

SUMMARY

Beyond the Brilovian Critique: Traditional vs. Organic Intellectuals in Critical Accounting Research

Paul F. Williams

The paper by Tony Tinker, the comments of Abe Briloff and those of Sikka and Willmott, and the reply by Tinker and Carter comprise an experiment by *Accounting and the Public Interest* to facilitate debate about public interest accounting and the forms of scholarship that might be appropriate to it. Of course, not all experiments are a grand success, but most provide some insights (even if only the rationalizations for their failures) that make having done them worthwhile. My assignment is to draw some implications of this exchange for public interest accounting scholarship. The implications I see are quite obviously my own, drawn from the refraction of the papers through my particular presumptions and biases.

Tinker's paper and the accompanying comments were prepared before the events of recent months, which include: the demise of Andersen as a "public accounting firm"; the bankruptcies of Enron and WorldCom; the arrests of WorldCom's CFO Scott Sullivan, ImClone's Samuel Waksal, and Adelphia's John Rigas and sons; the criminal investigations of AOL, Computer Associates, Enron, Global Crossing, and Qwest; the passage of the Sarbanes-Oxley Act of 2002; and the resignations from the three top jobs of public oversight of the financial reporting system. This gives me a real advantage. At no time in my 30-year career as accounting student and academic has there been a context providing a better opportunity for such a debate to have an effect on the U.S. accounting academy and the place of public interest scholarship within it.

Tinker's initial paper, "Beyond the Brilovian Critique: Traditional vs. Organic Intellectuals in Critical Accounting Research," is a timely and significant contribution to the public interest accounting literature. Certainly Briloff has been the most notable and admirable of our kind for his analyses of the shortcomings of "The Profession." But if we look at the history of the profession in the U.S., there is reason to be pessimistic that it will ever be a profession in the Durkheimian functionalist sense of being an activity that is truly crucial to human welfare. The profession has always had to be goaded and cajoled into acting as if it wasn't singularly concerned with the narrow economic interests of its members. Its history is closely tied to the history of the speculative bubbles the U.S. has experienced. It was born of the Gilded Age when the Progressive movement, symbolized by Teddy Roosevelt, advocated the creation of a public accounting profession to facilitate ameliorating the excesses of the Trusts. The profession's role was conceived as a regulatory one, that is, to ensure transparency so that faith in the regulatory apparatus of market discipline would be restored. Forgetting that the "free market" is "the most elaborately constructed and regulated social

structure in the history of humankind” (Abbott 2001, 217), a succession of Republican presidents gave business its head and the second great speculative bubble burst in the 1929 Crash. The anti-state ideology of free market advocates, when implemented, most fully creates a paradox: unregulated, truly free markets don’t “work” very well and create pressures for more regulations. Human life, when conceived entirely as an individualistic, constrained optimization problem, a la neoclassical economics, invariably leads to the proliferation of regulations, as each person becomes a “constraint” seeking to establish “constraints” on others. Free markets and government regulations are two sides of the same coin. Markets rely upon the state for their functioning. Thus, the profession received another boost to its status as socially necessary. The Crash of 1929 led to the Securities Acts, which forced publicly traded companies to engage a CPA to audit their annual financial statements. Again, this action was predicated on faith in market forces that simply needed an orderly flow of reliable information to protect us all from those who would attempt to place themselves outside those forces.

Now we are living through the third bursting speculative bubble. Twice before the profession was afforded special status in society with the responsibility to see to it that financial markets did not collapse again. They failed then, and they have failed now. The profession has never embraced the role of regulating business, of being an advocate for the majority of citizens who, no longer economically independent like farming ancestors, depend on corporate America for their livelihoods and security. It has, instead, been an advocate for the interests of corporate management and for only the wealthiest people in society. It has promulgated increasingly complex standards of reporting that create enormous space for manipulation. Auditing representations derived from these standards is in the realm of *gustibus est non disputandum*. CPAs no longer regard accounting standards as *standards*, per se, but as regulatory directives that they advise “clients” on how to circumvent. The value added by CPAs to their “clients” is how to avoid accountability and, in some alleged cases, how to commit fraud. The current plight of the profession is not the case of a few bad apples, but is a problem that is institutional.

Thus, Tinker argues we must go beyond the Brilovian critique, which has retained the same premises as those of the Progressive era and the New Deal—premises now, according to Tinker, demonstrably inadequate. Professor Briloff’s (2002) spirited reply to Tinker is, in large part, to reiterate the centrality of these premises, which, if indeed inadequate, imply the impossibility of the very concept of an accounting profession. Because Tinker is a leading Marxist scholar, quite understandably he suggests a Marxian methodology of social analysis. This de-centers the profession as the focal point of analysis and substitutes instead the “commodity form.” I don’t presume to speak with any authority about Marxist methodology, based as it is in Hegelian logic, which is not part of the curriculums in most U.S. accounting Ph.D. programs. My reading and, admittedly, limited understanding of Marx leads me to accept Tinker’s claim of the central place the commodity form occupies in Marx critique of capitalism. Even if we do not understand the concept at the deeply intellectual level of a Marxist scholar, we all have an intuitive sense of it from our experiences. For example, the commodification of the professoriate is something we have all experienced over the course of our careers. The privatization of public universities and the growing extent to which university administrators expect “scholarship” to take the form of “intellectual property.”

Bollier (2002), in a recent article in the *Boston Review*, makes an argument for reclaiming the “commons.” He illustrates the point with numerous examples of “commodification” (which now is sanctified in right-wing rhetoric as “privatization”). The radio spectrum has been given away; that

which belonged to everyone is increasingly accessible by only a few. The Internet, created by the U.S. government as a nearly limitless resource accessible to all, is increasingly being expropriated and access is being limited to those who must pay. Children, who now suffer from the highest rates of obesity and diabetes in U.S. history, have had their dietary habits shaped by the fast food industry; our children have been commodified.¹ The scientific enterprise has for over 200 years been a “gift economy.” Scientific discoveries were freely given away through publication in scientific journals. These discoveries could be used freely by other scientists to advance their research activities. Einstein laid the theoretical foundation for the laser—he gave it away. Turing produced the conceptual blueprint for the computer—he gave it away. But now the scientific community is increasingly becoming the arena for the creation of intellectual property—the commodification of knowledge.

Cultural traditions and norms are part of the commons. How often have we heard that one’s morals are a matter of individual choice? Choose them to suit your tastes like you would a box of cereal. Abbott (2001) notes the fractal nature of the re-parameterization of morals and the tendency within capitalism toward a relaxation of moral rules (Abbott 2001, 215). The periodic crises in capitalism tend to be the culmination of increasingly lax notions of what is an acceptable thing to do to your fellow human beings.²

The ultimate “commons” is the ecosystem, which sustains human life. As the expropriation of that system for commercial exploitation (commodification) has accelerated, the consequences for life on Earth have become increasingly dire. A growing consensus is emerging among scientists that we are now in the midst of the sixth great mass extinction of species on the planet (Schubert 2001) and unlike the previous five, humankind is the cause of the current one. The fossil records indicate that the previous five mass extinctions left those species that survived with a rather hostile and desolate place in which to live. An SUV would be of little use—provided humans were among the survivors.

The profession has justified its status as a contributor to the public interest primarily through the rationalization that it helps provide information that facilitates financial decisions. Statement of Financial Accounting Concepts No. 1 professes this to be the principal contribution made by modern accounting. The premise for this position is that by helping financial decision makers be better informed, financial markets are more efficient, and more efficient markets make everyone better off. This argument is either patently naïve or maliciously cynical. Phillips (2002) provides some compelling data about how wrong-headed is such belief in the magic of markets to improve the welfare of all. From 1967 to 1997 the real income of the poorest 20 percent of Americans declined by 12 percent; that of the next poorest 20 percent declined by 9.5 percent; and that of the middle 20 percent declined by 3.1 percent. However, the highest 20 percent saw their real incomes rise by 38.3 percent and the top 1 percent had a 119.7 percent rise (Phillips 2002, 129). The result of the Reagan revolution to return America to the 1920s has resulted in the U.S. now having the most skewed distribution of income and wealth of any industrialized nation. Phillips notes the dangers of the mythology of markets:

¹ Gary Becker won a Nobel Prize in economics partially for an elegant demonstration that reproductive decisions can be modeled as “rational consumption decisions.” A tube of toothpaste or a baby, it is all the same thing. See Shearer (2002) for a compelling demonstration of the inadequacy of such neoclassical discourses for understanding outside the realm of trading material objects.

² It is noteworthy that no one from Andersen, Worldcom, Enron, the SEC, etc., has said to those employees who lost their jobs or those people who have lost their retirement savings that “I’m sorry.” The apparent lack of remorse is an instructive insight into the character of the business mind, recalling Smith’s (1937, 460) admonition about “the mean rapacity and monopolizing spirit of merchants and manufacturers who neither are nor ought to be the rulers of mankind....”

The peril of any utopianism, of course, is how it suspends rationality and pursues a dream. In the case of millennial American conservatism, the political dream, for all its responsiveness to the tangible self-interest of rich constituencies, has been the illusion of markets as potential parliaments rather than descendants of carnivals, as rational decision makers rather than precarious litmuses of human nature. Small wonder that when such exaggerated and irrational dreams implode speculatively, popular regret and remonstrance have taken over. (Phillips 2002, 371)

The United States, created in a revolution against an aristocratic society with a structure of extreme relative economic deprivation, now has a wealth and income distribution more skewed to the top 1 percent than the remainder of the empire against which it revolted. The plutocratic structure of American society today raises serious questions about whether America's experiment in democracy is failing.

It now seems that serving the financial interests of managers and investors based on the mythology of efficient capital markets is certainly now a most tenuous basis upon which to argue for an exclusionary, professional license from society with which to serve a rather impoverished notion of the public interest. Capitalism and democracy are not synonymous. The success of American capitalism is as much attributable to democratic institutions as it is to capitalism itself. Tinker's paper provides a new vista. It is not the naïve perspective on accounting as the enabler of some divine market mechanism, but as a social and political institution with far more complex and significant effects on human welfare and self-determination than "information useful for predicting the timing, amount, and uncertainty of cash flows."

In spite of my enthusiasm for "Beyond the Brilovian Critique: Traditional vs. Organic Intellectuals in Critical Accounting Research," I am in great sympathy with the commentaries of Abe Briloff, Prem Sikka, and Hugh Willmott. My endorsement of their critiques is best illustrated with a recent example. Since the mid-1960s the accounting research enterprise in the United States has been totally dominated by the positive economics characterized by the Chicago School of Economics. If one does not speak this language fluently and believe in the mythology completely, it is nearly impossible to be a significant voice in the accounting academy. The danger for any, inherently multidisciplinary, field of study of a monotonic style of intellectual speech is vividly illustrated by a recent article in *The Accounting Review*. A paper appears reporting the results of a study designed to "investigate three explanations for prior studies' finding that the usefulness of earnings announcements, as measured by their absolute market responses, has increased over time." (See Francis et al. 2002, 515.) The relevant time span for this phenomenon is 1980–1999 (corresponding to the advent of the Reagan revolution and the Thatcherization of the American economy).³ The authors examine only three conceivable explanations:

- (1) over-time increases in the amount of unexpected earnings news;
- (2) over-time increases in investors' reaction to a unit of unexpected earnings news; and
- (3) over-time increases in the amount of other (besides "bottom line" earnings) information disclosed in the earnings announcement press release. (See Francis et al. 2002, 516.)

Utilizing the standard methodology that constitutes "rigorous accounting research," the authors tell us, "We conclude that managers' voluntary decisions to expand concurrent disclosures in

³ During this period Allan Greenspan established his credentials as an economic miracle worker by his fastidious adherence to monetarist principles. Greenspan's early association with Ayn Rand and the Objectivist Society establish his credentials as a true believer in market utopianism.

earnings announcements press releases (especially by including detailed income statements) drive the increased usefulness of those announcements to investors.”

The authors have asserted causality. Managers’ voluntary earnings announcements caused the increasing market response to announcements over time. Of course the crucial premise here is that market response is synonymous with “informativeness” since it is an article of faith that markets are efficient. But someone not intoxicated by the hubris induced by seemingly unassailable theory is left quite unsatisfied by such a facile conclusion. Were not the market reactions observed those that occurred over time during the greatest market bubble in U.S. history? Did not the observed reactions occur during a time marked by what Alan Greenspan called “irrational exuberance”? Don’t we now suspect that many of these voluntary disclosures were outright lies? Don’t we now know that brokers were advising investors to purchase stocks that the brokers knew to be poor investments?⁴ Do you really believe the story these authors have told is one that possesses great scientific merit? Has the “field” been advanced? Are the things they believe about the social world different from what they believed 35 years ago?

This case illustrates the absurdities to which one is led when methodology substitutes for thought. The abysmal performance of the social sciences as predictive sciences is likely in part attributable to the complexity of social life and the part that Fortuna and happenstance play in human history. Francis et al.’s (2002) explanation seems less than satisfactory, yet it is the only one they can reach because of the constraints they have voluntarily placed upon themselves by opting for one acceptable world view and one methodology.⁵ Both Briloff (2002) and Sikka and Willmott (2002) counsel us on the dangers in Tinker’s analysis that “commodity” is the only analytical way beyond the Brilovian critique. The commentators rightly, I believe, see that arguments for any “One Way” will lead public interest accounting scholarship to the same intellectual dead end that capital market and principal-agent theory has led mainstream U.S. research. Though Tinker and Carter (2002) are correct that one cannot approach the world without a coherent conceptual structure, their response to their critics is too harsh. Though we all should be coherent, we may still be coherent in different ways.

The nature of the exchange taking place here over “Beyond the Brilovian Critique: Traditional vs. Organic Intellectuals in Critical Accounting Research” reflects a larger phenomenon taking place in many of the social sciences. Political science, sociology, history, etc., are all fighting the same forces propelling the debate here. There is actually a new movement, labeled the Perestroika movement (Glenn 2002), underway in many of the social sciences to overcome the oligarchic structure of the various disciplines. A major feature of the structure is the increasing dominance of these disciplines by the “rational decision theorists,” the statistical modelers. What is being waged is a battle over the One Way primarily between these modelers and the post-modernists. This “fight” is being waged in accounting as well. Abbott (2001), whom Tinker cites in his discussion of the nature of professions, comments eloquently on this fight, providing me with a most eloquent conclusion to my summary to this local manifestation of the fight. Abbott (2001, 23.5–236) says:

Within the fractal view of social science there are no resting places, only the endless city of things to know about society, which is really the city of things to dream up about society.

⁴ Charles Schwab is capitalizing on this with a commercial where the boss tells his brokers to “put some lipstick on this pig.” Analysts’ analyses may be as much stories constructed to facilitate marketing of stocks as they are “information.”

⁵ It is an interesting thought experiment to pose to these authors to suppose there is an omniscient being who “in fact” knows what is the explanation for the phenomenon they investigated. Would they bet their lives that theirs is the correct one?

But temporality and personality are accessible from here only by taking a detour that starts in that unappetizing alley across the way. Over the wall, we can hear the noisy buses rushing to Regression Square and Postmodern Park, where the seasoned tour guides are shouting at visitors about the date of this or that citation and perhaps arguing among themselves over whether intellectual architraves should be more or less pronounced, and whether one can, by some back passage dating from an early paradigm, reach the subtle lane along the old city wall. It is a city of bustle, this town of knowledge, with its tourist traps and museums, its shops and coffeehouses, its money changers turning the diverse talents of the tourists into single coin of the mind. And the undergraduates and visitors will buy with that coin souvenirs to show themselves and their friends in twenty years' time, telling how this or that vista of ideas or perhaps even a particular tour guide seemed quite amazing and important, while they smile across their drinks at the shelf of half-forgotten college texts.

For those of us who still believe it is sensible to speak of the public interest, for those of us who believe that the essence of democracy is that process by which we all decide what is our welfare, we have a unique opportunity at this juncture in history to provide accounting with some intellectual substance. It is wise, I think, to accept the multivocal nature of the study of society and also always to remember who and what we are up against.

REFERENCES

- Abbott, A. 2001. *Chaos of Disciplines*. Chicago, IL: The University of Chicago Press.
- Bollier, D. 2002. Reclaiming the commons. *Boston Review* 27 (3/4): 4–11.
- Briloff, A. J. 2002. Commentary: Beyond the Brilovian critique: Traditional vs. organic intellectuals in critical accounting research. *Accounting and the Public Interest Journal*.
- Francis, J., K. Schipper, and L. Vincent. 2002. Expanded disclosure and the increased usefulness of earnings announcements. *The Accounting Review* 77 (3): 515–546.
- Glenn, D. 2002. Reform movement seeks contested elections for American Political Science Association. *The Chronicle of Higher Education: Today's News* (September 3).
- Phillips, K. 2002. *Wealth and Democracy*. New York, NY: Broadway Books.
- Schubert, C. 2001. Life on the edge: Will a mass extinction usher in a world of weeds and pests? *Science News* (September 15): 168–170.
- Shearer, T. 2002. Ethics and accountability: From the for-itself to the for-the-other. *Accounting, Organizations and Society* 27: 541–573.
- Sikka, P. N., and H. C. Willmott. 2002. Commentary: Beyond the Brilovian critique: Traditional vs. organic intellectuals in critical accounting research. *Accounting and the Public Interest Journal*.
- Smith, A. [1776] 1937. *The Wealth of Nations*. Edited by E. Cannan, with an introduction by M. Lerner. New York, NY: The Modern Library.
- Tinker, T. 2002. Beyond the Brilovian critique: Traditional vs. organic intellectuals in critical accounting research. *Accounting and the Public Interest Journal*.
- , and C. Carter. 2002. Reply to commentary: Beyond the Brilovian critique: Traditional vs. organic intellectuals in critical accounting research. *Accounting and the Public Interest Journal*.

The purpose of this commentary is to continue the scholarly discourse begun in the preceding manuscript. As such, the comments have not been refereed, and the views expressed are solely those of the authors. See Editorial Policy and Style Information (http://www.newslettersonline.com/user/user.fas/s=604/fp=3/tp=44/API_EdPolicy.pdf?T=open_article,440409&P=article) for specific provisions of the commentary policy for *Accounting and the Public Interest*.
