Vassili Joannidès de Lautour

Accounting, Capitalism and the Revealed Religions

A study of Christianity, Judaism and Islam

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To Rachael, Rebecca and Clément

Foreword

This book is the conclusion of a comprehensive research project commenced in 2005 with a triple master's degree in in Social Sciences, Accounting & Finance and Education, followed by a PhD on accountability in a church setting.

This book owes its finalising to all those who have supported the research project from its earliest stage. Amongst them are all authors still alive cited in this book. They were all sent earlier versions of the PhD dissertation, the articles to be published in academic journals and other working papers that have fed this book. They were asked to articulate any comments on what was written, so that its contents would reflect as fairly as possible what their initial intent was at the time of their own studies. I met with all of them on numerous occasions. These insights were collected through tape-recorded interviews and written commentaries from the authors. These exchanges revolved around discussing how they decided to work on accounting and religion. Over years, some have become colleagues, co-authors and friends. As a result of all these privileged exchanges with such key authors, this book is the result of first-hand material.

Initially, the various chapters of this book were derived from a PhD dissertation. Some were presented and discussed at numerous conferences, including Interdisciplinary Perspectives on Accounting, Asia-Pacific Interdisciplinary Research in Accounting and the European Accounting Association. Chapter 6, dealing with accountability in the Salvation

Army, explicitly derives from the dissertation. In this respect, excerpts from interviews and anecdotes reported in this book were collected with informants' knowledge and consent. As with the authors cited in this work, informants were sent prior versions of the book's contents and were asked to make comments on them. In order for Salvation Army members to recognise their organisation's day-to-day life and activities more objectively, I purposefully changed their names. In so doing, I was allowing that people who were necessarily in the reported event incidentally could recognise themselves anyway. This process has two merits. Firstly, informants would approve any reference to them. Secondly, they would more broadly validate study plausibility by acknowledging it as authentic and true.

In its very essence, the topic borrows from several disciplines with different traditions and approaches to research. In this book, I have endeavoured systematically to refer to the home discipline of each topic discussed. Those are the philosophy of religion, the sociology of religion, economic philosophy, history of economic thought and accounting.

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Introduction

In this introduction, the book's key constructs are defined and put in perspective. These relate to accounting and accountability on one hand and to religion on the other. Accounting is understood as any means, including technologies, aimed at balancing debits and credits, while accountability is perceived as the giving and demanding of reasons for conduct, using any form of accounts. Religion appears as a threefold phenomenon: an individual encounter with the holy, witness to it before others and within a community of beliefs and practices. These definitions borrow both from the philosophy and sociology of religion and from accounting. The impetus behind this book derives from the intersection of these three notions.

In *Soll und Haben* (*Debit and Credit*), a novel published in Germany by Gustav Freytag in 1855, the main characters are a Protestant industrious family and a Jewish banking family, both developing capitalistic partnerships. Their mercantile relations are moralised by books of accounts. Both the Protestant and the Jew see God's benevolence in the accumulation of capital. Moreover, both *paters* write any business transactions in a book of accounts. This book is the Protestant's and the Jew's most personal item, their very intimacy. Hence, no one is authorised to even look at it. Later in Freytag's novel, the opening of the book of accounts reflects records regarding individual everyday actions (Freytag 1855; Maltby 1997). The Jew and the Protestant, in their capitalistic partnership, conducted 'eternal

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bookkeeping—and the act of accounting is for [them] a way of monitoring [their] moral as well as [their] financial position' (Maltby 1997, p. 78). In this book, it appears that Judaism and Protestantism, capitalism and double-entry bookkeeping conflate. In Freytag's novel, the spirit of capitalism pervades the morale of both the Jew and the Protestant.

The notion of religion will be used to determine any of the three religions revealed in the book. When those religions significantly differ, they are called Roman Catholicism, Judaism, Protestantism or Islam. So doing is by no means to dismiss non-monotheistic religions, but such a restriction conveniently allows the comparison of issues that emerged and developed coincidentally across time and space (Quattrone and Hopper 2005). The three monotheisms have expanded throughout the Indo-European continent since the Middle Ages.

It is my hope that this book can do justice to Freytag's novel by considering that capitalism is 'an imperative to unlimited accumulation of capital by formally peaceful means' (Boltanski and Chiapello 2006, p. 4). This implies economic rationality, efficiency, monetary exchange and calculations directed at profit-seeking (see Sombart 1911, p. 113; Chiapello 2007, pp. 266–267). This book explores connections between the three revealed monotheisms, the spirit of capitalism and essence of accounting. As the connections between capitalism and accounting have already been established (Bryer 1993; Carruthers and Espeland 1991; Chiapello 2007; Miller and Napier 1993), this point will not be discussed. Since this book's core interest lies in exploring the connections between accounting and religion, the links between capitalism and monotheism will only be elicited as a reminder.

Social scientists and humanists interested in the spirit of capitalism have connected it to the development of religion (Aqbal and Mirakhor 2006; Carruthers and Espeland 1991; Sombart 1911; Taqi-Usmani 2002; Weber 1921, 1922), with the discussion revolving around the influence of one or another religion on capitalism. Notwithstanding these debates, this book assumes that each of the four relevant religions has contributed in its way to the spirit of capitalism and relatedly to the development of accounting. Hence, neither just Protestantism nor only Christianity are being exposed and discussed.

In order to reveal the core links between accounting and religion, this introductory chapter provides a working definition of both accounting and religion. Central to this book, each of those two notions is defined as in its respective home discipline. Accounting is defined as per recommendations from sociology and economics, whilst religion's definition lies at the crossroads of sociology, anthropology and philosophy.

1 Accounting as a Rational and Systematic Practice

> (1) There is a *plan* in accordance with which all things are ordered aright. And the plan covers activities in the distant future. (2) *Efficiency* is the test applied in the choice of all the means of production. (3) Seeing that the 'cash nexus' regulates all economic activity, and that everywhere and always a surplus is sought for, exact *calculations* become necessary in every undertaking (Sombart 1911, p. 113).

1.1 Accounting as the Balancing of Debits and Credits

This chapter seeks to approach an ontology of accounting by exploring its ancient roots, which are assumed to be found in the revealed religions. Under this purview, accounting is deliberately decontextualised from the settings in which it is practiced. In other words, accounting's skeleton and soul are exposed, hence the reader understands how its very essence can be understood and observed. So doing follows McKernan's and Kosmala's (2007) deconstructionist approach to both accounting and religion, that is an approach consisting of depolluting these difficult notions of any contextual features. So doing is an exercise in simplification. Adjunct to the need for simplifying religion, accounting is also understood here in its simplest form largely agreed upon in academe: a process driven by a worldview resulting in categorising any situation into two, always equalling each other (Gambling 1987; Hopwood 1994; Weber 1922). Accounting research labels these two counterparts debits and credits (Maltby 1997).

Here, accounting is broadly understood as the logic of categorising conduct as liabilities (credit) and actions (debit) (Gallhofer and Haslam 1991; Gambling 1977, 1985, 1987; Hopwood 1994). Indeed 'the language of accounting has entered organizational and political discourses. We even have become accustomed to talk about ourselves in terms of assets, liabilities, resources and balances, and as we have, the possibilities for action have sometimes changed quite radically' (Hopwood 1994, p. 299).

It is now well established in the literature that accounting's birth and development have been concomitant to capitalism (Bryer 1993; Carruthers and Espeland 1991; Chiapello 2007; Miller and Napier 1993). Double-entry bookkeeping in particular and variations of accounting seem to have been presented as the recording of economic transactions (Bhimani 1994) under the patronage of the capital account, as defined by Weber (1921). No other rationale for accounting has been envisaged, except in social and environmental accounting (Gray 2002).

Although accounting is presented as a social and organisational practice, it is usually disconnected from its deeper roots, its religious foundations being thereby obscured. However, numerous theologians, philosophers and sociologists of religions have acknowledged the religious roots of accounting. In particular, in the Western world, they have long highlighted the role played by a Catholic monk, Luca Paccioli, in the development and expansion of double-entry bookkeeping, in the form of a systematisation and rationalisation of monks' day-to-day activities and monastery management (Aho 2005; Thompson 1991).

The core of accounting lies in identifying gifts received for a purpose and the use made thereof. In essence, debits and credits equal each other. The central issue is to be found in the identification of the right(eous) use of a gift. Accounting research tends to consider that the balancing of credits and debits can only be observed through formal representations, that is written records and books of accounts, with the items to be accounted for named first and then transformed into numbers through working units reflecting what should be balanced. Evaluation models and assumptions underlying the keeping of records reveal this. The formal representation offered by books of accounts serves to show that gifts were righteously used.

1.2 Accounting as Means of Accountability

The rationale for deeds is expected to be clarified to others with fairness, the speaker being held to an 'absolute obligation to the Other' (McKernan and Kosmala 2004, p. 356). His or her story finds itself 'held to be understandable to others and thereby [rendering] a life intelligible and meaningful' (Shearer 2002, p. 545). Religious notions of justness and fairness imply that the accountable self is constructed as a moral and responsible person seeking to speak the truth and expecting the Other to have faith in him or her (McKernan and Kosmala 2007).

Accounting cannot be understood regardless of the goal to which it is pursuant: accountability to a Higher-Principal (Joannidès 2012; Roberts and Scapens 1985). The balancing of debits and credits is indeed a means of the compulsory ability to give a fair account of one's activities and conduct. In this relation of 'giving and demanding of reasons for conduct' (Roberts and Scapens 1985, p. 447), the subject is constituted as answerable, in other words as one compulsorily able to give evidence of the reasonableness of his or her actions to a community of others. His or her accounts are 'held to be understandable to others and thereby [render] a life intelligible and meaningful' (Shearer 2002, p. 545).

The need to identify the person to whom one is accountable emphasises the fact that the demanding of accounts can be issued by an Other deemed legitimate to do so. In organisational contexts, legitimacy is granted to those who entrust resources to others for specific purposes and expect others to use such resources efficiently (Ahrens and Chapman 2002; Roberts and Scapens 1985; Schweiker 1993; Shearer 2002). The best-known resources are financial but these can be of a different nature. For instance, a soup kitchen can be entrusted soup cans whose use must be accounted for and reported to donors. In a religious setting, God entrusts human beings with a soul and conscience. The righteous use thereof is to be reported to this particular donor. Accordingly, these Higher-Stakeholders—that is, those who entrust resources to others—demand accounts proving the appropriateness of resource use to create value (Laughlin 1996).[1]

[1] Depending on the institution, the Higher-Stakeholder can be the community of shareholders (private companies), capital markets (listed companies), donors (registered charities) or taxpaying citizens (public sector organisations).

The content of these accounts answers the 'for what' question of accountability. In a world dominated by economic ideologies, the accountable self must give evidence of its commitment to creating financial value for stockholders (Shearer 2002, pp. 565–566). In reaction to neoclassical economists (e.g. Jensen) who restrict value to monetary surpluses,[2] proponents of welfare economics (e.g. Sen) broaden the notion to include social and environmental dimensions (Gray 2002, 2010).[3] From being strictly functional, accountability has evolved to embrace social and environmental aspects (O'Dwyer and Unerman 2007).

It is no secret that measuring value relies heavily on the calculative dimension of accounting.[4] Numerical figures give a visual, memorisable representation of resources and their use to create value. However, such numbers do not suffice to provide an understanding of what has been undertaken and why. Consequently, they are coupled with words that, at worst, label them and, at best, make sense of them (Quattrone 2004, pp. 657–658, 2009, p. 86). In sum, while numbers and calculations are used to record conduct and value, words serve to convey an intelligible story. Such is the case in annual reports where balance sheets, profit-and-loss accounts and cash flow statements presenting business activities in financial terms are complemented with texts explaining strategy, operations and future projects and prospects (McKernan and Kosmala 2004, p. 342). Likewise, in face-to-face meetings with investors, comments on numerical figures are demanded from accountable managers: questions are asked and satisfactory answers are expected (Roberts et al. 2006). Narrative accountability is directed at those who listen to and believe in (accounting) stories. For this reason, the speaker is held to an 'absolute obligation to the Other' (McKernan and Kosmala 2004, p. 356): he or she should tell a fair story of commitment to creating value that would be intelligible to any interested party.

[2] For these economists, the absence of maximisation functions makes non-financial accountability irrelevant.

[3] For instance, social value can be the welfare produced for society in general or specific parts of it. One measure of environmental value can be reductions in greenhouse gas emissions.

[4] To explain how calculations dominate accountability discourse, Quattrone (2004) shows how monks in the Society of Jesus used to quantify the lives of their flock. They accounted for souls through sacraments, sins and subsequent indulgences. These were valued at a price set by the clergy to remit offences against God.

Although the notion of accounting is generally understood as any form of account giving, this book will reduce it to double-entry bookkeeping and the balancing of debits and credits. Pursuant to the notion that accounting is a twin to capitalism and therefore the recording of economic transactions, financial evaluation of counterparties has colonised accounting. It is relatively convenient to have money as a commonly understood unit. Studying accounting in functional contexts prevents the use of units other than money (Berry 2005; Quattrone 2004, 2009). Accordingly, in order to approach accounting's very essence and ontology, it is necessary to depart from mere economic transactions and rather focus on the meaning of giving an account (McKernan and Kosmala 2004, 2007). From this angle, double-entry bookkeeping will leave money aside so as to focus on what seems to be central to accounting and religion.

2 Religion as the Linking of People

Too often, religion, theology and church institutions are amalgamated, thereby resulting in the core of *re-ligere* being ill-defined and misunderstood. Etymologically, religion is what links people through an individual encounter with the holy, the need to gather and share this with others and ultimately the issuance of orders and regulations for the community thence constituted (Derrida and Wieviorka 2001; Durkheim 1898; Eliade 1959; Latour 2002; Lévinas 1974, 1975; Weber 1922).

2.1 Religion as an Individual Encounter

The embracing of religion consists of an intimate, personal and subjective experience of the divine (Badiou 2003; Lévinas 1974, 1975). By essence, the latter is beyond the self and can be neither known nor approached. Accordingly, the individual can only speculate that he actually experienced the divine. Durkheim (1898) notes that such an experience can stem either from the observation of extraordinary events or from the need for a systematic explanation of the world. Durkheim notes the first assumption as follows: