Confession and Bookkeeping

The Religious, Moral, and Rhetorical Roots of Modern Accounting

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State University of New York Press

Published by
State University of New York Press, Albany

Printed in the United States of America

For information, address State University of New York Press,
194 Washington Avenue, Suite 305, Albany, NY 12210–2384

Production by Diane Ganeles
Marketing by Susan M. Petrie

Library of Congress Cataloging-in-Publication Data

Aho, James Alfred, 1942–
Confession and bookkeeping : the religious, moral, and rhetorical roots of modern accounting / James Aho.
p. cm.
Includes bibliographical references and index.
ISBN 0-7914-6545-4 (hardcover : alk. paper)
1. Bookkeeping—History. 2. Accounting—Moral and ethical aspects. 3. Capitalism—Moral and ethical aspects. 4. Economics—Religious aspects—Catholic Church—History. 5. Christian sociology—Catholic Church—History. I. Title.

HF5635.A265 2005
657'.2'09—dc22

2004027565

10 9 8 7 6 5 4 3 2 1

To my father-in-law,
John W. McMahan

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Preface

In American business schools, accounting is treated primarily as "accountingization" (Power and Laughlin, 1992), that is, as a body of technically refined calculations used by organizations to efficiently accomplish goals such as profit maximization. What, if any, theory that is taught reduces largely to cybernetics and systems theory, approaches eerily detached from the lived-realities of those organizations, even as their recommendations profoundly influence the solidarity, morale, productivity, creativity, and health of those who work in them. As for standard histories of the profession, these are progressivist and functionalist. They reiterate with minor variations a narrative first announced by A. C. Littleton, namely, that since its inception in the fourteenth-century accounting has evolved from "bookkeeping fictions" into "scientific facts" (Littleton, 1933).

For its part the sociology of organizations, which has always had a fond place in its heart for the vibrant underlife of bureaucracies, has become increasingly blind to accounting procedures, which it happily relegates to technical experts. This is a bizarre development indeed, considering that the putative godfather of organizational sociology, Max Weber, essentially defined bureaucracy in terms of modern bookkeeping (Colignon and Covaleski, 1991: 142–43).[1] Richard Colignon and Mark Covaleski attribute organizational sociology's ignorance of accounting to its even more glaring inability to see the zero-sum power relationships that characterize modern corporations. In functionalist organizational theory, domination translates into the innocuous, smiley-faced concept of "leadership," and accounting is treated as simply another technology that promotes benign societal ends (153–54).

A sea-change is now upsetting these academic traditions. Since the early 1990s in the rare and secret precincts where the humanities meet management, European and American accounting theorists have begun writing from a critical historical perspective. Inspired in part by Michel Foucault's idea of "governmentalism"—a convoluted neologism referring to the social control of minds and bodies—they are challenging the socially decontextualized "technocratic pretensions," as one has called them, of their profession (Power and Laughlin, 1992). Following their own independent introduction to Foucault, sociologists have begun reciprocating the gesture, warily reaching out their hands in greeting to their long-lost cousins (cf. Carruthers and Espeland, 1991). Voilà! A critical sociology of accounting is born.

From the standpoint of this emerging interdisciplinary dialogue, accounting is no longer considered only a revelation of the financial realities of an organization. Instead, it is seen as constitutive of that organization's very being. That is to say, accounting is coming to be understood as "making" the very things it pretends to describe, including—through its estimates of equities and assets—a firm's boundaries (Morgan and Willmott, 1993; Hines, 1988). Accounting does this by posing aspects of organizations in monetary terms, disclosing them as "good hard facts." As this occurs, "softer" qualitative factors become irrelevant; in the end, invisible. Accounting procedures establish organization "targets" like the "bottom line" and provide monitoring systems to assess department and personal "outcomes." "Deadwood" is exposed, "rising stars" identified; recommendations are made as to "merit increases" and the infliction of "force reductions." In these ways accounting discourages certain behaviors and investments in certain organizational sectors, while it simultaneously encourages and promotes others.

By compelling workers to attend to organizational "deadlines" and performance "quotas," accounting alters workers' experiences of the procession of events. The speed of lived-time accelerates (Gleick, 1999). Postures rigidify, gait becomes more urgent; skeletal structures and organ function adapt accordingly; health and longevity are affected (Bertman, 1999). What this implies is that far from being a morally and politically neutral enterprise, accounting by its very nature is political: not merely a power tool deployed by elites to aggrandize themselves, which is true enough; but a technology of domination in-itself; a technology legitimized by the ideology of efficiency.

Under the banner of efficiency (cost-effectiveness, profit, etc.) accounting calculations have come to colonize themselves in virtually every institutional realm of modern society from sports, education, and criminal justice, to health-care, warmaking, and even religion. The vocabulary of efficiency has been elevated into the "distinctive morality" of our times (Miller and Napier, 1993: 645). Domination has assumed a presumably humane, scientific face; the old forms of coercion have disappeared. Today, each actor wants to do, and freely chooses to do, precisely what efficiency experts recommend. And what they earn from the organization that employs them is mathematically proven to be exactly what they deserve.

A critical sociology of accounting bases itself on four convictions. The first is that "any way of seeing is also a way of not seeing" (Morgan and Willmott, 1993: 13). In other words, every account of an organizational world, like every set of tinted lenses, highlights some aspects of that world while it veils others, rendering them invisible. Second, it assumes that even the most rational ways of seeing, thinking, and recalling events—of which quantitative accounts are the preeminent example—may in other respects be diabolically unreasonable. That is, they may promote dysfunctional actions, actions that confute the ostensible goals of the organization they report on. This, by distorting information flows, legitimizing incompetency, and inadvertently fostering resistances (Hopwood, 1983: 292–93). A third conviction of a critical sociology of accounting, is that its task is not to be the reification of selected accounting narratives, to make them appear universal, natural, reasonable (and thus irresistible). It is instead to destabilize them, to problematize them, to disturb them (Miller and O'Leary, 1987), or if one prefers, to *destrukt* them (to use Martin Heidegger's more pithy word), so that they can be actively chosen instead of passively suffered. Fourth, it does this by exhibiting that accounting schemes are socially contrived, culturally relative, and historically contingent. To say it in another way, it conducts what Foucault (after Nietzsche) calls "genealogy": showing that what is experienced as a natural fact—such as the quest for precision and efficiency—is in truth an art fact, an artifact, a social construct.

This book on the moral and religious foundations of double-entry bookkeeping (DEB) is offered as a humble contribution to this four-pronged effort. It begins with the retrieval of a simple, ancient truth: "economics is sacred to the core" (Becker, 1975: 26). Consider the primitive custom known as the potlatch. In this, as in all competitions, participants strive to defeat one another; not, however, by "getting the most" at each other's expense, but by giving it away (Mauss, 1954). Naturally, there is a good bit of debate concerning the meaning of this rite. But the consensus is that in surrendering what is most precious and durable, the celebrants symbolically pay back a debt, or they create obligations on the part of gift recipients. In either case there is an unsaid, yet frank, appreciation of the importance to the human psyche of keeping relations to nature, to the gods, and to the community balanced. To whom much has been given much shall be required, and he who gives much shall receive a comparable amount in kind. Or, as expressed in technical accounting jargon: For every credit there shall be an equal and corresponding debit, and for every debit an equal and corresponding credit. The sum of debits in properly kept books always equates exactly with the summed credits.

While this, the distinguishing equation of DEB, acknowledges an existential truth, evidently it was not formulated in writing until early in the fourteenth century in Italy. This being the case, the circumstances surrounding its written expression constitute a fascinating problem in the sociology of knowledge and, as it turns out, in the sociology of modern consciousness. For just as twentieth-century accounting practices have abetted the social creation of a particular form of governable person, namely, the "efficient worker" (this, through IQ testing, mental hygiene assessments, time-motion studies, and the manipulative practice of negotiated budgeting [Miller and O'Leary, 1987]), DEB was itself complicit in the invention of a new "field of visibility": the Christian merchant. While this is a taken-for-granted reality today, the very thought that a person might be profit-hungry and yet Christian was an outrage to the moral sensibilities of the Middle Ages. Furthermore, because the "invention" of DEB was apparently pivotal in, if not solely responsible for, the emergence of capitalism—an issue I take up later—what might otherwise be considered a small chapter in a minor, esoteric field becomes an archaeology of modern civilization itself. Werner Sombart, whom we will soon meet more formally, goes so far as to equate DEB with the modern sciences of Galileo, Harvey, and Newton. "By the same means, it [DEB] organizes perceptions into a system. . . . Without too much difficulty, we can recognize in double-entry bookkeeping the ideas of gravitation, of the circulation of the blood, and of the conservation matter" (Most, 1976: 23–24). But here, a clarification is in order.

I am not suggesting that DEB *is* modern accounting, a claim still frequently implied by conventional accounting historians (Yamey and Parker, 1994). On the contrary, as accountingization has dispersed itself through society, becoming a sort of contemporary lingua franca, accounting technologies have fragmented. Today, DEB is merely one of an imposing arsenal of operations devised to aid people and organizations to pursue their goals rationally and objectively (Miller and Napier, 1993). Nevertheless, even if DEB is not the basis for all of these procedures, it was certainly the first to promise some degree of mathematical control over organizational resources.

The thesis informing this study is that analogous to the ancient potlatch (and the recent advent of social and environmental accounting), DEB arose from a sense of indebtedness on the part of late medieval merchants toward creator, church, and commune. Burdened with this debt, they felt compelled to certify in writing that for everything they earned something of equal value had been returned, and that for everything meted out something else was deserved. Many terms can be used to enframe this sense of indebtedness: “finitude,” “limitedness,” “creatureliness,” “animality,” “death consciousness,” “lack,” “existential evil,” and “sin.” Since this last is the word that the medieval mind itself typically employed to depict its state, I use it here. To rephrase the preceding proposition, then: DEB arose from a scrupulous preoccupation with sin on the part of the faithful medieval entrepreneur. This, not the least because of his dirty work: profiting from money-lending under questionable circumstances in direct contravention of Church law. This is to say, the medieval merchant found himself in a morally problematic situation that necessitated that he justify himself not only to ecclesiastical authorities, but to these authorities internalized, the voice of his own conscience. To this end he turned easily and naturally to the standard rhetorical models of the day, producing what we now know as DEB. My argument is not that DEB can be used to legitimize commercial activity: a proposition that is now well-established (Carruthers and Espeland, 1991; Gallhofer and Haslam, 1991; McClosky, 1986). It is that DEB was devised by modern Europe’s first bookkeepers *expressly* to serve rhetorical ends.[2]

As to the question, what instilled in the merchant’s soul such an overweening awareness of personal sin, my answer is: the Roman Catholic sacrament of private penance, or as it is popularly known, confession. Far from being coincidental, the introduction of compulsory confession in 1215 and the appearance of DEB soon thereafter are meaningfully, if not strictly causally, related. The advent of communal chronicling, manorial accounting, the family scrapbook, the personal diary, and so forth, were all elements in a vast accounting enterprise that arose near the end of the Middle Ages. Each in their own way is an exhibit in a larger European project of moral improvement, a project both stimulated by confession and reflected in it.

I am hardly the first to observe a theological component in business record-keeping.[3] It is widely acknowledged that history’s first business documents, preserved on clay tablets from Mesopotamian city states (ca. 3000 BCE), concerned almost exclusively temple purchases and disbursements (Oppenheim, 1964: 231). In all of the major world religions, furthermore—Zoorastrianism (*Pahlavi Texts*, part I, 30.4–33), Judaism (Deut., 7.9–11), Islam (Qur'an, s. 17, v. 13), and Buddhism (*Tibetan Book of the Dead*, 75)—divine judges keep ledgers on their communicants. Following their deaths, the moral balances of each are said to be weighed in the scales of justice to determine their fates in the hereafter. The Book of Revelations in fact alludes to a kind of *double*-entry bookkeeping. Each person's credits and debits, we are told, are entered not just once, but twice: first in the Book of Accounts, a judicial record kept on earth by humanity, and again in the Book of Life, a register of citizenship in the heavenly Jerusalem (Rev., 20.11–15). All of this is to say nothing of medieval penitential literature that abounds with references to a divine "Auditor" who hears accounts. One can also find remarkably modern assertions like the following, attributed to Pope Cyprian (252 CE): "The blood of martyrs he [the penitent] can carry to his "credit" *[in acceptum referre alicui]*, as the businessman can his gifts, interest earnings, and gambling winnings" (Watkins, 1920: I, 209).

Nor did the conflation of business and moral/spiritual accounting disappear after the Reformation. Far from it. Methodist Church founder John Wesley, Daniel DeFoe, Samuel Pepys, Baptist evangelicals, the deist Benjamin Franklin, the Shakers, Harmony Society, and more recently, the Iona Community in Britain, all (have) insist(ed) that the keeping of meticulous financial accounts is part and parcel of a more general program of honesty, orderliness, and industriousness, which is to say, of Protestant rectitude (Jacobs and Walker, 2000; Maltby, 1997; Walker, 1998; Weber, 1958: 124). Late eighteenth-century bookkeeping instructors advised that

> if the necessary regularity in keeping accounts is observed; . . . a man call tell at one view whether his manner of living is suited to his fortune, [and] he will consequently be enabled to form a proper medium for adjusting his expenses to his income, by which means he may be guarded against . . . the evils of intemperance; from whence flow so many vices. . . . (Yamey, 1949: 104–5)