

Radical Developments in Accounting Thought

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ABSTRACT: Mainstream accounting is grounded in a common set of philosophical assumptions about knowledge, the empirical world, and the relationship between theory and practice. This particular world-view, with its emphasis on hypothetico-deductivism and technical control, possesses certain strengths but has restricted the range of problems studied and the use of research methods. By changing this set of assumptions, fundamentally different and potentially rich research insights are obtained. Two alternative world-views and their underlying assumptions are elucidated—the interpretive and the critical. The consequences of conducting research within these philosophical traditions are discussed via a comparison between accounting research that is conducted on the “same” problem but from two different perspectives. In addition, some of the difficulties associated with these alternative perspectives are briefly dealt with.

The history of thought and culture is, as Hegel showed with great brilliance, a changing pattern of great liberating ideas which inevitably turn into suffocating straightjackets, and so stimulate their own destruction by new emancipatory, and at the same time, enslaving conceptions. The first step to understanding of men is the bringing to consciousness of the model or models that dominate and penetrate their thought and action. Like all attempts to make men aware of the categories in which they think, it is a difficult and sometimes painful activity, likely to produce deeply disquieting results. The second task is to analyse the model itself, and this commits the analyst to accepting or modifying or rejecting it and in the last case, to providing a more adequate one in its stead.

[Berlin, 1962, p. 19]

SINCE the late 1970s there have been signs of unease among academics about the state and development of accounting research. In 1977 the American Accounting Association's (AAA) Statement on Accounting Theory and Theory Acceptance concluded that there was no generally accepted theory of external reporting. Instead, there was a proliferation of paradigms that offered only limited guidance to policy makers. In addition, the Committee was pessimistic that a dominant consensus could

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be realized since, through their reading of Kuhn [1970], paradigm choice was ultimately a value-based decision between incompatible modes of scientific life. This view of accounting as a "multi-paradigm science" is shared by writers such as Belkaoui [1981].

Wells [1976], on the other hand, argues that at present accounting lacks a definitive paradigm or disciplinary matrix [Kuhn, 1970, p. 182]. According to the argument, an identifiable disciplinary matrix emerged in the 1940s and provided the basis for "normal science" activity. However, research in the 1960s and 1970s brought about criticisms of this matrix and led to the emergence of several "schools" of accounting that start from different axiomatic positions. As yet, none of these schools has formed the foundation of a new disciplinary matrix. Accounting, it appears, remains in the throes of a "scientific revolution."

While academics debate whether accounting is a "multi-paradigm" or "multi-school" discipline, they agree that dissension is rife. In addition to this lack of consensus in the academic arena, there are problems with the relationship between accounting theorizing and organizational practice. The 1977-78 "Schism" Committee of the AAA indicated that academics neither spoke the language nor saw the problems of practitioners. Similarly, Hopwood [1984a] and Burchell et al. [1980] argue that particular rationales have been imputed to accounting procedures, and these may be divorced from the actual roles that these procedures play in practice. More recently, Kaplan [1984] has chided academics for their preoccupation with esoteric economics and management science journals and their reluctance to "get involved in actual organizations and to muck around with messy data and relationships" [p. 415].

The accounting domain is thus (a) characterized by apparently irreconcilable cross-paradigmatic discussions and (b) hampered by some theories *about* practice that, in the main, are neither *of* nor informed *by* practice. Given the state of the discipline, this paper has a three-fold purpose.

Contrary to the conclusion of the AAA Statement on Accounting Theory and Wells [1976], this paper argues that accounting research has been guided by a dominant, not divergent, set of assumptions. There has been one general scientific world-view, one primary disciplinary matrix. And accounting researchers, as a community of scientists, have shared and continue to share a constellation of beliefs, values, and techniques. These beliefs circumscribe definitions of "worthwhile problems" and "acceptable scientific evidence." To the extent that they are continually affirmed by fellow accounting researchers, they are often taken for granted and subconsciously applied. In this way, a common world-view may be obscured by apparently conflicting theories.

The first aim of this paper is to enable accounting researchers to self-reflect on the dominant assumptions that they share and, more importantly, the consequences of adopting this position. The mainstream world-view has produced benefits for the conduct of accounting research with its insistence on public, intersubjective tests and reliable empirical evidence. However, it has limited the type of problems studied, the use of research methods, and the possible research insights that could be obtained. Such limitations only become clear when they are exposed to the challenge of alternative world-views.

The second purpose of this paper is to introduce such alternative sets of assumptions, illustrate how they change both

problem definition and solution, and offer research which is fundamentally different from that currently prevailing. Finally, this paper argues that not only are these alternative world-views different, they can potentially enrich and extend our understanding of accounting in practice, thus answering the recent calls for studying accounting numbers in the contexts in which they operate.

RECENT CLASSIFICATIONS OF ACCOUNTING PERSPECTIVES

To perceive commonality amidst theoretical diversity, one has to examine the philosophical (meta-theoretical) assumptions that theories share. In accounting, there have been several attempts to delineate these assumptions [Jensen, 1976; Watts and Zimmerman, 1978, 1979]. However, these efforts concentrate on only a few dimensions and have been ably and powerfully criticized [Christenson, 1983; Lowe, Puxty, and Laughlin, 1983].

Recently, more comprehensive dimensions have been proposed. For instance, Cooper [1983] and Hopper and Powell [1985] rely on the sociological work of Burrell and Morgan [1979] and classify accounting literature according to two main sets of assumptions: those about social science and about society. Social science assumptions include assumptions about the ontology of the social world (realism v. nominalism), epistemology (positivism v. anti-positivism), human nature (determinism v. voluntarism), and methodology (nomothetic v. ideographic). The assumption about society characterizes it as either orderly or subject to fundamental conflict. According to Burrell and Morgan [1979], these two sets of assumptions yield four paradigms—functionalist, interpretive, radical humanist, and radical structuralist. Particular accounting theories may then be

classified using these four paradigms. (Hopper and Powell [1985] actually combine the two radical paradigms.)

The Burrell and Morgan framework, however, is not without its problems. A detailed discussion of these difficulties is found in Appendix 1. Briefly, these problems stem from: (a) their use of mutually exclusive dichotomies (determinism v. voluntarism); (b) their misreading of Kuhn as advocating irrational paradigm choice; (c) the latent relativism of truth and reason which their framework encourages; and (d) the dubious nature of the differences between the radical structuralist and humanist paradigms. In addition, transplanting an unmodified framework from sociology implies some equivalence between the two disciplines. In the absence of a detailed exposition of such commonalities and the problems cited above, it was decided not to adopt the Burrell and Morgan framework. Instead, accounting perspectives are differentiated with reference to underlying assumptions about knowledge, the empirical phenomena under study, and the relationship between theory and the practical world of human affairs.

A CLASSIFICATION OF ASSUMPTIONS

All human knowledge is a social artifact—it is a product of the constituting labor of people as they seek to produce and reproduce their existence and welfare [Habermas, 1978]. Knowledge is produced by people, for people, and is about people and their social and physical environment. Accounting is no different. Like other empirically-based discourses, it seeks to mediate the relationship between people, their needs, and their environment [Tinker, 1975; Lowe and Tinker, 1977]. And in a feedback relationship, accounting thought is itself changed as human beings, their

environment, and their perception of their needs change. Given this mutually interactive coupling between knowledge and the human, physical world, the production of knowledge is circumscribed by man-made rules or beliefs¹ which define the domains of knowledge, empirical phenomena, and the relationship between the two. Collectively, these three sets of beliefs delineate a way of seeing and researching the world.

The first set of beliefs pertains to the notion of knowledge. These beliefs may be sub-divided into two related sets of epistemological and methodological assumptions. Epistemological assumptions decide what is to count as acceptable truth by specifying the criteria and process of assessing truth claims. For instance, an epistemological assumption might state that a theory is to be considered true if it is repeatedly not falsified by empirical events. Methodological assumptions indicate the research methods deemed appropriate for the gathering of valid evidence. For example, large-scale sample surveys or laboratory experiments that are "statistically sound" may be considered acceptable research methods. Clearly, both sets of assumptions are closely related. What is a "correct" research method will depend on how truth is defined.

Second, there are assumptions about the "object" of study. A variety of these exist, but the following concerns about ontology, human purpose, and societal relations have dominated much debate in the social sciences.² To begin, all empirical theories are rooted in an assumption about the very essence of the phenomena under study. Physical and social reality, for instance, may be presumed to exist in an objective plane which is external to an independent knower or scientist. Within this perspective, people may be viewed as identical to physical objects and be stud-

ied in the same manner. Alternatively, these beliefs could be criticized for reifying individuals and obscuring the role of human agency. People, it may be argued, cannot be treated as natural scientific objects because they are self-interpretive beings who create the structures around them (see Habermas [1978] and Winch [1958] for a discussion). Yet other ontological positions which attempt to dialectically relate this reification-voluntarism debate have also been advocated [Bhaskar, 1979]. Whichever position is adopted, the issue of ontology lies prior to and governs subsequent epistemological and methodological assumptions.

Social science is also based on models of human intention and rationality. Such models are necessary because all knowledge is intended to be purposive and is constituted by human needs and objectives. Economics and accounting, for instance, are based on assumptions about the information needs of people given limited access to resources. Hence, the use of constructs such as "economic men," "bounded rationality," "prefers maximum leisure," or "desires information about future dividends and cash flow."

Further, there are assumptions about how people relate to one another and to society as a whole. As Burrell and Morgan [1979] point out, every social theory makes assumptions about the nature of human society—is it, for example, full of conflict or essentially

¹ The word "beliefs" is used to show the tentative, open, and historically-bound nature of such assumptions. As social and historical contexts change, so will these meta-theoretical rules. In turn, these "scientific revolutions" will materially affect people and their environment.

² For a discussion see Weeks [1973], Fay [1975], Bernstein [1976, 1983], Driggers [1977], Bhaskar [1979], Brown and Lyman [1978], Burrell and Morgan [1979], Habermas [1978], Van de Ven and Astley [1981], Astley and Van de Ven [1983], Gadamer [1975], Schutz [1967], and Winch [1958].

TABLE 1
A CLASSIFICATION OF ASSUMPTIONS

<i>A. Beliefs About Knowledge</i>
Epistemological
Methodological
<i>B. Beliefs About Physical and Social Reality</i>
Ontological
Human Intention and Rationality
Societal Order/Conflict
<i>C. Relationship Between Theory and Practice</i>

stable and orderly? Are there irreconcilable tensions between different classes, or are such differences always effectively contained through a pluralistic distribution of resources?

Third, assumptions are made about the relationship between knowledge and the empirical world. What is the purpose of knowledge in the world of practice? How may it be employed to better people's welfare? Is it intended to emancipate people from suppression or to provide technical answers to pre-given goals? As Fay [1975] shows, theory may be related to practice in several ways, each representing a particular value position on the part of the scientist.

Table 1 summarizes these assumptions. The three general categories of beliefs about knowledge, the empirical world, and the relationship between the two are argued to comprehensively characterize a disciplinary matrix. However, the list of particular expressions of these general conditions is not exhaustive. That is, other important assumptions under the category "beliefs about the physical and social world" may emerge. These assumptions are not immutable, but historically specific. The assumptions above were chosen because they reflect dominant themes currently being

debated in the social sciences. In addition, they discriminate well between the alternative disciplinary matrices now surfacing in accounting research. Using other dimensions such as different concepts of income, measurement, or value would not have highlighted the fundamental philosophical differences between these accounting perspectives. Also, these assumptions are not posed as mutually exclusive dichotomies. This is to encompass attempts to relate opposite ends of a spectrum of positions.

Finally, unlike the work of Burrell and Morgan,³ this set of assumptions is used to assess the strengths and weaknesses of

³ This is a major difference between the use of the classification in this paper and the non-evaluative stance of Burrell and Morgan. In addition, the present classification does not use mutually exclusive dichotomies and does not claim to comprehensively categorize all social and accounting perspectives in a permanent classification. Because the assumptions about, for instance, societal order and human rationality are seen as context-dependent and changeable through time, the classification only attempts to identify current perspectives which are emerging. These differences have the following result: although the individual assumptions used for the classification appear similar to those of Burrell and Morgan (ontological, epistemological, methodological), the classification as a whole and its use differ in important respects. The apparent similarity arises because both frameworks attempt to summarize and assemble separate discussions in the social and philosophical disciplines such that the distinctive nature of a disciplinary matrix may be identified.

alternative perspectives in accounting. This paper is not an attempt to describe different world-views in a value-free, non-evaluatory language. Recent philosophical debate [Kuhn, 1970; Popper, 1972a; Feyerabend, 1975] has demonstrated the folly of the search for a permanent, neutral framework within which competing paradigms and theories may be evaluated. Neither recourse to deductive proof nor to inductive generalizations provides the foundation for rational paradigm choice, not even in the so-called hard sciences [Hesse, 1980].

Abandoning this concept of rational choice, however, does not lead inevitably to irrationalism and relativism, which claim that there can be no rational comparison among different paradigms and forms of scientific conduct. A scientist is always obliged to give a rational account of what is right and wrong in the theory that is displaced and how an alternative is better. Of course, these arguments of truth and falsity may prove "wrong" in the course of time. The criteria for paradigm comparison and evaluation are essentially judgmental, open to change, and grounded in social and historical practices [Bernstein, 1983; Rorty, 1979]. The notion of what is scientific is always in the process of being hammered out and being formed. Human fallibility, however, is not synonymous with irrationalism, and researchers are not forced to be locked within the prison of their own framework. Alternative frameworks may be rationally compared [Bernstein, 1983] such that not only do we come to understand an incommensurable paradigm, but also our own prejudices.

MAINSTREAM ACCOUNTING THOUGHT— ASSUMPTIONS

Beliefs about Physical and Social Reality

Ontologically, mainstream accounting research is dominated by a belief in phys-

ical realism—the claim that there is a world of objective reality that exists independently of human beings and that has a determinate nature or essence that is knowable. Realism is closely allied to the distinction often made between the subject and the object. What is "out there" (object) is presumed to be independent of the knower (subject), and knowledge is achieved when a subject correctly mirrors and "discovers" this objective reality.

Because of this object-subject distinction, individuals, for example accounting researchers or their objects of study, are not characterized as sentient persons who construct the reality around them. People are not seen as active makers of their social reality. The object is not simultaneously the subject. Instead, people are analyzed as entities that may be passively described in objective ways (for example as information-processing mechanisms [Libby, 1975] or as possessing certain leadership or budgetary styles [Brownell, 1981; Hopwood, 1974]).

This ontological belief is reflected in accounting research as diverse as the contingency theory of management accounting [Govindarajan, 1984; Hayes, 1977; Khandwalla, 1972], multi-cue probability learning studies [Hoskins, 1983; Kessler and Ashton, 1981; Harrell, 1977; Libby, 1975], efficient capital markets research [Gonedes, 1974; Beaver and Dukes, 1973; Fama, 1970; Ball and Brown, 1968], and principal-agent literature [Baiman, 1982; Zimmerman, 1979; Demski and Feltham, 1978]. All these theories are put forward as attempts to discover a knowable, objective reality. This inference is based on the absence of any expressed doubt that the empirical phenomena that are observed or "discovered" could be a function of the researchers, their *a priori* assumptions, and their location in a spe-

cific socio-historical context. Thus, a stock market return is discussed as an objective fact that may be classified as normal or abnormal. Similarly, "competitive" environments, "sophisticated" management accounting techniques, "shirking," "adverse selection," and "response to feedback" are characterized as representations of an objective, external reality.

Beliefs about Knowledge

This prior assumption leads to a distinction between observations and the theoretical constructs used to represent this empirical reality. There is a world of observation that is separate from that of theory, and the former may be used to attest to the scientific validity of the latter. In philosophy, this belief in empirical testability has been expressed in two main ways: (a) in the positivist's belief that there exists a theory-independent set of observation statements that could be used to confirm or verify the truth of a theory [Hempel, 1966], and (b) in the Popperian argument that because observation statements are theory-dependent and fallible, scientific theories cannot be proved but may be falsified [Popper, 1972a, 1972b].

Accounting researchers believe in the empirical testability of scientific theories. Unfortunately, they draw on both notions of confirmation and falsifiability with considerable unawareness of the criticisms of both criteria [Popper, 1972a; Lakatos, 1970; Feyerabend, 1975] and of the differences between the two. Thus, Sterling [1979, pp. 39-41, pp. 213-218] refers to empirical testability with a quote from Hempel [1966]. But as Stamp [1981] points out, Sterling is also an advocate of Popper's thesis of falsifiability and invites attempts to falsify his arguments. Similarly, Chambers [1966, p. 33] writes that "the state of knowledge consists in what has not been

falsified," but on p. 34 speaks of scientific theories which are able to account for the occurrence of the phenomena under study. These, and many other examples, do not accord with Popper's ideal of theories that specify what ought not to happen and scientists who seek to find those occurrences that refute their theories.

Finally, as Christenson [1983] shows, the philosophical position of the proponents of positive accounting is muddled at best—conforming neither to Friedman's instrumentalism nor to Popper's falsification criterion but apparently appealing to the discredited position of the early logical positivists. Abdel-khalik and Ajinkya [1979, p. 9] appear to fall into the same predicament with their one-line statement that "the researcher following the scientific method . . . verifies his/her hypotheses by empirical testing."

In summary, accounting researchers believe in a (confused) notion of empirical testability. Despite this lack of clarity as to whether theories are "verified" or "falsified," there is widespread acceptance of Hempel's [1965] hypothetico-deductive account of what constitutes a "scientific explanation."

Hempel argued that for an explanation to be considered scientific, it must have three components. First, it must incorporate one or more general principles or laws. Second, there must be some prior condition, which is usually an observation statement, and third, there must be a statement describing whatever is being explained. The explanation shows that the event to be explained follows from the general principles, given that the prior condition(s) also hold.

For example: *Premise 1 (Universal law)*: A competitive environment always leads to the use of more than one type of management accounting control. *Premise 2 (Prior Condition)*: Company A

faces a competitive environment. Therefore: *Conclusion (Explanandum)*: Company A uses more than one type of management accounting control.

This hypothetico-deductive account of scientific explanation has two main consequences. First, it leads to the search for universal laws or principles from which lower-level hypotheses may be deduced. To explain an event is to present it as an instance of a universal law. Second, there is a tight linkage between explanation, prediction, and technical control. If an event is explained only when its occurrence can be deduced from certain premises, it follows that knowing the premises before the event happened would enable a prediction that it would happen. It would also enable steps to be taken to *control* the occurrence of the event. Indeed, the possibility of control and manipulation is a constitutive element of this image of scientific explanation.

The use of the hypothetico-deductive model of scientific explanation is the most consistent characteristic of extant accounting research. Abdel-khalik and Ajinkya [1979] and Mautz and Sharaf [1961] refer to it as *the scientific method*. Peasnell [1981], Hakansson [1973], Gonedes and Dopuch [1974], and Scapens [1982], through their reviews of financial and management accounting, illustrate that to do empirical research is to conduct it within a hypothetico-deductive mode. (Peasnell uses the phrase "hypothetico-positive.")

Related to hypothetico-deductivism, yet another common assumption is a ubiquitous search for universal regularities and causal relationships. The contingency approach in management accounting, the positive theory of agency [Fama and Jensen, 1982], and the transaction cost theory [Chandler and Daems, 1979; Johnson, 1980] seek general connections

between the development of accounting systems, changing environmental conditions, and organizational forms. Generalizable relations are also sought in multi-cue probability learning studies (between individual responses and accounting numbers in the performance of specific tasks), efficient capital markets research (between accounting numbers and aggregate market responses), and principal-agent literature (between particular principal-agent contracting arrangements and the use of accounting techniques such as cost allocation or budgetary control). Indeed, so extensive is the search for generalizable relations that accounting researchers appear to believe that the empirical world is not only objective but is, in the main, characterized by knowable, constant relationships.

These related assumptions about "scientific" explanation have influenced the choice of research methods. Invariably, research reports are begun with a statement of hypotheses followed by a discussion of empirical data and concluded with an assessment of the extent to which the data "supported" or "confirmed" the hypothesis. In addition, data collection and analysis are focused on the "discovery" of rigorous, generalizable relations. Hence, there is a relative neglect of "soft" methods such as the case study [Hagg and Hedlund, 1979] and instead a widespread use of large samples, survey methods, experimental laboratory research designs, and statistical and mathematical methods of analysis.

Beliefs about the Social World

Mainstream accounting research makes two important assumptions about the social world. First, it is assumed that human behavior is purposive. Thus, although people may possess only

bounded rationality [Simon, 1976], they are always capable of rational goal-setting [Chambers, 1966; Fama and Jensen, 1982], whereby goals are set prior to the choice and implementation of strategic action. Also, human beings are characterized as possessing a single superordinate goal: "utility-maximization." Within this abstract notion of utility, theories differ as to what may provide utility. Principal-agent theory assumes that an agent will always prefer less work to more [Baiman, 1982], while finance theory assumes that a shareholder/bondholder will desire the maximization of the expected, risk-adjusted return from an investment. Moreover, although only individuals have goals [Cyert and March, 1963; Jensen and Meckling, 1976], collectivities may exhibit purposive behavior that implies consensual goals or common means which are accepted by all members—for example, the maximization of discounted cash flows or the minimization of transaction costs. These assumptions about purposive behavior are necessary because accounting information has long been ascribed a technical rationale for its existence and prosperity: the provision of "useful" and "relevant" financial information for the making of economic decisions [Paton and Littleton, 1940; AICPA, 1973; FASB, 1978]. And usefulness presumes some prior need or objective.

Second, given a belief in individual and organizational purpose, there is an implicit assumption of a controllable social order. While conflicts of objectives, for instance, between principals and agents and between functional departments are recognized, they are conceptualized as manageable. Indeed, it is the effective manager's duty to remove or avoid such conflict through the appropriate design of accounting controls such as budgets, cost standards, cost alloca-

tions, and divisional performance criteria [Hopwood, 1974; Zimmerman, 1979; Demski and Feltham, 1978]. Organizational conflict is not seen as reflective of deeper social conflict between classes of people with unequal access to social and economic resources. Constructs such as sustained domination, exploitation, and structural contradictions do not appear in mainstream accounting literature. And conflicting interest groups are classified as possessing different legal rights within a given system of property rights—for example, creditors versus shareholders. They are not categorized using antagonistic dimensions such as class or ownership of wealth.

Further, conflict is usually perceived as being "dysfunctional" in relation to the greater corporate goal (whatever it may be). Examples of "dysfunctional" conflict include "budget biasing," "opportunistic behavior," "self-interest with guile," and "rigid, bureaucratic behavior." Dysfunctional behavior occurs when individual or group interests override what is best for the organization in some reified sense [Tiessen and Waterhouse, 1983; Williamson, Wachter, and Harris, 1975; Hopwood, 1974]. The accounting researcher then seeks to specify procedures whereby such dysfunctions may be corrected.

Finally, some mainstream researchers imply that organizations and "free" markets have an inherent tendency to achieve social order. Left to themselves, organizations appear to "naturally" evolve administrative and accounting systems that minimize transaction costs in changing environmental conditions [Fama and Jensen, 1982; Chandler and Daems, 1979]. Also, the desirable amount of financial disclosure may be determined by the "free" play of market forces with a minimum of state interven-

tion [Benston, 1979-80]. Indeed, Jensen and Meckling [1980] attribute certain financial crises, for example the bankruptcy of Penn Central Railroad, to the State abrogation of individual property rights [Tinker, 1984]. People and markets thus appear to achieve order by themselves.

Theory and Practice

In terms of the relation between theory and practice, mainstream accounting researchers insist upon a means-end dichotomy. That is, accountants should deal only with observations of the most "efficient and effective" means of meeting the informational needs of a decision-maker but should not involve themselves with moral judgments about the decision-maker's needs or goals. For instance, an accountant might be able to inform the decision-maker that to operate successfully (usually defined through notions of profitability) in an uncertain environment, a rigid, budgetary system is unsuitable. However, the accountant cannot instruct a decision-maker to operate in a certain/uncertain environment nor to adopt a particular budgeting system. Thus, only "conditionally prescriptive" statements of the form "if you want *X*, then I recommend *Y*" are offered.

That this supposedly "value-free" stance itself represents the choice of a moral, value-laden position is not often recognized. Instead, its apparent "neutrality" is widely accepted and advocated by members of the academic accounting community. Hence, Chambers [1966, pp. 40-58] argues that the accountant can only provide information about the financial means available for the satisfaction of given ends. Since such information is independent of any particular goal and the value placed upon that goal, accounting may be

regarded as "neutral" information and value-free in that sense. Similarly, Sterling [1979, p. 89] argues that accountants as scientists may make "ought" statements about the means that are appropriate for the achievement of a given goal. And Gonedes and Dupoch [1974] contend that researchers can only assess the effects but not the desirability of alternative accounting methods.

Table 2 summarizes these assumptions which provide a common framework for mainstream accounting research.

MAINSTREAM ACCOUNTING— CONSEQUENCES AND LIMITATIONS

There are several consequences flowing from this set of dominant assumptions. First, because of the belief in a means-end dichotomy, accounting researchers take as given and natural [Tinker, 1982] a current institutional framework of government, markets, prices, and organizational forms. Questions about the goals of a decision-maker, firm, or society are seen as outside the province of the accountant. Similarly, concerns about the system of property rights, economic exchange, and the distribution and allocation of wealth and wealth-creating opportunities are not raised. Mainstream accounting research does not have as one of its expressed purposes an attempt to evaluate and possibly change an institutional structure. Societies may be capitalist, socialist, or mixed, and markets may be monopolistic or firms exploitative. The accountant, however, is said to take a neutral value position by not evaluating these end-states. His/her task is simply the provision of relevant financial information on the means to achieve these states. And as such goals, governing structures, or relations of exchange and production change, so does a flexible accounting system.

TABLE 2
DOMINANT ASSUMPTIONS OF MAINSTREAM ACCOUNTING

A. Beliefs About Knowledge

Theory is separate from observations that may be used to verify or falsify a theory. Hypothetico-deductive account of scientific explanation accepted.

Quantitative methods of data analysis and collection which allow generalization favored.

B. Beliefs About Physical and Social Reality

Empirical reality is objective and external to the subject. Human beings are also characterized as passive objects; not seen as makers of social reality.

Single goal of utility-maximization assumed for individuals and firms. Means-end rationality assumed.

Societies and organizations are essentially stable; "dysfunctional" conflict may be managed through the design of appropriate accounting control.

C. Relationship Between Theory and Practice

Accounting specifies means, not ends. Acceptance of extant institutional structures.

This supposedly neutral position, however, runs into difficulties. This itself is a value position which cannot logically be argued as "superior" to a position that judges goals in the name of some ideal. Weber [1949] recognized that the very distinction between fact and value is itself a value judgment. Also, it amounts to conservative support, however indirect, of the status quo. By not questioning extant goals, there is a tacit acquiescence with what is. Tinker, Merino, and Neimark [1982] have also argued that such support helps to legitimize extant relations of exchange, production, and forms of suppression.

Further, the assumptions about human purpose in mainstream accounting research have undermined the means-end dichotomy. For once the notion of "dysfunction" is admitted, it becomes difficult to separate a prescription of means from a prescription of ends. Rarely do accountants write "technique X is dysfunctional only if the goal of the firm is to maximize the discounted value of its future cash flows." Indeed, the described/prescribed end becomes in-

creasingly accepted until it is a part of our "common-sense" knowledge.

A second limitation relates to the assumption of human purpose, rationality, and consensus. When these consensual goals of "utility-maximization" are examined, they invariably are the goals of the providers of capital. Although accountants and auditors sometimes suggest that they act in the "public interest," it is generally accepted that both managerial and external financial reports are intended to protect the rights of investors and creditors [The Corporate Report, 1975; AICPA, 1973]. In addition, internal control and contracting procedures have as their expressed aim the prevention of managerial and worker "excesses" and the safeguarding of the rights of "residual claimants" [Fama and Jensen, 1982]. Influenced by traditional micro-economics, mainstream accounting thought is based on the notion of the prior claims of the "owners" and further implies that the satisfaction of these claims provides the means to satisfy all other claims. For example, it is assumed that workers

desire a maximization of cash flows or long-run profit, for without that they could not be paid.

Can one make such a simplistic assumption of a corporate welfare function? Do all organizational members agree on some ambiguous common end or means to that end? Or have such beliefs left us with an overly-rational and consensual model of human action and the role of accounting [Cooper, 1983; Burchell et al., 1980]? Recent organizational theory [Weick, 1979; Meyer and Rowan, 1977; March and Olsen, 1976; Georgiou, 1973] has begun to question this goal-driven, rational basis of individual and organizational action. It has moved beyond Simon's [1976] notion of bounded rationality and argues that perhaps people do not strive towards goals but retrospectively reconstruct goals to give meaning to action. Goal statements then become the "son" rather than the "father" of the deed, and people with solutions look for problems rather than vice versa.

This "loosening" of the rationality assumption has been accompanied by a new set of metaphors that stress not the structured, causal patterns of organizational life but the fluidity and equivocality of human action and processes. Concepts such as "negotiated orders" [Strauss et al., 1963], "organized anarchies," "loose coupling," "enactment and organizing" [Weick, 1979], "organizational garbage cans" [Cohen, March, and Olsen, 1972], and "messy" organizations [Mintzberg, 1979] all emphasize organizations as complex sets of interactions and rules that are constantly being negotiated, produced, and reproduced.

In addition to this process orientation, there is a renewed interest in power and political struggles [Benson, 1977a, 1977b] within and between organizations

[Burawoy, 1979; Benson, 1975; Marglin, 1974] and interest groups [Larson, 1977; Heydebrand, 1977]. No longer are organizations assumed to be collectivities wherein conflicts are successfully mediated through contracting arrangements and "the market." Instead, they are seen as possible repositories of deep conflict which reflect wider, societal contradictions and crises [Burrell, 1981; Clegg, 1981]. Mainstream accounting research has largely neglected these developments which may offer new insights into the power effects of accounting and accountants within organizations and societies.

A third limitation of the set of dominant beliefs is the lack of awareness of controversies within the philosophy of social science which have questioned realism and the empirical testability of theories. Beginning with Popper [1972a] and continuing through the arguments of Kuhn [1970], Lakatos [1970], and Feyerabend [1975], post-empiricist philosophy has generally agreed that observations are fallible propositions which are theory-dependent and therefore cannot act as the neutral arbitrator between competing theories. Indeed, the search for a trans-historical, permanent criterion of acceptability is now seen as a futile exercise [Bernstein, 1983]. This consensus has been accompanied by a revived interest [Geertz, 1979; Winch, 1958] in certain trends in German philosophy [Gadamer, 1975; Wittgenstein, 1953] that emphasize the historically-bounded nature of all conceptual languages.

These arguments have coalesced such that the philosophy of science is in a state of flux; without the comfort of a neutral, objective reality, it faces the threat of an absolute relativism of truth and irrational theory choice [Barnes and Bloor, 1982; Feyerabend, 1975], and is traversed by different attempts to

ground a rational set of criteria for theory adjudication [Habermas, 1978; Popper, 1972a; Kuhn, 1970]. Mainstream accounting thought has devoted insufficient attention to these philosophical debates. There is some discussion of Popper's falsifiability criterion, but little of Lakatos's extensions or of other concepts of the function of theorizing and the standards necessary for theory acceptance. Instead, accounting researchers work within some vague notion of an objective reality and of confronting theory with data.

Despite these limitations, it is important to recognize the virtues of the philosophical assumptions which ground mainstream accounting research. As Bernstein [1976, p. xxii] points out, at their best they have insisted upon clarity and rigor, been committed to the ideal of public and intersubjective tests, and have instilled a healthy skepticism toward "unbridled speculation and murky obscurantist thought." These intellectual virtues have also been linked with a genuine belief that neutral, empirical knowledge can not only help people to escape from superstition and prejudice, but provide informed judgment which will better people's relations with their natural and social environment.

Mainstream accounting research has attempted to develop useful, generalizable knowledge which can be applied in organizations to predict and control empirical phenomena. It has insisted on certain standards of validity, rigor, and objectivity in the conduct of scientific research. But these once liberating assumptions have ignored new questions being raised in other disciplines, imposed ever more severe restrictions on what is to count as genuine knowledge, and obscured different and rich research insights. The rest of this paper examines the consequences of changing these phil-

osophical assumptions. It discusses two alternative world-views: the interpretive and the critical.

THE INTERPRETIVE ALTERNATIVE —ASSUMPTIONS

This alternative is derived from Germanic philosophical interests which emphasize the role of language, interpretation, and understanding in social science. As Schutz [1967, 1966, 1964, 1962] has been one of the most influential proponents of this alternative, his ideas form the core of the description here.

Beliefs about Physical and Social Reality

Schutz begins with the notion that what is primordially given to social life is an unbroken stream of lived experience. This "stream of consciousness" has no meaning or discrete identity until human beings turn their attention (self-reflect) on a segment of this flow and ascribe meaning to it. Experience to which meaning has been retrospectively endowed is termed behavior. Social science is generally concerned with a special class of meaningful behavior—actions—which is future-oriented and directed towards the achievement of a determinate goal. Because actions are intrinsically endowed with subjective meaning by the actor and always intentional, actions cannot be understood without reference to their meaning.

However, in everyday life actions do not take place in a vacuum of private, subjective meanings. While human beings are continuously ordering and classifying ongoing experiences according to interpretive schemes, these schemes are essentially social and intersubjective. We not only interpret our own actions but also those of others with whom we interact, and vice versa. Through this process of continuous social interaction, mean-

ings and norms become objectively (intersubjectively) real. They form a comprehensive and given social reality which confronts the individual in a manner analogous to the natural world. In addition, despite continual refinement and modification of this social stock of knowledge, there are some temporarily stable constructs which become institutionalized, taken for granted, and used to typify (structure) experiences. These typifications are an essential part of the social frameworks within which actions are made intelligible.

Beliefs about Knowledge

Given this view of a subjectively-created, emergent social reality, the research questions that are pertinent are: how is a common sense of social order produced and reproduced in everyday life; what are the deeply-embedded rules that structure the social world; how do these typifications arise, and how are they sustained and modified; what are the typical motives that explain action? In essence, the interpretive scientist seeks to make sense of human actions by fitting them into a purposeful set of individual aims and a social structure of meanings.

These explanations or models of the life-world must conform to certain criteria. The first is logical consistency. Schutz [1962, p. 43] writes that the "system of typical constructs designed by the scientist has to be established with the highest degree of clarity and distinctness of the conceptual framework implied and must be fully compatible with the principles of formal logic." This postulate is required to ensure the "objective validity of the thought objects constructed by the social scientist." The second is "subjective interpretation" which means that the scientist seeks the meaning which an action had for the

actor. Finally, there is the postulate of adequacy. As there is no neutral, objective world of facts which acts as the final arbitrator, the adequacy of a theory (or explanation of intention) is assessed via the extent to which the actors agree with the explanation of their intentions.⁴

How does one carry on this task of interpretive understanding? Initially, it was mistakenly thought that the observer had to "jump into the shoes/skins" of the observed. Such a notion has been rightly discarded. However, it remains difficult to specify precise procedures for the conduct of interpretive research, such methods being similar to those of the anthropologist. They emphasize observation, awareness of linguistic cues, and a careful attention to detail. Each item of information has to be interpreted in the light of other items drawn from the language and ideology of the "tribe" under investigation [Feyerabend, 1975, p. 251] rather than through

⁴ Schutz writes, "Each term in a scientific model of human action must be constructed in such a way that a human act performed within the life-world by an individual actor in the way indicated by the typical construct would be understandable for the actor himself as well as for his fellow-men in terms of common sense interpretations of everyday life. Compliance with this postulate warrants the consistency of the constructs of the social scientist with the constructs of common-sense experience of the social reality" [Schutz, 1962, p. 44].

This postulate is similar to the positivist notion of verification and reflects Schutz's agreement with Nagel and Hempel on a number of important issues. These are: (a) all empirical knowledge involves discovery through processes of controlled inference, must be statable in propositional form, and must be capable of being verified through observation; (b) theory means the explicit formulation of determinate relations between a set of variables that explains a fairly extensive class of empirical regularities; and (c) a social scientist should seek to be completely disinterested in the construction of objective explanations.

Schutz's position, however, is not necessarily accepted by other interpretive philosophers. Gadamer [1975], for instance, rejects the feasibility of a "disinterested observer" and implies that competing theories can only be judged by (unspecified) historically-bound criteria that are temporarily agreed upon by a community of scientists.

TABLE 3
DOMINANT ASSUMPTIONS OF THE INTERPRETATIVE PERSPECTIVE

A. Beliefs About Knowledge

Scientific explanations of human intention sought. Their adequacy is assessed via the criteria of logical consistency, subjective interpretation, and agreement with actors' common-sense interpretation.

Ethnographic work, case studies, and participant observation encouraged. Actors studied in their everyday world.

B. Beliefs About Physical and Social Reality

Social reality is emergent, subjectively created, and objectified through human interaction.

All actions have meaning and intention that are retrospectively endowed and that are grounded in social and historical practices.

Social order assumed. Conflict mediated through common schemes of social meanings.

C. Relationship Between Theory and Practice

Theory seeks only to explain action and to understand how social order is produced and reproduced.

a priori definitions. Meanings are themselves built on other meanings and social practices. As such, "thick" case studies conducted in the life-world of actors are preferred to distant large-scale sampling or mathematical modeling of human intention.

Beliefs about the Social World

The main beliefs about people are (a) the ascription of purpose to human action, and (b) the assumption of an orderly, pre-given world of meanings that structures action. However, Schutz argues that purposes always have an element of pastness, for only the already experienced may be endowed with meaning in a backward, reflective glance. Further, purposes are grounded in changing social contexts and are not pre-given.

Theory and Practice

As Fay [1975] points out, interpretive knowledge reveals to people what they and others are doing when they act and speak as they do. It does so by highlighting the symbolic structures and taken-

for-granted themes which pattern the world in distinct ways. Interpretive science does not seek to control empirical phenomena; it has no technical application. Instead, the aim of the interpretive scientist is to enrich people's understanding of the meanings of their actions, thus increasing the possibility of mutual communication and influence. By showing what people are doing, it makes it possible for us to apprehend a new language and form of life. Table 3 summarizes these assumptions.

THE INTERPRETIVE ALTERNATIVE
—CONSEQUENCES

Some researchers have attempted to study accounting in action and to investigate its role as a symbolic mediator [Hopwood, 1983, 1985, forthcoming; Tomkins and Grove, 1983; Colville, 1981; Gambling, 1977]. The consequences of adopting an interpretive perspective, with its emphasis on understanding, may be highlighted by comparing two pieces of work on budgetary control systems: Demski and Feltham [1978] and Boland and Pondy [1983]. The first is conducted

within mainstream assumptions and the second reflects interpretive concerns.

For Demski and Feltham, the "budgetary control system" exists as a facet of reality that is external to the world of the researchers, and indeed, of the principal and the agent. The system exists and its existence is taken for granted; it is an exogenous variable. The budget is not seen as an entity which is "socially constructed" and constituted through interaction. The authors then seek to explore general conditions that may explain the use of such control systems in a particular setting. This setting is described in the abstract language of economics, in terms of contracts between principal and agent and a market for information exchange in which "equilibrium" and "Pareto-optimal solutions" may be found. A mathematical model of principal-agent behavior is then constructed with several manageable variables: the state of the world, worker effort, skill, and amount of capital. Based on an analysis of this model, some generalizable conclusions are drawn, for instance that "market incompleteness" and "risk aversion" are necessary conditions for the choice of budgetary systems. There is also a limited attempt to attest to the validity of the model by assessing how well it explains observed practice.

Single goals of utility-maximization are attributed to the principal and the agent. The principal "contracts for labor services so that he can obtain a return from his capital without expending any effort [He achieves maximum leisure]" [p. 338]. The agent's utility depends on his level of output/income and also the amount of effort expended (He prefers less effort to more [p. 342]). Other researchers working within this theoretical framework use similar models of human intention. Zimmerman [1979, p. 506], for instance, assumes all individ-

uals to be "resourceful, evaluative, maximizing men (or REMMs)." In addition, Baiman [1982, p. 170] points out that each individual is assumed to act in his or her own interest and expects all other individuals to act solely to maximize their own best interests.

There are also implicit assumptions of what is dysfunctional for the "organization," that is, for both the principal and the agent. Demski and Feltham speak of moral hazard and adverse selection problems. These are essentially information-based problems which arise because the principal is unable to accurately report the agent's input choice and verify information that is private to the agent. In addition, "shirking" by either principal or agent is regarded as unhelpful and to be controlled, in this instance, through a budget-based contract. However, there appears to be greater emphasis placed on control of the agent. He or she appears more likely to engage in dysfunctional behavior. Thus, Demski and Feltham write that the budget-based contract is used to "learn something" [p. 339] about the agent's behavior. Similarly, Zimmerman [1979, p. 506] argues that "we would expect (as should the principal) that the agent will try to improve his welfare by engaging in activities which are not necessarily in the principal's best interest (e.g. shirking, on-the-job leisure, consumption of perquisites, theft)."

Boland and Pondy, by contrast, do not take the budget as a permanent, fixed object. Instead it is "symbolic not literal, vague not precise, value loaded not value free" [p. 229]. At certain times, the budget plays an active role in shaping reality [p. 228] and is in turn influenced by political interests (for example, those of the Governor of Illinois) and social definitions of "acceptable and legitimate" (categories like "repair and maintenance" being more

viable than "research"). There is no *a priori* assumption that the budget has a rational, technical purpose; instead, its symbolic, emergent role is seen to be grounded in the social processes of the organization and its environment. Neither is there an attempt to accord priority to particular goals and to speak of "dysfunctional" behavior. In fact, the authors suggest that organizational goals were being discovered through the budget process.

Further, the budget and its setting are located in the everyday, common-sense language of the participants. Indeed, one of the authors' aims was to study accounting through the actors' definition of the situation [p. 225]. Also, unlike Demski and Feltham, Boland and Pondy do not seek to develop generalizable explanations of behavior which may be used to predict and control such behavior in similar settings. Their most generalizable statement is: There are constant shifts between the rational, quantitative aspects of organization and the natural, qualitative aspects [p. 226]. Because generalizations are not their aim, the authors advocate the use of case studies to understand accounting as a lived experience [p. 226]. Unfortunately, Boland and Pondy are unclear as to how the adequacy of their explanation may be evaluated. On p. 226, they write that the researcher should take a "critical view" of the actor's definition of the situation. This departs from Schutz's idea of the non-evaluative, disinterested scientist and his postulate of adequacy.

The differences between these two approaches to the study of the same phenomenon illustrate the distinctive contributions of an interpretive emphasis. First, the perspective indicates that, in practice, accounting information may be attributed diverse meanings. Such diversity is intrinsic to an emergent social

and accounting reality that is constantly being redefined. In addition, these meanings will be constituted by changing social, political, and historical contexts. They do not necessarily conform to *a priori* rational definitions, such as "being useful for efficient decision-making." Accounting numbers are inadequate representations of things and events as experienced by human beings. Because of this, actors will seek to transcend the formality of the numbers and manipulate their symbolic meaning to suit their particular intentions [Boland and Pondy, 1983; Cooper, Hayes, and Wolf, 1981]. Indeed, Hayes [1983] suggests that the ever-expanding demand for accounting information may be because of this intrinsic ambiguity which allows complex trade-offs among interest groups.

Second, not only are accounting meanings constituted by complex interpretive processes and structures, they help constitute an objectified social reality [Berry et al., 1985; Hayes, 1983; Boland and Pondy, 1983; Cooper, Hayes, and Wolf, 1981; Burchell et al., 1980]. For example, the traditional responsibility accounting map of the organization helps to consolidate a particular view of hierarchy, authority, and power. Accounting numbers give visibility to particular definitions of "effectiveness," "efficiency," and that which is "desirable" and "feasible." In this way, accounting numbers may be used to actively mobilize bias, to define the parameters permissible in organizational debates, and to legitimize particular sectional interests.

Accounting information is particularly useful for legitimization activities because they appear to possess a neutral, technical rationality. Numbers are often perceived as being more precise and "scientific" than qualitative evidence.

Even among actors/players who are aware of the imprecision of these numbers, public debates continue to be organized around such numbers because that is considered the proper arena for discussion. Thus, in Boland and Pondy's [1983] case study, the Governor of Illinois continues to use the budget as evidence of his good faith despite the fact that he had obviously "fiddled" the numbers. Accounting often becomes a "sacred" language [Bailey, 1977] that is publicly acceptable. To talk otherwise, for example, by exposing the dubious nature of such numbers or by being skeptical of high-sounding principles ("the public interest"), may be considered "profane." Bailey argues that profane talk is usually conducted in private where messy compromises are then re-translated into a public, sacred (for example, accounting) language such that rationality and the appearance of order are maintained.

Third, the interpretive perspective questions the traditional view of accounting information as a means of achieving pre-given goals. Information may be used to accord rationality after the event [Weick, 1979; Cohen, March, and Olsen, 1972]. Similarly, accounting information may be used to retrospectively rationalize action and to impose a goal as though it always existed. In addition, although local objectives may initiate the desire for particular types of accounts, these may merge with other diverse, possibly conflicting objectives such that the results cannot be said to be intended by any particular party. As Burchell, Clubb, and Hopwood [1985] write, although accounting may be purposive, whether it is intentionally purposeful is a matter for detailed empirical investigation.

Finally, the interpretive perspective does not assume that conflict is inevit-

ably "dysfunctional." The concept of "dysfunction" does not arise because no priority is given to particular human goals. Goals and their priority are argued to be constituted through human interaction.

As can be seen, changing the set of philosophical assumptions about knowledge and the empirical world gives us a new purpose for theorizing, different problems to research, and an alternative standard to evaluate the validity of research evidence. There is much to be gained by moving accounting into the life-world of actors. Instead of constructing rigorous but artificial models of human action which presume rational, consensual goals, the approach offers an understanding of accounting in action. It seeks the actor's definition of the situation and analyzes how this is woven into a wider social framework. This interpretive emphasis is valuable, for as Burchell et al. [1980] point out, we know how accounting numbers ought to function but have little knowledge of the meanings and roles that they actually undertake. And unless such information is obtained, we may only have an abstract image of the accounting discourse that is fossilized in our journals and textbooks and is unrelated to practice.

THE CRITICAL ALTERNATIVE —ASSUMPTIONS

Interpretive work, however, also possesses weaknesses. There have been three major criticisms of the approach [Habermas, 1978; Bernstein, 1976; and Fay, 1975]. First, it has been argued that using the extent of actor agreement as the standard for judging the adequacy of an explanation is extremely weak. How does one reconcile fundamental differences between the researcher and the actors? Also, how does one choose between alternative explanations, such as those of

a Marxist and a non-Marxist? As yet these issues have not been settled. Second, the perspective lacks an evaluative dimension. Habermas [1978], in particular, argues that the interpretive researcher is unable to evaluate critically the forms of life which he/she observes and is therefore unable to analyze forms of "false consciousness" and domination that prevent the actors from knowing their true interests. Third, the interpretive researcher begins with an assumption of social order and of conflict which is contained through common interpretive schemes. Given this and the focus on micro-social interaction, there is a tendency to neglect major conflicts of interest between classes in society.

These difficulties have given rise to various attempts to transcend the problems of both mainstream and interpretive perspectives. In philosophy and sociology, such work is exemplified by writers such as Poulantzas [1975], Lukacs [1971], Habermas [1979, 1978, 1976, 1971], and Foucault [1981, 1980, 1977]. Despite major differences between the work of these writers, there are also commonalities.

Beliefs about Physical and Social Reality

The most distinctive idea that the majority of researchers in this perspective share dates from the work of Plato, Hegel, and Marx. It is the belief that every state of existence, be it an individual or a society, possesses historically constituted potentialities that are unfulfilled. Everything is because of what it is and what it is not (its potentiality). In particular, human beings are not restricted to exist in a particular state; their being and their material environment are not exhausted by their immediate circumstances [Held, 1980, p. 234]. Instead, people are able to recognize, grasp, and extend the possibilities con-

tained in every being. It is this quality which distinguishes human beings as universal, free beings [Marcuse, 1968, 1941].

However, human potentiality is restricted by prevailing systems of domination which alienate people from self-realization. These material blockages operate both at the level of consciousness and through material economic and political relations. At one level, ideological constructs may be embedded in our modes of conceptualization, in our categories of common-sense and taken for granted beliefs about acceptable social practices [Lehman and Tinker, 1985]. At another, repression may be effected through rules governing social exchange and the ownership and distribution of wealth.

Another belief concerns the relationship between parts (individuals, groups, organizations) and the whole (society). Critical researchers argue that because any finite thing is both itself and its opposite, things taken as isolated particulars are always incomplete. The particular exists only in and through the totality of relations of which it is a part. Therefore, what a finite thing is and what it is not may only be grasped by understanding the set of relations that surround it. For example, accountants are not isolated particulars. They exist only in the context of groups, classes, and institutions. They are what they are by virtue of their relations as sellers of services, employees, professionals, etc. In this manner, the true form of reality lies not with particulars but with the universal that comes to be in and through particulars.

This emphasis on totality leads to a particular view of the object-subject distinction. Social structures are conceptualized as objective practices and conventions which individuals reproduce

and transform, but which would not exist unless they did so. As Bhaskar [1979, pp. 45–46] puts it, “[s]ociety does not exist independently of human activity (the error of reification). But it is not [solely] the product of it (the error of voluntarism).” Rather, society provides the necessary, material conditions for the creative subject to act. At the same time, intentional action is a necessary condition for social structures. Society is only present in human action, and human action always expresses and uses some or other social form. Neither can, however, be identified with or reduced to the other. Social reality is, thus, both subjectively created and objectively real.

Further, because of the belief in human potentiality, there is an emphasis on studying the historical development of entities that are conceptualized as coming to be. Reality as a whole, as well as each particular part, is understood as developing out of an earlier stage of its existence and evolving into something else. Indeed, every state of existence is apprehended only through movement and change, and the identity of a particular phenomenon can only be uncovered by reconstructing the process whereby the entity transforms itself. “To know what a thing really is, we have to go beyond its immediately given state . . . and follow out the process in which it turns into something other than itself. . . . Its reality is the entire dynamic of its turning into something else and unifying itself with its ‘other’ ” [Marcuse, 1941, p. 49].

Beliefs about Knowledge

Critical philosophers accept that the standards by which a scientific explanation is judged adequate are temporal, context-bound notions. Truth is very much in the process of being hammered out and is grounded in social and histori-

cal practices. There are no theory-independent facts that can conclusively prove or disprove a theory. In addition, the interpretive standard (degree of consensus between researcher and actors) is considered insufficient. Beyond this weak consensus, critical philosophers disagree as to the precise criteria that may be used to assess truth claims.

Foucault, for example, eschews a transcendent criterion for the establishment of truth. He writes [1977, p. 131], “truth is a thing of this world: it is produced only by virtue of multiple forms of constraint. And it induces regular effects of power. . . .” The scientist cannot emancipate truth from every system of power; he/she can only detach the power of truth from the forms of domination within which it operates at a particular time. By contrast, Habermas [1976] seeks to establish a quasi-transcendental process for rational theory choice, that simultaneously recognizes the historically-grounded nature of all norms and yet seeks to transcend it. In the face of such substantive diversity, it is not feasible to set out a common standard for the evaluation of theories within the critical perspective.

Finally, the methods of research favored by critical researchers tend to exclude mathematical or statistical modeling of situations. Research is sited in organizations and their societal environments. In addition, quantitative methods of data collection and analysis are used to a lesser extent. There is greater emphasis on detailed historical explanations (Foucault emphasizes the “genealogical approach”) and “thick,” ethnographic studies of organizational structures and processes which show their societal linkages. The emphasis on long-term historical studies is especially important given the prior belief that the identity of an object/event can only be

grasped through an analysis of its history—what it has been, what it is becoming, and what it is not. Such historical analysis also serves the critical function of exposing rigidities and apparently ahistorical relations that restrict human potentiality.

Beliefs about the Social World

Critical researchers view individuals as acting within a matrix of intersubjective meanings. Thus, like the interpretive researcher, it is accepted that social scientists need to learn the language of their subject/object. The process of coming to an understanding is also agreed to be context-dependent as social scientists are necessarily immersed in and engaged with their socio-historical contexts. However, critical researchers argue that interpretation *per se* is insufficient. It cannot appreciate that the world is not only symbolically mediated, but is also shaped by material conditions of domination. Language itself may be a medium for repression and social power. Hence, for Habermas, social action can only be understood in a framework that is constituted conjointly by language, labor, and domination. Through such a framework, symbolic schemes and traditions would also be subjected to critique such that their relations to other material forms of domination were revealed [Held, 1980, pp. 307–317].

A critique of ideology is considered necessary because fundamental conflicts of interest and divisions are seen to exist in society (indeed, are endemic to contemporary society) and to be institutionalized via cultural and organizational forms. The organization is viewed as a middle-range construct, a microcosm of society that reflects and consolidates alienating relations. Because of this, distinctions between societal and organizational levels of analysis are blurred. One

level is seen to support and be supported by the other, and conflicts within organizations create and are created by societal divisions.

Theory and Practice

Theory now has a particular relationship to the world of practice. It is/ought to be concerned with “the freedom of the human spirit,” that is, the bringing to consciousness of restrictive conditions. This involves demonstrating that so-called objective and universal social laws are but products of particular forms of domination and ideology. Through such analysis, it is intended that social change may be initiated⁵ such that injustice and inequities may be corrected. Critical researchers reject the value position traditionally espoused by orthodox social scientists—a scientist cannot evaluate ends—arguing that it bolsters existing forms of injustice inherent in the current system of property rights and in the capitalist appropriation of economic surplus value. Their moral position is that such domination ought to be exposed and changed. Social theory is therefore seen to possess a critical imperative. Indeed, it is synonymous with social critique.

Table 4 sets out these assumptions.

⁵ Critical researchers differ as to the precise role envisaged for the theorist in initiating social change. Habermas [1974], for instance, distinguishes between (a) the formation of critical theories that may be therapeutically applied to initiate a process of “enlightenment” and self-reflection among actors, and (b) the selection of appropriate political strategies. Task (a) is that of the social scientist while task (b) belongs to the actors (community). Habermas took pains to emphasize that theory does not provide the grounds, conditions, or justifications for day-to-day political decisions. This position may be contrasted with that of Althusser [1969] and Poulantzas [1975] who see Marxism as a science that can be employed in developing a political strategy for bringing the working class to power.

TABLE 4
DOMINANT ASSUMPTIONS OF THE CRITICAL PERSPECTIVE

A. Beliefs About Knowledge

Criteria for judging theories are temporal and context-bound. Historical, ethnographic research and case studies more commonly used.

B. Beliefs About Physical and Social Reality

Human beings have inner potentialities which are alienated (prevented from full emergence) through restrictive mechanisms. Objects can only be understood through a study of their historical development and change within the totality of relations.

Empirical reality is characterized by objective, real relations which are transformed and reproduced through subjective interpretation.

Human intention, rationality, and agency are accepted, but this is critically analyzed given a belief in false consciousness and ideology.

Fundamental conflict is endemic to society. Conflict arises because of injustice and ideology in the social, economic, and political domains which obscure the creative dimension in people.

C. Relationship Between Theory and Practice

Theory has a critical imperative: the identification and removal of domination and ideological practices.

THE CRITICAL PERSPECTIVE
—CONSEQUENCES

Considerable interest has been shown in developing accounting research within the critical perspective.⁶ To illustrate the differences between the mainstream approach and the critical perspective, two historical explanations of the development of accounting theory and practice are compared: Chandler and Daems [1979] and Tinker, Merino, and Neimark [1982].

Chandler and Daems [1979] focus on the development of accounting practices from the end of the 19th century to 1920–30. They begin by arguing that there are three core economic functions that need to be performed in every economic system. These are the allocation, monitoring, and coordination of activities. These functions may be performed by a number of alternative structures of which the firm and the market are the most important. The choice of structure depends on which mechanism is more efficient, that

is, performs these functions at a lower transaction cost. Hence, if the firm structure is used to organize economic production, this is because the firm is more efficient than the market. Also, for the firm to continue to maintain this comparative advantage, it has to continually develop cost-efficient accounting controls that provide the information required to meet the demands of a changing environment.

To Chandler and Daems, firms and accounting controls are parts of a concrete reality which evolve in a rational manner: in response to a need for efficient organization. The firm is pictured as a rational, single-minded, organic system that seeks to survive and adapts its accounting system in order to maintain its economic advantage. On p. 4 this image is tempered by identifying the firm

* See Armstrong [1985], Cooper et al. [1985], Laughlin [1985], Lehman and Tinker [1985], Puxty [1985], Tinker and Neimark [forthcoming], and Willmott [1984, forthcoming].

with the activities of owners and managers. However, people as reality-constructors do not feature in the discussion, and there is little mention of intra- and inter-organizational conflict. In addition, the concepts of allocation, monitoring, hierarchy, and efficiency are seen as non-problematic. They are not seen as perpetuating an ideological, managerial bias and as bolstering unequal economic relations.

By comparison, Tinker, Merino, and Neimark [1982] see accounting discourse as being actively involved in social control and in conflicts between different classes of people. Accounting theories do not state an unambiguous truth that is value-free and independent of social and historical conflict. The authors focus on the development of the concept of value from the Middle Ages to the 20th century and argue that this cannot be explained as a rational evolution during which more wisdom was gradually accumulated. Instead, concepts of value constitute and are constituted by social struggles, particularly in the economic domain. Specifically, particular concepts of value became dominant because they benefited the interests of dominant groups in society during a particular period.

Thus, in the pre-mercantile period, value was defined in terms of the socially necessary labor expended on a product [p. 176]. Such a concept of value was acceptable because trade at that time took place between small independent producers. However, as trade and commerce expanded, the concept of value was modified to include the utility and subjective expectations of owners and consumers [p. 177]. This was because the merchants' gains came from the consumer, specifically from the difference in price charged and that paid to the primary producer. Through such a modifi-

cation of the concept of value, the merchants, it is argued, were able to strengthen their bargaining position relative to the producers and to legitimize their gains as just.

Similarly, the neo-marginalist assumptions that underlie much mainstream accounting are argued to be interested (grounded in the interests of dominant classes) as opposed to being theoretically neutral. In addition, these assumptions are ideological because they obscure other realities such as "market imperfections," unequal distributions of income, and injustices embedded in extant systems of property rights [p. 191]. Finally, Tinker, Merino, and Neimark [1982] attempt to set out a new role for accounting and the accountant that is considered more just and less mystifying.

This brief comparison indicates that accounting research as social critique has several important characteristics. First, accounting is no longer seen as a technically rational, service activity which is divorced from wider societal relationships. Instead, accounting as a discourse with a particular mode of calculative rationality is argued to constitute and be constituted by macro conflict between different classes (for example, capitalist/manager v. worker, the State v. multinational corporations) [Knights and Collinson, 1985; Tinker, 1984; Tinker, Merino, and Neimark, 1982]. At the micro-organizational level, the accounting calculus paints a picture of the "cake" that is available for distribution and reports on how such distributions have been made. At the macro-societal level, these numbers influence taxation policy-making, wage bargaining, and economic restructuring. In all these situations, wealth transfers are involved and the accounting calculus is seen as playing (or potentially playing) a vital role in effecting such transfers.

Second, critique emphasizes the totality of relations (social, economic, political, ideological). As a result, the perspective engenders a new interest in certain macro-structural phenomena that are neglected in mainstream accounting research. An example is the role of accounting information in the regulation of and by the State [Cooper et al., 1985; Cooper, 1984; Hopwood, 1984b; Tinker, 1984]. The State holds a pivotal position in the complex of human relations and is expanding the use of accounting information. In the United Kingdom and Australia, for instance, the State constantly stresses the need for efficiency or value-for-money audits and the development of performance indicators for the public sector. This response to calls for greater public accountability, however, may not indicate that those in government believe in the technical superiority of "rational" methods of financial management. For accounting numbers may be called upon to perform tasks for which they are not equipped: the quantification of welfare trade-offs in activities where neither the inputs nor the outputs desired are clearly specified. Hence, accounting/auditing information may only be used symbolically to rationalize or legitimize power relations.

In addition, the greater use of accounting calculation in the public sector could be because the State finds it difficult to manage the demands of organized capital and labor. Such structural conflict could represent macro-economic problems that the State must be seen to manage: inflation, stagflation, long-term unemployment, an ever-increasing State bureaucracy, and limited opportunities to raise State revenue and to reduce expenditure. How are accounting procedures implicated in the management of these problems? Further, how do such problems relate to the State's attempt to regulate business firms through account-

ing policy-making and standard-setting bodies? Are accounting standards nothing more than political compromises in a complex arena of organized capital and labor, the government, and the accounting profession? What kinds of roles do these professional pronouncements play given the separate and different interests at work? Their public aim may be the control of public sector or managerial/corporate excesses. How, if at all, is such control effected?

Third, such questions not only emphasize the State as an important constituency, they focus on accountants as an organized interest group. Within a critical perspective, the accounting profession is no longer theorized as a neutral group which evolves in response to rational demands for useful information. Instead, it is an aspiring occupational monopoly that seeks to further its own social and economic self-interests through (a) particular professional ideologies (for example, the universal service ethic), and (b) the policing of changeable and ambiguous relations with other professions, corporations, and the government [Puxty, 1984; Chua, 1982]. For instance, to preserve its territorial advantage from the challenge of engineers, investment advisors, and the State, the accounting profession in the U.S., U.K., and Australia has had to institute new membership controls and standard-setting bodies. Such reforms, however, often are claimed to be for the "protection of the public" (see Willmott [1985] for a critique of this notion), not the profession.

Fourth, the focus on totality also promotes organizational studies that integrate micro- and macro-levels of analysis. This has the effect of avoiding the traditional distinction between management and financial accounting. For instance, exploitative relations or forms of domination at the societal level are

seen as reflected and effected through organizations [Habermas, 1978; Foucault, 1977]. Foucault writes that social control is insidiously widespread in institutions such as the school, family, prison, and hospital and is vested in so-called experts whose possession of knowledge has power effects.

His argument is taken up by Crawford [1984] and Miller and O'Leary [1984] who argue that the accounting-expert exercises power in the factory through a procedure like standard cost accounting. Such an accounting technique forms a powerful, managerial tool for the disciplining and control of workers. It sets norms for "proper" behavior and "desirable" outcomes, thereby restricting (normalizing) individual variety and creativity. It also socializes workers into constantly being watched, monitored, and governed. Through such social control the worker becomes a more governable unit within the firm and in society more generally.

Finally, critical theorists claim that the view of accounting information as social control and as a mediator of conflict has often been obscured (mystified) by powerful, ideological ideas embedded in mainstream accounting thought. Accounting is claimed to be a service activity which is "neutral as between ends," when in fact the goals of the owners of capital are implicitly given priority. Also, accountants are pictured as professionals who are independent of biases and who offer universal service to the community. Such claims are, however, seen as highly dubious. Due to the difficulty of policing compliance to the professional ideals of independence and competence at the level of the individual practitioner, peer supervision is often only rhetorical rather than real [Larson, 1977].

Mainstream accounting research is also criticized as perpetuating an objecti-

fied (alienated) view of human beings. Labor is seen as a number, a cost to be minimized while profit that accrues to others is regarded as desirable. As Cherns [1978] points out, within accounting, instead of an organization being seen as a resource for people, people are encouraged to think of themselves as a resource for the greater organizational goal of more profit and cash flows. Finally, as discussed earlier, notions of structural conflict and of inequitable domination do not enter into mainstream accounting models of organizational goals. Through the maintenance of these ideas, extant accounting theory and practice is seen as a form of ideology which isolates people from their "true" essence.

Indeed, Lehman and Tinker [1985] argue that the accounting discourse constitutes part of the "ideological apparatus" of the State. Using the work of Althusser, they argue that ideology is more than false ideas perpetuated by, for example, the mass media. Ideology is a "representation of the imaginary relationship of individuals with the real conditions of their existence" [Lehman and Tinker, 1985, p. 9]. It inheres in the taken-for-granted social practices and symbols that people use to interpret and organize their world. The accounting literature, by subtly promoting particular views of the State, "free markets," and the importance of business, is said to institutionalize a biased version of structural conflicts.

The research that a critical perspective initiates clearly differs from that offered by a mainstream or interpretive approach. It poses a particular challenge for the accounting researcher and accounting as a discipline to adopt a radically different value position that may not be easily accepted by mainstream accountants. There is also much intra-disciplinary criticism and debate.

As pointed out earlier, critical theorists do not share common philosophical standards for the evaluation of theories. What is an acceptable theory or explanation is still debatable. In addition, proponents of one form of critical theory may be bitterly criticized by other writers also working in the Marxist tradition (for example, see the discussion of Habermas's work by Anderson [1976] and Slater [1977]). However, this last characteristic of major disagreements among academics is also present in mainstream and interpretive perspectives.

In summary, this perspective offers new insights that are worthy of consideration. As the State plays an ever-increasing role in the economic domain, as the use of accounting information expands in the private and public economic sectors, and as accountants become more involved with policy-making at the macro-level, it may no longer be useful to distinguish the political/social from the economic effects of accounting numbers. Nor may it be helpful to separate the organization from its wider structural relationships. Critique may then offer a way of understanding the role of accounting in these complex contexts.

CONCLUSION

This paper has sought to move accounting debate beyond the stalemate of "incommensurable" paradigms which cannot be rationally evaluated. It has argued that mainstream accounting thought is grounded in a set of common assumptions about knowledge and the empirical world which both enlighten and yet enslave. These assumptions offer certain insights but obscure others. By changing them, new insights may be gained which can potentially extend our knowledge of accounting in action within organizational and societal contexts. Two main alternatives were dis-

cussed: the interpretive and the critical. It is hoped that the challenges posed by these alternatives will stimulate consideration and debate.

APPENDIX 1

DIFFICULTIES WITH THE BURRELL AND MORGAN [1979] FRAMEWORK

First, all the assumptions are presented as strict dichotomies; for example, one either assumes that human beings are determined by their societal environment or they are completely autonomous and free-willed. This does not encompass positions such as those of Bhaskar [1979, pp. 31-91], which argue that although societies are prior to and different from individuals, they are continually reproduced and transformed by intentional human action. Neither does it lead to a full appreciation of Habermas's [1978] argument that while individuals do act and shape meanings, they may still live within structures of domination in society. The use of mutually exclusive dichotomies and the derivation of paradigms that cannot be "synthesized" [Burrell and Morgan, 1979, p. 25] fails to locate philosophical attempts to overcome such unsatisfactory dichotomies.

Second, the framework embraces a strongly relativistic notion of scientific truth and reason. Influenced by Kuhn's [1970] idea of a conversion experience, Burrell and Morgan [1979, pp. 24-25] imply that the choice and evaluation of paradigms cannot be justified on rational scientific grounds. This interpretation of Kuhn as encouraging irrationalism (there are no good reasons for preferring one theory to another) as the basis for theory choice misreads his rational intent [see Bernstein, 1983; Gutting, 1980]. On the contrary, Kuhn [1970, pp. 199-200] explicitly writes that accepting a thesis that states that theory-choice is not

simply a matter of deductive proof does not imply that there are no good reasons for being persuaded a particular way. Kuhn continues by citing certain evaluative criteria that are "usually listed by philosophers of science" such as accuracy, simplicity, and fruitfulness. These criteria, however, are not universal and fixed but open in their application and weighting.

To read Kuhn as advocating irrationalism is to miss his main point: that traditional notions of what constitutes rational scientific choice are inadequate and need to be modified in order to better understand in what sense such choice is a rational activity. In addition, there is a fundamental tension in the arguments of Burrell and Morgan. On the one hand, they appear to accept Kuhn's argument that there is no trans-historical, neutral, permanent language (set of criteria) for evaluating scientific theories. This presumably is the basis for arguing that each paradigm mutually excludes the other, is incommensurable, and cannot be validly compared or synthesized. Yet by adopting a non-evaluative stance, Burrell and Morgan attempt what Kuhn rejects—the use of a completely neutral language or framework within which rival paradigms can be fully expressed! Burrell and Morgan claim to

give each paradigm an opportunity to speak for itself [p. 395]. Where exactly is this privileged, non-evaluative "fifth position" located? (Presumably it must lie outside the four paradigms proposed by the authors!) Thus, Burrell and Morgan appear to both accept and reject simultaneously the existence of a neutral language for cross-paradigmatic discussion.

Moreover, the latent relativism of Burrell and Morgan has been roundly criticized by philosophers of science [see Hollis and Lukes, 1982; Gutting, 1980; Lakatos and Musgrave, 1970]. Relativism is self-referential and paradoxical. For, implicitly or explicitly, the relativist claims that his or her position is true, yet the relativist also insists that since truth is relative, what is taken as true may also be false. Consequently, relativism itself may be true and false.

Finally, as Hopper and Powell [1985] point out, the separation of the radical structuralist from the radical humanist paradigm is not well supported within sociology itself, being based on a contentious reading of Marx's arguments. In addition, such a separation does not adequately place work that seeks to integrate the structuralist and idealist facets of Marx's writings [Habermas, 1976; Poulantzas, 1973].

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