

# A Brief Historical Appreciation of Accounting Theory? But Who Cares?

Michael J.R. Gaffikin

Although I had met him earlier, I really got to know Tony Lowe in his post-Sheffield period. Many others had worked with him at Sheffield and elsewhere for many years and already knew him well. My association arose when he spent time with us at Wollongong and we had many long hours of discussion over matters of mutual concern about and around our “chosen discipline”. I do not think that at that time we could have been characterised as “old men” (well, he was quite a bit older than me!)—the sort of whom Yeats asked why should they not be mad (Yeats 1965, p. 388)—but, of course, we soon became them.

One of our concerns was the narrow intellectual vision of many of those regarded by many to be the leading scholars in the discipline. As is now well accepted, Tony had earlier set out to create a new community of scholars who would seek recourse to a wide range of disciplines to assist in developing an understanding and explanation

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M.J.R. Gaffikin (✉)

Department of Accounting and Finance, University of Wollongong,  
Wollongong, New South Wales, Australia

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of and for improving accounting in order that it contribute more usefully to benefit societies generally and business practices specifically. Up to that time mainstream accounting research relied too heavily on dominant—fashionable and ideologically driven—economic theory. Thus, his contribution to new styles of accounting scholarship was extremely significant (cf Cooper 2014): it could develop as a broader (than just economics) social science.

## 1 Social Science<sup>1</sup>

A few hundred years ago, there were disciplines referred to as natural philosophy and moral philosophy. The former evolved into the natural sciences, the latter into the social sciences. However, like so many of the terms we use regularly, the term social science is difficult to define precisely and has been the subject of much debate. Wikipedia states that “social science is a major category of academic disciplines, concerned with society and the relationships among individuals within a society”. Thus, social science is the study of aspects of human society. It has, over the last 200 years, been heavily influenced by positivism with the underlying assumption that the study of societies can be undertaken scientifically. Closely associated with this, then, is the intention that it will apply the methods of the “natural sciences” to study human society. Sometimes the term has been taken to mean the discipline sociology but in a broader sense, the term includes a variety of specific disciplines that have evolved very differently and remain so. Thus, while collectively the term may be used to imply the use of scientific methodology, several other methodologies have been promoted.

Accounting can be included with those disciplines concerned with aspects of human society because, clearly, it is a “system of thought” designed by humans to assist human decision making and influence (human) behaviour. Therefore, a social constructionist ontology, rather than a realist ontology, would seem to be a more appropriate basis for conceptualising accounting. Consequently, rather than attempting to recreate the methods of the natural sciences, it is more appropriate that accounting turn to the methods that recognise the human aspects of the

discipline rather than claim an intellectual status akin to the natural sciences. Unfortunately, accounting theorists and researchers have been very slow to recognise this as is evident in the heavy involvement in the neo-empirical research programs over the last 50 years. There is some truth in the view that accounting is a fairly “young” intellectual discipline and has yet to demonstrate the maturity of self reflection and understanding. To date it has been happy to accept the position of being a sub-discipline of (and consequently inferior to) economics. As a result, it has relied heavily on economic theories and methodologies in which, until recently, positivist (neo-empirical) methodologies have dominated. This is not to suggest for one minute that accounting is not closely associated with economics because it largely deals with economic phenomena. But it deals with such phenomena from a very different point of view (otherwise it *would* simply be part of the discipline of economics). While the more sceptical would argue that accounting is the “handmaiden of capitalist economics” this merely reflects a conservative and overly deferential viewpoint because there are several aspects of accounting which are very separate from simple economic analysis, for example control systems, information processing and behavioural considerations. Nevertheless, in terms of theoretical or conceptual development a great deal of accounting research has followed the practices in economics perhaps because many economist have argued that their discipline is the social science *par excellence* and that its methods more than other social sciences are the closest to the natural sciences.

However, in the last 60 years there were been major intellectual upheavals in all the social sciences. In 1958 the very influential book by Peter Winch, *The Idea of a Social Science*, was published. In the book, Winch challenged the dominant form of social inquiry (including economics) which was positivist and functionalist. In so doing, he denied that inquiry in the social sciences could proceed on the same basis as the natural sciences. The social sciences, more specifically, to him, the discipline of sociology, were more akin to philosophy than (natural) science; more the unfolding of discourse than chains of causation. However, given that research in accounting from that time has persisted with the mistaken belief that establishing a science of accounting was dependent on showing that research in this discipline proceeded along the lines of

a scientific method, Winch's book seems to have not had much impact on accounting researchers. Fortunately, whether it be directly attributed to Winch or not, there have been many accounting scholars, largely due to or at least consistent with Tony Lowe's influence, who recognised the thrust of his message and a variety of alternative approaches to developing accounting theory appeared.

## 2 The Development of Alternative Accounting Theories

By 1970 there had been several different approaches to developing an accounting theory. Amongst the many were included the works of very well intentioned individual theorists such as Chambers and Mattessich. Their works, and that of others, emerged from the desire to employ rigorous research methods and logical analysis to stated assumptions and propositions as to the purpose of accounting, especially the production of general purpose financial statements. These works were classical modernist (positivist) works in that they advocated the appropriateness of an essentially hypothetico-deductive scientific method to achieve intellectual rigour in accounting. Many of the major works of these theorists were published in the 1960s, but there were several similar major works on accounting published prior to this decade, for example William Paton's *Accounting Theory* (1922), John Canning's *The Economics of Accountancy* (1929) and Stephen Gilman's *Accounting Concepts of Profit* (1939).

There were also attempts by various professional bodies to develop a theoretical basis for accounting: initially the search for generally accepted accounting principles, then accounting standards and a conceptual framework on which the standards can be based. At first these attempts were represented by commissions to individual (or groups of) accounting theorists, the best example of which is Paton and Littleton's, *An Introduction to Corporate Accounting Standards* first published in 1940 but reprinted very many times until the 1980s. Later, these attempts developed into commissions to committees and then officially designated research divisions of the professional bodies to develop "guidelines for theory development" and later to independent organisations specifically charged to develop

these “theoretical statements”. As these attempts changed there was a change in the function of the published pronouncements; there was a change in their authoritative scope. That is, the pronouncements became parts of a system of regulation which has expanded from recommended statements of best practice for members of professional bodies to a complex international system of mandatory practices. Regulation has been substituted for theory—it has become the “required theory” underlying accounting practices.

In the latter years of the 1960s, there were several factors that coalesced to change the face of accounting research and theorising. These included the development of doctoral programmes in accounting where students were given rigorous training in quantitative research methods, neoclassical economic and finance theory and the use of new information processing technologies (especially the use of computers). Coincident with this was the growing availability of large scale stock market data bases initially funded by the business community with a demand for business research to be directly related to extant business practices. Out of this background emerged the seminal articles by Ball, R. and P. Brown “An Empirical Evaluation of Accounting Numbers” (1968) and Beaver, W.H. (1968), “The Information Content of Annual Earnings Announcements” which were discussed in Gaffikin 2005. From here the “floodgates opened” and neo-empirical research in accounting, including positive accounting theory, was born and became the dominant form of research publications in the accounting literature. As indicated above, this research was embedded in a neo-liberal ideology and unshakeable belief in the power of the market to solve almost all of society’s problems.

At the same time, there were major changes in attitudes to research in the social sciences. There was a growing acceptance of the belief that positivistic scientific epistemology was inappropriate for the social and human sciences. Because these disciplines involved human and social aspects, a belief in the possibility of objective, value neutral research methodologies was held to be impossible. Thus, there was a rejection of the long held modernist belief that methods described as those employed in the natural sciences, and held to be the highest standards of intellectual rigour, could be universally applied to all disciplines. Alternative methods were sought which had underlying ontological and epistemological positions different

to the positivist programme that had dominated Western thinking for so long. There was a greater awareness that understanding the processes of knowledge required, in turn, an understanding of language and cultural and societal factors which had previously been disregarded in the process of theory development.

Neo-empirical accounting research emerged from a conservative business school environment typically found in the USA. It is steeped in the neo-liberal ideology in which the rights of individuals and the market mechanism are fundamental beliefs. That is, neoclassical economics, which is central to this ideology, seeks to explain the actions of independently minded individuals interacting with one another only by means of market competition; the rights of individuals are supreme and their interaction is achieved through the operations of the market mechanism. The only constraints are provided by nature. Therefore, there is no need of social institutions or government intervention—no form of externally imposed regulation. This implies the individual or decision-making unit has full knowledge of what is best for her, him or it (see Klein 2007). Neoclassical economics is a cornerstone of the monetarism espoused by Friedman which came to dominate what is referred to as Chicago School (The University of Chicago) economics in which almost all of the early neo-empiricist accounting researchers were trained. These acolytes spread this belief to other institutions as they took up academic positions in them. So effective were they in doing this that it has become a dominant style of research in accounting which has been enforced by business schools (on their students and new colleagues) and many journal editors (despite being contrary to the underlying tenets of the movement—individual choice!). This dominance has led to it often being described as *mainstream accounting research*.

### 3 Accounting as Social Science

As indicated above, accounting can be regarded as a social science. Lowe and Tinker, some time ago, clearly agreed with this:

Accounting as a discipline and accountancy practice should...be regarded as integral parts of social science and social behaviour. (1989, p. 47)

So did Hopwood:

Accounting is coming to be regarded as an interested endeavour. Rather than being seen as merely residing in the technical domain, serving the role of neutral facilitator of effective decision-making, accounting is slowly starting to be related to the pursuit of quite particular economic, social and political interests (1989, p. 141)

The social nature of accounting had been recognised much earlier. For example, in the 1930s the unusually named DR Scott had published a book (1931) which stressed the historical and social character of accounting. Scott argued that society and its institutions (including the economic) constantly change and if accounting is to be a useful in providing an understanding of “economic realities” then accounting should be considered from a much broader (than a merely technical) perspective. Scott developed his argument on the basis of an economic theory different to most others of the time—the institutional economics espoused by people such as his colleague, economist Thorstein Veblen.<sup>2</sup>

Since that time there have been many others who expressed similar views. In an article published in *The Accounting Review* one of the co-authors of one of the most significant auditing monographs,<sup>3</sup> Mautz (1963), argued that accounting met the accepted defining criteria of a social science. Therefore, educators and researchers needed to re-evaluate their approach to the discipline to recognise the rigorous demands of social science and practitioners could then make more use of research results.

Accounting has understandably been predominantly concerned with the financial reporting of corporations as they are the primary form of business organisation in most societies. There have been many who have demonstrated the significant changing nature of the corporation over the last two hundred years. Perhaps one of the most well known early works to address this issue was *The Modern Corporation and Private Property* by Berle and Means.<sup>4</sup> Ladd argued that these changes had resulted in a “new orientation of business responsibilities and new concepts of appropriate business activities and objectives” (1963, p. 2). This re-orientation meant that the responsibility of corporate management went beyond the satisfaction of stockholders’ interests to include a much greater social

responsibility yet “accounting concepts and procedures are firmly based on the premise of the paramountcy of the ownership interest” (p. 2). To Ladd, accounting had clearly not kept pace with business developments partly as a result of “inertia—from and unwillingness to change procedures which have worked in the past” (p. 31). He cogently argued for a change in accounting method to reflect that very great changes in the nature of the corporation and its activities. This included the added dimension of corporations as “good citizens” (in societies).

Another person to argue for the need for a fundamental change in accounting was the English accounting theorist, Trevor Gambling, described on the dust jacket of one of his books as someone who had “earned the reputation as an awkward and original thinker in a field where original ideas are not much expected”. In his *Societal Accounting*, he attempts to reconcile traditional accounting theory and practice with broader economic accounting such that accounting could be used to signal wider social issues and concerns (based on accepted social indicators). Gambling’s major contribution to accounting thought has been to draw attention to the limitations of traditional narrow accounting thought. In many respect, like some of the others discussed above, he was ahead of his times as it is only recently that many of his ideas have been seriously taken up by other accounting researchers and theorists. There are many others than those mentioned above who have recognised the need for a change in the way accounting is perceived if it is to properly serve the needs of a more broadly defined set of users.

One thing that becomes clear is that accounting, as a social science, has to reflect the changed ontological, epistemological and methodological assumptions that occurred in the other social sciences. As reflected in the Hopwood quotation, there has been a growing realisation that accounting is not merely a neutral, technical endeavour but reflects the economic, social and political viewpoints of those who are engaged in its practice. Morgan was even more explicit:

...accounting researchers are obliged to face the dilemma that they are really social scientists...and to keep abreast of new developments and be competent at their craft, they will need to devote serious consideration to the nature and practice of what counts as good social research (1983, p. 385).



In recognising the social nature of accounting it becomes clear that the positivist, natural science approach to accounting research is not appropriate—it had been rejected in most of the social sciences. The naïve assumptions (such as value free propositions and efficient markets) in the neo-empirical approach are insufficient to reflect the “real” role of accounting in society and in fact, suggest Lowe and Tinker (1989, p. 48), “may be disastrous for the practical usefulness of financial accounting statements”. And Tomkins and Groves (1983) argue that adopting an approach other than that claimed to be used in the natural sciences may bring accounting theory and practice much closer together.

From Table 1 it can be observed that neo-empirical research (as employed in—and dominating—mainstream economic and accounting research) is based on a realist ontology. Neo-empirical researchers believe there is an objective reality that exists independent of any human agency (human involvement). Following on from this then, human beings are viewed as interacting with this reality passively—that is, they do not create the reality but have to live around it. Therefore, human behaviour can also be objectively observed—its response to “a real world”. Accordingly, how humans respond to external stimuli (their surroundings and their attempts to exist therein) can be predicted. Consequently, social order is controllable; societies can be managed. The means by which knowledge of such an idealised world is obtained follow from this ontological position.

In respect of knowledge claims, empiricism and testability become paramount. However, as Christenson (1983) has demonstrated, in accounting research, there is considerable confusion as to the process of empirical testability. Causality is a problematic notion and complex causal modelling and extensive multivariate analysis, designed to demonstrate causality, have had not proved otherwise. It remains a highly disputed concept.

**Table 1** (Some) assumptions of neo-empiricism

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*Ontological*

That there is an objective external reality

That human behaviour is purposive

That social order controllable

*Epistemological*

Observation is separate from theory and is for either verification or falsification causality

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Thus, there are many problems with attempting to employ the methodology of the natural sciences in *any* discipline let alone one so obviously a social phenomenon as is accounting. This led Mautz to argue that the discipline must “accept more responsibility for value judgements” because while the accountant may attempt to adopt an impersonal disinterested viewpoint “the truth is that his (sic) data include value judgements and for him to ignore such considerations is to ignore important aspects of his data” (1963, p. 319).

## 4 Alternative Research Methodologies

Accounting researchers have drawn on a number of theoretical frameworks that have been used in the social sciences. There is a logical difficulty in attempting to describe or classify some of these because “by definition” they defy classification.<sup>5</sup> However, for pedagogical (instructive) purposes a description of what they involve can be undertaken. They mostly employ **qualitative** rather than **quantitative** research methodologies and this is sometime taken as a defining characteristic. To varying degrees, they are concerned with notions such as language, culture, interpretation, reflexivity, discourse, text, power and history.

A simple difference between quantitative and qualitative research is presented in Table 2. One of the major steps in quantitative research is the identification of variables. The variable is central to quantitative research—it is a concept that varies—quantitative research uses the language of variables and is primarily concerned with the relationships between them: the aim is to establish the casual structure of the variables. This is possible because of the realist ontology adopted. Therefore, variables are representations of the real world. They can be objectively determined so the aim is to observe them and establish a causal relationship the outcome of which can then be generalized to other (similar) situations (sets of variables). The researcher remains separate—outside from—the data in order to maintain objectivity. In qualitative research the interest is in the processes and the behaviour of individuals in response to an ever changing—a dynamic—world. The researcher tends to be intimately involved with the subject under investigation and acknowledges the

**Table 2** Research differences

Quantitative research	Qualitative research
Seeks facts and causes of phenomena	Concerned with understanding actors' behaviour
Uses controlled measurements	Naturalistic and uncontrolled observation
Claims objectivity	Subjective
Seeks verification/confirmation through reduction	Seeks to discover and explore
Is outcome oriented	Process oriented
Claims to use hard and replicable data	Claims data is valid and rich
Produces generalisable outcomes	Is nongeneralisable
Assumes stable reality	Assumes a dynamic reality
Assumes an outside perspective	Assumes an insider perspective

Adapted from Blaxter et al. (2002), *How to Research*, Oxford University Press

subjectivity of the results, which are presented as of potential interest to others but which are not generalisable because each situation will differ.

For example, a capital markets study will be a quantitative research study. Stock market data are collected and summarised (reductionism) to indicate evidence or confirmation of an hypothesis and the claim will be that this—stock price reaction—will always occur in similar situations. The researcher will be committed to a realist ontology where the reality is represented by the stock market prices. The same study can be replicated in another stock market with the same results which will (again) confirm the results of the original study as a representation of the hard reality. On the other hand, a behavioural study could examine stock market prices that result from the actions of a group of investors in certain situations. The results would not be generalisable as these circumstances and the behaviour of individuals would never be identical. The qualitative study may well involve quantitative data (stock prices) but the significance of them would not be the same as in a quantitative study where they are considered to be hard, objective facts.

This example is a simplified one and the differences between the research methods are likely to be much more significant. Whereas there is one methodology that is privileged in quantitative research this is not so in qualitative research. The methodology in quantitative research will be positivist scientific method (probably some form of hypothetico-deductivism). In

qualitative research, many forms of research (research methodologies) exist each regarded as the most appropriate in differing situations. Some of these will be as equally positivist as neo-empirical research, some will retain the essential characteristics of modernism, some will totally reject modernist precepts and some will be based on very radical philosophies. In the accounting literature there is a plethora of adjectives describing some so called theory adopted in a particular research study. Many of these are epistemologically extremely dubious!

## 5 Subjectivity Versus Objectivity

A key underlying assumption in whether quantitative or qualitative research approaches are adopted is a belief in the neutrality of the resulting knowledge; in other words, is it possible to be objective when researching? As indicated above, quantitative researchers believe objectivity is not only desirable but possible (and even essential!). On the other hand, qualitative researchers believe objectivity is not possible, therefore, the researcher should acknowledge her or his subjectivity. These positions can be contrasted in terms of the classification of assumptions described (and terminology employed) in earlier discussion as indicated in Table 3.

In accounting the neo-empirical research adopts the objectivist position and this research is sometimes referred to as *nomothetic* which means that it sets out to establish law-like generalisations. For example, research examining the effects on share prices of an accounting method choice will claim the result as something that will always occur in similar situations. Such research will tend to use large numerical data bases from which

**Table 3** Underlying theoretical assumptions

Objectivist view		Subjectivist view
Realist	Ontology	Constructionist
Positivist	Epistemology	Anti-positivist
Intended to create law-like Generalisations	Methodology	Intended to provide specific non-generalisable descriptions
Mainly quantitative	Appropriate methods	Qualitative

conclusions will be drawn out. The original research will be replicated using different data bases and after the conclusions have been confirmed sufficiently they will form a scientific law. On the other hand, a subjectivist approach is sometimes referred to as *ideographic* which simply means that the focus will be on cultural and historical particulars and a description will be made on the basis of the researcher's interpretation (for example, a case study). As indicated, in subjectivist, qualitative research no method is privileged over others so there are many variations some of which will now be discussed.

## 6 Accounting Theory as Critique

In the accounting literature there has been a tendency to refer to any non-positivist accounting research as critical theory research. Unfortunately, this has also been true in much of the social science research literature and it can refer to a range of theories that take a critical view of society and social processes. Thus, the term has been used quite loosely and can have a very broad meaning. This is sometimes unfortunate because, strictly speaking, **critical theory** refers to the work of a group of social theorists and philosophers called the Frankfurt School working in Germany early in the twentieth century. Their work was continued in the rest of the twentieth century by one their students, Jurgens Habermas, and, in turn, some of his "students" have carried on (and developed and extended) his work to the present day.

(Frankfurt School) Critical theory has hugely influenced social theory, largely as a result of the work of Habermas. It is complex, so any summary here is highly simplified. Some essential characteristics of critical theory are its rejection of positivism as the sole arbiter and generator of knowledge largely because of its lack of self-reflection which leads it to reduce epistemology to a crudely mechanical methodology. Self-reflection requires the acceptance of the importance of human agency in the creation of knowledge. This is necessary because, without it, oppressive power relations are hidden. Crudely speaking, if you do not think about what and how you know things, your actions may be simply reflecting what others want you to do, so you would be reinforcing the dominant

and powerful views that exist in society. For example, accountants believe they are acting in a value neutral and objective manner and reporting on economic reality. However, it is important to know what “reality” is being represented—what attributes are being measured and how they are presented in a financial report. Through self-reflection one is freed from past constraints (such as dominant ideology and traditional disciplinary boundaries) and thus critical theory is emancipatory.

Critical theory was initially strongly influenced by Marxism but “developed in contrast to the crude materialist, determinist and allegedly scientific Marxism that had become orthodox in the Soviet Union” (Simons 2004, p. 2); rather, it developed what is often referred to as Western Marxism. Despite Habermas’ rejection of the scientism of the positivist program (which he believed was only one of many forms of knowledge) he continued to remain attached to the idea of modernity and viewed the Enlightenment as a worthy but unfinished project.

There have been several accounting studies advocating critical theory. Perhaps the strongest advocate has been Richard Laughlin who was later joined by Jane Broadbent as well as other co-authors. A more general case for accounting as a critical social science was made by Dillard (1991) who uses the work of two prominent accounting authors to demonstrate the benefits of a more critically oriented approach. To this extent, Dillard’s work is a good summary of some of the key considerations in adopting a critical theory approach. On the other hand, Laughlin’s work is more directed to employing critical theory to solve “real life” accounting problems and issues. His work examines accounting systems in organisations and he makes a case for a critical theoretical understanding. Previous, technical positivist attempts to understanding the operation of accounting systems, he argues, have not contributed to our understanding of accounting in practice (Laughlin 1987). Many of the advantages of using critical theory were seen by its advocates as most suited to accounting in organisational contexts and can, therefore, be said to have improved our understanding of management accounting.

In his later work Laughlin, especially that written with Broadbent (and in her own work), turned attention to accounting and accountability in the public sector (under the New Public Management). Their work extended their use of critical theory to include the later work of

Habermas which examined issues of law (juridification) (for example, Laughlin and Broadbent 1993) and communicative action (how understanding is communicated).

In a later paper Laughlin (1999) argues that there are at least four important characteristics of critical accounting. First, it is always contextual. That is, it recognises that accounting has social, political and economic consequences. Secondly, it seeks engagement, which means that it is always undertaken to change (improve) the practice or profession of accounting. Thirdly, it is concerned at both micro (individuals and organisations) and macro (societal and professional) levels. And, fourth, it is interdisciplinary in that it engages with and borrows from other disciplines. Thus, critical accounting is much more broadly concerned with the practice, profession and discipline of accounting than traditional studies.

The work of Prem Sikka clearly illustrates Laughlin's characteristics. He is somewhat of a political activist in accounting and has taken issue with the profession for not having more forcefully aided the fight against issues such as money laundering, fraud and transnational crime and professional body insouciance (indifference to many of these issues) (see, for example, Sikka and Wilmott 1997).

Critical accounting has influenced research in many countries and in 2002 a special issue of the journal *Critical Perspectives in Accounting* was devoted to "Critical Accounting in Different National Contexts". In this issue Broadbent asks why we need critical accounting. Her response argues that in a world pondering over the allocation of scarce resources "We need to ensure the use of accounting does not represent certain interests at the expense of others". And, she continues, "Constructions and interpretations of accounting information must pay attention to the cultural imperatives of those it seeks to control as well as those who are using it as a tool of control" (p. 444). Thus, critical accounting seeks to unmask the often hidden interests of those who would seek an unjust allocation of a society's scarce resources so that all interests in society can benefit. The spectacular corporate collapses and fraud seen early in this century—and before—clearly indicate that such maladjusted interests exist.

## 7 Accounting Theory as Interpretation

It should be remembered that classifying the alternative methodologies is antithetical to the essence of many of these alternatives. Classification usually presumes a fixed basis for categorisation—a fixed “reality”—which is the very thing many of these alternative methodologies reject. Therefore, it is restated that such grouping is done for instruction to those unfamiliar with the philosophical complexities involved with these alternative views of how knowledge is created. While the Frankfurt School critical theorists adhered to a belief that there are foundations to knowledge, those who strongly hold a social constructionist ontology deny that it is possible to determine such foundations (or, in fact, their existence at all). This has important implications for how knowledge is perceived. Foundational beliefs are taken as certain and beyond doubt—they exist independent of any human agency. Constructionists believe that knowledge is produced by human societies: we do not discover knowledge so much as make or construct it. We create concepts, models and systems to make sense of our experiences. Accounting, of course, is a good example of a constructed knowledge. However, our experiences are constantly changing so our constructions have also to change. Accounting in the nineteenth century is different from accounting today. Our understanding is dependent on how we interpret our changed experiences. Such interpretation does not exist in isolation but depends on societal norms, social demands, language and other considerations. There is a range of research and theory approaches that concentrate on interpretation. These approaches, like critical theory, are necessarily interdisciplinary. For example, it is important to understand the political, social, legal, economic, linguistic, cultural and historical context of interpretation. There are many variations of these interpretive approaches to knowledge some dating back to the just before and after the turn of the twentieth century as in the work of Max Weber (a major classical sociologist) and Edmund Husserl (founder of the movement known as modern phenomenology). Other approaches include those known as philosophical hermeneutics, ethnomethodology and symbolic interactionism. While these are rather complex sounding titles, they all share the aim of attempting to enrich



peoples' understanding of the meaning of their actions in order that they can change their worlds through such self-understanding.

One of the earliest works to draw attention to the potential of improving accounting practice by using interpretive theories in accounting is that by Tompkins and Groves (1983). Their central intention was to argue that accounting research had traditionally uncritically borrowed models and methods from the natural sciences which were very often inappropriate for studying accounting practice. "Naturalistic" rather positivist approaches would result in a better understanding of accounting practice. This is a strange use of the term "naturalistic", but others have used it and it is intended to relate to non-positivist methods including some interpretive approaches, namely ethnomethodology, symbolic interactionism and transcendental phenomenology.

Ethnomethodology seeks to determine how people go about their daily practices (hence the title of the Tompkins and Groves paper!) and what "rules" lead them to derive meaning from their actions: how do they make sense of their world. Therefore, Tompkins and Groves suggest that it might be applied to determine how accounting influences the actions of others or understanding of events. Accounting "rules" are determined from accounting practice; that is, the significance and meaning of the rules emerges from how accountants (and others) interpret and act on them.

Symbolic interactionism was developed at the University of Chicago and is similar to ethnomethodology except it is more concerned with the actions and interpretation of individuals. Meanings do not reside in objects but emerge from social processes. Individuals act on the basis of the meaning they attach to things and this becomes evident as they interact in society. Tompkins and Groves suggest this research approach could be used to study financial control. By examining how various individuals respond to financial decision information it will be possible to identify "key people" who are aware of "the larger macroeconomic determinants of behaviour" (Willmott 1983, pp. 394–5).

Interpretive approaches have been used more in management accounting than financial accounting. Chua (1986, pp. 615–617) provides an excellent example of the significance of an interpretive approach by comparing two pieces of research related to budgetary processes: one a

traditional approach, the other an interpretive study. She demonstrates that whereas in the former the “budgetary control system” is seen to exist as “a facet of reality that is external to the world of the researchers” in the latter the budget is “symbolic not literal, vague not precise, value loaded not value free”—in fact, the budget shapes reality through the meanings people place on it and how it influences their actions within the organisation. In another article Chua (1988) shows that management accounting research has used the interpretive approach and points out some difficulties with its use in accounting. In the paper Chua explains the difference between symbolic interactionism and ethnomethodology and suggests some new insights over the traditional approaches to management accounting research that the interpretive perspective brings and how it can continue to be used to advantage.

## 8 Accounting Theory as Structure

Early in the twentieth century a French linguist, Ferdinand Saussure, developed an approach to the study of language which concentrated on underlying structures which he argued underpinned all language. Later, his approach was adopted to apply to a form of social analysis in which the structures of social organisation took priority over the human aspects. The name **structuralism** refers to the methodological and theoretical approaches to culture and social analysis which assumes societies can be studied in a manner similar to a Saussurian structural analysis of language.<sup>6</sup> Therefore, the theoretical study of accounting would concentrate on the “structures” on which accounting is built. The emphasis would be on the unobservable but structural relations between conceptual elements to expose the essential logic that binds the “structures” together. The object of investigation is studied as a system.

The accounting profession’s search for GAAP and then a conceptual framework can be viewed as a “structuralist” approach—however, this has never been consciously considered. Nevertheless, the search for the essential logical elements that bind accounting systems and result in financial reports being prepared is very similar to the structuralist approaches taken in other disciplines (notably anthropology).

However, economic theory has been greatly shaped by structural thinking. In fact Saussure “took economic theory as *the* model for his highly influential semiotic theory of language” (Macintosh 2002, p. 9); and one commentator has said that “Economics, be it noted, is the structural study par excellence” (Sturrock quoted in Macintosh 2002, p. 9). Because accounting has relied so heavily on economic theory, Macintosh goes on to demonstrate that it too has been heavily structuralist and he illustrates this with agency theory: “Agency theory is prototypically structuralist” (2002, p. 10). However, few accounting researchers have consciously seen their research as being directly shaped by structuralist theory.

## 9 Accounting Theory as Language

The cliché—accounting is the language of business—has been around for many years. Knowledge can only exist through communication and language is the most common media of communication. Therefore, to understand how knowledge of accounting is established it is useful to study language. And if accounting is the language of business, this becomes even more important. However, the study of language is highly complex and there are several ways by which this may be undertaken. The ancient Greeks saw language as comprised of signs and a common word for the study of language, **semiotics** (or semiology in Europe), has Greek origins (interpreter of signs). Other terms used in the study of language include linguistics, rhetoric, hermeneutics and discourse analysis (and many others).

About the same time that Saussure, in Europe, was developing his semiotics, his theory of language (which was to become the basis of structuralism as mentioned above), one of America’s most important philosophers, Charles S. Peirce, was creating his semeiotic, his theory of signs which he believed extended to a whole system of philosophy. Peirce was also the founder of **pragmatism**, the theory that holds that a proposition is true if holding it to be so is practically successful or advantageous. He also greatly influenced the development of logic.<sup>7</sup>

Saussure was primarily concerned with the development of a theory of language central to which is the notion of the **sign** which is, in turn, a combination of the paired elements of *signifier* and *signified*. The signified is the concept (for example of “catness”) and the signifier is the sound image (the sound—spoken—or sound image, “cat”). One thing to note is that the sign is arbitrary; that is, they can differ from one language to another. It is also important to realise that not only are different signs used in different languages this leads to users of those signs thinking differently: the influence of culture which shapes the way people think. In “accounting language” the word asset is a signifier and the concept of asset (“assetness”) is the signified but just what is the concept of asset has been the subject of debates for many years. It can be future economic benefit but on what basis is this measured?

As indicated in the previous section, Saussure’s work was primarily intended as a theory of language. However, it was taken up by other disciplines such as anthropology by Levi-Strauss, psychology by, for example, Lacan and in many other disciplines including economics. The ultimate aim was to determine the underlying structures. Two other features become evident. First, if underlying structure are sought then the individual (human) is no longer relevant because she or he exists independent of the underlying structure. Secondly, such analysis is *synchronic*, it is ahistorical—structures are independent of time. The opposite of synchronic is *diachronic*—changing over time. Structuralist analysis, therefore, ignores history and development. To some scholars who originally subscribed to structuralism, this was a naïve understanding of how language actually works. Therefore, they rejected structuralism (as it stood) and sought ways of extending or changing it to make it more reflect the fact that language changes over time depending on how individuals and societies interpret the signs contextually. These scholars came to be known as **poststructuralists** (because they came “after” structuralism), but they developed their ideas in very different directions and all rejected the label. The common features of their work are first, a recognition that language is viewed as the medium for defining and contesting social organisation and subjectivity. Secondly, they hold that individuals are knowing and rational subjects and are necessary for the creation of knowledge.

These views can be compared to the mainstream positivist notion of knowledge. To the positivists knowledge was comprised of uncovering the elements of a real world and formulating the knowledge in a neutral theoretical language. The individual therefore is only a “device” for uncovering this knowledge. The poststructuralist view is quite the opposite—it is through language that knowledge comes into existence and this language is comprised of a socially derived and accepted set of signs which every individual interprets in their own way. Two of the most well known of the so-called poststructuralists are Michel Foucault and Jacques Derrida. Foucault turned to history, Derrida took language and meaning to the extremes, breaking it down, deconstructing it into its barest elements. There are several studies in accounting which have adopted a Foucauldian approach but very few who have employed Derrida’s analysis.

Foucault was one of the most influential thinkers in the second half of the twentieth century and still exerts a strong influence on theory in the social sciences and philosophy, so it is little wonder that some accounting researchers have been attracted to his ideas. Foucault is a notoriously difficult person to categorise, but there are three phases of his work. In the first, he referred to the method as archaeology and it displays his structuralist roots although it has moved well beyond Saussurean structuralism. The method in his second phase he called genealogy and, in the third phase it is described as being concerned with discourse ethics. Themes found in his work include history, language, discourse, subjectivity and power.

Although he is often seen as a historian, Foucault’s history is not that of the traditional historian. Rather than seeing continuous progress and development he looks for disruptions. He does not seek out simple causality but rather seeks to determine the factors that made social institutions and beliefs possible throughout history. Comprehending these helps understand where we are now. Therefore, in accounting, those that have employed his approach have mostly resorted to historical study. Stewart says that Foucault has:

...provided a theoretical schema within which to problematize and question accounting, and break away from a unidimensional picture of its development. Accounting has not been created just by capitalism or industrialization

or ownership or organizational structures. Rather, the emergence and functioning of accounting in its various contexts is a complex phenomenon, due to the interplay of many different influences (1992, p. 61).

Stewart cites several works in accounting that have employed a Foucauldian perspective—they have examined such topics as the professionalisation of accounting, the emergence of administrative power, the development of cost accounting in the UK and the role of the state in developing accounting. The aim in Foucauldian studies is to see “accounting as transcending time and space considerations and developing into a set of supra-historical accounting techniques that will be better able to meet the needs of the organization” (p. 58). Hoskins and Macve (1986) have argued that double entry bookkeeping emerged from the context of disciplinary techniques developed by medieval monastic orders. Furthermore accountability and control received an impetus from the development when universities developed a system of monitoring student performance through examinations—“a power-knowledge framework” (p. 123). Loft (1986) demonstrated that the professionalisation of British accounting was influenced by the need for cost accounting during the First World War. There are numerous other studies in accounting that employ a Foucauldian perspective.

## 10 Accounting Theory as Rhetoric

Rhetoric is an old discipline dating back to the fourth century BC. Its contemporary meaning is the art of persuasive communications and eloquence. Some time ago Arrington and Francis pointed out that every author attempts to persuade (or perhaps seduce) readers into accepting his or her text as believable (1989, p. 4). It is important to note here the terms author, persuade and text. The author will subjectively select the rhetorical devices she or he feels will be most useful in persuading others of a particular position. The word text is widely used and means more than a written document—it now refers to many other things in which meanings are being conveyed such as films, speeches, advertisements, instruction manuals, conversation and, of course, financial reports.

Mouck (1992) demonstrated how positive accounting theorists employed several rhetorical devices to persuade others that positive accounting theory is the only way to truth. Rhetoric is most commonly encountered in literary studies. However, in 1980 McCloskey published a paper in the *Journal of Economic Literature* entitled “The Rhetoric of Economics” which spawned a new movement in economics, consistent with similar movements in other social sciences, which has seen rhetoric as an alternative to positivist epistemology.<sup>8</sup> Whereas epistemology is based on a set of established abstract criteria, rhetoricians hold that truth emerges from within specific practices of persuasion.

One of McCloskey’s primary aims was to draw the attention of economists to how they use language and how language shapes their theories. Similarly, Arrington and Francis seek to show how “the prescriptions of positive theory function linguistically rather than foundationally and cannot purge themselves of the rhetorical and ideological commitments” (1989, p. 5). Arrington and Francis move beyond a simplistic analysis of language and draw on the work of Derrida to make their case. Derrida’s work is highly complex and extends the discussion of signs and language to extremes. His concern is with deconstructing the text. That is, unpacking the text “to reveal, first, how any such central meaning was constructed, and, second, to show how that meaning cannot be sustained” (Macintosh 2002, p. 41).

Largely due to its complexity and its controversial reception by some quarters of the academic community there have been very few studies in accounting drawing on Derrida’s work. However, his central message that language cannot be the unambiguous carrier of truth that is assumed in many methodological positions should never be forgotten or overlooked. As with other poststructuralists, Derrida saw all knowledge as textual—comprised of texts. Derrida believed that all Western thought is based on centres. In this sense, a centre was a “belief” from which all meanings are derived; that which was privileged over other “beliefs”. For example, most Western societies are based (centred) on Christian principles. Perhaps it could be stated that accounting is centred on capitalist ideology. Deconstruction usually involves decentering in order to reveal the problematic nature of centres. So, it could be argued that many accounting problems arise from problems with capitalism—it has changed so much

over the years that it is hard to be precise. Another example could be the way so much accounting thought has been centred on historical cost measurement. In many discussions over the years, until recently, it has been “assumed” that historical cost is the basis for measuring accounting transactions. Therefore, advocates of alternative measurement bases were viewed as if they were heretics.

## 11 Accounting Theory as Hermeneutics

Hermeneutics is the study of interpretation and meaning and, as a formal discipline, was initially used several hundred years ago by biblical scholars interpreting biblical texts. In the mid nineteenth century it became a discipline for the critique of the attempted application of (natural) scientific method to the human sciences. Hermeneutics, as the interpretation of meaning of texts and other works (for example art works) was the recommended methodology. In the twentieth century hermeneutics was extended from an epistemology to an ontological position, that is, extended from focussing on knowledge to being (existence) thus making it a valuable approach to understanding social organisation such as accounting. This extended view of hermeneutics usually results in it being referred to as philosophical hermeneutics. However, the focus is still on language, meaning and interpretation. It is also common to find reference to the hermeneutic circle. This is because interpretation inevitably requires understanding through language and the interpreter comes to the matter under consideration with an historical understanding—language is developing over time. Thus, it is inevitably circular—“new” understanding is based on previous (historical) understanding; meaning is grasped from past interpretations because that is all there is. Consequently any value-free inquiry is not possible and truth only exists as shared interpretations—knowledge can only be regarded as knowledge when it is accepted by an audience.

There was, in the social sciences, a growing interest in interpretation and this has been referred to as the hermeneutic turn. Boland (1989) has argued that this hermeneutic turn was also reflected in accounting research. To him, this was manifest in the work of those researchers



wishing to break from the subjectivist-objectivist dichotomy and who saw the renewed interest in subjectivist approaches to theory as having considerably more potential for a fruitful understanding of accounting.

## 12 Different Accounting Theory

The discussion above has provided a brief view of some of the many different approaches to accounting theory that have developed over the years.<sup>9</sup> While they are very different in specific orientation they do share some characteristics. Collectively they are often referred to as critical studies. While the term critical theory has a specific meaning it is also used to refer to a heterogeneous set of theories that generally can trace their roots to the European rather than the Anglo-American philosophical tradition. Embracing an alternative philosophical framework has served as an antidote to the sterile positive prescription of the mainstream methodological hegemony. Critical accounting studies take a wide range of stances from highly conservative to (a few) extremely radical but they all have the intention of trying to improve accounting practice by making accountants more aware of the wider social, political and economic consequences of their practice. And, as Morgan has indicated “the more one recognizes that accounting is a social practice that impacts on a social world, the less appropriate natural science approaches become (1983, p. 385). Critical studies, then, are united in opposing the use of positivist scientific methodology in pursuing accounting research because it specifically excludes any human or social considerations under the misguided apprehension of producing objective knowledge. One consequence of accepting accounting as a social practice is that it imposes greater responsibilities on accountants to be more aware of the social implications of their practice, In order to do this many researchers have turned to research undertaken in the social sciences as exemplars for appropriate methodologies.

A dominant theme in critical studies is an awareness of the role of language in producing knowledge. It is through language that accounting is constructed and constructs a reality Thus, many of the alternative methodologies have been dependent on the many and varied approaches

to the philosophical study of language such semiotics, linguistic analysis, rhetoric, hermeneutics and deconstruction. Language has always been a central concern of philosophers but there was, according to American philosopher, Richard Rorty (1992), a “linguistic turn” in many disciplines in the later half of the twentieth century. There has been a far greater awareness of the importance of language to the creation and understanding of knowledge. Thus, language plays an important role in most of the methodologies developed in the social sciences and, consequently, in most critical accounting studies.

Other important elements commonly encountered in critical accounting studies are cultural consciousness and awareness of the importance of history. Languages are created in societies and the impact of culture is crucial to any understanding of a language. Languages change over time despite the position adopted by Saussure and positivists; there are no universals. Associated with this realisation is that societies are regulated by rules and conventions so it is important to determine how individuals interpret the rules and conventions. Critical accounting researchers have taken up many of these issues in their work. Interpretation is a very individual exercise so subjectivity and reflexivity are important considerations of human behaviour.

All of these epistemological considerations are reflected in the fact that most critical accounting researchers practice and advocate qualitative research methods. Therefore, the research undertaken by critical accounting researchers is going to be very different to that practised by neo-empirical researchers. Both critical and neo-empirical researchers are attempting to determine a “truth”. In order to make some evaluation of these truth claims, it is important to appreciate from where the researcher is coming.

## 13 Accounting Theory: Who Cares?

As I assume my status of old man, I find I am quite disillusioned with accounting—the practitioners, the professional bodies and even the academic world. I have observed and have, in the words of Yeats, got to “know what old books tell”. A working life seeking a form for accounting

theory now seems to have been one of “chasing rainbows” as “the gold” at their end is a myth. However, I am certainly not alone as the community questions the practitioners and profession as the following examples indicate:

The most-cited concern was the worry that the [accounting] profession is dropping behind not just its clients, but the world as a whole, seeing its core services rendered obsolete by technology, their value to clients plummeting. (Hood 2015)

And:

Technology thought leader and educator Doug Sleeter described it very simply: “The [accounting] profession is struggling to maintain its relevance in the eyes of clients. As a whole, the focus is still too much on compliance services and not enough on going deeper with client engagements”. (Hood 2015)

And:

And not everyone was as confident in the strength of the profession’s reputation. Two leaders with a broad international perspective were worried about very specific concerns. “In the wake of sporadic corporate failures over the past decade or so, the most important issue has been demonstrating the value of accountants to society,” said International Federation of Accountants CEO Fayezul Choudhury. “There has been a crisis of confidence in the profession itself”. (Schneider 2015)

This is, of course, not surprising given the practicing accounting communities’ insouciance (and even, at times antagonism) to long-term considerations which, in turn, is not surprising given their close association with the dominant mainstream, neo-liberal, economic thought. However, what is more disturbing is the similar position adopted by the academic accounting community (NB this is a generalisation). This community has provided little or no resistance to the “darker” developments that have taken place in academe such as the rating and rankings games being foisted on what was once an independent community on which much

societal progress had depended (cf. Singh 2008). To me, this has shaped the development (??) of contemporary accounting research activity. For example, journals which were once at the forefront of innovative and socially conscious research have degenerated (perhaps we can say had “a conservative turn”?) into even publishing a “special issue” on causality, a cornerstone of the positivism favoured by the neo-liberal economics community. What is more, Nietzsche argued against its existence (Nietzsche 1968, pp. 293–297). I also note a preponderance of so-called management accounting research which *to me* has always indicated an alignment with the economic/business hegemony: disappointing for a journal that once was at the cutting edge of innovative and philosophically and socially aware accounting thought.

Does it matter? Of course it does. Plato held the position that theory and politics were always intertwined and Zizek echoes this with his claim for the “mobius strip of politics and economy” (2006, pp. 246–252). The interaction of politics and theory is dramatically illustrated in the anti-theory movement in US literary studies in the 1980s and 1990s (and probable still). The 1980s started with a growing interest in theory as manifest in the work of several philosophers from France (e.g. Foucault, Derrida, Krisheva) but also other places, and there resulted many changes to curricula, pedagogy and research. However, these positive developments were abruptly restrained at the end of the decade by “the institutional cultural equivalents of Reaganism” the agents of which “were and still are often the same as the ‘anti-theory’ agents within the universities and the media” (Bove 1992, p. x). This is the same Reagan who is reputed to have claimed that his favourite and most influential authors were Hayek and Milton Friedman. I often wonder whether the anti-theory movement in US literary studies circles is echoed in the near absolute domination in accounting of positive research.

There are probably many other reasons. The “theory wars” in literary studies in the USA, but also in the UK, as they are commonly referred to, are quite difficult for outsiders to understand. The difficulty revolves around the meaning of theory. The meaning that one has is almost certainly preconceived—it is based on one’s epistemological proclivities. This is often unfortunate as many new (or not so new) would-be authors would attest. One of the most used reasons by editors or reviewers of a

paper submitted to a journal for its rejection is that there is a lack of (a) theory! This has resulted in the “invention” of a plethora of so-called theories. They are used as justifications of observations and claims made. Despite this, however, there are several policy positions which do not seem to rely on “theoretical” justifications. For example, theoretical justifications for accounting regulation are rare. This implies that “theory” has been replaced by “regulation”, a political process. Needless to say, the implications of this are enormous as it reinforces again the link between economics and politics. In an economically globalised world where we are told international financial reporting standards are necessary to facilitate the free flow of capital, it raises questions as to whose interests are privileged? This echoes the problems with the euro crisis and Greece in terms of policies being promoted by those “in power” (cf Douzanis 2013). The “solutions” proposed by the EU reflect neo-liberal ideology.

Unfortunately, a long-held notion in accounting is that we operate free from bias—value free, neutrality and therefore objectively. This is straight positivism; that the knower can stand outside the world and see it for what it is. The non-positivist approaches to knowledge creation have shown this to be total myth. This rejection has implications often overlooked. From Table 3 above it can be noted that this would entail adopting (social) constructionist ontology. Researchers have to be aware that in studying subjects who then become the objects of the study they are studying in part themselves (e.g. where researchers study a social entity, e.g. accountants, they are studying a group that could include themselves as part of the entity). Thus, they are “saying something” about themselves. This is known as the need for reflexivity in research (see Steier 1991). With the expansion of technology this has become a little more complex. People are largely now virtual selves—a virtual self being a “person who spends a good deal of time online and working with computers and who acquires her identity from this activity” (Agger 2004, p. 179). The consequences are obvious as reflected in the quotations from Hood above. It has changed the world with which accounting and accountants have to deal. Mickhail has studied an example of this phenomena, which was called metacapitalism. He states:

MetaCapitalism change strategy has exacerbated the intensity and frequency of structural resource allocation changes within the largest global

corporations and this has amplified their market volatility. The Big 4 audit firms, who monopolise 85 per cent of the global audit market, have failed their agency role within the financial markets. The findings from the analysis of nearly 70,000 corporations reveal that they have failed to recognise the complexity of the new technological structural changes to resource allocation, even after analysing their conventional analytical methods, which should have signalled the problems.

Charitably, this suggests a failure to comprehend how technology has changed our world; more sceptically, it suggests deliberate manipulate of the circumstances for self-interest!

Some have argued that the advent of the computer has changed the meaning of research and theory. The speed and capacity, they suggest, has meant less need for theory as data (the quantity of) replaces information. I am not sure about this as the receivers of the data would still need some means of processing the data to make it “useful”. Nevertheless, from the quotations, it seems that accountants are having difficulties with this change.

Another matter to consider is that accountants have expanded their sphere of interest to encompass social and environmental considerations. Admirable as this is, there does not appear to be many situations in which accountants are assisting in easing the issues and problems that have arisen but rather have placed an emphasis on analysing what corporations are reporting rather than doing. The problems persist. Some have suggested this, like the impact of new information technologies, has changed the nature of that which accountants deal and requires a re-think by accountants. For example reconsider the definition of capital as suggested by Gleeson-White (2014).

Of course, the source of many the world’s economic woes stem from the unrestrained power now yielded by transnational corporations. Despite the substantial evidence mounting as to how these corporations abuse their positions, governments seem impotent (see, for example Bakan 2004; Corporate Reform Collective 2014).

There are many economic ills facing the world not all of which are attributable to accounting or accountants or solely the responsibility of them. However, accounting and/or accountants are seen to be implicated

in many. Much of the work of the critical accounting movement over the years has made visible what was previously invisible. That is, it has highlighted the importance of accounting to the operation in so many aspects of modern economies. Thus, accountants are no longer able to claim to be innocent presenters of value neutral, objective information: in choosing which information to present, they have had to make conscious choices. As such they are likely to align themselves to certain interests. In almost all situations this has been business interests, including large corporations. As much of the critical accounting movement has demonstrated, this alignment has been with the dominant economic power holders in societies—the economic hegemony. This power has been created by politically supported economic interests within an accepted system. This system is, of course, capitalism which has, over time adopted various poses and names, for example late capitalism, financial capitalism, consumer capitalism, fast capitalism etc. Whatever name is used, by definition, capitalism is about capital; its accumulation and preservation. In recent times there has been an increase in how the word capital can be used. Gleeson-White (2014) has argued that there are six capitals—financial, manufactured, intellectual, human, social and relationship and natural, the first two being the traditional. It is difficult to see how intellectual (as the term has been used) is much different from the traditional. It is the same notion of ownership of property but rather than tangible property, as is “manufactured”, it generally refers to what was once called the “intangible” property (assets) of organisations. The other three seem to be examples of the “neo-liberal project” in which “Everything is subjected to a particular economic logic” and what is “At stake is not ‘the market economy’ but the ‘market society’ ” (Douzani 2013, p. 29). Gleeson-White is first to admit that it is “part of the conceptual basis for ‘value creation’ ” quoting Druckman who says “For too long businesses have expressed themselves only in the narrow form of financial transactions” (2014, pp. 190–191).

Gleeson-White is arguing for an expansion of the role of accountants which in itself is admirable. This is that to which I was alluding at the start of the paper—what Tony Lowe and I believed was wrong with accountants—the narrow intellectual vision. In looking at the emergence of the

critical accounting movement I sought to determine the “origins” of that sort of reasoning. This brought me to look at the works of Heidegger and Nietzsche. The latter believed that the knowledge of the world was best expressed in literature, the former that it existed in poetry.

In order to make a fairer society our knowledge must go well beyond that demanded by the “neo-liberal” project. Its central element, the capitalist system, has not worked well. The troubled world lurches from crisis to crisis with solutions generated by the system itself—such is the power of the rhetoric of its adherents. For example, the recent global financial crisis was generated by the abuses of the system by sectors of it who were then “rewarded” by the system (through its power over governments). This was not the first time this had occurred as any historical investigation would surely show. A survey of free market capitalism around the globe found an average of only 11% across 27 countries “feel that capitalism works well. An average of 23% feel that capitalism is not sustainable and that an entirely new economic system is needed” (Gilman-Opalsky 2011, p. 20; for those who believe in statistical significance!). One does not have to be a “raving radical” to believe that capitalism has failed. Nobel prize winning economist and one time Chief Economist of the World Bank, Joseph Stiglitz says that “Markets have clearly not been working in the way that their boosters claim” (2012, p. xi). To him, “A more efficient economy and fairer society will come from making markets work like markets—more competitive, less exploitive—and tempering their excesses. The rules of the game matter not just for the efficiency of the economic system but also for distribution. The wrong rules lead to a less efficient economy and a more divided society” (2012, p. 267). Stiglitz was not the first to arrive at these conclusions. Over a century ago the novels of Charles Dickens, Zola and many others writers had brought it to the world’s attention in their works.

Can accountants cope with all this? Can we produce knowledge—theories—that lead to a more efficient and fairer society? Do we care? Will we continue to seem to be only interested in self gain and seek alliances with those with economic power that have resulted in gross wealth inequality? Despite the advice of Hill and Newa (2004), I think I will side with Nietzsche and resort to literature—perhaps continue reading Proust—De Botton (1997) says it will change my life.



## Notes

1. The following sections builds on and updates material that was published previously as Chap. 7 of Gaffikin (2008).
2. Institutional economics concentrates on the social systems that constrain the exchange and use of scarce resources. In doing so it explains the emergence of alternative institutional arrangements and their influence on economic performance through controlling access of economic actors to resources by various means. Over the years it has been championed and debated by many very important economic theorists who have continued to try and develop a theory of economic institutions.
3. Mautz, R.K. and H.A. Sharaf, 1961, *The Philosophy of Auditing*, Florida: American Accounting Association.
4. Berle, A.A. and G.C. Means, 1932, *The modern corporation and private property*, New York: Macmillan Co. Both authors have also written several other subsequent works individually and with other co-authors.
5. This is because some of them rely on a (social) constructionist rather than a realist ontology. That is, by definition they do not exist as independent objective entities.
6. Although most usually associated with Saussure, structuralism most likely originated in (the then) Czechoslovakia and Russia.
7. Pragmatism is the archetypical American philosophy and has been dominant in American thinking. While it has probably influenced many accounting theorists one who admits to being an adherent is Barbara Merino. Most of her research has been in history of accounting, see, for example Merino (1989).
8. McCloskey later expanded the argument and published a book by the same name: *The Rhetoric of Economics*, University of Wisconsin Press, 1998. Other economic rhetoricians have criticized that work as being too conservative and deferential to neoclassical economics and have greatly extended the arguments of the rhetoric of economics movement; for example, James Arnt Aune's *Selling the Free Market: The Rhetoric of Economic Correctness*, New York: The Guilford Press,

2001. Arnt Aune's argues, like Mouck (1992) that neoclassical have resorted to various rhetorical devices to sell the idea of the free market but he goes further by demonstrating that politicians and commentators (including novelists) have also rhetorically contributed to the selling of liberalisation, privatisation, globalisation and transnationalisation (ie the free market and minimum political intervention) economic (and social) policies (see Stiglitz 2012).

9. There have been many other proposed approaches drawing on the work of philosophers or social theorists. For example, labour process studies initially drew on Marxian ideas; actor network theories draws on the work of French techno-science Latour, Callon and others; post colonial theoretical studies point out the legacy of colonisation; and there have been historical sociological studies—the new history. See Lodh and Gaffikin (1997).