ACCOUNTING AND MATERIALISM
IN THE HISTORY OF IDEAS

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Abstract: Accounting and Materialism in the History of Ideas. Current popular culture is connected to the birth of a secular and materialistic interpretation of reality. Materialism, which is the tendency to be more concerned with material values through rational experimentation and discourse. This paper applies Foucault’s genealogy to explain that materialism is a product of a series of historical events that are closely related to the practice of accounting. Second, accounting and “scientific materialism” have been instrumental in paving the course to their and our common failure. Third, the paper proposes a shift away from our impulse for a mere material existence leading to what has now become ‘popular culture’, to a vision of enhancing ‘an ever advancing civilization’.

Keywords: Popular culture, counting, accounting, materialism, an ever advancing civilization

In this critique, I draw the relationship between counting, and then accounting and materialism, and use Foucault to critique both and suggest alternatives to the popular culture of materialism, in the form of an ‘ever advancing civilization’. An ever advancing civilization implies 1. a centre of loyalty which wins the commitment of all people, 2. a culture which mediate a richer and mature aspiration, than that which is currently available, 3. a redefinition of the idea of what is right, making possible the formulation of new codes of civil law, and 4. new institutions

* in memoriam: Ratnam Alagiah. A few weeks before his passing, he gave consent to the publication of this paper. We are deeply honoured to publish, what might be, his last writing in Jurnal Akuntasi Multiparadigma.


The connections between ideas, ideology and accounting are ubiquitous and complex, but not new. Sombart in 1919 in Der Moderne Kapitalismus, captured this when he wrote, “Capitalism, without double-entry bookkeeping is simply inconceivable, they hold together as form and matter”. Later Weber (1927) wrote “A rational capitalistic establishment is one with capital accounting, that is, an establishment which determines its income yielding power by calculation according to the methods of modern bookkeeping and the striking of a balanced.” Eucken (1951) draws the relationship between accounting and eco-
nomic development, even more clearly, when he states, “The knowledge of double-entry book-keeping was a precondition for the south German expansion of the beginning of the 16th century. Where this knowledge was lacking or slow to penetrate, as in the Hansa towns, economic development was delayed. It would seem that the conclusions must be that, as the methods of economic calculation improved, a complete transformation occurred in men’s attitude to economic life”.

It appears that ideology and accounting have their common roots in their ability to reinforce each other.

This thinking in the history of ideas invites interesting variations. If accounting is the root of capitalism, of power and of economic development, does it not also lead to, eventually, the popular culture of materialism? This paper seeks to draw such a relationship between materialism, as popular culture, which seem to dominate our reality ever since accounting got invented.

Recently, Faulkner, Lange and Lawless (2012) among others, have attended to the question of the material world and the intersections of Law, Science and Society, of language (Shankar and Cavanaugh 2012) with material worlds, evidenced by contractual relationships, property ownership, responsibilities, and liabilities arising from these inter-connections, and the language that it creates and intertwines. What is uncertain, from such analysis is if contractual relationships, property ownership, responsibilities and liabilities, and the language that is created are the outcome and result of the material world or their cause.

In this paper, I add to this understanding by connecting accounting and profit maximisation in the production of the material world. In the life of the mind and of ideas, the twentieth century, underwent changes far more profound than any in its preceding history, changes that are, for the most part, little understood. Early in the twentieth century, the life of the mind and of ideas, acquired a materialistic interpretation of reality, formulated by its makers, mostly from accounting and from the relentless pursuit for profit, which had so consolidated itself to become the dominant paradigm in the direction society was taking. In holding such a view, the civilizing aspect of human nature had been violently struck out of orbit.

Along with this materialistic view, the material world had lost its touch with anything resembling any form of authority that had previously functioned as the focal centre of guidance - however diverse the interpretations of its nature - seemed simply to have dissolved and vanished. The material world had taken its destiny into its own hands.

The material mind, would decide to solve, through rational experimentation and discourse, all the fundamental issues related to human governance and development. With values, ideals and disciplines now reliably fixed, all that the people of the world needed to bring forth fruit was education and legislative action. It could be argued that in the material mind, people’s happiness would be the natural result of better health, better food, better education and better living conditions, with the attainment of these unquestionably desirable goals now seemed to be within the reach of a society single-mindedly focused on their pursuit.

The end result and common effect, of such thought, is the eroding of certainty and of ruin, evidenced by the loss of life, the disintegration of basic institutions of social order and the violation and abandonment of standards of decency, the betrayal of the life of the mind through surrender to ideologies as squalid as they have been empty and in making material existence represent ultimate reality. (Bahá’í World Centre 2005:3).

The phenomenon of the intertwining of materialism and accounting, this critic will suggest is the product of a series of historical accidents that is built on the search for accounting profit, which has eventually lead to a materialistic interpretation of reality.

For over a hundred years, the idea of progress, for example, was identified with economic development. The iron dogma of “scientific materialism” sought to interpret every aspect of history and human behaviour in these limited narrow terms. The result is the production of regimes of totalitarian control, prepared to use any means of coercion in regulating the lives of hapless population subjected to them. After eleven decades of mounting folly and brutality, the movement is close to collapse as a credible guide to the future.

Such indictment, of materialism and the material world, is built on the premise that since people were essentially self-inter-
ested actors in matters pertaining to their economic well-being, the building of just and prosperous societies could be ensured by one or another scheme of what was described as modernity.

The closing decades of the twentieth century, however, sags under a mounting burden of evidence to the contrary. To list just a few of the more obvious is the breakdown of family life, soaring crime, and the betrayal of the life of the mind through surrender to vacant and empty ideologies. This is further evidenced by the invention and deployment of monstrous weapons of mass annihilation, the bankrupting of entire nations, the reckless destruction of the environment of the planet, the reduction of masses of human beings to hopeless poverty, dysfunctional educational systems, the disintegration of basic institutions of social order, the violation and the abandonment of standards of decency, and other social pathologies. Materialism, otherwise also known as ‘social and economic development’, appears to be fundamentally flawed (Bahá’í World Centre, 2005:3). Such an analysis leads me to consider materialism applying Foucault’s genealogy.

Closely aligned to the central purpose of this paper is to make sense of our reality through a philosophical classification leading to what Foucault called the human sciences (Foucault, 2008, p. 375). The human sciences are different from the natural sciences, just as the social sciences are different from the natural sciences. Note that the human sciences are similarly different from the social sciences. The difference in Foucault’s human sciences, from a social science, is that 1. it takes as its object the human as an empirical entity and is taken to be the object of study (p. 375), 2. the human is the basis of which all knowledge could be constituted as immediate and non-problematized evidence, (p. 377), 3. that the historical emergence of each one of the human sciences was occasioned by a problem, a requirement, an obstacle of a theoretical or practical order (p. 376) and 4. humans are not passive but active in creating knowledge because knowledge is not made for understanding, but for cutting (Foucault 1980: 154).

In this genealogy, I analyse and pay particular attention to accounting and how accounting plays a pivotal role in bringing about the material man, transforming an unknown human to manifest aspects of themselves in the form of material beings. In the history of ideas, Foucault’s genealogy is determining firstly, the formation of sciences (savoirs), which refer to an idea. Second, the determining of the systems of power that regulate its practice and third, the forms within which individuals are able, are obliged, to recognize themselves as subjects... (Foucault 1990: 4).

In this discourse about materialism and accounting, this paper seeks the formation of sciences that discuss and discourse an idea, and a system of power that regulates the practice of that idea, and forms within which individuals are able, are obliged to recognize themselves as subject of or subject to that idea.

Wealth and later materialism is an idea that accounting establishes, in its accounting equation where assets (wealth) are made equal to liabilities. By keeping accounts and accounting for assets and liabilities, accounting establishes materialism, which is an attachment to the idea of wealth, in the creation of the material man/woman. Indeed, the idea of wealth is not possible without some form of accounting.

The purpose of such genealogy must be made clear. The objective is to explain how human beings are, in the human sciences, firstly, the object of knowledge. Some human beings were studied to determine their lack of material possession, and hence, of poverty. These human beings are later subject to accounting knowledge, upon which we measure material things, and hence wealth. That knowledge is by itself born between an

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inter-relationship between the powerful and the powerless and between the opposites of wealth and of poverty. The human sciences have also functioned as tools of power, of social control, of discipline and of exclusion. The goal of this exercise and of writing a genealogy is “...an exercise of oneself in the activity of thought...” (Foucault 1990: 9) and to learn to what extent the effort to think one’s own history can free thought from what it silently thinks, and so enable it to think differently.

A great deal of mythmaking or theory-building in accounting happens without reference to ontology, epistemology, or to human nature—or, hence, to methodology, as a whole. Accounting researchers, with a few notable exceptions, (most notably Gaffikin 2003, 2005, 2008) have either not understood or simply ignored issues related to the metaphysical and the philosophy of science. While those exceptions are useful building blocks with which to explore methodology and accounting research, there is a general lack of appreciation for the importance of methodology in accounting research (Alagiah 1997). If methodology and reality are central to a theory, and of our understanding generally, should we not seek out and understand our reality and apply this understanding to distinguish between fact and fiction, between true and false theories? The secondary question to address is how does an explanation, of some phenomenon in accounting become ‘scientific’ when the philosophy underlying such explanation is flawed.

At the outset let us agree that a characteristic of human nature is self-awareness and consciousness, capacities that allow every normal human being to have an inner world or inner state or states of consciousness. Let us call the totality of this inner consciousness subjectivity. The sum of all internal subjective human states, being the sum of all human subjectivity, can be further subdivided to that of which we are conscious and that of which we are not. That portion of which we are conscious, let us label conscious subjective reality, and that portion of which we are not conscious, let us label as unconscious subjective reality. Objective reality, which is everything outside of subjective reality, which exists outside of internal states may be further partitioned into objective reality that is observable and that which is not. That part of objective reality that is inaccessible to human sense experience constitutes invisible objective reality, the other being visible objective reality (Hatcher 1990: 19-21).

To summarise, if reality is all that exists, and if it may be partitioned into subjective reality and objective reality, then that part of subjective reality of which we are conscious is labelled conscious subjective reality and that portion of which we are unaware, we label as unconscious subjective reality. Objective reality, on the other hand, is that part of reality which is non-subjective. This discourse and classification provides us with an explanation of our reality that may explain where Foucault’s human sciences came from and why discourses about theory in accounting have never resulted in precise definition or agreement. Please see fig. 1 for the basic categories of reality.

If such a depiction of reality is accepted, then the human sciences and accounting, fall within the subjective unconscious reality. In this criticism, mostly drawn from the Century of Light, (2001), and other Bahá’í
Sources (Bahá’í International Community, Rethinking Prosperity: Forging Alternatives to a Culture of Consumerism, 2010; Sustainable Development: the Spiritual Dimension, 2001, The Prosperity of Humankind, 1995), I draw the inter-relationship between accounting and materialism. I then critique both and suggest alternatives to a culture of materialism that may and could take the form of an ever advancing civilization.

Materialism’s roots can be traced to Europe and the United States, where, from the 1900s, mixed with the desire for imperialism, began pursuing among peoples of ‘other’ lands and ‘other’ peoples, what was first its ‘civilizing’ mission, which later turned out to be, nothing more than the search for accounting profit. In its search for profits, colonised peoples were mobilised, acted upon, used, trained, and exploited, as the shifting agendas of European powers dictated. The agenda was clearly shaped by a desire for materialism, coupled with accounting profit, which shaped both their means and much of the ends. Further, after decades of experimentation, during this time, what were placed into the hands of the peoples, was accounting technology and the material means of industries, metallurgy, chemical products, means of manufacture, construction and production, of cheap fuel and electricity, railways and steamships, telegraphs and telephones communication, that enhanced every aspect of life. This phase was particularly enhanced further by the idea of profit, and with profit, came further accounting.

At the turn of the century, in the United States, similarly saw the beginning of the era of the “Big Trust” which was investigated by the U.S. Industrial Commission. Companies like the American Telephone & Telegraph, American Can, DuPont, General Electric, International Paper, U.S. Steel and Westinghouse were already in business.

A similar change was taking place in the intellectual formation of materialism. The Newtonian view of the world gave way to the formulation of quantum mechanics and the theory of relativity, which would call into question beliefs about the phenomenal world what was accepted as common sense for centuries. This was further strengthened by the accompanying philosophical culture that was rapidly liberating the energies of the population, and nurturing constitutional government.

From the opposite perspective, this period of time was gripped by a strange paradox, resembling two realities. The first was in the form of superstitions that was produced by unthinking imitation of the spirit world of the ages gone before. The second was rooted in a naive attachment to theology that bore little or no relationship to experience. Both of these, over the first years of this century, called into doubt both the spiritual nature of humans and the authority of moral values. These crises, therefore reinforced material reality to become ultimate reality.

Born in the wake of the chaos of the Second World War, materialism took on the title of “development” that had become the most ambitious and largest undertaking on which the human race had embarked. Clouded by humanitarian motives, the undertaking to ‘develop’ the world was matched by its enormous material and technological investment. At the end of that century, despite its impressive benefits development has brought, the enterprise we call ‘social and economic development’ must be adjudged, by its own standards, a disheartening failure.

The evidence for this comes from the abyss that now separates the small segment that enjoy the benefits of modernity and the misery and the hopeless want that the vast majority of the population endure on a daily basis.

Consumer culture, today’s inheritor of materialism’s story of human betterment, is unembarrassed by the ephemeral nature of the goals that inspired it in the first place. For those who can afford them, the benefits it offers are immediate and unapologetic. Some of the obvious casualty are the language used, selfishness which now mutate into necessary ingredients for social progress and which becomes a prized commercial resource, falseness reinventing itself as public information, perversions of various kinds claiming civil rights, greed, lust, indolence pride, even violence, which becomes broadly acceptable and now acquires social and economic value. Materialism’s error may be summed up by the narrowness of mind that first created it and by the unjustified self-confidence that has defined its mission.

Against the backdrop of climate change, environmental degradation, extremes of wealth and poverty, the search for a culture of sustainability, from an unfettered culture of consumerism, the outcome of a culture
of materialism, has largely preoccupied the next generation, brought about by efforts by civil society organisations and governmental agencies worldwide. Beyond more ‘informed’ policies and the need for ‘greener technologies’ it requires a transformation that will require an earnest examination and reexamination of our understanding about ourselves and of the cultural frameworks driving institutions of government, business, education and popular culture.

Questions of what is natural and just will need to be critically examined and the need to reexamine sustainable consumption and production, needs to be critically examined in the broader context of an ailing social order, where competition, violence, conflict and insecurity are the dominant characteristics.

In the push for sustainable consumption and production, from a culture of consumerism at all costs, will require a reexamination of conceptions of human nature, of development, of the nature and causes of economic crises, of the processes of technological development, and the means and ends of educational processes (Bahá’í International Community 2010:1), which to a degree, popular culture feeds on.

The discourse on materialism, in the last 20 years relies on the assumption that our very culture and the materials forms that adds to it is constitutive to that culture and are therefore co-constitutive and makes up all social relations (Rose 2011). In this section and discourse, I intend to show that that material culture is fundamental to the constitution of social-cultural relations (Tilly 2006:61) and this material culture is not constitutive by shared meaning that we assume exist but is explicitly based on a ‘science’ like accounting. Put in another form, materialism is inseparable from the culture in which it exists and therefore makes up human society, but materialism and the culture it produces, itself is based on a calculative device, such as accounting, that makes us calculative and therefore, material. In other terms, human society gains its meaning of itself only in relation to the relationship that objects have on subjects. But these are not accidental to this relationship and they are neither passively constituted.

The understanding of materialism and material culture in the first instance stems mostly from Miller (1994, 1998) where material objects are the means by which culture comes to be appropriated by subjects, and about the place of material culture in everyday human life and a more generalised theory of social relations and the central place of objects in their constitution. For structuralism, the way we understand and identify ourselves with objects is passive. Popular culture, the media and clever marketing could make us feel ‘inferior’ if we do not possess material objects.

Here we are passively socialised into our culture and social relations reproduce themselves simply by dominating and imprinting themselves on us who are part of that system and by active consumption. We actively apportion the objects we find and through this process, distinguish and subsequently internalise objects as being of use in the creation of our social self. Given this, it becomes clear why objects take on such significance, in our culture. Culture is only constituted by the objects it objectifies.

What is equally true about material existence and materialism is the link that objects and subjects make. What is true with objects in the sense that subjects only exist when an object exist and it would be equally true to say that objects exist because of subjects. This relationship between object and subject is one of dependence. Is it not because subjects are touched by the physical world and affected by the physical, that subjectivity emerges?

From the start of this development, accounting, even with its first equation, we find the capturing of materialism, within its scheme. It is materialism which is implied in the accounting equation:

\[
\text{Assets} = \text{Liabilities} + \text{Owner's Equity} \tag{i}
\]

This further translates to:

\[
\text{Assets} = \text{Liabilities} + \text{Owner's Equity} + (\text{Revenues} - \text{Expenses}) \tag{ii}
\]

Closer examination of assets as no more or less than economic benefits, (AASB, Framework 2012:35) makes materialism the epicentre of accounting. An asset, is the economic benefit embodied in an asset and is the potential to contribute directly or indirectly, to the flow of cash and cash equivalents. From the start of this science is the employment of materialism’s assets to produce goods and services capable of satisfying the wants or needs of customers as con-
sumerism suggests that goods and services satisfy these wants. Assets are recognised in the balanced sheet, for example, when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. An asset is not to be recognised, on the reverse, when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. In both of these, the underlying sentiment and desire is one of more material goods, and hence for materialism. It is the desire for economic benefits, otherwise called materialism, that we start the accounting process and the desire for revenues enables the measuring of and the accumulation of wealth and of materialism.

In the United States, the periods of 1890s to 1900 saw the first law passed by New York State in 1896 allowing the formation of accounting firms, most of which had their origins in Britain. Arthur Young and Company, F.W. Lafrentz, Haskins & Sells and Lybrand, Ross Bros. & Montgomery, Touche, Niven, & Co., Cooper, Deloitte and Whinney, are only some of the more outstanding accounting firms that burst into the profit seeking and accounting business. Most of these firms had British origins and of the 16 men whose surnames are associated with the largest eight accounting firms, 10 began their practice in Great Britain during the 19th century (Parker 1986). The 1890s – 1900s was a period of the birth of accounting thought and practice, in the United States. For example, the first CPA law was passed by New York State in 1896, with all other states following suit (Brief 1993:30).

Bigger companies were called on to improve reporting practices, with better disclosure of financial records and the importance of an independent audit. C.W. Haskins, founding partner of Haskins & Sells wrote, “The conspicuous lack of definite information in the reports of industrial corporations has created a feeling of suspicion on the part of the public...The public does not understand why industrial corporations should not give to their affairs the same detailed publicity as is given by moneyed institutions and transport companies”. This simply implies greater accounting.

A similar turn was taking shape with commerce and in industry. At the turn of the century, with the accounting firms now firmly established, came the era of the “Big Trust”, and names like American Telephone & Telegraph, American Can, DuPont, General Electric, International paper, U.S. Steel and Westinghouse, were marketing their products, making them easily available to the vast majority of Americans. These products were marketed with the single motive of profit for the manufacturer and locking materialism into the consumer, and thus satisfying the new image of the human simply being, nothing more than a bundle of appetites.

Against the backdrop of climate change, environmental degradation, the extremes of wealth and poverty, the move from a popular culture of materialism to a culture of responsibility and sustainability is a transformation that will require our understanding of human nature and of the cultural frameworks driving institutions of government, business, education and the media. Other philosophical issues of what is natural and what is just will need to be critically re-examined. Such a discourse must take place within an ailing social order, and quickly.

The effort of will required for such a task cannot be summoned up merely by appeals for action against the countless ills afflicting society. It must be built on a new vision of human prosperity in the fullest sense of the term, by the awakening to the possibilities of the spiritual and material well-being - its beneficiaries all of the planet’s inhabitants, without distinction.

When it occurs, an ever advancing civilization will have a transforming effect on the minds of those who respond to the transforming effect of a new society, shown by a new centre of loyalty which would emerge that can win the commitment of peoples from the widest range of cultures, that mediate for richer and more mature inspirations. It may require a radical redefinition of concepts of right and wrong and the formulation of new codes of civil law and conduct, with new institutions to give expression to impulses of moral responsibility that were previously ignored or unknown. As the new culture evolves into a civilization, it assimilates achievements and insights of past eras in a multitude of fresh permutations.

Historically, as ever-evolving civilizations exhaust themselves, a process of disintegration sets in, as it does throughout the phenomenal world. Analogies offered by nature suggest that as civilization collapse, moral vitality diminishes, as does social co-
hesion and challenges which would have been overcome at an earlier age or been turned into opportunities for exploration and achievement, become insuperable barriers. Religion loses its relevance and experimentation becomes increasingly fragmented, further deepening social divisions. Meaning becomes uncertain and value of life generates anxiety and confusion.

When a section of humanity begins to respond to a new ethic, a new paradigm begins to take shape.

CONCLUSIONS

Given the diversity of ‘scientific’ enquiry within accounting, I pause to reflect on the methodological basis of applying the scientific method in accounting research. Applying the ‘scientific’ method presupposes the existence of a physical reality which can be controlled, whose laws are locked. Accounting is neither physical reality nor locked in the laws that it observes.

In summary, this paper argues that from the dawn of humankind, we believed that we were spirit beings, passing through this world and experiencing a material experience. At some point in history, this view changed with the introduction of accounting and of accounting for our material things. The need to keep regular account, the need to record, to journalise every transaction, to establish a balanced, to bring into account assets and liabilities, places a technique that causes us to now understand that we are material humans, not only spiritual.

Accounting is a technique and we are now understanding the numerous ways in which accounting interacts with the social and with the popular culture of materialism. Continued theorising about the interaction of the opposites, of wealth and of poverty, and their differences will further develop the context in which this inter relationship between accounting and materialism, with ever increasing complexity, may prove to be rewarding.

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