of EU legislative proposals can be tested both from the point of view of a majority of the member states and from the point of view of a majority of the population. Doing so is necessary because the EU is a consensual political system, not an adversarial one. High thresholds thus are a requirement to adopt any budget, policy or legislation, especially in the Council. As an international organization, the EU has an incomparably higher number of representative channels for political participation for both state and non-state actors (2018, 152). These additional political participation conduits expand opportunities for legitimating national social deviance. They allow for other institutional mechanisms for individual and collective group achievement and status acquisition, including for the national group. The incentive structure for national social dissenters/deviants to Europeanize their political activity depends upon the degree of EU institutionalization of the policy area into European-level policy making (Kröger, 2013, 597).

The necessity of accommodating nationalist sensitivities was evident in the halt to implementing the 2009 Lisbon Treaty's commitment to reducing the number of European Union commissioners. Currently (January 2020), each member state names a Commission member, i.e. twenty-eight members, a number viewed by the Lisbon Treaty drafters as unwieldy and to be reduced with the 2014 commission's mandate. The treaty called for a reduction in the size of the Commission to a number that is two-thirds of the number of member states. After Ireland rejected the draft Lisbon treaty in a 2008 referendum, the member states guaranteed to utilize a Lisbon Treaty mechanism to revise this commitment. I.e. the EU would keep the current system of one commissioner per member state. The Irish subsequently approved the Lisbon Treaty in a 2009 referendum (Valero, 2019).

Corbett notes that the EU is unique among international organizations also because it supports national parliaments in scrutinizing the participation of their respective governments in the EU's institutions. A national parliament may intervene directly itself, independently of its national government in certain situations. This capacity is explicitly recognized in the 2009 Lisbon Treaty. The Lisbon Treaty contains a Protocol "on the Application of the Principles of Subsidiarity and Proportionality." It introduces a procedure that allows a national parliament, after receiving notification that the EU is considering a legislative proposal, to respond within eight weeks. The national parliament may offer a detailed opinion as to whether the draft EU proposal fails to conform with the subsidiarity principle, i.e. that the proposal exceeds the authority of the EU. If roughly one-third of national parliaments send such reasoned opinions to Brussels, then the European Commission must review the draft legislation. The Commission must then justify its decision either to 1) maintain, 2) amend or 3) withdraw the proposal. This procedure is the so-called yellow card procedure, using a popular soccer analogy (2018, 152-53).

This 2009 Lisbon treaty innovation thus further expands the principle of subsidiarity beyond enforcement via the judiciary and Council to include direct participation by national legislatures (Hedemann-Robinson, 2017, 54). The EU's repeated affirmation of the subsidiarity policy making principle is in effect a recognition of nationalism as part of the dynamic European political landscape. Nationalism remains a dynamic, substantive force that requires immediate accommodation.

This national parliamentary input procedure can lessen incentives for the parliamentary opposition to utilize anti-EU appeals to nationalism domestically to oppose the government/executive. It is less likely to use the EU to demonize the government by portraying the government as collaborating with an alleged EU threat to national sovereignty. This point also highlights issues with the UK constitution that contributed to the Brexit crisis. The "asymmetric bicameralism" in the UK's "Westminster model" limits the House of Lords' formal legislative authority to temporarily delaying legislation (Dorey, 2008, 24). The centralization of lawmaking authority is in the government via control over the House of Commons. It lends itself to greater propensities to mobilize around threats to sovereignty because sovereignty has been so pointedly centered in the executive branch. The December 2019 UK national parliamentary elections delivered a large House

of Commons majority to the Conservative Party under Boris Johnson on a campaign platform to “get Brexit done” (Castle, 2020, para. 10). The two previous UK governments struggled to control the Commons on major Brexit legislation, leading to the December 2019 elections. The breakdown of the stable national two-party model including the rise of the UK regional agenda parties reflects Brexit’s “Europeanization” of British politics (Landler and Castle, 2019, para. 26).

Corbett outlines the EU’s ordinary legislative procedure for EU policy making in considering legislation which only the European Commission has the right to propose (see Figure 2 above). It requires both directly elected representatives in the European Parliament and indirectly elected representatives in the Council of the EU to approve the proposal by majority vote. The Council members are national ministers representing member state governments elected through national government elections. This type of approval in an international organization requires a level of parliamentary scrutiny that exists nowhere else outside of national governments. The European Parliament is today an active, dynamic actor. The EP initially was only a consultative chamber. In 1979, direct elections to the EP began. In 2009, the EP through EU treaty revisions that led to the Lisbon Treaty acquired formal equality via the so-called OLP in authority to the Council of the EU in terms of approving legislation. Public perceptions have lagged; many still see the EP as toothless (2018, 149). Yet, after the publication of Corbett (2018), the 2019 European Parliament elections reversed the steady decline in voter participation rates since 1979 (62%) (CVCE.eu, 2016). Voter turnout dramatically increased by 8% (to 50.7%) from the 2014 EP elections (42.6%) (European Parliament, 2019c).

These European public perceptions trail in the sense that people’s prevailing attitudes continue to focus on national communities for social mobility and social creativity. The other EU-focused options for achieving their values are not as traditionally apparent. Ironically the growth of the far-right Eurosceptic parties in the EU will increase European citizen attention to the European Parliament. Counterfactuals are difficult to prove, but arguably the Brexit referendum would not have occurred without the institutional platform that the EP gave to Brexiters like Nigel Farage. “He [Farage] has been elected to the European Parliament four times as a representative from Southeast England” (Landler, 2019a, para. 12). His most recent election to the EP was in May 2019. Farage “has failed seven times to win a seat in the British Parliament” while he announced would not run an eighth time in the December 12, 2019 elections (Castle, 2019, para. 6). The EU has legitimated their politically focused social deviance to incentivize transforming it into a form of social creativity at the European Union level.

Parliamentary authority through electoral legitimation stands in contrast to referenda in some EU member states for approving or rejecting EU treaties and EU membership, e.g. the June 2016 Brexit referendum (Corbett 2018, 150). Different confirmatory mechanisms reflect social attitudes regarding levels of trust towards the ruling authorities concerning social mobility and social creativity options and obstacles for the mass public. Public distrust derives in part from perceived threats to traditional national sovereign institutions for social mobility and creativity. Right as well as left European social movement leaderships fight to permit greater EU-level opportunities for actor social creativity (see Figure 1 above). I.e. Eurosceptics have a place and role and identity which the EU created for them even while they may even claim publicly to reject the EU. National reliance on referenda reflect distrust in the national elite. I.e. the latter may exploit the EU as the elite’s own social mobility and creativity vehicle with inadequate consideration of the perceptions, attitudes/fears and values of the general public.

Corbett continues that the EP still cannot initiate legislation, which is a comparative deficiency in terms of the democratic accountability for legislation that prevails in national member state parliaments. In national parliaments, representatives make promises to their constituents that they will propose and fight for legislation or oppose legislation for their benefit. The EP cannot table legislative proposals. Both the EP and the Council can make a public request to the Commission to put forward a legislative proposal that they want to see. If the Commission refuses, then the EP can make reality unpleasant for it. In most national

democracies, governments/executives propose the vast majority of legislative proposals that are introduced to the legislature (2018, 150). Still, if something is perceived by the EU member states as intolerable, the Commission will not table it. E.g. the EP has pushed the EU to ban all genetically modified organism (GMO) animal products, but the Commission simply will not propose such legislation (Andriukaitis, 2015, Greenpeace, 2017, 4). The EU abstains from attempted policy making in relatively highly sensitive national cultural issues because of the potentially intense nationalist backlash, e.g. legal abortion access as a human right (Peterson and Sbragia, 2018, 102). The Commission is unlikely to table policy proposals in issue areas that would risk intensely heightening conflict among the member states. Such issues evidently include GMO commercialization.

It is noteworthy that the pro-Brexit press highlights the removal of EU prohibitions on GMO commercial research as a benefit to the UK economy that could be pursued after Brexit. The EP lacks a critical facet of initiative capacity in this regard, which is reserved for the Commission: “The European Union is deliberately trying to delay deciding how to regulate this technology [gene editing]. The Americans, despite permitting two traits already [*sic*], are starting to promulgate stricter rules through the Food and Drug Administration. The Chinese are gung-ho but lack the depth of scientific expertise we have here. *Britain could be the world leader in plant gene editing. Scientifically, legally, reputationally and pragmatically, we are in a great position*” [emphasis added] [*sic*] (Ridley 2017, para. 14-15). Another commentator noted that “[a]ccording to the EU Charter of Fundamental Rights, human cloning should be illegal because ‘everyone has the right to respect for his or her physical and mental integrity’. The UK’s laws have to be in line with this – but only until Brexit. Fifteen years to the month since the death of Dolly the sheep in Edinburgh, it’s time to take this opportunity to reconsider the law” (McLachlan, 2018, para. 1-2).

A function of the EP is to channel and facilitate civil society actor strategies for satisfying social creativity and social mobility needs while regulating social competition on behalf of a European community. A sovereign authority must regulate social competition so that the ability to compete remains, i.e. one side’s power capability within society is not coercively erased after losing governing authority. Corbett points out that despite the historically low turnout in European Parliament elections at the time of writing, all of the main trends in EU public opinion gain representation. The European Parliament as a transnational representative legislative body serves to reinforce public awareness that most of the policy choices in Europe have political rather than national dividing lines. The different political sides on a particular policy issue are present in every EU member state. Members of the European Parliament (MEPs) come from national parties of both the left and the right, and even from parties that oppose the existence of the European Union. Frequently, European Parliament elections are scheduled within a member state in the midst of the term of office of the national government, before the next national elections. Consequently, national opposition parties and smaller parties often receive a larger share of the votes than they would receive in national elections (2018, 151).

National voters tend to use the EP elections to express their unhappiness with the governing national parties. The EP publicly illuminates the opportunities for European social mobility and social creativity by a constituency that may perceive itself as on the losing end in national political social competition. In the traditional sovereign national setting, final winners and losers are more likely to be perceived to exist. If the intensity of this competition is great, even potentially violent, then the European Union arena may serve to lessen the intensity of that competition if the perceived arena of it is expanded. From this perspective, comprehension of the role of the EU in contribution to peace in Northern Ireland, formalized by the 1998 Belfast/Good Friday Agreement, becomes evident.

John Hume a Northern Irish Catholic negotiator of the 1998 Agreement, (together with Protestant leader David Trimble), received the 1998 Noble Peace Prize. Hume has long been incapacitated due to health issues. Hume’s niece recently commented, “We had finally got the peace we wanted with the Good Friday Agreement that allowed us to be as Irish, as British or as European as we wanted to be and

there were no borders, north, south, east or west of the island ... John was so passionate about being in the European Union and recognised the importance of the EU as an example of successful conflict resolution” [sic] (Deeney, 2019, para. 6-7). [...] McGrattan states that “for Northern nationalists the 1998 Agreement created 'openness' and 'uncertainty' about the future as regards British state sovereignty over Northern Ireland, the impact of European regional politics and the potential to reframe Northern Irish nationalist ideology more specifically along liberal or post-nationalist lines” (2016, 70).

Corbett notes the importance of bicameralism typically involves different electoral methods applying for sending representatives to the two legislative houses (Corbett, 2018, 148). Bicameralism in the EU policy making process, i.e. the Council of the EU/Council of Ministers and the EP, relates to the importance of national identities and the necessity of legitimating policy outcomes. It ensures autonomous representative participation of these significant national, sub-European identity communities. It aims to protect social creativity for individuals whose primary intensity values include a national identity, i.e. allowing them to feel different but equal in status at a European level. If and when supranational identities assimilate the component national identities, then public policy preferences as expressed by each chamber should show a trend of increasing convergence over time.

Legitimated, i.e. representative, public participation by the citizenry includes affirmation of policy causation confirming and supporting the evolving values of individuals as collectively aggregated. These values include evolving self-identity validation. Citizens form action communities, including interest groups, for pursuing values, embracing shared collective group identity values. Prevailing public collective belief that significant public policy causation results from normative autonomy of the individual citizen as members of perceived action groups supports political legitimacy. Meanwhile, habitual normative participatory behavior may maintain these bicameral institutional forms and continue their significance. I.e. they remain as part of a polity’s “habitus” (Fox, 2017, 42). They continue as the relative intensity of national, sub-European identities declines. They remain salient, even as their intensity and frequency of crisis-period nationalist sovereignty assertion declines over time.

A PATH FORWARD

European-Style Corporatism, Public Policy and Social Deviance

The political struggle over legitimation of ruling authority is a central focus of this discussion and it is a political function that has been conceptualized in a variety of empirical and theoretical contexts (von Haldenwang, 2017). National conservative populism is typically portrayed as a response to rising mass public insecurity due to the consequences of globalization resulting from foreign and domestic government policy. Countering this upsurge of nationalism requires recognizing publicly the dignity status of groups (mis)perceiving threats from external and internal others, i.e. from perceived social deviance. “Populism is keenly attuned to the distribution not only of *resources* and *opportunities* but of *honor*, *respect*, and *recognition*, which may be seen as unjustly withheld from “ordinary” people and unjustly accorded to the unworthy and undeserving” [sic] (Brubaker, 2017, 363). This study proposes a focus on satisfying collective self-identity status needs and demands as critical for political legitimation. “People’s understanding of state legitimacy shapes the way people interact with the state, and such patterns of interaction will in turn shape people’s perception of the nature and sources of state legitimacy. ... Weber’s ideal type separates the emotional and rational aspects of human perception, but in real life people’s perception of state legitimacy is always a mixture of the two” (Yang and Zhao, 2015, 70).

The behavioral requisites for politically efficacious legitimation depend both upon the current political circumstantial context and the inherited cultural behavioral attitudinal expectations of the public. These expectations are a sociological product of generations of community political evolution. In Europe, corporatist models of formalized societal sectoral interest representation are a significant feature of national

history within the European regional context. “[...] [C]orporatism is a tripartite setting of public, social and private/business representations. Traditionally, interests are represented by peak organizations with extensive coverage, since they coordinate numerous associations. Due to the character of agents involved this is a centralized and formalized social bargaining” (Zabkiewicz, 2014, 11).

Note that corporatism is formally embedded in the EU’s ordinary legislative procedure for policy making through the consultative role of the European Economic and Social Committee (see figure 2 above). With the empowerment of the EP, questions have been raised about the value of the EESC, consisting of 353 representatives from EU labor and business, consumer, agricultural and other groups (Olsen and McCormick, 2017, 191-92). This study rather suggests that social democratic corporatist representation of national community interests characterizes the direction trend in which European confederalism is evolving, in part via EU bicameralism. Observers frequently portray hostility to growing social diversity due to immigration as a driving force behind nationalist right-wing populism but immigrant populations fill vital economic roles (Bird and Short, 2017).

Institutionalized corporatist patterns of policy making can enhance opportunities for social creativity within societies that have histories of relatively intense national class polarization and conflict, e.g. Europe. The organization of sectoral interests within a corporatist framework acknowledges the criticality of each component of the body politic. E.g. in the Austrian case,

“The Austria corporatist industrial relation system offers profound influence by employee representatives (trade unions and works councils) on working conditions in private and public companies (Traxler, 1995). [...] Equal treatment of employees is part of the consultation and co-determination rights of works councils” [sic] (Auer and Welte, 2007, 782).

In a Weberian ideal-typical model of corporatism proposed here, the state authorities acknowledge difference and equate it in status with other societal socio-economic class sodalities. The state authorities facilitate and encourage social creativity strategies for legitimation of policy process outcomes. To assume this legitimation function, the state authorities must already enjoy status primacy within the national polity in order to affirm “status, dignity and social connections” of sectoral constituencies (Duflo and Banerjee, 2019, para. 9). In a nation-state, representative state authorities have this legitimacy because the citizenry tends to equate the governing apparatus as representing the nation as a political authority community (Cottam and Cottam, 2001, 2). Greater governmental decisional latitude is thus a major behavioral tendency that distinguishes nation-states from non-nation-states, i.e. multiethnic and multinational states (Ibid., 156). The citizenry in nation-states tends to demonstrate more commitment and acceptance of sacrifices to pursue state policies construed as necessary to promote national security and international influence. It also implies a greater public intolerance towards state policies that could be construed as accepting loss of such influence (Ibid., 157-58).

The growth of conservative national populism arguably reflects in part a crisis of democratic legitimacy of nation-state authority amidst the rise of economic globalization. “Concepts of populism define it awkwardly as a form of complex collective simplification of the world in terms of causes, consequences and solutions to problems that are in some sense real but reduced or misrepresented ... Crises of legitimacy are occurring at all scales of government and governance” (Morgan, 2017, 533-34). The so-called elite view of public policy making that Danziger describes (2007, 242-45) resonates with the imperial stereotype of the authorities that Cottam and Cottam describe as a legacy of colonialism (2001, 111-14). The elite paradigm views the governing apparatus as a disguise obscuring the true authorities manipulating government officials. The ruling authorities inadvertently or intentionally propagate this view through securing plausible deniability for policy initiatives by obscuring their political patrons. They utilize nontransparent means such as dark money contributions to their political campaigns and social media disinformation operations. Imperial stereotype images are used to mobilize populations against perceived common conspiratorial

threats. Populists mobilize conservative mass public opinion utilizing in effect the globalizing capitalism imperial stereotype as they portray more or less obscured threats to national sovereignty (DeDominicis, 2019).

Corporatism can be one means by which to combat the propagation of disinformation within society, i.e. so-called fake news, by institutionalizing greater transparency in public policy making. Two observers portray recent EU austerity-driven national budget frameworks as having weakened national trade unions. These conditionality agreements did so by “maneuvering them into corporatist deals with few benefits or excluding them from policy making altogether” (della Porta and Parks, 2018, 92). They thereby undercut perceived opportunities for European democratic political participation to satisfy social mobility and creativity needs. In contrast, this study emphasizes the potential for corporatist concertation of societal interests to facilitate social mobility and creativity among constituencies perceiving a threat from globalization. It can lessen the perception of threat from global capitalism and capitalists that helps fuel conservative populist nationalism.

The 2020 US presidential election campaign now underway highlights a corporatist principle, sectoral bargaining, to strengthen US labor’s support for the Democratic Party:

“Perhaps the most ambitious proposal is an idea known as sectoral bargaining, in which workers would bargain with employers on an industrywide basis rather than employer by employer. Sectoral bargaining, which is common in Europe [emphasis added], would make it possible to increase wages and benefits for millions of workers in relatively short order, even for those who aren’t union members. It would also give employers an incentive to create better-paying jobs because doing so would no longer bestow a major cost advantage on competitors” (Scheiber, 2019, para. 5).

The ability of the EU authorities to facilitate corporatist social creativity legitimation of EU policy making process outputs is a topic for further research. A prominent framework for analyzing European Union policy making is liberal intergovernmentalism, emphasizing EU interstate but intra-European diplomatic bargaining within “multilateral contexts:”

“At the core of this theoretical construct lies the axiomatic idea that the decision-making and regulatory processes at intergovernmental level are shaped by the continuous interaction (or socialization) between political, economic and administrative elites, occurring in multilateral contexts. This phenomenon generates ‘internalized norms’ which slowly determine new decision-making paradigms in the national governments of partner countries” [sic] (Purza, 2018, 258)

The EU promotes pan-European behavioral attitudes by legitimating deviance challenging sovereignty on a European regional level while displaying in effect intra-European corporatist policy making patterns. Morgan (2017) highlights the European Commission’s advocacy of the “Common Consolidated Corporate Tax Base” to counteract multinational corporate national tax avoidance. It may be one part of a remedy to European populism. The CCCTB would institute a unitary tax across the EU, which ironically is currently politically problematic in part because of national “sovereignty arguments” resisting “tax harmonization” (548).

In describing the model of political economic development in continental Europe in the modern era, Prasad uses an implicit corporatist framework (2019). She advocates this framework in promoting the opportunities for US development within the framework of the proposed “Green New Deal” in 2019 by US Democratic party figures:

“To move from vision to reality, the Green New Deal coalition must include business groups, manufacturers, farmers and unions, and reformers need to genuinely listen to and respond to their concerns [emphasis added]. They need to focus on solving problems such as the decline in productivity and work force participation, by using the revenue from a carbon tax to create jobs in energy efficiency and renewable energy, and by using higher taxes on capital gains to fund infrastructure, education, and research and development” (2019, para. 15).

Corporatism is never used as a term here, but clearly, the corporatist concertation of societal constituencies through the mediating leadership of state authorities is implied. This corporatist approach is necessary “to make it the new reality of the American economy, rather than a temporary attempt swept away by conservative populism” (Ibid., para. 14). One commentator condemned US presidential candidate senator Elizabeth Warren’s policy platforms for their apparent heavy borrowing from European corporatist models of societal interest concertation (Rattner, 2019).

Political potential for corporatist consensus-building arguably is increasing through the rise of the judiciary in the public policy making process in developed states. From this perspective, the focus of conservative populist nationalists in Poland and Hungary targeting their respective national judiciary systems can be understood (Novak and Kingsley, 2018). The judiciary has been portrayed as a repository of values challenging sovereignty, as articulated in the *opinio juris* doctrine (Olson, 2000). The issue of sovereignty of British courts was an elite debate focus among nationalists favoring Brexit, i.e. the European Court of Justice should not have authority over United Kingdom courts. Most of the British public has been disengaged from the complexity of the policy debates surrounding this issue (Gill, 2018). The British courts had been major obstacles to Brexit efforts under pro-Brexit UK Conservative governments (Landler, 2019b).

One media report notes that the number of court cases in which the US executive branch has been a plaintiff or defendant has exponentially increased under the Trump administration. Accelerating a trend that began under the Nixon administration, new areas heretofore with no judicial precedent have become subjects of court proceedings. E.g. US federal courts are ruling on the heretofore legally dormant emoluments clause in the US Constitution. This trend reflects the increasing intensity of polarization of American society and the attendant unwillingness or inability of elected officials to be responsible for resolving societal conflicts (Baker, 2019).

CONCLUSION

The European Union received the 2012 Nobel Peace Prize for its apparent contribution to peace in Europe (Zeff and Pirro, 2015, 2). The objective of this study has been to highlight political psychological dynamics relevant to existing policy tendencies which help determine the effectiveness of the European Union as a peace strategy. This study utilized the analytical framework of Cottam and Cottam (2001) for conceptualizing nationalism in terms of social identity theory, focusing on social competition, mobility and creativity. This theoretical approach conceptualizes nationalism as a political psychological and collective behavioral phenomenon in response to invidious social comparisons of self with other. Nationalism in certain contextual circumstances drives foreign and domestic policy. The paper utilized this approach to critique the EU institutional framework to regulate social competition. It legitimates politically relevant social deviance through politically incentivizing its transformation into European social creativity and mobility. The paper utilizes evidence from the scholarly literature and news reports of record. This study concentrated on the impacts of EU institutions regarding intensification or lessening of the salience and intensity of nationalist collective behavior patterns among national communities of Europe.

Insights into national identity conflict emerge from applying findings from social psychology regarding social competition, mobility and creativity. An imperative for conflict resolution is to avoid the political

dynamic that propagates a perception of zero-sum social competition among national communities. European integration provides substantial opportunities for those with more formal education to obtain social mobility. The member states must provide the legal capacities to reconstruct European identity. By providing an extensive scope of evaluation criteria by which to obtain a positive self-image, the European Union assists national self-identifiers to engage in social creativity. E.g. Germany attains unsurpassed European economic growth. Italy stands out in providing European regional border security and luxury leisure opportunities and consumption items. Social mobility and creativity inducements are implemented.

Berlin and Paris were embarrassingly ineffective among the EU member states in opposing the hapless 2003 US-led invasion of Iraq. The EU's Common Foreign and Security Policy (CFSP) and Common Security and Defense Policy (CSDP) have continued to be subsidiary to and reliant on NATO and the US (Macleod, 2004, 380, Chappell and Petrov, 2014, 6, 19-20). Social competition leads to the eruption of widespread violence in a disintegrating multiethnic or multinational state's collapsing security environment. Creation of an autonomous EU capability to intercede using the necessary reserves to promote social security, mobility and creativity in these non-nation-states is an ongoing challenge. Brexit together with the US Trump administration's disparagement of NATO could create another watershed for the evolution of EU CSDP intervention capacities. E.g. the EU conceivably could be called on to place policing forces in Ireland amidst Brexit, possibly in partnership with NATO, while Britain will remain in NATO. The US Trump administration's verbal antagonism towards NATO and the EU make continued reliance on US leadership problematic, while US leadership may intensify intra-European conflict with Moscow.

Further investigation should focus on EU CSDP incremental neo-functional organizational spill-over regarding the development of CSDP constituent capabilities to reinforce the peace strategy of the EU (Gavrilescu, 2004, Osica, 2010, 93, Erlanger, 2017). These capacities would mobilize EU reserves for the establishment of the security bases for protecting national social deviance while promoting European social mobility and social creativity opportunities. The EU would do so for all mobilized national groups, and Europeans have a history of engaging in such behavior at the national level through corporatist public policy making attitudes. These capabilities would expand and develop concomitantly in both the European Union and the communities targeted for intervention. To rephrase, an EU peace strategy should effectively encourage European solutions thwarting national social competition among aroused national group constituencies' prevailing perceptions and behavior. Thus, the European Union may aspire to acquire the capability to become a more efficacious security actor in a multipolar nuclear world environment.

REFERENCES

Abi-Habib, M. "Lawmakers, Mostly from Europe's Far Right, Visit Kashmir," *New York Times*, October 30, p. A12.

Andriukaitis, V. (2015) "EP Plenary: Cloning" Speech (European commissioner for Health and Food Safety) September 8. Retrieved October 21, 2019 from https://ec.europa.eu/commission/commissioners/2014-2019/andriukaitis/announcements/ep-plenary-cloning_en.

Alexandre, J.D., S. Waldzus, and M. Wenzel (2016) "Complex Inclusive Categories of Positive and Negative Valence and Prototypicality Claims in Asymmetric Intergroup Relations," *British Journal of Social Psychology*, vol. 55 (3), p. 457-83. doi:10.1111/bjso.12148.

Alexandrova-Arbatova, N. (2016) "Geopolitical Challenges for the Post-Bipolar Europe," *Eastern Journal of European Studies*, vol. 7(2), p. 31-46. ProQuest Central.

Armstrong, E. A. and M. Bernstein (2008) "Culture, Power, and Institutions: A Multi-Institutional Politics Approach to Social Movements," *Sociological Theory*, vol. 26(1), p. 74-100. doi:10.1111/j.1467-9558.2008.00319.x.

Auer, M. and H. Welte (2007) "Social Positioning of Equal Opportunity Actors in Austria," *Equal Opportunities International*, vol. 26(8), p. 778-801. doi:10.1108/02610150710836136.

Baker, P. (2019) "Some Have Their Day in Court: The President Seems to Have Eons," *New York Times*, November 7, p. A19.

Batteau, A.W. (2000) "Negations and Ambiguities in the Cultures of Organization," *American Anthropologist* vol. 102(4, December), p. 726-740. doi:10.1525/aa.2000.102.4.726.

Behrmann, C. and J. Yorke (2013) "The European Union and the Abolition of the Death Penalty," *Pace International Law Review Online Companion*, vol. 4(1), p. 1-78. Academic Search Complete.

Bird, G. and J. Short (2017) "Cultural and Biological Immunization: A Biopolitical Analysis of Immigration Apparatuses," *Configurations*, vol. 25(3), p. 301-326. doi:10.1353/con.2017.0021.

Branchik, B.J. and J.F. Davis (2018) "From Servants to Spokesmen," *Journal of Historical Research in Marketing*, vol. 10(4), p. 451-477. doi:10.1108/JHRM-07-2017-0043.

Brubaker, R. (2017) "Why Populism?" *Theory and Society*, vol. 46(5), p. 357-385. doi:10.1007/s11186-017-9301-7.

Calzada, I. (2017) "Metropolitan and Post-National Urbanity Beyond (Pluri)nation(al)-States in the EU: Benchmarking Scotland, Catalonia and the Basque Country," *Journal on Ethnopolitics and Minority Issues in Europe*, vol. 16(1), p. 51-78. ProQuest Central.

Cameira, M. and T.A. Ribeiro (2014) "Reactions to Intragroup Deviance: Does Disidentification Have a Role?" *Journal of Social Psychology*, vol. 154(3), pp. 233-250. doi:10.1080/00224545.2014.888328.

Castle, S. (2019) "Brexit Party Leader Proposes Not to Impede Tories in Vote," *New York Times*, November 12, p. A4.

Castle, S. (2020) "Lawmakers in Britain Give Brexit Green Light," *New York Times*, January 10, p. A6.

Ceylan Y. (2019) "In Northern Ireland, a Feeling of Betrayal Over the Brexit Deal: 'It's Madness'" *New York Times*, October 18, p. A8.

Chappell, L. and P. Petrov (2014) "The European Union's Crisis Management Operations: Strategic Culture in Action?" *European Integration Online Papers*, vol. 18(2), p. 1-24. ProQuest Central.

Cini, M. and N. P.-S. Borrigan, eds. (2013) eds. *European Union Politics*, fourth edition, Oxford: Oxford University Press.

Conant, L. (2016) "Who Files Suit? Legal Mobilization and Torture Violations in Europe," *Law & Policy*, vol. 38(4), p. 280-303. doi:10.1111/lapo.12055.

Constantinou, M. (2018) “Resisting Europe, Setting Greece Free: Facebook Political Discussions over the Greek Referendum of the 5th July 2015,” *Lodz Papers in Pragmatics*, vol. 14(2), p. 273-307. doi:10.1515/lpp-2018-0014.

Corbett, R. (2018) “Democracy in the European Union.” In *The European Union: How Does It Work?*, p. 146-64. edited by D. Kenealy, J. Peterson and R. Corbett, Oxford: Oxford University Press.

Cottam, M.L. and R.W. Cottam (2001) *Nationalism and Politics: The Political Behavior of Nation States*, Boulder, CO: Lynne Rienner.

Cottam, R.W. and G. Gallucci (1978) *The Rehabilitation of Power in International Relations: A Working Paper*, Pittsburgh: University Center for International Studies, University of Pittsburgh.

Coughlan, A. (2016) “The Bruges Group's Handbook on 'the EU Empire': Selections Reflecting a Critical View,” *The Journal of Social, Political, and Economic Studies*, vol. 41(1), p. 3-33. ProQuest Central.

CVCE.eu (2016) “Rates of Participation in European Elections (1979-2014),” April 14. Retrieved November 3, 2019 from https://www.cvce.eu/en/obj/rates_of_participation_in_european_elections_1979_2014-en-7dc3cc1c-13f3-43a6-865f-8f17cf307ef7.html

Danziger, J.N. (2007) *Understanding the Political World: A Comparative Introduction to Political Science*. London: Pearson Longman.

de Búrca, G. (2018) “Is EU Supranational Governance a Challenge to Liberal Constitutionalism?” *University of Chicago Law Review*, vol. 85(2), p. 337-367. ProQuest Central.

DeDominicis, B. (2018) “European State-Building: National Self-Determination vs. Political Economic Stabilization in the European Union’s Common Security and Defense Policy,” *Review of Business and Finance Studies*, vol. 9(1), p. 53-76. <https://www.theibfr.com/wpfb-file/rbfs-v9n1-2018-5-pdf/>.

DeDominicis, B. (2019) “Propagating the Image with Plausible Deniability: Covert Media Political Campaigns in the Context of Postwar Postmodernity,” *Global Journal of Business Research* vol. 13(1), p. 33-69. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3408212.

Deeney, D. (2019) “My Uncle John Hume is Passionate About EU and Our Family Fears for the Peace He Helped Secure,” *Belfast Telegraph*, October 23, p. 4.

della Porta, D. and L. Parks (2018) “Social Movements, the European Crisis, and EU Political Opportunities,” *Comparative European Politics*, vol. 16(1), p. 85-102. doi:10.1057/s41295-016-0074-6.

“Deviance: Crash Course Sociology #18 (:45)” (2017) Retrieved March 10, 2019 at <https://www.youtube.com/watch?v=BGq9zW9w3Fw&t=8s>.

Dorey, P. (2008) “Stumbling through 'Stage Two': New Labour and House of Lords Reform,” *British Politics*, vol. 3(1), p. 22-44. doi:10.1057/palgrave.bp.4200077.

Dostál, V. and V. Hlousek (2015) “Narratives of European Politics in the Czech Republic: A Big Gap Between Politicians and Experts,” *Romanian Journal of Political Science*, vol. 15(2), p. 86-125. ProQuest Central.

Duflo, E. and A. Banerjee (2019) “Economic Incentives Don't Always Do What We Want Them To: Op-Ed,” *New York Times*, October 27, p. SR4.

Duleba, A. (2016) “The ‘New Normal’ in Russian Foreign Policy Thinking” In “Forum: Responses to Russia and the World: 2016 IMEMO Forecast,” *New Perspectives*, vol. 24(1), p. 103-133. ProQuest Central.

Edgerton, D. (2020) “The Welcome Fall of the U.K.: [op-ed].” *New York Times*, January 13, p. A27.

Ellemers, N., R. Spears, and B. Doosje (2002) “Self and Social Identity,” *Annual Review of Psychology*, vol 53, p. 161-86. doi:10.1146/annurev.psych.53.100901.135228.

Erlanger, S. (2017) “European Union Moves Closer to a Joint Military Force,” *New York Times*, November 14, p. A8.

Erlanger, S. (2019) “Macron Says NATO is Experiencing ‘Brain Death’ Because of Trump,” *New York Times*, November 8, p. A6.

Erlanger, S. (2019) “Macron Steps into Void And, To Some, Oversteps,” *New York Times*, November 2, p. A10.

European Commission Directorate-General for Communication (2012) “The European Union Explained – How the European Union Works,” Publications Office of the European Union: Luxembourg. Retrieved October 22, 2019 from https://eeas.europa.eu/archives/delegations/singapore/documents/more_info/eu_publications/how_the_european_union_works_en.pdf

European Parliament (2019a) “Eurobarometer: The EP and the Expectations of European Citizens: Post-Election Survey 2019 – First Results,” Retrieved January 29, 2020 from <https://www.europarl.europa.eu/at-your-service/en/be-heard/eurobarometer/post-election-survey-2019-first-results>

European Parliament (2019b) “Legislative Train Schedule: Area of Justice and Fundamental Rights: Completion of EU Accession to the ECHR,” December 15. Retrieved January 29, 2020 from <https://www.europarl.europa.eu/legislative-train/theme-area-of-justice-and-fundamental-rights/file-completion-of-eu-accession-to-the-echr>

European Parliament (2019c) “2019 European Election Results,” October 22. Retrieved January 29, 2020 from <https://www.election-results.eu/turnout/>

Ewing, K. (2015). “The Death of Social Europe,” *King’s Law Journal*, vol. 26(1), p. 76-98. doi:10.1080/09615768.2015.1035125.

Fox, J.E. (2017) “The Edges of the Nation: A Research Agenda for Uncovering the Taken-For-Granted Foundations of Everyday Nationhood,” *Nations & Nationalism*, vol. 23(1), p. 26-47. doi:10.1111/nana.12269.

Gavrilescu, S. (2004) “Parliamentary Scrutiny of European Security and Defence Policy: is there Anybody in Charge?” *Perspectives: Central European Review of International Affairs*, vol. 22(2004), p. 75-93. Academic Search Complete.

Gill, M. (2018) “The Most Boring Important Story in the World,” *New York Times*, December 16, p. SR3.

Goodman, P.S. (2016) “How a Currency Intended to Unite Europe Wound Up Dividing It,” *New York Times*, July 29, p. B3.

Gordon, M. (2016) “The UK’s Sovereignty Situation: Brexit, Bewilderment and Beyond . . . ,” *King’s Law Journal*, vol. 27(3), p. 333-343. doi:10.1080/09615768.2016.1250465.

Greenpeace (2017) “CETA and the European Opposition to Cloning” Briefing Paper 3, September, p. 1-8. Retrieved October 21, 2019 from https://trade-leaks.org/wp-content/uploads/2017/09/3-CETA_Cloning-factsheet_sept17_04w.pdf

Habermas, J. (2012) “The Crisis of the European Union in the Light of a Constitutionalization of International Law,” *European Journal of International Law*, vol. 23(2), p. 335-348. doi:10.1093/ejil/chs019.

Habermas, J. (2015) “Democracy in Europe: Why the Development of the EU into a Transnational Democracy Is Necessary and How It Is Possible,” *European Law Journal*, vol. 21(4), p. 546-57. doi:10.1111/eulj.12128.

Hedemann-Robinson, M. (2017) “Environmental Inspections and the EU: Securing an Effective Role for a Supranational Union Legal Framework,” *Transnational Environmental Law*, vol. 6(1), p. 31-58. doi:10.1017/S2047102515000291.

Helbling, M. (2014) “Framing Immigration in Western Europe,” *Journal of Ethnic & Migration Studies*, vol. 40(1), p 21-41. doi:10.1080/1369183X.2013.830888.

Herman, D. (2012) “The Missing Movement: A Polanyian Analysis of Pre-Crisis America,” *International Journal of Social Economics*, vol. 39(8), p. 624-641. doi:10.1108/03068291211238464.

Holzhacker, R. (2013) “State-Sponsored Homophobia and the Denial of the Right of Assembly in Central and Eastern Europe: The “Boomerang” and the “Ricochet” between European Organizations and Civil Society to Uphold Human Rights,” *Law & Policy*, vol. 35(1/2), p. 1-28. doi:10.1111/j.1467-9930.2012.00371.x.

Ivic, S. (2016) *European Identity and Citizenship: Between Modernity and Postmodernity*, London: Palgrave Macmillan.

Julicher, M., M. Henriques, A.A. Blai and P. Policastro (2019) “Protection of the EU Charter for Private Legal Entities and Public Authorities? The Personal Scope of Fundamental Rights within Europe Compared,” *Utrecht Law Review*, vol 15(1), p. 1-25. doi: 10.18352/ulr.490.

Kanter, J. (2017) “E.U. Leader Urges Simplifying Bloc,” *New York Times*, September 14, p. A8.

Kenealy, D., J. Peterson and R. Corbett (2018) “Brexit and the Future of Two Unions” In *The European Union: How Does It Work?*, p. 216-237. edited by D Kenealy, J. Peterson and R. Corbett. Oxford: Oxford University Press.

Kitsantonis, N. (2017) “Arrest Made in a String of Bombings in Greece,” *New York Times*, October 29, p. A12.

Kitsantonis, N. (2019) "Greek Militants Say They Bombed Media Offices to Protest 'Capitalist' Agenda." *New York Times* (online). ProQuest Central.

Kobrinskaya, I and Machavariany, G. (2019) "IMEMO Forecast -- Russia and the World," *New Perspectives*, vol. 27(2), p. 87-114. Retrieved January 29, 2020 from <https://perspectives.iir.cz/download/imemo-forecast-russia-and-the-world-2019/>

Kriesi, H. (1996) "The Organizational Structure of New Social Movements in a Political Context" In *Comparative Perspectives on Social Movements*, p. 152-84. edited by D. McAdam, J. McCarthy and M.N. Zald, New York: Cambridge University Press.

Kröger, S. (2013) "Creating a European Demos? The Representativeness of European Umbrella Organisations," *Journal of European Integration*, vol. 35(5), p. 583-600. doi:10.1080/07036337.2013.799940.

Landler, M. (2019) "Brexit Party Leader Will Run Campaign Against Johnson's Deal from the Outside," *New York Times*, November 4, p. A4.

Landler, M. (2019) "No Powdered Wigs, but a Key Role on Brexit," *New York Times*, September 19, p. A7.

Landler, M. and S. Castle (2019) "Polls Favor U.K. Leader, Not That It Means Much," *New York Times*, November 3, p. A9.

Lankowski, C. (2015) "Germany: Architect of Europe" In *The European Union and the Member States*, p. 37-56. edited by E.E. Zeff and E.B. Pirro, Boulder, CO: Lynne Reinner.

Macleod, A. (2004) "Just Defending National Interests? Understanding French Policy towards Iraq Since the End of the Gulf War," *Journal of International Relations and Development*, vol. 7(4), p. 356-387. doi:10.1057/palgrave.jird.1800032.

Maier, C.S. (2017) "Demos and Nation: Misplacing the Dilemmas of the European Union: In Memory of Stanley Hoffmann," *French Politics, Culture & Society*, vol. 35(2,Summer), p. 32-42. doi:10.3167/fpcs.2017.350204.

Mather, J. (2015) "The United Kingdom: Reacting to Crises" In *The European Union and the Member States*, p. 111-28. edited by Eleanor E. Zeff and Ellen B. Pirro, Boulder, CO: Lynne Reinner.

McCormick, J. (2015) "What is the European Union?" In *The European Union and the Member States*, p. 17-36. edited by Eleanor E. Zeff and Ellen B. Pirro, Boulder, CO: Lynne Reinner.

McDermott, C.M. and M.K. Miller (2016) "Individual Differences Impact Support for Vigilante Justice," *Journal of Aggression, Conflict and Peace Research*, vol. 8(3), p. 186-196. doi:10.1108/JACPR-09-2015-0186.

McEvoy, J. (2014) "The Role of External Actors in Incentivizing Post-Conflict Power-Sharing," *Government and Opposition*, vol. 49(1), p. 47-69. doi:10.1017/gov.2013.19.

McGrattan, C. (2016) "Ideology, Reconciliation and Nationalism in Northern Ireland," *Journal of Political Ideologies*, vol. 21(1), p. 61-77. do:10.1080/13569317.2016.1105407.

McLachlan, H. (2018) "The Ban on Human Cloning is Stupid. Brexit is the UK's Chance to Get Rid of It," *INEWS*. February 22. Retrieved October 5, 2019 from <https://inews.co.uk/opinion/comment/ban-human-cloning-stupid-brexit-uks-chance-get-rid-344897>.

McNamara, K.R. (2010) "Constructing Europe: Insights from Historical Sociology," *Comparative European Politics*, vol. 8(10), p. 127-42. doi:10.1057/cep.2010.8.

Mihaylov, V. and S. Sala (2018) "Subnational Identities in the Context of the Changing Internal Geopolitics. The Case of Post-Revolutionary Ukraine," *Bulletin of Geography. Socio-Economic Series*, vol. 39(39), p. 79-96. doi:10.2478/bog-2018-0006.

Miščević, T. and M. Mrak (2017) "The EU Accession Process: Western Balkans vs EU-10," *Croatian Political Science Review*, vol. 54(4), p. 185-204. ProQuest Central.

Morgan, J. (2017) "Taxing the Powerful, the Rise of Populism and the Crisis in Europe: The Case for the EU Common Consolidated Corporate Tax Base," *International Politics*, vol. 54(5), p. 533-551. doi:10.1057/s41311-017-0052-x.

Morgenthau, H. (1967) *Politics Among Nations: The Struggle for Power and Peace*, New York: McGraw-Hill.

Nielsen, V.L. and C. Parker (2012) "Mixed Motives: Economic, Social, and Normative Motivations in Business Compliance," *Law & Policy*, vol. 34(4), p. 428-462. doi:10.1111/j.1467-9930.2012.00369.x.

Novak, B. and P. Kingsley (2018) "In Hungary, Maneuver on Courts Lets Fox Guard What's left of the Henhouse," *New York Times*, December 13, p. A4.

Nugent, N. (2010) *The Government and Politics of the European Union*, seventh edition, London: Palgrave Macmillan.

O'Halloran, S., K. Chen, R.M.G. Biswas, H. Kim, P. Liu, Y. Zhang, and Y. Zhou (2018) "Delegating Regulation: European Union and Financial Markets," *Réalités Industrielles*, vol. 2018(November), p. 91-111, 118-119. ProQuest Central.

Olsen, J. and J. McCormick (2017) *The European Union: Politics and Policies*, Boulder, CO: Westview.

Olson, A. (2000) "An Empire of the Scholars: Transnational Lawyers and the Rule of *Opinio Juris*," *Perspectives on Political Science*, vol. 29(1), p. 23-31. doi:10.1080/10457090009600693.

Osica, O. (2010) "Taming Chaos: The Future of EU External Relations in Light of the Treaty of Lisbon," *The Polish Quarterly of International Affairs*, vol. 19(2) p. 79-95. ProQuest Central.

Paternotte, D. (2016) "The NGOization of LGBT Activism: ILGA-Europe and the Treaty of Amsterdam," *Social Movement Studies*, vol. 15(4), p. 388-402. doi:10.1007/s10611-019-09818-9.

Pellerin-Carlin, T. (2014) "EU 10 Years After Its Biggest Enlargement: Europe's Identity Crisis: Looking in the Black Box of European Cultural and Political Identities," *The Poznan University of Economics Review*, vol. 14(3), p. 73-84. ProQuest Central.

Peterson, J., A. Sbragia (2018) "Key Policies," In *The European Union: How Does It Work?*, p. 101-22. edited by D. Kenealy, J. Peterson and R. Corbett, Oxford: Oxford University Press.

Pirro, A.L.P. (2014) "Populist Radical Right Parties in Central and Eastern Europe: The Different Context and Issues of the Prophets of the Patria," *Government and Opposition*, vol.49(4,October), p. 600-629. doi:10.1017/gov.2013.32.

Pleșea-Crețan, A. (2015) "Sovereignty – From Classical to Shared and Beyond: The Case of EU Fiscal Policy," *Romanian Review of Social Sciences*, vol. 5(9), p. 21-36. Academic Search Complete.

Prasad, M. (2019) "How to Tax and Spend Like a Swede: [Op-Ed]," *New York Times*, March 8, p. A29.

Purza, S-A. (2018) "Setting the Scene for Defence Procurement Integration in the EU: The Intergovernmental Mechanisms," *European Procurement & Public Private Partnership Law Review*, vol. 13(4), p. 257-269. doi:10.21552/epppl/2018/4/4.

Rattner, S. (2019) "The Warren Way Is the Wrong Way," *New York Times*, November 5, p. A27.

Ridley, M. (2017) "Britain Can Lead the World in Gene Editing: We Can Uphold Our Bold But Sensitive Approach to Regulation While Seizing Opportunities in Agriculture and Medicine," *The Times*, August 7, p. 19. Retrieved January 29, 2020 from <https://www.thetimes.co.uk/article/britain-can-lead-the-world-in-gene-editing-kzrnmqcx8>.

Ross, A.A.G. (2013) "Realism, Emotion, and Dynamic Allegiances in Global Politics," *International Theory*, vol. 5(2), p. 273-299. doi:10.1017/S175297191300016X.

Rousseau, R. (2014) "The "Democratic Deficit" and Legitimacy Problems of the European Union: Elements of the Debate," *On - Line Journal Modelling the New Europe*, vol. (12), p. 10-30. ProQuest Central.

Rupnik, J. (2016) "Surging Illiberalism in the East," *Journal of Democracy* vol. 27(4), p. 77-87. doi:10.1353/jod.2016.0064.

Sarokin, H.J. (2019) "Safeguarding Democracy in Europe: A Bulwark against Hungary's Subversion of Civil Society," *Brooklyn Journal of International Law*, vol. 44(2), p. 889-920. Academic Search Complete.

Scheiber, N. (2019) "Democrats Grow Bolder with Pro-Labor Policies," *New York Times*, October 12, p. 19.

Schmemmann, S. (2019) "Looking Back on the Berlin Wall 30 Years Later," *New York Times*, November 9, p. A22.

Smismans, S. (2013) "Democracy and Legitimacy in the European Union" In *European Union Politics*, fourth edition, p. 341-53. edited by M. Cini, M. and N. P.-S. Borrigan, Oxford: Oxford University Press.

Spiegel, P. (2014) "If the Euro Falls, Europe Falls," *Financial Times*, May 16, p. 9.

Story, L. and M. Saltmarsh (2011) "Europeans Talk of Sharp Change in Fiscal Affairs," *New York Times*, September 6, p. A1.

Szarka, J. (2012) "The EU, the USA and the Climate Divide: Reappraising Strategic Choices," *European Political Science*, vol. 11(1), p. 31-40. doi:10.1057/eps.2011.9.

Tarrow, S. (2011) *Power in Movement: Social Movements and Contentious Politics*. New York: Cambridge University Press.

Tilly, C. (ed.) (1975) *The Formation of Nation States in Western Europe*. Princeton, NJ: Princeton University Press.

Traxler, F. (1995) "From Demand-Side to Supply-Side Corporatism? Austria's Labour Relations and Public Policy." In *Organized Industrial Relations in Europe. What Future?* p. 271-86. edited by C. Crouch and F. Traxler, Avebury, VT: Ashgate.

Ufer, U. (2015) "Urban Access: Contested Spaces and Contested Politics," *Focaal*, vol. 2015(72), p. 64-77. doi:10.3167/fcl.2015.720106.

Valero, J. (2019) "EU Leaders to Kill Plans for a Smaller Commission in June Summit," EURACTIV.com, May 17. Retrieved October 22, 2019 from <https://www.euractiv.com/section/future-eu/news/eu-leaders-to-kill-smaller-commission-in-june-summit/>

von Haldenwang, C. (2017) "The Relevance of Legitimation – A New Framework for Analysis," *Contemporary Politics*, vol. 23(3), p. 269-86. doi:10.1080/13569775.2017.1304322.

Wohlforth, W.C. (2008) "Unipolarity, Status Competition, and Great Power War," *World Politics*, vol. 61(1, January), p. 28-57. ProQuest Central.

Yang, H. and D. Zhao (2015) "Performance Legitimacy, State Autonomy and China's Economic Miracle," *Journal of Contemporary China*, vol. 24(91), p. 64-82. doi:10.1080/10670564.2014.918403.

Your Europe: European Union (2019) "European Elections" An Official Website of the European Union, October 28. Retrieved October 30, 2019 from https://europa.eu/youreurope/citizens/residence/elections-abroad/european-elections/index_en.htm

Zabkowicz, A. (2014) "Organized Economic Interests and European Integration: The Question of (Neo)corporatism," *Equilibrium*, vol. 9(1), p. 7-20. ProQuest Central.

Zeff, E.E. and E.B. Pirro (2015) "Introduction" In *The European Union and the Member States*, p. 1-16. edited by E.E. Zeff and E.B. Pirro, Boulder, CO: Lynne Rienner.

Zhang, J. (2013) "Reference and Perception: Towards a Social Relativism Perspective," *Theory in Action*, vol. 6(2), p. 148-173. doi:10.3798/tia.1937-0237.13015.

ACKNOWLEDGMENT

This article was written with the support of the Catholic University of Korea research fund. The author would like to thank two anonymous peer reviewers as well as the journal editors for their thoughtful critiques and comments. Any errors and omissions are solely the responsibility of the author.

BIOGRAPHY

Benedict E. DeDominicis, Ph.D. (University of Pittsburgh, BA Ohio State) is an associate professor of political science at the Catholic University of Korea in the International Studies Department. He was on the faculty at the American University in Bulgaria in the Political Science and European Studies Department,

1994-2009. He has published in *Review of Business & Finance Case Studies*, *The International Journal of Interdisciplinary Global Studies*, *The International Journal of Interdisciplinary Organizational Studies*, *Organizational Cultures: An International Journal*, *The International Journal of Interdisciplinary Civic and Political Studies*, *The International Journal of Pedagogy and Curriculum* and *The Global Journal of Business Research*. He can be reached at the Catholic University of Korea, International Studies Department, K206, 43 Jibong-ro, Bucheon-si, Gyeonggi-do 14662, Republic of Korea.

REVIEWERS

The IBFR would like to thank the following members of the academic community and industry for their much appreciated contribution as reviewers.

Hisham Abdelbaki, University of Mansoura- Egypt
Isaac Oluwajoba Abereijo, Obafemi Awolowo University
Naser Abughazaleh, Gulf University for Science and Technology
Nsiah Acheampong, University of Phoenix
Iyabo Adeoye, National Horticultural Research Institute, Ibadan, Nigeria.
Michael Adusei, Kwame Nkrumah University of Science and Technology
Paolo Agnese, LUISS Guido Carli University
Haydeé Aguilar, Universidad Autónoma de Aguascalientes
Mohd Ajlouni, Yarmouk University
Sylvester Akinbuli, University of Lagos
Anthony Akinlo, Obafemi Awolowo University
Efiong Akwaowo, Ashford University
Yousuf Al-Busaidi, Sultan Qaboos University
Khaled Aljaaidi, Universiti Utara Malaysia
Alawiya Allui, Prince Sultan University
Hussein Al-Tamimi, University of Sharjah
Paulo Alves, CMVM, ISCAL and Lusofona University
Ghazi Al-weshah, Albalqa Applied University
María Antonieta Andrade Vallejo, Instituto Politécnico Nacional
Jeff Anstine, North Central College
Olga Lucía Anzola Morales, Universidad Externado de Colombia
Antonio Arbelo Alvarez, Universidad de la Laguna
Hector Luis Avila Baray, Instituto Tecnológico De Cd. Cuauhtemoc
Graciela Ayala Jiménez, Universidad Autónoma de Querétaro
Fabiola Baltar, Universidad Nacional de Mar del Plata
Samar Baqer, Kuwait University College of Business Administration
Nagib Bayoud, Tripoli University
Ahmet Bayraktar, Rutgers University
Daniel Boylan, Widener University
James E. Briley, Northeastern State University
Kyle Brink, Western Michigan University
Giovanni Bronzetti, University of Calabria
Ana Cecilia Bustamante Valenzuela, Universidad Autónoma de Baja California
Raymond Cairo, University of Surrey
Albanelis Campos Coa, Universidad de Oriente
Carlos Alberto Cano Plata, Universidad de Bogotá Jorge Tadeo Lozano
Alberto Cardenas, Instituto Tecnológico de Cd. Juarez
Edyamira Cardozo, UNIVERSIDAD NACIONAL EXPERIMENTAL DE GUAYANA
Sheila Nora Katia Carrillo Inchaústegui, Universidad Peruana Cayetano Heredia
Emma Casas Medina, Centro de Estudios Superiores del Estado de Sonora
Benjamin Castillo Osorio, Universidad del Sinú-Sede Montería
María Antonia Cervilla de Olivieri, Universidad Simón Bolívar
Priyashni Chand, University of the South Pacific
Surya Chelikani, Quinnipiac University
Yahn-shir Chen, National Yunlin University of Science and Technology, Taiwan
Bea Chiang, The College of New Jersey
Shih Yung Chou, University of the Incarnate Word
Te-kuang Chou, Southern Taiwan University
Monica Clavel San Emeterio, University of La Rioja
Caryn Coatney, University of Southern Queensland
Iyanna College of Business Administration,
Michael Conyette, Okanagan College
Cipriano Domingo Coronado García, Universidad Autónoma de Baja California
Semei Leopoldo Coronado Ramírez, Universidad de Guadalajara
Esther Eduviges Corral Quintero, Universidad Autónoma de Baja California
M. T. Coto, Intl. Academic Sevices
Dorie Cruz Ramirez, Universidad Autonoma del Estado de Hidalgo
Tomás J. Cuevas-Contreras, Universidad Autónoma de Ciudad Juárez
Edna Isabel De La Garza Martinez, Universidad Autónoma De Coahuila
Hilario De Latorre Perez, Universidad Autonoma De Baja California
Javier de León Ledesma, Universidad de Las Palmas de Gran Canaria - Campus Universitario de Tafira
Huang Department of Accounting, Economics & Finance,
Rajni Devi, The University of the South Pacific
Hilario Díaz Guzmán, Universidad Popular Autónoma del Estado de Puebla
Cesar Amador Díaz Pelayo, Universidad de Guadalajara, Centro Universitario Costa Sur
E. M. Ekanayake, Bethune-Cookman University
Mahmoud Elgamal, College of Business Administration - Kuwait University
Avilés Elizabeth, CICESE
Prince Ellis, Argosy University
Esther Enriquez, Instituto Tecnológico de Ciudad Juarez
Ernesto Escobedo, Business Offices of Dr. Escobedo
Zaifeng Fan, University of Wisconsin whitewater
Perrine Ferauge, University of Mons
Olga Ferraro, University of Calabria
Ernesto Geovani Figueroa González, Universidad Juárez del Estado de Durango
Carlos Fong Reynoso, Universidad de Guadalajara
Ana Karen Fraire, Universidad De Guadalajara
Carmen Galve-górriz, Universidad de Zaragoza
Teresa García López, Instituto De Investigaciones Y Estudios Superiores De Las Ciencias Administrativas
Blanca Rosa Garcia Rivera, Universidad Autónoma De Baja California
Helbert Eli Gazca Santos, Instituto Tecnológico De Mérida
Peter Geczy, AIST
Lucia Gibilaro, University of Bergamo
Denisse Gómez Bañuelos, CESUES
Carlos Alberto González Camargo, Universidad Jorge Tadeo Lozano
Hector Alfonso Gonzalez Guerra, Universidad Autonoma de Coahuila
María Brenda González Herrera, Universidad Juárez del Estado de Durango
Ana Ma. Guillén Jiménez, Universidad Autónoma de Baja California
Hongtao Guo, Salem State University
Zi-yi Guo, Wells Fargo Bank, N.A.

REVIEWERS

The IBFR would like to thank the following members of the academic community and industry for their much appreciated contribution as reviewers.

Araceli Gutierrez, Universidad Autonoma De Aguascalientes
Danyelle Guyatt, University of Bath
Glen Hansen, Utica College
Peter Harris, New York Institute of Technology
Shahriar Hasan, Thompson Rivers University
Zulkifli Hasan, Islamic University College of Malaysia
Fariza Hashim, Prince Sultan University
Peng He, Investment Technology Group
Niall Hegarty, St. Johns University
Andreina Hernandez, Universidad Central de Venezuela
Arturo Hernández, Universidad Tecnológica Centroamericana
Jorge Hernandez Palomino, Universidad Autónoma de Mexico
Alejandro Hernández Trasobares, Universidad de Zaragoza
Azucena Leticia Herrera Aguado, Universidad Tecnológica de Puebla
Claudia Soledad Herrera Oliva, Universidad Autónoma de Baja California
Paulin Houanye, University of International Business and Education, School of Law
Daniel Hsiao, University of Minnesota Duluth
Xiaochu Hu, School of Public Policy, George Mason University
Qianyun Huang, City University of New York - Queens College
Jui-Ying Hung, Chatoyang University of Technology
Fazeena Hussain, University of the South Pacific
Luis Enrique Ibarra Morales, Universidad Estatal de Sonora
Alma Delia Inda, Universidad Autonoma Del Estado De Baja California
Stoyu Ivanov, San Jose State University
Shilpa Iyanna, Abu Dhabi University
Mercedes Jalbert, The Institute for Business and Finance Research
Terrance Jalbert, University of Hawaii
Gaspar Alonso Jiménez Rentería, Instituto Tecnológico de Chihuahua
Lourdes Jordán Sales, Universidad de Las Palmas de Gran Canaria
Gricelda Juarez-Luis, Instituto Politécnico Nacional
Tejendra N. Kalia, Worcester State College
Gary Keller, Eastern Oregon University
Ann Kelley, Providence college
Ann Galligan Kelley, Providence College
Ifraz Khan, University of the South Pacific
Katherine Kinkela, Iona College
Halil Kiyamaz, Rollins College
Susan Kowalewski, DYouville College
Bohumil Král, University of Economics-Prague
Jan Kruger, Unisa School for Business Leadership
Christopher B. Kummer, Webster University-Vienna
András Kun, University of Debrecen
Mei-Mei Kuo, JinWen University of Science & Technology
Miguel Ángel Latorre Guillem, Universidad Católica de Valencia "San Vicente Mártir"
John Ledgerwood, Embry-Riddle Aeronautical University
Yen-Hsien Lee, Chung Yuan Christian University
Santiago León Ch., Universidad Marítima del Caribe
Victor Lewis, National University
Luis Alberto Limón Valencia, Instituto Tecnológico Superior de Cajeme
Shulin Lin, Hsiuping University of Science and Technology
Yingchou Lin, Missouri University of Science and Technology
Lynda Livingston, University of Puget Sound
Graciela López Méndez, Universidad de Guadalajara-Jalisco
Virginia Guadalupe López Torres, Universidad Autónoma de Baja California
Melissa Lotter, Tshwane University of Technology
Ma. Cruz Lozano Ramírez, Universidad Autónoma De Baja California
Xin (Robert) Luo, Virginia State University
Andy Lynch, Southern New Hampshire University
Angel Machorro Rodríguez, Instituto Tecnológico de Orizaba
Cruz Elda Macias Teran, Universidad Autonoma de Baja California
Eduardo Macias-negrete, Instituto Tecnológico de Ciudad Juarez
Firuza Madrakhimova, University of North America
Aracely Madrid, ITESM, Campus Chihuahua
Deneb Magaña Medina, Universidad Juárez Autónoma de Tabasco
Abeer Mahrous, Cairo university
Tshepiso Makara, University of Botswana
Ioannis Makedos, University of Macedonia
Carlos Manosalvas, Universidad Estatal Amazónica
Gladys Yaneth Mariño Becerra, Universidad Pedagógica y Tecnológica de Colombia
Gladys Marquez-Navarro, Saint Louis University
Omaira Cecilia Martínez Moreno, Universidad Autónoma de Baja California-México
Jesús Apolinar Martínez Puebla, Universidad Autónoma De Tamaulipas
Jesus Carlos Martinez Ruiz, Universidad Autonoma De Chihuahua
Mario Jordi Maura, University of Puerto Rico
Francisco Jose May Hernandez, Universidad del Caribe
Aurora Irma Maynez Guaderrama, Universidad Autonoma de Ciudad Juarez
Romilda Mazzotta, University of Calabria
Mary Beth McCabe, National University
Linda Margarita Medina Herrera, Tecnológico de Monterrey. Campus Ciudad de México
Marco Mele, Unint University
Alaitz Mendizabal Zubeldia, Universidad del País Vasco
Fidel Antonio Mendoza Shaw, Universidad Estatal De Sonora
Gulser Meric, Rowan University
Miwa Merz, San Jose State University
Avi Messica, Holon Institute of Technology
Cameron Montgomery, Delta State University
Oscar Montiel, Universidad Autonoma de Ciudad Juarez
Oscar Javier Montiel Mendez, Universidad Autonoma de Ciudad Juarez
Juan Nicolás Montoya Monsalve, Universidad Nacional de Colombia-Manizales
Cleamon Moorer, Madonna University
Sandip Mukherji, Howard University
Jennifer Mul Encalada, Universidad Autónoma De Yucatán
Gloria Muñoz Del Real, Universidad Autonoma de Baja California
Alberto Elías Muñoz Santiago, Fundación Universidad del Norte
Tony Mutsue, Iowa Wesleyan College
Ertambang Nahartyo, UGM
Linda Naimi, Purdue University
Arezoo Nakhai, Massey University

REVIEWERS

The IBFR would like to thank the following members of the academic community and industry for their much appreciated contribution as reviewers.

Cheedradevi Narayanasamy, National University of Malaysia
Erwin Eduardo Navarrete Andrade, Universidad Central de Chile
Gloria Alicia Nieves Bernal, Universidad Autónoma del Estado de Baja California
Bertha Guadalupe Ojeda García, Universidad Estatal de Sonora
Erica Okere, Education Management Corp
Erika Olivas, Universidad Estatal de Sonora
Dennis Olson, Thompson Rivers University
Idowu Emmanuel Olubodun, Obafemi Awolowo University
Godwin Onyeaso, Shorter University
Ramona Orastean, Lucian Blaga University of Sibiu-Romania
Erick Orozco, Universidad Simon Bolivar
Rosa Martha Ortega Martínez, Universidad Juárez del Estado de Durango
Diaeldin Osman, Alabama State University
José Manuel Osorio Atondo, Centro de Estudios Superiores del Estado de Sonora
Carmen Padilla-Lozano, Universidad Católica de Santiago de Guayaquil
Vera Palea, University of Turin
Julian Pando, University of the Basque Country
Daniel Paredes Zempual, Universidad Estatal de Sonora
Dawn H. Percy, Eastern Michigan University
Luz Stella Pemberthy Gallo, Universidad del Cauca
Andres Pereyra Chan, Instituto Tecnológico De Merida
Eloisa Perez, MacEwan University
Iñaki Periañez, Universidad del País Vasco (Spain)
Hector Priego Huertas, Universidad De Colima
Pina Puntillo, University of Calabria (Italy)
Rahim Quazi, Prairie View A&M University
Anitha Ramachander, New Horizon College of Engineering
Charles Rambo, University of Nairobi
Eric Amin Ramirez Castillo, Universidad Autónoma Benito Juárez de Oaxaca
Prena Rani, University of the South Pacific
Alma Ruth Rebolledo Mendoza, Universidad De Colima
Kathleen Reddick, College of St. Elizabeth
Oscar Bernardo Reyes Real, Universidad de Colima
Maurizio Rija, University of Calabria
Carmen Rios, Universidad del Este
Juan Carlos Robledo Fernández, Universidad EAFIT-Medellin/Universidad Tecnológica de Bolívar-Cartagena
Natalia G. Romero Vivar, Universidad Estatal de Sonora
Fabrizio Rossi, University of Cassino and Southern Lazio
Humberto Rosso, Universidad Mayor de San Andrés
Matthew T. Royle, Valdosta State University
José Gabriel Ruiz Andrade, Universidad Autónoma de Baja California-México
Antonio Salas, Universidad Autónoma De Chihuahua
Rafiu Oyesola Salawu, Obafemi Awolowo University
Claudia Nora Salcido, Facultad de Economía Contaduría y Administración Universidad Juárez del Estado de Durango
Paul Allen Salisbury, York College, City University of New York
Leire San Jose, University of Basque Country
Juan Manuel San Martín Reyna, Universidad Autónoma de Tamaulipas-México
Francisco Sanches Tomé, Instituto Politécnico da Guarda
Edelmira Sánchez, Universidad Autónoma de Ciudad Juárez
Celsa G. Sánchez, CETYS Universidad
Deycy Janeth Sánchez Preciado, Universidad del Cauca
María Cristina Sánchez Romero, Instituto Tecnológico de Orizaba
María Dolores Sánchez-Fernández, Universidade da Coruña
Luis Eduardo Sandoval Garrido, Universidad Militar de Nueva Granada
I Putu Sugiarta Sanjaya, Atma Jaya Yogyakarta University, Indonesia
Pol Santandreu i Gràcia, Universitat de Barcelona, Santandreu Consultors
Victor Gustavo Sarasqueta, Universidad Argentina de la Empresa UADE
Jaime Andrés Sarmiento Espinel, Universidad Militar de Nueva Granada
Sunando Sengupta, Bowie State University
Jesus Otoniel Sosa Rodríguez, Universidad De Colima
Adriana Patricia Soto Aguilar, Benemerita Universidad Autónoma De Puebla
Smita Mayuresh Sovani, Pune University
Alexandru Stancu, University of Geneva and IATA (International Air Transport Association)
Jonathan Stewart, Abilene Christian University
Jiří Strouhal, University of Economics-Prague
Vichet Sum, University of Maryland -- Eastern Shore
Qian Sun, Kutztown University
Edith Georgina Surdez Pérez, Universidad Juárez Autónoma de Tabasco
Diah Suryaningrum, Universitas Pembangunan Nasional Veteran Jatim
Andree Swanson, Ashford University
James Tanoos, Saint Mary-of-the-Woods College
Jesus María Martín Terán Terán Gastélum, Centro de Estudios Superiores del Estado de Sonora
Ranjini Thaver, Stetson University
Jeannemarie Thorpe, Southern NH University
Maria De La Paz Toldos Romero, Tecnológico De Monterrey, Campus Guadalajara
Alejandro Torres Mussatto, Senado de la Republica; Universidad de Valparaíso
Jorge Torres-Zorrilla, Pontificia Universidad Católica del Perú
William Trainor, East Tennessee State University
Md Hamid Uddin, University of Sharjah
Intiyas Utami, Satya Wacana Christian University
Ozge Uygur, Rowan University
Abraham Vásquez Cruz, Universidad Veracruzana
Rosalva Diamantina Vásquez Mireles, Universidad Autónoma de Coahuila
Angel Wilhelm Vazquez, Universidad Autónoma Del Estado De Morelos
Lorena Vélez García, Universidad Autónoma de Baja California
Alejandro Villafañez Zamudio, Instituto Tecnológico de Matamoros
Hector Rosendo Villanueva Zamora, Universidad Mesoamericana
Oskar Villarreal Larrinaga, Universidad del País Vasco/Euskal Herriko Unibertsitatea
Delimiro Alberto Visbal Cadavid, Universidad del Magdalena
Vijay Vishwakarma, St. Francis Xavier University
Julian Vulliez, University of Phoenix
Janet L. Walsh, Birchtree Global, LLC

REVIEWERS

The IBFR would like to thank the following members of the academic community and industry for their much appreciated contribution as reviewers.

Ya-fang Wang, Providence University
Richard Zhe Wang, Eastern Illinois University
Richard Weaver, National University
Jon Webber, University of Phoenix
Jason West, Griffith University
Wannapa Wichitchanya, Burapha University
Veronda Willis, The University of Texas at San Antonio
Erico Wulf, Universidad de la Serena
Amy Yeo, Tunku Abdul Rahman College
Bingqing Yin, University of Kansas
Paula Zobisch, Forbes School of Business & Technology

HOW TO PUBLISH

Submission Instructions

The Journal welcomes submissions for publication consideration. Complete directions for manuscript submission are available at the Journal website www.theibfr.com/journal-submission/. Papers may be submitted for initial review in any format. However, authors should take special care to address spelling and grammar issues prior to submission. Authors of accepted papers are required to precisely format their document according to the journal guidelines, available at www.theibfr.com/guidelines/.

Authors submitting a manuscript for publication consideration must guarantee that the document contains the original work of the authors, has not been published elsewhere, and is not under publication consideration elsewhere. In addition, submission of a manuscript implies that the author is prepared to pay the publication fee should the manuscript be accepted.

Subscriptions

Individual and library subscriptions to the Journal are available. Please contact us by mail or by email to: admin@theibfr.com for updated information.

Contact Information

Mercedes Jalbert, Managing Editor
The IBFR
P.O. Box 4908
Hilo, HI 96720
editor@theIBFR.com

Website

www.theIBFR.com

PUBLICATION OPPORTUNITIES

REVIEW of BUSINESS & FINANCE STUDIES

Review of Business & Finance Studies

Review of Business & Finance Studies (ISSN: 2150-3338 print and 2156-8081 online) publishes high-quality studies in all areas of business, finance and related fields. Empirical, and theoretical papers as well as case studies are welcome. Cases can be based on real-world or hypothetical situations.

All papers submitted to the Journal are blind reviewed. Visit our website www.theibfr.com/our-journals/ for distribution, listings and ranking information.

Business Education & Accreditation

Business Education and Accreditation (BEA)

Business Education & Accreditation publishes high-quality articles in all areas of business education, curriculum, educational methods, educational administration, advances in educational technology and accreditation. Theoretical, empirical and applied manuscripts are welcome for publication consideration.

All papers submitted to the Journal are blind reviewed. Visit our website www.theibfr.com/our-journals/ for distribution, listings and ranking information.

Accounting & Taxation

Accounting and Taxation (AT)

Accounting and Taxation (AT) publishes high-quality articles in all areas of accounting, auditing, taxation and related areas. Theoretical, empirical and applied manuscripts are welcome for publication consideration.

All papers submitted to the Journal are blind reviewed. Visit our website www.theibfr.com/our-journals/ for distribution, listings and ranking information.

REVISTA GLOBAL de NEGOCIOS

Revista Global de Negocios

Revista Global de Negocios (RGN), a Spanish language Journal, publishes high-quality articles in all areas of business. Theoretical, empirical and applied manuscripts are welcome for publication consideration.

All papers submitted to the Journal are blind reviewed. Visit our website www.theibfr.com/our-journals/ for distribution, listings and ranking information.

PUBLICATION OPPORTUNITIES

The International Journal of
R Business and Finance
RESEARCH

The International Journal of Business and Finance Research ISSN 1931-0269

The International Journal of Business and Finance Research (IJBFR) publishes high-quality articles in all areas of finance, accounting and economics. Theoretical, empirical and applied manuscripts are welcome for publication consideration.

All papers submitted to the Journal are blind reviewed. Visit our website www.theibfr.com/our-journals/ for distribution, listings and ranking information.

IJMMR

INTERNATIONAL JOURNAL OF MANAGEMENT AND MARKETING RESEARCH

International Journal of Management and Marketing Research ISSN 1933-3153

The International Journal of Management and Marketing Research (IJMMR) publishes high-quality articles in all areas of management and marketing. Theoretical, empirical and applied manuscripts are welcome for publication consideration.

All papers submitted to the Journal are blind reviewed. Visit our website www.theibfr.com/our-journals/ for distribution, listings and ranking information.

Global Journal of
R Business
Research

Global Journal of Business Research
ISSN 1931-0277

The Global Journal of Business Research (GJBR) publishes high-quality articles in all areas of business. Theoretical, empirical and applied manuscripts are welcome for publication consideration.

All papers submitted to the Journal are blind reviewed. Visit our website www.theibfr.com/our-journals/ for distribution, listings and ranking information.



Revista Internacional
ADMINISTRACION
& FINANZAS

Revista Internacional Administración y Finanzas ISSN 1933-608X

Revista Internacional Administración y Finanzas (RIAF), a Spanish language Journal, publishes high-quality articles in all areas of business. Theoretical, empirical and applied manuscripts are welcome for publication consideration.

All papers submitted to the Journal are blind reviewed. Visit our website www.theibfr.com/our-journals/ for distribution, listings and ranking information.
