

THE DESIGN OF ACCOUNTING SYSTEMS:
A GENERAL THEORY WITH AN EMPIRICAL STUDY OF THE
CHURCH OF ENGLAND

By

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DECLARATION

No portion of the work referred to
in this thesis has been submitted
in support of an application for
another degree or qualification of
this or any other University or
other Institute of Learning.

DEDICATION

To my mother and father who would have
dearly liked to have seen this project
completed but regrettably never will.

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ABSTRACT

The primary focus of this study is with the design of accounting systems in specific enterprise contexts: more specifically with the sequential processes for describing the nature of such systems, prescribing how they should look in the future and bringing such changes into being. Such concerns are explored at both a general theoretical level and in terms of the detailed design problems of the accounting systems in the Church of England.

The contents of this study can be seen to be divided into three major parts. The first takes a critical look at the nature of accounting knowledge, particularly financial and management accounting, paying particular attention to it's methodological underpinnings. The conclusion, from this part, is that this knowledge stock does not adequately deal with the sequential processes of interest to this study primarily because of the dominant scientific and functionalist assumptions upon which such knowledge is based which are argued to be an inappropriate foundation upon which to build to satisfy this problem focus. The second part presents a case for, and describes the nature of, a methodological approach based on Critical Theory as the basis for satisfying the sequential concerns of this study. The third part applies this methodological approach in the process of trying to both understand and change the accounting systems in the Church of England.

The conclusion forthcoming from this study is that the approach based on Critical Theory is a general 'theory' for the sequential concerns of this study but not the only approach which could fulfil such a claim. However, what does become apparent is that if the problem focus of this study is seen as important for the accounting mission then major shifts in the dominant methodology of accounting thought is necessary.

CHAPTER 1

INTRODUCTION TO THE PROBLEM FOCUS AND THE DIFFICULTIES

IN LITERATURE RELEVANCE

1.1 INTRODUCTION

This study is concerned with the processes of designing accounting systems in practice: how to describe* what is going on; how to decide what such systems should look like in the future (prescriptions*); and how to bring about any changes where there is a 'mismatch' between the description and prescription. It is also concerned with applying such processes in particular empirical situations: in this instance in the design of accounting systems in the Church of England.

The study is built upon a number of key initial assumptions which end up as conclusions as well. Firstly that accounting systems exist in enterprise contexts given that what constitutes existence is problematic. Secondly that accounting systems express and obtain their meaning from the enterprise contexts in which they are situated. Thirdly that accounting knowledge, to date, has failed to adequately describe, prescribe and change the accounting system in respective enterprise contexts. Fourthly that the primary problem in accounting knowledge which has prevented an adequate process of understanding and changing accounting systems in enterprise contexts is to do with methodological and other issues which underlies such knowledge stock. Even though these are initial assumptions with which this study commenced they should also be seen as conclusions which need to be justified by careful and systematic analysis. The remainder of this Chapter, Chapter 2 and part of Chapter 3 can be seen as an attempt at such a systematic analysis.

* At present these terms have a meaning as presented with seemingly no connection between description and prescription. However, as the Chapter progresses it will become apparent that such a picture is far too simplistic. But for the moment the argument can progress with the more simple and traditional understanding of these terms.

However, such an analysis is creatively destructive rather than constructive and the remaining chapters can be seen as an attempt at amending such imbalance. The remainder of Chapter 3 consists of an argument for, and a detailed construction of, a methodological approach based on Habermas' 'critical theory'. Chapter 4 to 7 applies such a methodological approach to the specific problems surrounding understanding and changing the accounting systems in the Church of England.

We will start the first part of this argument by building a simplistic model of the processes of describing, prescribing and changing accounting systems in enterprise contexts and using this as a benchmark for analysing the nature of the dominant wings of accounting knowledge: financial accounting and management accounting. Figure 1.1 is a diagrammatic presentation of this simplistic model which shows the underlying, defining and sequential relationships between the key elements. The flow of understanding is assumed to start with actual systems in operation, in particular enterprise contexts, moves into descriptions, leads into some form of prescriptive activity and then finally, where appropriate, into change processes leading to new accounting systems in operation. Quite clearly such a model is intentionally simple purposefully omitting most of the complexity even though some of this is introduced by the 'accounting/language' element which is to be seen as an all important but ill-defined process for defining boundaries and natures of the elements presented. This model is introduced in this simplistic form as it provides a helpful and meaningful heuristic device for looking at the financial and management accounting literature to see how actively and completely, as a body of knowledge, it is involved with these sequential processes as presented in Figure 1.1.

This model provides the focus for the remaining sections of this Chapter. Section 1.2 introduces some of the important processes and problems of defining what is meant by an accounting system generally and more specifically for this study. This can be seen as part of the 'accounting/ language' element of Figure 1.1. It is a necessary part of this element to expose, at this stage, since it will help us to be clearer about what is meant by the term 'accounting system' for the remainder of this study. Sections 1.3 and 1.4 summarises the financial accounting and management accounting literature into schools and sub-schools of thought analysing their respective contribution in the context of the sequential elements presented in Figure 1.1. Finally Section 1.5 summarises the contents of this chapter and gives direction to, and explains more fully the rationale behind, the remaining chapters.

1.2 ACCOUNTING LANGUAGE AND CLASSIFICATION

The accounting language discussed above in the context of Figure 1.1 is fundamentally centred on the design of definitions. For as Mattessich (1964/1977) points out:

'... the chief criterion of a good definition is its power of demarcation - that is the ability to separate clearly objects belonging to the defined category from other or similar objects that do not belong to it'

(p. 18/19)

(emphasis in the original)

or again more specifically in terms of his understanding of 'definition': namely of prescribing:

'... operational rules by means of which one can test whether something is an accounting system or not'
(Mattessich, 1972, p. 471)

Such operational definitions and consequent rules comes from a scientific source where there has been a constant concern to systemise the process of defining terms. Bergmann (1953) for instance describes an operational definition in the following way:

'Let us start from the familiar first approximation definition of length in terms of rules for the manipulation of yardsticks. Such rules are now referred to as the operational definition of the concept in question and then one usually goes on to say that such a set of defining operations is the meaning of the concept' (p. 276)

Quite clearly the rules are intended to become more and more precise as in the process of all refining measurement scales (cf. Stevens, 1946). Yet refinement brings its own problems of intersubjective agreement because the operational rules are not absolute truths as such but depend on, fundamentally mutual consensus at a point in time. Searle (1969) puts the matter succinctly:

'One of the most important insights of recent work in the philosophy of language is that most non technical concepts in ordinary language lack absolute strict rules. The concepts of game or chair or promise do not have absolutely knockdown necessary and sufficient conditions, such that unless they are satisfied something cannot be a game or a chair or a promise...'

(p. 55)

The 'thing' which we describe as a chair or game or promise following certain rules of association is not absolute but dependent on mutual agreement on both the label and the rules.

Now when it comes to applying such logic to the concept of 'accounting' all manner of problems ensue. Primary amongst these is whose consensus? Clearly across many cultures people could agree on both the label and rules for the concept chair but could they on accounting? The way the accounting community have coped with this is basically to talk amongst themselves about what they mean by accounting and assume that is the meaning. However, even within the community of accounting (i.e. those who call themselves accountants) there is little unanimity of definition. Or as Scapens (1982) so pointedly puts it:

'... there is no widely accepted definition of accounting' (p.1)

Part of the reason could be the lack of rigour involved in the formulation of definitions to date, as Mattessich (1964/77, 1972) and Laughlin (1977, 1979) have pointed out. However, Mattessich's (1964/77 p. 19) highly rigorous attempt at formulating operational rules coming from

... examining a large number of micro and macro accounting systems' (Mattessich, 1980, p. 163)

fails to have won support from the community over the years. So rigour does not appear to be an answer.

One definition, with implied operational rules, does appear to have gained some acceptability in the accounting community. It seems useful to explore what this definition is and why it should attain such support. The definition in question is the one by the American Accounting Association in A Statement of Basic Accounting Theory (ASOBAT) (1966). Accounting to ASOBAT is the

'... process of identifying, measuring and communicating economic information to permit informed judgements and decisions by users of the information' (p.1)

Thus to them an accounting system is a measurement and communication system of economic information. Anything which can be observed which measures and communicates economic information 'to permit informed judgements and decisions by users of the information' is an accounting system according to the Committee.

Although many would have serious misgivings about this definition (see below and Laughlin, 1977, 1979) there are various pointers to suggest that it commands a high level of support from the accounting community. Firstly academic debate appears to have reduced considerably on the nature of definitions since the early 1970's. Part of the reason could be as Mattessich (1980) suggests disillusionment with the 'a priori approach of the sixties' and a 'reorientation to empirical research'. However, it could also be the case that researchers felt that the ASOBAT definition was 'good enough' as a working definition. Secondly what work there has been since ASOBAT

has been in the area of Financial (or 'External') Accounting particularly by the accounting professional bodies (cf. Trueblood Report, 1973; Corporate Report, 1975; Statement of Financial Accounting Concepts, No. 1 (SFAC1), 1978) and all these attempts follow the ASOBAT definition. They all give primacy to economic measurement and communication for user needs. In fact as Dopuch and Sunder (1980) point out in their analysis of SFAC1:

'Most of the discussion appearing in the literature on the objectives of financial accounting during the past ten years tends to rely on the notion of user primacy' (p. 13)

Thirdly despite the lack of attention to definition of Management (or 'internal') Accounting in the last ten years or so (cf. Scapens, 1982) the 'conventional wisdom' which Scapens highlights of planning, cost classification, control and costing all could be seen to have a concern for economic measurement and communication for user needs.

However, it would be wrong to give the impression of complete unanimity in the accounting profession. Sterling (1967) in his review of ASOBAT's definition sees it as a 'radical change' (p. 97), 'prescriptive not descriptive' (p. 96) and 'without justification' (p. 97). His view is that previous attempts at defining accounting had all been sympathetic to understanding what accounting is and how it is defined in practice, whereas he saw ASOBAT as prescribing what it should look like. If this is so then it would be expected that if such differences are real and lasting they would be apparent in more recent attitudes.

This is indeed the case as Armstrong (1977) points out. As chairman of the Financial Accounting Standards Board he surveyed respondents (presumably accountants) on the opinion that the basic objective of financial statements is to 'provide information useful for making economic decisions' (p. 77). His results and attitudes to these results are presented at length below:

'could there be disagreement with a statement such as this? I am sure you will be astounded to learn that only 37 per cent of our respondents were able to recommend the adoption of this objective. Twenty-two percent recommended that it be rejected out of hand; and 10 percent insisted that it needed further study....

Those who disagreed with this generally took the position that the basic function of financial statements was to report on management's stewardship of corporate assets and that the information needs of readers was of secondary importance' (p. 77)

It is interesting to note Armstrong's amazement but more importantly to appreciate that even within the accounting community there is a basic disagreement not only about the function of accounting but the very nature of what constitutes a (financial) accounting system. Likewise in the area of management accounting as Scapens (1982) points out in his review of the 'conventional wisdom' and whether it is or isn't in practice concludes that it:

'... has had only a limited impact on practice'
(p. 27)

One important implication of this is that the nature and function of a (management) accounting system is different as portrayed in the textbooks and as seen in practice.

So the conclusion must be that even within the accounting community there is little consensus on what does or does not constitute an accounting system. One can only assume that by adding other parties to the accounting community the disagreements would increase rather than decrease. But such a situation causes problems for operationalising Figure 1.1. If we don't know when an empirical 'thing' is or is not an accounting system how can we describe it or make any prescriptions about it?

One way out of this impasse is to find the common denominator between all parties - what it is everybody agrees can always be called an accounting system. It is probable that a detailed analysis of historical development as well as contemporary thought would supply the core which would have

universal (in both past and present terms) support. This study is not about such a search. However, a cursory examination of Yamey's work (cf. 1978A, 1978B) plus some knowledge about contemporary thought would suggest it is possible to come to a workable definition of this core for the purposes of this study even though future work may make it doubtful as a generality. But by claiming core status for such a definition and the operational rules which make it up one is, in the light of this process, suggesting that it would be expected to command a high level of consensus agreement.

Based on this analysis given all the above provisos it is claimed that an accounting system can be called as such if the empirical phenomena:

'Is an enterprise based formal system which expresses in fundamentally numerical terms past, present and future financial actions of such an enterprise.'

There are a number of general points to be made about this definition. Firstly it is intended to be an operational definition in terms of being able to use it to demarcate accounting systems. Secondly it is intended to be general enough to warrant high levels of support. Thirdly it makes no distinction between various types of accounting systems e.g. financial and management accounting. Fourthly it tries to abstract from 'purpose' so as not to typecast the functional nature of accounting systems. However the accounting system in this definition is fundamentally a language and communication system with all the implicit purposes which goes with this.

Apart from these general points a number of more specific insights and amplifications need to be made. Firstly as can be seen accounting systems are assumed to be situated in the context of enterprises. These enterprises need to be seen broadly as 'collective human endeavours' which encompasses macro (e.g. societal), micro (e.g. business) and mini (e.g. household) interpretations. Secondly the words 'formal system' is intended to refer to interconnected symbols or elements which find expression in some form of interdependent or intersubjective way (i.e. writing). Thus an accounting system is made up of many interconnected symbols or elements which are created by human beings

but can be seen, if not understood, by others due to the formality used in the creation. Thirdly these elements or symbols are basically reflections of financial actions which have or will occur in the context of the enterprise in which the accounting system is located.

Clearly much more could and should be said about this definition but for the moment we will leave such discussion. Whether this definition can or cannot command universal support must remain for future analysis. In the meantime it will, for the purpose of this study, form a working definition so as to permit 'rules for demarcation' as to when a 'thing' is an accounting system which needs to be described about, prescribed to and possibly changed.

1.3 A SURVEY AND ANALYSIS OF FINANCIAL ACCOUNTING

In Section 1.1 it was stated that according to the accounting literature there did not appear to be a dominant concern with sequentially describing, prescribing and changing practices, even though such concerns are central to this study. Such a generalisation needed to be explored since if it is true we could potentially bypass any reference to this literature in pursuit of this study. Such a situation for what could be claimed to be one of the central concerns of accounting endeavour (understanding and improving accounting practices) is anomalous at best.

Thus from many different *viewpoints** an *analysis of the accounting literature* seems a necessary prerequisite to the concern of this study.

Therefore this Section and the one which follows (1.4) looks at respectively 'financial' and 'management' accounting** to uncover the dominant concerns of the major schools and sub-schools of thought. Both sections start with a summary of the major strands of thought and then analyses these in terms of their concerns in respect of description, prescription and change intentions.

1.3.1 A Survey Of Financial Accounting

Possibly the most widely quoted and used survey of financial accounting is the one put forward by the American Accounting Association (Statement on Accounting Theory and Theory Acceptance (SATTA), 1977A). They could see

* Other reasons are given in Section 1.1 and others will become apparent in later chapters.

** Being the major 'wings' of accounting under which most work is encapsulated.

three major schools of thought in financial accounting:

'We have discerned three basic theoretical approaches:

- (1) classical ("true income") and inductive) models;
- (2) decision usefulness; and (3) information economics' (p.5)

Such insights have given rise to refinements and developments of this model (cf Laughlin and Puxty 1981) and clearly there is much to commend such a classification.

However, a more recent survey by Davis, Menon and Morgan (1982) is a much richer model of schools of thought in financial accounting, in this author's opinion, given, in the end, that all classifications are in effect limited. Davis et al's model does not contradict SATTA's; its different classificatory approach leads to a refinement and development of the Committee's insights as will become apparent.

According to Davis et al the whole of financial accounting can be seen as alternative "images". The concept of images (cf Morgan, 1980) is valuable dealing as it does with an exposure of some of the assumptions under which people see the nature of accounting more generally or financial accounting specifically. How different it is from definitions and how much it really exposes underlying assumptions remain open questions however. But what it does supply is a workable classification scheme upon which analysis, in the context of this study's concern, is possible.

Davis et al maintain that:

'Four principal images have shaped the development of financial accounting. They are those which treat accounting as a historical record, as a descriptor of current economic reality, as an information system, and as a commodity'

(emphasis in the original) (p. 309)

Before looking at each of these in turn to highlight sub-schools of thought it is worth reflecting on the relationship between these "images" and SATTA's "approaches". Davis et al's 'historical record' and 'current economic reality' images are the 'classical models' of SATTA. Davis et al's 'information system' is an exact parallel with SATTA's 'decision usefulness' in a somewhat updated

and developed form due to the work done since SATTA was prepared. Likewise Davis et al's 'commodity' encompasses SATTA's 'information economics' but builds on this considerably in the light of more recent developments. In this way Davis et al's work refines and develops SATTA's work which assumes of course that the latter was and is, a legitimate classification at the time of its production.

1.3.1.1 Historic Record Image

The school of thought which views financial accounting as a 'historical record' have proponents from many different generations and backgrounds. The way the history of accounting is written whether it starts in 2300 BC in the Babylonian empire or 1494 in Italy (see Jencks, 1954) this dominant concern with historical record appears to be apparent. Likewise current professional practice and much* of the standard setting process all implicitly seem to be working under this view in their dominant concern with historic cost principles and practices. Similarly, judging by both professional and academic curriculum, the educators believe such a view of financial accounting is both legitimate and necessary.

Such courses have been greatly aided by the insights provided by accounting researches in the first half of the 20th Century (cf Hatfield, 1927; Sanders, Hatfield and Moore, 1938; Paton and Littleton, 1940; Littleton, 1953) in their various attempts to arrive at 'postulates', 'principles', 'rules' etc. Such work was given impetus by Grady's (1965) summary and modified and refined through the various standard setting bodies.

However, the academic side of the community has ceased to adopt this image of financial accounting except in one isolated case - 'events' accounting.

* The concern for designing an inflation accounting standard however does not fall into this category (see below).

(Sorter, 1969; Johnson, 1970; Lieberman and Whinston, 1975). This is a very small sub-school of thought in the 'historical record' image yet it is important to mention it for it indicates how some, building on this image, would develop the basic ideas.

In summary the historic record school of thought has fundamentally two sub-schools which can be conveniently titled Historic Cost Accounting (including the design of postulates, principles and refinements through, related to historic cost standards) and Events Accounting.

1.3.1.2 Current Economic Reality Image

The second image or school of thought sees financial accounting as depicting current economic reality. Central to this view is seeing financial accounting's task to measure income and wealth or specifically "true income" (as both SATTA and Davis et al describe it). Historic cost is a valuation basis to these proponents and is but one amongst a range of valuation bases which individually need to be evaluated as to their 'truth content' in measuring 'true income'. Many of the earlier proponents of this school of thought were economists or lawyers (cf Canning, 1929; Sweeney, 1936; Bonbright, 1937; Alexander, 1950; Edwards and Bell, 1961) but many accountants have both led (see particularly Paton, 1922) and followed such leads. Now there are libraries full of careful discussions arguing the merits of replacement cost against sales value, current cost accounting against general purchasing power adjusted accounting etc.

Introduction to such issues was also made at the professional level: foremost amongst these being the early work by Moonitz (1961) and Sprouse and Moonitz (1962) in the United States. However, the timing was wrong and it took many years* before the whole matter of inflation accounting became, and is still, a dominant controversial topic for the design of accounting standards.

* Lowe, Puxty and Laughlin (1983) give a summary of all these dates etc.

In summary the current economic reality school of thought has fundamentally two sub-schools which can be labelled Income and Wealth Measurement and Inflation Accounting. Although the latter is related to the former it is presented separately to reflect the state of the literature which does seem to be arbitrarily split on the matter.

1.3.1.3 Information System Image

The third image or school of thought sees financial accounting as an information system satisfying the needs of users. Such a view is relatively recent in the history of accounting given the supposed starting time of 2300 BC of the accounting phenomena! As SATTA perceptively point out it was gaining a groundswell during the 1950's and early 1960's (in management accounting) but essentially was launched properly through the publication of ASOBAT in 1966 which, as discussed in the previous section, gave financial accounting a strong 'decision usefulness' concern.

What this meant to proponents varied and gave rise to what Sterling (1970) called a 'decision models' and 'decision makers' emphasis. The former was concerned with building formal models of decision processes (particularly micro business investment decisions) and the designing of information relevant to such models. Such a basic concern is less apparent in current literature although still present but is clearly seen in the more recent concern with the design of a 'conceptual framework' in both the United States and the United Kingdom.

Most advances, and as a result a number of newly defined sub schools, have come from the 'decision makers' approach: two major sub-schools can be discerned one of which has given 'birth' to two others. The two original sub-schools of thought are neatly summarised by Hofstede (1976): namely 'behavioural accounting research' and 'security price research.' The former attempts to research the wants of individuals and groups and has resulted in a

multitude of diverse and often conflicting results.* The latter building on the insights coming from the efficient market hypothesis looks at the information content of accounting announcements in the context of security price movements.**

Two further more definable sub-schools have come from the somewhat disorganised behavioural accounting research area. The first of these, 'human information processing'*** attempts to analyse at a more general level the information processing ability and procedures of individuals. The second of these which we could call the 'information inductance' sub-school, coming from Prakash and Rappaport's (1977) description, looks more closely at the processes of the sender of information - how he decides on what to communicate and how this is to be communicated. Previous behavioural accounting research has always looked at the wants of users, the information inductance approach looks at the wants of senders and the human information processing approach attempts to analyse in general the wants, and how they are arrived at, for any user.

Perhaps before closing this section on the 'information system' image it is important to highlight the embryo of a new sub-school of thought. This

* A reasonable, if somewhat dated, summary of this somewhat unclassifiable work is presented in Dyckman, Gibbins and Swieringa (1975). A more recent paper by Colville (1981) would suggest that further summarisation since that date would not add much to clarifying greater coherence for as he points out:

"An exhaustive review represents a large undertaking because the area is shapeless and its content is fragmented with little semblance of a coherent structure." (p. 120)

** Gomedes and Dopuch (1974) and Kaplan (1978) even though somewhat dated supplies a relevant summary of this work.

*** The American Accounting Association's committee report (1977B) and Snowball (1980) present excellent summaries of this work.

is a development and refinement of the information inductance approach seeing the financial accounting information system in organisational terms to aid organisational control (cf Laughlin and Puxty 1981, 1983A; Puxty and Laughlin, 1983; Laughlin, 1983). However it is not included in the sub-schools of thought at this stage due to its embryonic nature and lack of adherents.

In summary the 'information system' school of thought has fundamentally five sub schools. These can be labelled Information for Decision Models, Behavioural Accounting Research, Security Price Research, Human Information Processing and Information Inductance.

1.3.1.4 Commodity Image

The fourth and final image or school of thought sees financial accounting as a commodity. This sees the function of financial accounting in terms and allied to some economic commodity around which there is a demand and supply with welfare implications. There are three sub-schools of thought which cluster under this approach.

The first of these views the financial accounting phenomena from a single person information economics perspective (cf Demski, 1972; Feltham, 1972; Demski and Feltham, 1976). This sees the

'... demand for information in terms of the ultimate choice in some choice problem that the individual faces. Put another way, the demand for information is a derived demand; information is valued because it improves the quality of decisions' (SATTA, 1977, p. 22)

Given no actual market to test out choices the process of choice has to be created by models using assumptions on utility concepts generally and specifically with regard to outcomes and actions and the costs and benefits of information as uncertainty reducers in such a model.

The second sub-school views the financial accounting phenomena from an 'agency theory' perspective (cf Jensen and Meckling, 1976) which expands on the information economics framework to explain both demand and supply of information in the context of two parties - a principal and an agent. The

model maintains that the principal will attempt to limit the actions of the agent which are not in line with the principal's wishes and incur monitoring costs to ensure this is the case. The agent, on the other hand, it is assumed, will expend resources to guarantee his actions are in the principal's interest. This combined willingness to inform and be informed explains, so the argument goes, why certain financial accounting information is both supplied and demanded.

This agency model features more prominently in the management accounting literature as will become apparent later in this Chapter. However, such a general model has recently gained ground in the area of financial accounting (Watts and Zimmerman, 1978; Zmijewski and Hagerman, 1981; Leftwich, 1981) and will continue to do so.

The third and final sub-school in the context of viewing financial accounting as an economic commodity concentrates on the social welfare aspects of information exposure. Although a number of American Accounting Association reports (1975, 1978, 1979) have highlighted the need to evaluate financial accounting alternatives according to a social welfare criterion few* studies to date actually get anywhere near operationising such a challenge.

Where this model has been applied is in arguing a case for accounting regulation (Kelly-Newton, 1980; Foster, 1978; Gonedes and Dopuch, 1974). The argument goes that financial accounting statements are public goods which if left unregulated would lead to non pareto optimal effects. Thus the case is made for accounting regulation in general** although what it actually means in terms of welfare optimal actions remains for future research.

In summary the economic commodity school of thought has fundamentally three sub-schools. This can, for convenience, be labelled Information Economics,

* The author's joint work (Laughlin and Puxty, 1981; Laughlin and Puxty, 1983A; Puxty and Laughlin, 1983) starts to fill this gap however.

** However it is worth pointing out that others, notably those adopting an agency theory perspective to 'accounting as a commodity', would argue the exact opposite of this standpoint. In general, according to these arguments, it is 'better' not to regulate (cf Benston, 1982)

Agency Theory Approaches and Social Welfare Considerations.1.3.1.5 Conclusion

In conclusion of this section it is worth pointing out again that these schools and sub-schools (particularly the labels) are in no way 'absolute' - no classification scheme is. In addition they are clearly not meant to be exhaustive of the literature under each of the schools and sub-schools. They are introduced in this form to obtain a general view of the phenomena called financial accounting so as to allow the following section to analyse major streams of accounting thought (in terms of these sub-schools) according to the model presented in Figure 1.1. For ease of reference Table 1.3.1 summarises these schools and sub-schools as discussed in this Section.

1.3.2 A Contextual Analysis of Sub-Schools of Thought in Financial Accounting

The following analysis and the one in Section 1.4.2 will attempt to position each of the sub-schools of thought in financial accounting discussed above in the context of the model presented in Figure 1.1 above. In essence what will be asked of each of the sub-schools are three questions:

1. Does it attempt to describe* what presently happens in financial accounting systems in operation?
2. Does it attempt to a) prescribe* without describing
b) prescribe following a description, what should happen in financial accounting systems in operation?
3. Does it attempt to ensure that any prescriptions suggested are actually brought about in practice?

These three questions encapsulate the important aspects of Figure 1.1. Table 1.3.2 summarises the possible answers to these three questions as applied to all the sub-schools and the following presents the logic behind the categorisation.

Overarching comments on this total picture in connection with the interest or lack of interest in the design of accounting systems in practice will be deferred until Section 1.5 after a similar exercise has been conducted on management accounting.

1.3.2.1 Historic Cost Accounting

Historic cost accounting is the most seemingly complete of all the sub-schools as Table 1.3.2 indicates. It is intended to be descriptive and

* Describe and prescribe are used in the sense defined in Section 1.1.

prescriptive and has a powerful change processor in terms of the sub-school's dominance of concern in the regulatory agencies actions (with suitable legal support) as well as a firm hold over the education syllabuses of academic and professional institutions.

The assumption from such completeness should be minor conflict in changes suggested. If we have adequately described what is happening and are making prescriptions based on these empirical insights then the matter should be both manageable and more acceptable (within bounds) when change is suggested and worked out. However, the recent conflicts surrounding accounting standards - the 'economic consequences debate' as it has come to be known (cf Rappaport, 1977; Zeff, 1978) - would suggest that such a partially conflict free situation is not always the situation.

A closer examination of some of these conflicts as Laughlin and Puxty (1981, 1982, 1983A) have done indicate that such disagreement stems from a fundamentally different 'worldview' concerning the function of financial accounts. This brings into question the adequacy of the original description of the financial accounting system in practice. The resulting prescriptions therefore are building on an inadequate understanding and such is only apparent when change is being pushed through. Given such powerful change mechanisms in financial accounting as compared with management accounting (see later for details) such 'rebellions' become all the more important and significant in terms of the inaccuracies of the total model as a depicter and changer of reality.

1.3.2.2 Events Accounting

The Events Accounting sub-school on the other hand is basically prescriptive. It suggests what should happen with regard to financial accounting and judging by the somewhat small following in the literature does not appear to have convinced many on the validity of the standpoint.

1.3.2.3 Income and Wealth Measurement

The Income and Wealth Measurement sub-school is claimed to be descriptive from which alternative prescriptions as to 'best approaches' are made. However, closer investigation suggests that such claims to description rely very heavily on economists' conception of reality as defined in terms of 'income' and 'wealth'. The majority of accounting approaches which concentrate on measurement issues builds on the insights of Fisher (1906) and Hicks (1946) as to the concept of income and wealth.

Fisher described income in the context of a series of events or psychic experiences called enjoyment. Enjoyment to Fisher came from the consumption of goods and services and income was a monetary measure of this personal consumption. Hicks added a savings factor to the consumption element and saw income as the maximum amount a person could consume in a period without impairing his well offness (wealth) at the start.

Thus income and wealth are not observable empirical phenomena as such: they are complex constructs by economists. Thus measures of income and wealth cannot really be called descriptions of reality they are descriptions of economist's ordering of reality according to economic terms and economic theory.*

Thus according to this view there is considerable doubt as to whether it is possible for this sub-school, and also the Inflation Accounting sub-school, which is simply a more popular development of the former, to be classifiable as descriptions. The more likely situation is that they are both prescriptive in terms of what a financial accounting system should look like.

* Such a sentence, of course, should lead into a philosophical debate on what constitutes a description. The author is well aware of this problem but must delay discussion of it until later in the study.

1.3.2.4 Inflation Accounting

The sub-school Inflation Accounting is basically part of the Income and Wealth Measurement sub-school as indicated above. It is given separate status due to its overwhelming popularity and related involvement by the regulatory bodies in bringing about change in the practice of accounting to make adjustments for inflation.

Like historic cost accounting this looks to be the most complete in terms of the cycle as depicted in Figure 1.1 i.e. descriptions leading to prescriptions and then change intentions. However, not very extensive analysis is required to indicate the incompleteness of such a claim. Three things are immediately apparent.* Firstly it is not clear whether seminal works on inflation accounting really are descriptive studies. The two broad emphases in inflation accounting on general price level adjustments and current cost accounting are normally traceable to the works by Sweeney (1936) and Bonbright (1937). However, such treatises and those that followed them have more prescriptive than descriptive qualities if one follows the logic discussed above.** Whether they are or not to some, may be irrelevant. However not to have 'seen a need and an attempt at a solution' (a description) in terms of some form of inflation accounting upon which prescriptions as to 'how to satisfy this need' can be made leads to immense problems when trying to bring about real change at the practical level.

Secondly the prescriptions with regard to inflation accounting (the suggested standards and their logic) lack any real relationship to the seminal (supposed) descriptive studies on the subject. As Laughlin and Puxty (1983B) point out in their analysis of the debate in the United Kingdom the

* These points are discussed further in the case study and analysis of inflation accounting in Laughlin and Puxty (1983B).

** The validity of this view once again rests on what constitutes a description and prescription (see above).

present standard, plus the previous attempts, are but a dim, even non-existent, reflection of these original insights. Clearly prescriptions should be different from descriptions but to be virtually unrecognizable as coming from such a source can only lead to 'tissue rejection' problems.

Thirdly the resulting change process, particularly in the United Kingdom, seems to be under considerable attack. The present standard is provisional for a three year trial period yet the recent private members motion, half way through this time, calling for an abandonment of the standard is undoubtedly indicative of a great deal of dissatisfaction. The major arguments being that both the standard and inflation accounting is an irrelevancy.*

Whether it is or isn't is not the important question for our present concerns. The important point to note is that even though on the surface the cycle from description to prescription to change is to be seen in this sub-school, on closer investigation the sequential relationship between elements is in some disarray.

1.3.2.5 Information for Decision Models

The Information for Decision Models sub-school alludes to being descriptive of decision models of individuals. However, closer investigation shows that Sterling's 'interim' arrangement for constructing these models still applies:

'... decision theories that exist in the economics, operations research, etc. literature can be taken as given. Instead of trying to construct our own decision theories we can search the literature for the extant decision theories. Thus the "empirical research that is required is a literature search"

(Sterling, 1970, p. 456)

However, these theories are, in the main, built on prescriptive premises making the information which feeds such models similarly prescriptive. In fact such a global generalisation need not be defended for as SATT (1977) points out

* This paragraph was written before the latest expose draft (ED 35) was issued but the points still stand.

the majority* of studies in this area have concentrated on the:

'... decisions of investors' (p.13)

which have assumed to be:

'... either simple present value models or two-parameter expected return and risk models' (p.13)

Such models coming from the 'finance' and 'financial management' literature relies very heavily on prescriptive reasoning.

In addition there is very little concern with change processes. These limited prescriptive models are built up leading in to suggestions on appropriate inputs, usually cash flow statements, into such models and there the analysis stops. Admittedly a number of more enlightened proponents (cf Sterling 1967; Bird, 1975) touch on some of the issues involved:

If we are convinced that the receivers (decision makers) are using the wrong decision model, we have a dilemma. (1) We can transmit the information specified by their (decision makers') wrong model which will yield right decisions only be chance. (2) We can transmit the information specified by the right model which will be irrelevant to their (decision makers') model, and hence right decisions will result only be chance.

(Sterling, 1967, p.106)

but then shy away from such complex empirical questions.

So in general if one can generalise about this as a sub-school of thought the contents of its insights are fundamentally and only prescriptive.

1.3.2.6 Behavioural Accounting Research

The sub-school of Behavioural Accounting Research is as Hofstede (1976)

* Clearly there have been studies in other areas notably in collective bargaining decisions (cf Maunders and Foley, 1974; Foley and Maunders, 1977; Cooper and Essex, 1977) but these are minority studies in the whole literature in this sub-school.

so directly put it:

'Like the famous Topsy...' (p.44)

which has:

'... 'just growed', unfocussed, unuseful
and unloved except by its practitioners'
(p.44)

However, for all its faults it does attempt to be descriptive although some of the methodological processes involved in making such descriptions are probably some of the cause for Hofstede's somewhat derogatory remarks.* Most studies, given some leniency on the word 'most', seem to aspire to be generalisations about peoples wants but are unable to achieve such aspirations. Equally in their desire to generalise they fail to capture the richness of the particular sample they are studying. This problem unfortunately is a phenomena not uncommon to many other sub-schools of thought in accounting as will become apparent. The problem is connected with methodology as hopefully will become clearer.

However in the meantime it is important to note that Behavioural Accounting Research apart from lacking coherence, or possibly because of it, lacks both prescriptive** as well as change qualities. Thus the cycle once again is incomplete at the moment although no doubt any proponent of this school of thought would claim that future work will supply these important ingredients.

1.3.2.7 Security Price Research

The Security Price Research sub-school is intended to be descriptive

* Chapters 2 and 3 will pick up this methodological problem in much more depth.

** Some studies do attempt to make suggestions based on their research as to what accounting information should be supplied but because of the nature of the research itself it is unclear whether these prescriptions are generally relevant or only relevant to the groups in question.

of stock market behaviour and information relevance therein. However like other sub-schools already looked at its description relies not directly on empirical phenomena but on the models of this by other disciplines - in this case finance studies. However, in this case the problem gets extremely intertwined and tautological as Findlay (1977) perceptively points out:

Our basic argument is that the finance studies (1) assumed an information set in terms of accounting numbers, (2) observed the market reaction, and (3) concluded that this was the reaction of an efficient market to information and, hence, that the market was efficient. The accounting researchers then (1) cited all of the evidence that markets were semi-strong efficient, (2) observed the market reaction to accounting numbers, and (3) concluded that this was the reaction an efficient market would make to information and, hence, that accounting numbers have information content. Although this circularity does imply that the statement 'markets are efficient and accounting numbers have information content' is internally consistent, it hardly proves it to be true.

(p.110)

Thus although clearly alluding to being descriptive it could be nothing more than (prescriptive) wishful thinking that markets are efficient and that accounting information has information content.

However, one thing is sure about this sub-school: prescriptions in terms of assessing the 'desirability' of a possible piece of information which has not already been exposed to the market is impossible. The very nature of the approach relies on observing reactions in price movements after information has been exposed. Thus the only way to test information desirability is to expose it to the market and see whether the 'efficient price makers' use it or not.

In addition to these points it is worth noting that there are some change intentions coming from this research despite the questionable nature

of the descriptions and the lack of alternative prescriptions.* These change intentions are not directed at the phenomena being described (the market or the information supplied) but rather at the regulatory agencies who are attempting to adjust the information set. The arguments of these proponents (cf Beaver, 1973) call for some aspects of deregulation (e.g. abandonment of the one best way, abandonment of trying to satisfy the needs of the 'naive' investor) so that the efficiency of the market can do its own regulation of, and decision upon, 'relevant' information.

In conclusion the Security Price Research sub-school has potentially descriptive, prescriptive and change elements yet all are based on the initial view of the efficiency of the market which, if Findlay is right, rests on a tautology. However, to its merit it does at least attempt to follow through its insights and develop (in this case leave alone and stop regulatory agencies tampering with) the area which it is researching. Or in other words the security price research looks at public quoted companies and prescribes and suggests changes relevant to these enterprises.

1.3.2.8 Human Information Processing

Human Information Processing (HIP) is fundamentally attempting to present descriptive models of the way human beings process and use information in the context of decisions and judgements that they make. As Snowball (1980) points out there are four basic approaches in this sub-school of thought;

* The prescriptions are that what is (if a description) or what we would like it to be which we say it is (a disguised prescription) is right!

what they are and what they attempt is neatly summarised in the following:

'The Bayesian and regression approaches view the HIP system* as a black box; the Bayesian approach relates the output of that black box to an optimal model, whereas the regression approach provides a mathematical or paramorphic representation of the black box. The cognitive style approach rests on a broad conceptualisation of internal processes of the HIP system, but does not attempt to describe or represent specific models of human processors. On the other hand '... process tracers insist on opening the black box to watch the mechanisms' inside while it is working''

(p.313)

It is not the intention at this stage to analyse the insights forthcoming from this research. However, it is worth noting three points in passing. Firstly all the approaches, except the process tracing one, borrow well established methodologies from economics and psychology in their analysis. Secondly that each approach may possibly supply different insights because of the alternative methodologies employed. Thirdly that the overwhelming concern with all the approaches except possibly the process tracing one is to make generalisations about human information processing.

Of more importance at this stage is to note that insights to date in this sub-school do not extend to making prescriptions or invoke changes in human information processing. The Bayesian approach comes nearest to these concerns by evaluating actual processing in an optimal model but stops short of saying either that such a model should be in practice or designing change strategies to allow this to occur.

Thus in conclusion and in terms of the cycle the present situation is that the insights from this sub-school are fundamentally descriptive.

* The HIP system to Snowball has three elements to it which he describes as information seeking, information evaluation and information combination.

Whether the intention is to move towards prescription and change is unclear although possibly this may be rather difficult at least in respect of particularly the first three approaches which deal with the generalised man and his generalised information processing ability.

1.3.2.9 Information Inductance

In many ways Information Inductance is only just gaining ground as a separate sub-school. Prakash and Rappaport (1977) gave it impetus, meaning and a name. To them 'information inductance' or 'inductance' is:

'... the process whereby the behaviour of an individual is affected by the information he is required to communicate'

(p.319)

Prakash and Rappaport argued that insights from this focus could help understand both internal accounting (e.g. the motivations to produce information by internal units) and external accounting (e.g. why management declares one thing rather than another to external users). Few have picked up this challenge in the literature although there are indications that such a situation may well change in the future.

A recent study by Dirsmith and Lewis (1982) however gives enough of a feel of this sub-school's concern to allow a classification for the purpose of this Section. Basically it's concern is descriptive - building general models as to why people communicate. If Dirsmith and Lewis are symptomatic of the contributions in the future the concern will be to design broad based contingency models of peoples' behaviour.*

Whether there will be any descriptive or prescriptive concerns in the future remain to be seen.

* Dirsmith and Lewis concluded that the act of communicating is 'conditioned by the extent to which information senders perceive external recipients as relying on financial accounting information and by the cognitive style of the information sender' (p.319)

1.3.2.10 Information Economics

Information Economics is fundamentally prescriptive: it postulates a model of action and information usage and choice which ought to be adopted. It's prescriptive qualities can be seen by the assumptions under which the information economics approach must work. These assumptions are many but in general can be summarised as the complete specification of the information evaluator's decision problem. This involves specifying utility functions, alternatives, payoffs of outcomes, benefits of alternative sets of information in terms of reducing uncertainty or payoffs, costs of these information systems etc. These matters are both complex and rely on a particular model of rational logical economic action. Yet the complexity is assumed away and the rational model is untested in an empirical sense, both indicating the prescriptive qualities of the resulting insights under this approach.

However, the basic idea as distinct from the actual outworking has possible descriptive claims. The basic descriptive possibility is that the decision on the production of information is dependent on the related costs and benefits (as perceived by the information producer) of that information. Such a claim which would be conditional on giving meaning to costs and benefits in particular situations is a descriptive hypothesis. However, such a general stand even though it may have motivated the interest originally in a cost benefit approach is not the dominant concern of this sub-school of thought. The dominant concern is to apply, adapt and develop normative models from physics and electrical engineering (and more specifically the insights of Shannon and Weaver (1964)). In this sense it is clearly prescriptive and one has to read in the descriptive qualities at a very general level.

1.3.2.11 Agency Theory Approaches

Agency theory approaches are difficult to classify. The claim by those working in this sub-school is that they are describing the real world. However, the real world to them is made up of two parties (principals and agents)

contractually bound and each trying to maximise his own welfare and acting in the context of single periods. Clearly this may be reality in some situations but to claim generality as a global description seems highly questionable as a number of authors have suggested (cf Fama, 1980; Tiessen and Waterhouse, 1983).

What prescriptions that come from this sub-school are for allowing such principal / agent relationships to flourish unimpeded because in some sense they work 'best' if allowed freedom. As a consequence the only change element has been to attack regulatory agencies for intervening in this market place for contractual obligations (cf Benston, 1982).

However, like the sub-school on Security Price Research at least the Agency Theory proponents are attempting to work out the implications of their descriptions in terms of prescriptions and changes needed to allow such normative suggestions to come into being. However, like Security Price Research, it does this on what many would believe to be from a weak and inadequate descriptive base.

1.3.2.12 Social Welfare Considerations

In many ways this sub-school permeates many of the others. However, it is given sub-school status due to the way such social welfare considerations are given expression in the literature. This is almost exclusively expressed in terms of giving justification and direction to accounting regulatory agencies. Such 'policy' issues have attracted an expanding literature and a new accounting journal* devoted to such matters - all giving some indication

* Journal of Accounting and Public Policy

of sub-school status.*

To the extent that such a sub-school is new and developing it is difficult to adequately classify it using the model in Figure 1.1. However, it could be argued that both descriptive (i.e. the economic consequences literature and analyses of the behaviour of the Financial Accounting Standards Board and the Accounting Standards Board) and prescriptive (i.e. arguments from economic theory on the importance for regulation in the accounting context) are present in this sub-school's literature. However such prescriptions do not directly follow from the descriptions and do not, at this stage, lead to suggestions for change in regulatory practices.

* Given of course that all of these sub-schools are arbitrary anyway - they are simply convenient titles for groups of literature on a common theme.

1.4 A SURVEY AND ANALYSIS OF MANAGEMENT ACCOUNTING

To attempt a survey and classification of management accounting is, in many ways, an ambitious and difficult endeavour due to the variety which can be seen under this global heading as recent authors who have attempted such a task have indicated (cf Scapens, 1982; Otley 1982). However, despite such uncertainties and doubts about the accuracy of any attempt it is presented to allow some, even if inadequate, appreciation of major schools of thought and how they appear in the context of Figure 1.1.

Davis, Menon and Morgan (1982), however, are more assertive and confident in their power of 'images' to capture the richness and diversity of management accounting. Although not being specific about what these images are they do give a valuable clue as to possible contenders:

'We find the same situation in the field of management accounting where a wide variety of images vie for the attention of theorists and researchers. Managerial accounting is intimately connected with organisation theory and the images shaping the latter have been readily incorporated within the former' (p. 316)

Certainly some legitimation for this stand can be obtained from the fact that the SSRC sponsored a survey paper precisely on these relationships. However, the final report (Otley, 1982) came to the conclusion that such relationships are not that close in totality although they can be seen on occasions. Otley maintained that the lack of closure and clarity in both organisation theory and management accounting made any form of classification and one to one relationships virtually impossible. He also rejected classifications because of an important methodological point that highlighting differences leads to blindness to underlying commonalities.*

* Otley building on Burrell and Morgan's (1979) analysis highlights the dominant 'functionalist' concern underlying nearly all approaches in both organisational theory and management accounting - a point which will be developed much further in Chapter 2.

However, if one constantly bears in mind the limitations of all classification systems such attempts can still be shown to be useful heuristic devices for looking at the literature.

Classification systems can also highlight similarities between not only schools of thought but disciplines as well. Thus it can be shown through a common classification system for organisation theory and management accounting that Davis et al's claim has some validity. It is possible to show that the major schools of thought in organisation theory can be seen in management accounting even though not always apparent and not always without embellishment from other sources.

1.4.1 A Classification of Organisational Theory

Scott's (1981) historical analysis of organisational theory is a valuable starting point for demonstrating this claim. His classification system* can be used to position the various schools of thought in management accounting given some initial work on trying to see whether any schools of thought actually exist! Such an endeavour will be attempted in Section 1.4.2 below. This Section, however, will summarise Scott's insights which are presented in diagrammatic form in Figure 1.4.1 and described below.

Scott maintained, in effect, that it was possible to classify organisation theory on two bi-polar characteristics: 'open/closed' and 'rational/natural'. These characteristics formed important underlying assumptions behind major schools of thought in organisation theory. Such characteristics, in effect, created a two by two matrix into which various major schools of organisational thought could be positioned.

The characteristic 'open and closed systems' is interpreted in terms of

* This assumes Scott has managed to capture the richness of organisational theory in his own classification systems. No doubt many would think he hasn't, however, it is worth repeating that all classification systems are always limited and always heuristic.

levels of uncertainty. To be 'open' means that the level of uncertainty is potentially maximal since the system is always open to possible disturbances. To be closed does not mean that no uncertainty is present but rather that the closure manages and keeps the uncertainty at certain predetermined levels.

The characteristic 'rational and natural' are used in the sense Gouldner (1959) originally used and labelled them. Scott (1981) highlights the differences as follows:

'The rational system model assumes that organisations are purposefully designed for the pursuit of explicit objectives ... The natural system model emphasises the importance of unplanned and spontaneous process' (p. 408)

However, in an interesting adaptation and development of Scott's work Boland and Pondy (1983) expand on this distinction as follows:

'Rational models assume managements are confronted with an objectively knowable, empirically verifiable reality that presents demands for action. Guided by a functionalist framework, managements analyse the apparent cause and effect relations, calculate costs and benefits and take action in response to the requirements of the external environment or the technology of production. Natural models, on the other hand, see managements as responsible agents who interact symbolically and, in so doing, create their social reality and give meaning to their ongoing stream of experience' (p. 223)

These insights of Boland and Pondy are an important development of both Gouldner's and Scott's definitions without contradicting these original thoughts. The problem with the original is that intentional action can only be 'rational' according to this classification. However, natural models, using Boland and Pondy's understanding, can have their own 'user defined' rationality. The difference being as to whether one assumes a certain model of rationality before approaching the empirical phenomena or allows the data to give the observer the user defined model of rationality. It is this distinction which is latent in Scott's description and more apparent in Boland and Pondy.

These bi-polar characteristics give four combined assumption sets which

underly four major schools of organisational thought according to Scott. Organisation theory was dominated by a 'closed rational' set of assumptions during 1900 - 1930 when the scientific and administrative management schools of thought were most prevalent (cf Taylor, 1911; Fayol, 1949 (originally published in 1919)). These viewed organisations as a vehicle and machine for achieving objectives. Largely as a reaction to this machine-like view the 1930 to 1960 era was dominated by the 'human relations movement' (cf Roethlisberger and Dickson, 1939; Mayo, 1945; McGregor, 1960) which worked under 'closed and natural' assumptions. This approach viewed organisations as humanistic phenomena but under very limited assumptions (hence the 'closed' characteristic). As a result they didn't move very far away from the scientific management approach and simply added a humanistic dimension to these endeavours.

A concern to view organisations in the context of the environments in which they are placed marked the change in the later 1950's. This still dominates thinking today in organisational theory although there are many different strands to this general view. However all without exception have moved from a more universalistic understanding of organisations (the one best way) to much more particularistic viewpoints.

Foremost amongst these have been the systems and cybernetic theorists of the 1960's* encapsulated particularly in the contingency theorists (cf Burns and Stalker, 1961; Woodward, 1965; Lawrence and Lorsch, 1967; Pugh et al 1968, 1969) who maintained that the nature of organisations was contingent on particular environmental conditions. An obvious move from this was to build optimal models of organisations allied to particular environments for maximum goal achievement - in other words (working under particular

* Scott puts the closure of this school of thought at 1970 but it seems highly dubious that such 'death' occurred then or has occurred yet.

'open rational' assumptions.

The latest schools of thought which Scott dated as starting in 1970 even though it is possible to trace it's concern to much earlier* works under the broad assumptions of 'open natural'. Needless to say there is immense variety and conflicting models in this school of thought but are possibly best exemplified by the work of March and Olsen (1976) and Pfeffer and Salancik (1978). Both these studies show clearly the importance of environments in organisational understanding but stress the 'user defined' nature of the organisations' responses to these, goals and decision making. Most recent work on organisation theory appears to be conducted under this somewhat unlimited assumption set according to Scott.

1.4.2 A Survey of Management Accounting and its Organisation Theory and Other

Roots

What will be attempted in the following is to trace major images in management accounting, marshalling these into sub-schools of thought and then demonstrating their relationship to the above model of organisation theories. We can then return to the main theme which is concerned with evaluating their descriptive, prescriptive and change qualities (section 1.4.3).

Management Accounting appears to have two major wings to its concern which we could conveniently title after Bhasker (1981) and Scapens (1982) 'quantitative aspects' and 'behavioural aspects'. To say that such distinctions are arbitrary is to say nothing new and certainly as will become apparent the former has behavioural aspects (of sorts) in its concern and the latter has quantitative aspects (of sorts) in its concern as well. It's adoption in the accounting literature appears to be because of a dominance of concern of studies which are more or less one or the other and are clearly related to other studies which can be similarly classified.

* Barnard (1938), March and Simon (1958) and Cyert and March (1963) are three examples of works which probably fit under this heading and all predate 1970!

Given the arbitrariness of the division it is still possible to classify various management accounting 'thrusts' in one or other of these two domains. Further it is possible to trace chronological 'steps' in the insights in each domain. Figure 1.4.2 diagrams these steps and the following overview describes these and their interrelationship. However, before embarking on this it is important to prevent any possible illusions caused by using the analogy of 'steps'. This does not mean that all researches have 'climbed up' so to speak - much current research is still on the bottom rung - or that the next step up builds on the one below - often the next step comes out of dissatisfaction and criticism of the one below. The step analogy is used to show some relationship to the one below it but not necessarily, and often not, as the foundation for advance.

1.4.2.1 Quantitative Aspects of Management Accounting

Before the Second World War the primary focus in this area of management accounting was cost control or cost accounting. Concerns for product costing and control of direct labour, materials and overheads were dominant (cf Solomons, 1968). Most innovation came from accounting practitioners.

Soon after the Second World War and during the 1950's a growing body of opinion called for user oriented design of internal accounting systems. Simon et al's (1954) influential study was instrumental in bringing focus to bear on the needs of management for accounting information. However, apart from giving impetus to a user oriented approach few really picked up Simon et al's more 'conditional' approach to management accounting until much later. The evolving model of management accounting was to formulate what Scapens (1982) calls the 'conventional wisdom'* current in textbook and taught today. This was built up from a particular model of management and their needs. The

* Scapens (1982) highlights five major aspects of this 'conventional wisdom': planning, cost classification, control, costing and divisionalisation.

'conditional truth' as Horngren (1975 p. 10) calls management accounting therefore was conditional on some very limited decision models of management behaviour. Or as Scapens (1982) so perceptively puts it:

'... the neoclassical economic framework played a central role in structuring the decision models used by the researchers who were instrumental in the development of management accounting's conventional wisdom'. (p. 21)

We will return to some of the assumptions under which such a framework operates in Section 1.4.2.3 below but in the meantime the important thing to note is the basic thrust of the content of the conventional wisdom.

Although the move from cost accounting which Horngren (1975) describes as 'absolute truth' to the 'conditional truth' of the conventional wisdom can be seen as a 'step' (see Figure 1.4.2) there were a number of developments in the 1970's which were more of refinement of the latter. These refinements are fundamentally the introduction of uncertainty into the conventional wisdom of management accounting. Such concerns were clearly apparent in the mid to late sixties (cf Byrne et al, 1968; Jensen, 1968; Jaedicke and Robichek, 1964; Thompson and Kemper, 1965) but came to full fruition during the 1970's.

The fundamental concern was to enrich the basic model by creating probabilistic problems inside particular aspects of the conventional wisdom (e.g. a probabilistic cost volume profit relationship (a very popular theme at the time)) and then use statistical techniques to arrive at optimal solutions. Linear programming and integer programming were dominant and because of the limitation of these techniques sensitivity analysis became widely used as well as statistical decision theory, input-output analysis etc. etc.

Although this isn't a full picture of these developments it gives enough of a view to demonstrate the important point that these developments, important though they were in the context of the model, did not constitute a step away from the conventional wisdom but rather a refinement of it.

However, a step away from the conventional wisdom did occur in the early 1970's with the introduction of an information economics perspective to management accounting information design. The information economics approach which is briefly described above (in the financial accounting section) was also, and more particularly, applied to management accounting problems. As indicated above the major contribution to this field was made by Feltham and Demski particular in their 1976 work - 'Cost Determination'.

It's 'step' characteristics centre around the contingent conclusions which come from the approach or as Demski and Feltham (1976) point out:

'... whether one cost assessment alternative is preferred to another is an inherently contextual question' (p. 249)

or as Scapens (1982) amplifies:

'The most appropriate accounting technique depends on the situation, in particular the costs and benefits of the information' (p. 39)

Thus the contingent truths which Simon et al (1954) were pointing towards start* to be seen and in marked contrast to the conventional wisdom (suitably amplified to encompass uncertainty concerns) which looks towards the one best way to design accounting systems. It is this change which marks a break or step away from the conventional wisdom.

As indicated in the financial accounting section information economics is based on a single person model working under limiting assumptions. Thus a natural move was towards multiperson models. Three such strands of research can be traceable coming out of this information economics thrust with, it

* Start is the most appropriate word since, as has been indicated, information economics works under very limiting assumptions. In addition a mass of more empirically based contingency approaches were put forward in the behavioural aspects stream of management accounting (see Section 1.4.2.2 below).

should be added, many of the limiting assumptions which dominated the school of thought. It is because of this clear 'family resemblance' that such moves do not constitute a break or a step but rather a development and refinement of the basic information economics approach.

The first development came in the late seventies with some attempts at trying to apply 'game theory' to multiperson information system choice (cf Baiman, 1975, 1979; Sundem, 1979). However, all manner of problems ensued in trying to apply this in anything like a realistic situation where future states are uncertain, pay off functions are unknown and actions unpredictable. The result called for highly unreal assumptions and as a result some degree of disillusionment with this development as a totality.

However, one class of these models did, and has, found widespread support and interest - the models working within an 'agency theory' framework. This constitutes the second development. The basic model is briefly described in the financial accounting section above and need not be repeated here. When applied in a management accounting sense it is dealing with the contractual relationships between participants who are usually considered to be 'inside' the enterprise. It's major thrust is still with principal and agent contractual relationships but in the case of management accounting applications it is possible to have different expressions of this model. In financial accounting the dominant concern is with the shareholder (principal) and management (agent) relationship, however in management accounting it is possible to see the latter as both agent (to the shareholders) and principal (to the 'workers'). However, the hierarchical superior subordinate classification is always present as are the other limiting assumptions whether applied in financial or management accounting.

The third development often called 'transaction cost theory' or an 'organisation failures framework' comes originally from the work by the economist Williamson (cf 1975). The relationships between this approach and agency theory is not always apparent but is real nevertheless as Spicer and

Ballew (1983) and Tinker (1982) point out. Tinker (1982) puts the relationship as follows:

'Transaction-Cost Theory is more "macroscopic" in that it focuses on the totality of contractual relations; Agency Theory, in contrast, adopts a more "microscopic" perspective by concentrating on particular agent - principal relationships'
(p. 15)

Transaction-cost theory is about the choice of appropriate 'governance structures' (systems for implementing and monitoring 'transactions' which underlie production). Transactions are conducted under explicit or implicit agreements (or contracts) between all affected parties. An appropriate governance structure* is one which minimises the transaction costs. An 'organisation failure' occurs when the transaction costs of one form of organisation (governance structure) can be reduced by adopting a new form.

Clearly information is vital for such a process and although not clearly related to management accounting or financial accounting the implications for these areas follow the general point. If particular governance forms and underlying information systems in particular enterprises have survived the test of (competitive) time then they clearly, according to Williamson, must be efficient systems for that particular enterprise.

This 'contingent' point is the one which binds these four approaches (information economics, game theory, agency theory and transaction cost theory together) together. But they are not the same, even though vaguely related, to the contingency approaches coming through the 'behavioural' wing of management accounting. Both contingency approaches come from different roots and work under different assumptions, as will become apparent.

* Williamson maintained there were fundamentally two such structures; the 'corporate form' or the 'market system'.

1.4.2.2 Behavioural Aspects of Management Accounting

A concern about behavioural aspects of accounting system design in primarily, and most commonly, budgets has long been a dominant issue in the literature. However, particularly in the early days it was clearly separated from the processes of designing the 'conventional wisdom' discussed above.

The first step in this process came in the early 1950's and can best be summarised as an interest in the effect on people of particular designs of accounting systems. Foremost and typical of work under this heading is by Argyris (1952) exploring the effects on individuals of imposed budgets and Stedry (1960) exploring the motivational power of budgets.

Although work is still continuing in this area particularly on effects of participatively formed budgets on behaviour (Swieringa and Moncur, 1975) and on more laboratory, as distinct from field experiments*, more and more attention is being devoted to what has come to be called 'human information processing' (HIP). The essence of this sub-school of thought was briefly described above in the financial accounting section and need not be repeated here. The important point to note is that this is an outgrowth rather than a new step away from these earlier studies. HIP is concerned with the way individuals process and use information which is clearly related to the impact or lack of impact of accounting systems design on people. Thus HIP's roots** probably lie in the behavioural aspects of management accounting - its application in financial accounting is a spinoff from this.

* Otley (1982) points out the comparative differences between the behavioural studies as seen in the collection of works by Burns (1972) and (1979). The progression shows a marked change from methodologically 'loose' field studies to methodologically 'tight' laboratory studies.

** Partial roots would be more appropriate since the real roots lie in psychology and economics from which models are heavily 'borrowed'.

However, in the late 1960's and early 1970's a marked change or step occurred in this area of management accounting. Instead of looking at the effect of accounting system design on people many were highlighting the importance of people in the actual design of the system itself. Foremost amongst the studies in this area as reflected in budgeting system design was the work by Lowe and Shaw (1968) and many have followed their lead (cf Schiff and Lewin, 1970; Tosi, 1975).

Even though such a basic concern can still be seen in the literature today such a thrust has, like the previous 'step', given rise to another more generalist sub-school of thought called 'information inductance.' We briefly described this approach in terms of its financial accounting applications. However it probably originates from this part of management accounting and should be seen in such a context. The arguments of these proponents (cf Prakash and Rappaport, 1977; Dirsmith and Jablonsky, 1979) maintain that the observed biasing behaviour and information manipulation can be understood in terms of what could be called a general self interested motivation model (i.e. if information needs to be supplied then the supplier will choose the information set which yields more rather than less desirable consequences to himself). The accuracy of this generalisation or its origins is not the important point at this stage. The point which is important is to note that information inductance is not a step away but an amplification and refinement of the impact of people on accounting system design.

A small step away from this however can be seen in the mid 1970's in terms of looking at the impact of other organisational factors on the design of accounting systems. It is only a small step since in many ways this is a logical extension given the assumption that the system may be caused by other elements in an organisational setting apart from human beings. The dominant concern at this level was to apply certain aspects of organisation theory to management accounting system design. Foremost amongst these has been the use of contingency theory approaches in organisation theory to the

management accounting design problem. Two earliest empirical studies were by Bruns and Waterhouse (1975) who highlighted different control strategies appropriate for different kinds of organisation and Hayes (1977) who attempted to trace the contingent variables leading to organisational sub-unit performance.

However, as Otley (1980, 1982) points out the majority of studies were not empirical works as such but rather the uncritical theoretical application in a management accounting context of some current thinking in the organisation theory literature. Typical examples of this tendency can be seen in Gordon and Miller (1976) and Waterhouse and Tiessen (1978)).

As can be seen from Figure 1.4.2 contingency theory approaches virtually dominated this area of management accounting endeavour. However, it would be wrong to assume that such domination was complete partly due to a number of critical studies on the contingency approach by authors who had moved on as the organisation theory literature had moved on (cf Otley, 1980; Cooper, 1981).^{*} There is clearly a new wave of proponents attempting to apply the more current and new aspects of organisational theory to management accounting (cf Cooper et al, 1981; Dyckman 1981). All of these are natural, to be expected, extensions of this basic concern at this level and do not constitute a step away from it.

Although such insights are valuable and will continue to be so they are bounded by the developments made in organisation theory. Such developments rest and depend on adequate leadership by organisational theorists and dedicated following by management accounting theorists. Yet even though accounting systems are grounded in an organisational context it is not necessary or desirable to wait for developments in organisation theory to

* Both these studies however leave some ambiguity as to whether there is or isn't a future for these approaches.

help understand them. It is this new concern with understanding accounting systems in action using whatever discipline base seems appropriate and useful for this endeavour is the last and growing concern of the behavioural aspect of management accounting. It is a step away from the major concerns of organisation theory applications level although it doesn't necessarily deny the importance of these roots. Colville (1981) a more extreme proponent of this view puts the case succinctly in the following:

'The burden of this argument suggests that in order to understand the many possible guises in which accounting appears, it is necessary to gain an appreciation of its purpose and status. This in itself entails locating accounting in an organisational context and would imply the adoption of organisational theory. It has been argued, however, that organisational theory has itself been too restrictive and has concentrated on the more tangible aspects of organisations at the expense of the processes of which they are said to be an expression. As a strategy for overcoming this flaw it has been suggested that the term organisation be temporarily suspended or bracketed and that social behaviour should form the primary topic of research. Similarly, instead of defining what constitutes behavioural accounting research and working within those parameters (a difficult task as our present level of knowledge does not allow a delimitation of the boundaries) behaviour should form the basic subject matter. Although this is a wide brief, it will allow for an assessment of what is and what is not relevant in any future attempt to explain the behavioural and organisational aspects of accounting.'

(p. 129)

Colville's challenge is to study accounting behaviour per se and use and judge the relevance of organisation theory or any other theoretical contribution in that context.

There have been a number of studies over the years on this very basic theme but most, until recently, have been conducted by non-accountants and thus not primarily concerned with the accounting system (cf Simon et al, 1954; Cyert and March, 1963; Pettigrew, 1973). It is probably Hopwood's challenge and drive which has brought the concern more directly into the accounting arena (cf Hopwood, 1978, 1979A, 1979B; Burchell et al, 1980). The upshot of

this challenge has been a number of conferences*, continuing calls to demonstrate the importance of this concern (cf Otley, 1982; Scapens, 1982) and some actual outworkings of projects (cf Tomkins et al, 1980; Colville, 1981; Tomkins and Groves, 1983).

This then is a new step in the behavioural aspects of management accounting and is probably likely to grow in importance even though developments will continue at other levels as well.

1.4.2.3 Organisation Theory and Other Roots Behind the Quantitative and Behavioural Aspects of Management Accounting

We now return to the theme discussed above on Davis et al's (1982) claim that the images in organisation theory can be seen in management accounting. It was asserted there that such a claim had some degree of validity given that images are broad conceptualisations and given some possibility to embellish the model from sources other than the more obvious organisation theory literature, i.e. subjects which have theoretical models of organisations but are not part of the direct organisation theory literature but still can be seen in the context of dominant images.

Such a return to this theme is partly introduced to tidy up the survey but also so that it is easier to arrive at conclusions about the descriptive, prescriptive and change qualities of these schools of thought in management accounting. This important concern which constitutes the major intention of this section, (i.e. the whole of 1.4) will be discussed in Section 1.4.3.

Before embarking on this classification it is necessary to make two assumptions and one minor modification of the model presented in Figure 1.4.1.

* The first was held in 1976 as part of a series of meetings organised by the American Institute of Decision Sciences in San Francisco. Two further conferences devoted entirely to the main theme of accounting in an organisational context, run and organised by accounting theorists, were held in 1979 and 1981 in Los Angeles.

The first assumption concerns the positioning of economic theory in the images of organisation theory as presented in Figure 1.4.1. Much if not most of the quantitative aspects of management accounting (except cost accounting) can be traced back and rooted to economic theory - particularly the neoclassical economic model and modification in this over the years by economists. Scapens (1982) summarised these connections as follows:

'In the 1970's researchers modified the neo-classical economic model on which management accounting's conventional wisdom was built. These researchers introduced uncertainty and information costs into management accounting models. Agency theory researchers have taken this modification process a step further by adding behavioural constraints to the economic model. The agency model relies on marginal economic analysis, but includes explicit recognition of the behavioural responses of the agent (manager) whose behaviour the management accounting system seeks to influence or control.'
(p. 63)

Clearly this is not to say that inputs were not made by other disciplines such as mathematics (re: game theory) and operations research (re: uncertainty models) but that the dominant discipline connection is with economics.

Economists have always been organisation theorists even though they are not normally considered to be part of the organisation theory literature particularly in recent years. The reasons for this are complex and cannot be discussed here because they would take us too far away from the main theme. But the important point to note is that some aspects of economic theory constitutes a theory about micro organisations.

The question then is where, if anywhere, does such a theory fit into the model presented in Figure 1.4.1? Economics is based on a particular model of man whether in an individual, collective or organisational context. Such a man is a stereotype of a person who is 'resourceful, evaluative and maximising' (Meckling, 1976). Neoclassical models assumed away the

uncertainties in the actions of such people and more recent models have encompassed, within limits, such unknowns but throughout these changes the implicit or explicit view of mankind has remained unchanged.

Thus all theories of economics as applied to organisation theory must of necessity feature in the top half of Figure 1.4.1. Natural models assume there is some doubt about the way individuals - organisations both see and act in the world. To the economist this is an impossibility: all action (in economic organisations particularly) is rational in all the senses described above (in Section 1.4.1) as to the meaning of this word. However, economic theories do vary on the level of uncertainty they allow and therefore would feature at different points on the open/closed characteristic of Figure 1.4.1.

The second assumption concerns the make up of the fourth quadrant in Figure 1.4.1 (i.e. the open/natural one dealing with the more current thinking on organisation theory) and the relationship to the new and developing 'accounting in action' sub-school of thought (in the behavioural aspects of management accounting). As indicated above this sub-school of thought is purposefully breaking away from very close links to organisation theory and thus should presumably not feature in the mapping to Figure 1.4.1. However it is assumed to be included in this quadrant for two reasons. Firstly the actual quadrant in totality is undefined and thus whether something is in or out is to a large extent arbitrary at the moment. Secondly because the concerns to which the 'accounting in action' sub-school are addressed must, of necessity, add to the insights of this quadrant even though in the reverse direction.

The one modification is a very simple one of bringing some scalar on the characteristics of rational/natural and open/closed. This scalar, ranging from 'low' to 'high', is introduced to suggest some sort of discrimination inside the four quadrants. The way this is done is to make the centre points, both for the diagram as a whole and outer rims, 'low' and all the corners

'high'. This is done to indicate what could be called 'family dominance' - those most obviously situated in a quadrant will be situated in the corners of the diagram those where doubts exist as to their appropriate 'home' will be situated near the dividing lines between quadrants. Such a modification brings greater sophistication to the diagram by highlighting 'boundary' and 'obvious' members.

With these two assumptions plus the modification we can now turn to making the relationship between management accounting schools and sub-schools of thought and the model of organisation theories as presented in Figure 1.4.1. The mapping of these relationships are presented in Table 1.4.2.3 and Figure 1.4.2.3 and the logic behind the positioning of management accounting areas (suitably coded as per Table 1.4.2.3) is described below. For convenience in the following discussion we will use the following letters to denote characteristics:

- O Open Systems Models
- C Closed systems models
- R Rational Models
- N Natural Models
- L Low levels in ...
- L/M Low to medium levels in ...
- M Medium levels in ...
- M/H Medium to high levels in ...
- H High levels in ...

Thus a coding of HRHC positions the school of thought at the top left hand corner.

Cost accounting (Q11) is the epitome of a closed and rational model - the domain of scientific management in organisation theory. For as Scapens (1982) so perceptively points out:

'Cost accounting developed in response to the need for precise measures which could be used in applying the principles of scientific management to control factory costs'
(p. 5)

Thus its positioning is HRHC. The 'conventional wisdom' of management accounting (Q21) however is less rigid than cost accounting* but comes from particularly the marginalist principles of neoclassical economic theory which assumes rationality and complete certainty. However, its emphasis is less certain than cost accounting and probably should be positioned as MRMC.

The adaptation of the conventional wisdom by the addition of uncertainty models (Q22) created more rigour and rationality and some degree of openness (in a managed way) to uncertainty. In this sense it is possible to position this as M/H R LO. The development into information economics (Q31) kept the rigour and rationality high and created a degree** more openness to uncertainty considerations (i.e. M/H R MO). Game theory (Q32) approaches keep the rationality and rigour at a reasonable level but allows more openness to uncertainty conditions. In this sense it can be positioned at M/H R M/H O. Agency theory approaches (Q33) as a particular example of game theory keeps about the same openness to uncertainty but is not quite as rigorous or rational. (i.e. MR M/HO) Likewise transaction cost approaches (Q34) drop again in terms rationality while still encompassing a fair degree of openness to uncertainties (i.e. L/MR M/HO). These quantitative developments (Q22 to Q34) have roots in economic theory as already discussed and thus quite naturally fit into the top right quadrant of Figure 1.4.1.

The sub schools of thought connected with the behavioural aspects of management accounting do not have such a clear focus. However, in general

* As pointed out above Horngren (1975) suggests the distinction is between respectively 'conditional truth' and 'absolute truth'.

** It is only a degree more because on the one hand information economics breaks away from the 'one best way' but then on the other hand it restricts its analysis solely to individuals working under unreal assumptions.

it is possible to relate these sub schools to the 'human relations' and 'ambiguous' quadrants in Figure 1.4.1.

The 'impact of accounting system design of people' approaches (B11) is undoubtedly situated in the bottom left hand quadrant. It works on very closed assumptions about individuals' motivation processes and only captures some of the interpretation people give to this phenomena. Thus it can be positioned as L/M N HC. The outgrowth of this concern in terms of human information processing (B12) maintained a similar level of 'naturalness' but reduced considerably the lack of concern for uncertainty in the modelling. However, it is working under very constrained views about the uncertainty surrounding people's information processing ability and is thus more 'closed' than 'open'. In this sense it can be positioned as L/M N LC.

The change of emphasis in the 'impact of people on accounting system design' (B21) approach can be seen as shifting quadrants to the bottom right of Figure 1.4.1. These studies attempt to make sense of empirical situations with all the uncertainty and conflicting interpretations by the actors in such situations. However, they are studies which concentrate only on people and not all other factors in accounting system design. Thus they could be positioned towards the middle of the quadrant (MNMO). The information inductance concern (B22) however, judging by the literature, is concerned to reduce the uncertainties in the models and as a result have rather pulled this sub-school of thought back into the 'human relations' quadrant. As a result a positioning of MNLC seems most appropriate.

The 'impact of organisational aspects on accounting system design' (B31) and 'contingency theory approaches' (B32) come from an organisation theory basis and thus can be positioned accordingly. The former is related directly to the more 'ambiguous' quadrant and the latter to the 'systems' quadrant. B31 is trying to be more open and natural than B21 and thus can be seen as being positioned at M/H N M/H O on the grounds that developments in organisation theory in this quadrant are moving towards ever high levels of

openness and naturalness but have not got to those levels yet. B32 is at the same level of openness but has a much higher level of rationality in its make up even though it has some tendency towards more interpretative concerns. Thus it could be positioned at LR M/H O.

Finally the 'impact of all aspects on accounting system design' approaches as indicated above in terms of one of the assumptions can be positioned at HNHO on the grounds it is trying to go before, or with, where organisation theory is going.

1.4.3 A Contextual Analysis of Sub-Schools of Thought in Management Accounting

We now turn to the important consideration as to whether sub-schools of thought in management accounting, suitably amplified, have descriptive, prescriptive and change intention qualities. It will be recalled that description and prescription are used in their more common meanings i.e. 'what is' and 'what should be'. The change intention aspect is meant to highlight the difference between simply saying 'what should be' and actually attempting to bring such prescriptions into being - the former has no change intention the latter has maximum.

Each of the sub-schools of thought of management accounting have been positioned in the quadrants of organisation theory as indicated in Figure 1.4.2.3; thus it seems appropriate to look at some general qualities of these quadrants in terms of their descriptive and prescriptive and change intention qualities. This will be attempted below leading into some more specific points about the sub-schools.

Fundamentally all the quadrants have a tendency towards description rather than prescription. However, this disguises an explicit and also implicit concern with prescription. This explicit concern can be seen particularly in schools and sub-schools of thought in the top two and, to an extent, bottom left quadrants - many give tacit recognition of descriptive intentions but actually see their concern with prescribing what organisations and management accounting should look like. In many ways these are the more honest of the

members of these quadrants.

This brings us to the more implicit prescriptive qualities of these quadrants. The process of description is not absolute, value free or value neutral*. Every description is undertaken working within some set of assumptions - the more there are the greater the tendency to inaccuracy and prescription. The prescriptive quality creeps in because of a tendency towards 'naturalism' (cf Tinker, 1982) in our society and because of this to 'see what one wants to see' and implicitly assume it should continue. Neither of these points can be fully expanded on here (but will be in later chapters) but in general 'naturalism' takes the view that 'what is is right' and thus the descriptions that are made become legitimation for what should happen in the future (i.e. prescriptions). In such a situation the assumption set becomes very crucial: the more and tighter they are the greater the tendency towards probable prescription rather than descriptions.

Following this logic would suggest that prescriptive elements decrease as one moves quadrants from top left to top right to bottom left to bottom right. This would be so whether the school and sub-school of thought claims to be descriptive or not. Further one would expect to see a tendency in sub-schools at the start of the circuit to be much more unabashed about their prescriptive intentions as compared with those certainly at the end but also by those en route. Or in other words the descriptive intentions are 'purer' by those sub-schools situated in the bottom right hand quadrant as compared with other similar claims by those sub-schools situated in other quadrants.

One further general point needs to be made about the quadrants and that is the lack of real change intentions contained in both organisation and management accounting 'members' of such quadrants. Most schools of thought are alluding to be descriptive anyway even though some are actually prescriptions

* This point will be discussed at length in parts of Chapters 2 and 3 of this study.

(see above). The quadrant which comes nearest to being concerned to bring about change is the top left. The claims of both organisation and management accounting schools and sub-schools in this quadrant have been unashamedly prescriptive and thus have naturally been concerned to see their good ideas applied in practice. However, even though concerned about it they have not attempted to design real change strategies relying very much on the conviction and attractiveness of their ideas to practitioners. The result has unfortunately been very disappointing for as Scapens (1982) concludes after an enlightening section on the absence of 'take up' of such 'good' ideas:

'The evidence of the various studies discussed in this section does little to contradict the supposition with which the section began - i.e. that management accounting's conventional wisdom has had only a limited impact on practice'
(p. 27)

The remaining quadrants have been less concerned with change because they have not seen their role as prescribing possible futures.

With this general background it is possible to classify the sub-schools of management accounting in the same format as for financial accounting (see Table 1.3.2). This is done in Table 1.4.3. The classifications should be reasonably self explanatory in the light of the points raised above. In general as a sub-school gets nearer to, or is contained within, the bottom right hand quadrant it is more clearly descriptive (given the prescriptive elements contained in any description - see above). The further away it is the more prescriptive are the sub-schools' concern. The sub-schools between these extremes are more or less one or the other as depicted in terms of ticks and question marks. Thus for instance 'agency theory' approaches (Q33) and 'transaction cost theory' (Q34) approaches are the centre points of this distinction. Both claim to be descriptive - the latter possibly more than the former - but have implicit and sometimes explicit prescriptive aspects to them. They are therefore arguably neither one thing nor the other - they are questionably both.

A word however needs to be said about the 'cost accounting' (Q11) and 'conventional wisdom' (Q21) sub-schools. These both are predominantly prescriptive but do have some form of 'change intentions'. We have already briefly seen some of the problems in Q21's ability to bring about change thus a 'question mark' seems most appropriate. However, a confirming 'tick' has been given to Q11 and some reasoning behind this needs to be given. The basic reason can be discerned by looking again at the history surrounding cost accounting. This came about because of the need to find a way to precisely measure factory costs. The need was felt by practicing accountants, solutions sought by this body and implemented by them as well. In this sense they wanted to change practice to be in line with their prescriptions - a demonstration of high change intention. However, 'cost accounting' as a meaningful sub-school died out in the 1960's or rather was encapsulated in the 'conventional wisdom' but it is still important to note the very different intentions behind the former and the effectiveness of such intentions.

This then completes our summary and analysis of management accounting in terms of its descriptive, prescriptive and change intentions.

1.5 SOME CONCLUDING COMMENTS AND THE DESIGN AND INTENTION OF THIS STUDY

This Chapter started by highlighting in broad terms the concern of the study i.e. the process of describing, prescribing and changing accounting systems in specific enterprise contexts. One of the key assumptions of this study is that accounting knowledge, as expressed in the literature has not adequately come to terms with such matters. Such a stand needed exploration for its own sake but more importantly to allow a judgement on which parts of the literature, if any, were relevant for this study's concern.

We have now looked in a very global sense at the literature in the two dominant conventional areas of accounting thought (financial accounting and management accounting) in Sections 1.3 and 1.4. These surveys followed a necessary diversion, both for such a study and the following work in later chapters, on what is meant by an accounting system upon which this literature and empirical expressions are based. However, such an endeavour was a partial digression to the main point of trying to see whether the literature is or is not concerned with the sequential process of describing, prescribing and changing accounting systems in enterprise contexts.

Four points can be made coming out of the surveys in Section 1.3 and 1.4 which moves towards answering this question. These points also summarises (to an extent) these two Sections.

Firstly there is a tendency in the literature in the descriptions that are made to partiality but also with a tendency to generalise from such a weak base. Examples of partiality can be seen in the dominance of individualistic and small group studies, being the total concern of financial accounting (e.g. 'behavioural accounting research') and still prevalent, but less so, in management accounting. It is as if these human factors were the only important causal elements in accounting system design - a stand which many management accounting theorists would now challenge fortunately. Examples of

premature generalisation abound in the accounting literature e.g. the moves from B11 to B12, B21 to B22, B31 to B32 (see coding details in Table 1.4.3) in management accounting are very typical. There does seem to be a certain 'desperation to generalise' in the descriptive studies of accounting as there is in other social science disciplines.* This is no bad thing if generalisations are appropriate** but to start off with some degree of 'desperation' to arrive at such a state given the growing concern to use 'laboratory' rather than 'field' sites (cf Hopwood, 1979B)*** is something of a disasterous combination in terms of the generalisations forthcoming. However, the work being conducted in particularly B41 in management accounting is making moves to break out of both partiality and an overbearing desire to generalise. Thus there are signs of change.****

Secondly there is a tendency in the literature either not to make prescriptions about accounting system design or only to make prescriptions on the basis of both the logic in and models from economics and finance theory. The former tendency which is more overtly apparent in the more current literature seems to indicate an unwillingness on the part of accounting theorists to venture into the apparently value laden process of saying what should be.***** However, as Tables 1.3.2 and 1.4.3 indicate a number of sub-

* At this stage it is difficult to substantiate this point fully. But such a stand will be amplified and developed in later chapters.

** This of course may not be guaranteed. It is not beyond the realms of possibility that each accounting system is unique to it's organisational setting.

*** This tendency is of course yet another demonstration of partiality in descriptions.

*** This connects up with the fourth point which is discussed below.

*** Alternatively it could be that 'what is is right' is the dominant view - certainly the arguments from 'naturalism' (see discussion in Section 1.4) would argue this is the more accurate explanation for the lack of interest in prescription.

schools have been classified as having prescriptive qualities and it is to these we now turn. There are two classes of these sub-schools.

The first set contain the sub-schools 'historic cost accounting' and 'cost accounting' and these are the exceptions: they are not grounded in economics and finance theory but with some understanding of the dynamics of accounting systems in practice. It is the 'some understanding' which has provoked a number of accounting theorists (cf Meckling 1976; Watts and Zimmerman, 1978*) to claim that such comprehension is incomplete and because of this prescriptions must be delayed until full understanding is obtained. The validity of such an attack is clearly open to question. However, the reality of the situation is that these two sub-schools are somewhat the 'whipping boys' of the accounting sub-schools leaving them considerably bereft of any developments. The tendency is to 'abandon all and build anew'.

The second set of sub-schools with prescriptive qualities as depicted in Figure 1.3.2 and 1.4.3 however do have their roots in and gain their content from different aspects of models from finance theory and neoclassical and more modern economic theory. Such models often claiming to be descriptions of reality are actually enveloped with strong rationalistic assumptions (see Section 1.4 above); it is for this reason they, like the accounting approaches which follow them, are either partial descriptions or more favourably (and that is how they are treated in Tables 1.3.2 and 1.4.3) prescriptions. Either way there are problems. If such models per se, or as expressed in accounting phenomena, claim to be descriptive then it is not at all difficult to demonstrate not only the number of assumptions underlying such approaches but also the

* It is interesting to note that these authors particularly and other members of the 'Rochester School of Accounting' (Jensen 1976) are actually falling into exactly the same trap as the theorists they are criticising - see below and Christenson(1983) and Lowe, Puxty and Laughlin (1983).

unrealistic nature of such assumptions. Other problems ensue if such related economic or accounting models are claimed to be prescriptive since there appears to be no concern at all to change practices to be more in line with such prescriptions. Where attempts have been made (exclusively in financial accounting it should be noted) all manner of 'tissue rejections' have occurred. For instance the introduction of inflation accounting as a standard accounting practice has had an immensely rough passage in the United Kingdom particularly. Likewise the 'de-regulation' encouragements by the security price researchers and agency theorists has hardly even been considered let alone adopted by the regulatory agencies. Such rejection could be explainable because the key to change has not been found but more probably, and to an extent connected with this, it is because such models are not built on a full and complete understanding of the nature of the accounting systems in practice which are the focus for change.*

This brings us to the third summary point: apart from a certain indifference towards a particular bias in prescriptions there does appear to be a virtual total disinterest in changing any accounting systems in practice. The regulatory agencies are the only formal enterprises** for encouraging change in accounting systems design and they only deal with financial accounting matters. Such agencies are obliged (in the United States) and encouraged (in the United Kingdom) to exist as intermediaries and interpreters

* Which is precisely the point many of these theorists were criticising the more 'traditional' sub-schools about - see footnote on previous page.

** Some would claim that the Universities - Polytechnics are institutions for encouraging students (the future accountants) to go out and change the world. However the majority of accounting teachers would not see the production of such 'accounting revolutionaries' as part of their brief.

of societal laws about external disclosure from; particularly, micro-business enterprises. Thus their existence is not because of a desire to change accounting practices per se - if they were one would expect to see management accounting practices on their agenda for instance - but rather because of government pressures for some sort of regulation. As a result there is a tendency towards tentative 'acceptable' change intentions in the action of these agencies and only to be somewhat more radical when pressure from governments forces such behaviour i.e. inflation accounting in the context of the Sandilands Report in the United Kingdom.

Fourthly and finally there does appear to be a growing awareness of a poverty of understanding about accounting systems in practice. In many ways this stems from the first point discussed above on the partiality of descriptions but it can be seen to go further than that. Some (notably Hopwood, 1979B; Burchell et al, 1980; Scapens 1982; Otley, 1982) would see the issue as Hopwood does:

'Recently I have become ever more aware of how little we know about the actual functioning of accounting systems in organisations'
(1979B, p. 145)

Or in other words purely as a problem concerning the poverty in our present descriptions concerning accounting system in practice. However, others would take a more critical change oriented reason for such a concern. This is hinted at by Burchell et al (1980):

'More recently, however, we have witnessed what might be the beginning of a reappraisal of the pre-given imperatives of the accounting mission. Pressures stemming from both academic inquiry and the problems of practical action have encouraged some observers to recognise and analyse the complexities of accounting in action and, on this basis, to start questioning what has not been questioned and make problematic what so far has been taken for granted'
(p. 11)

but is more directly and clearly stated by Cooper (1981) in terms of one of the possible strategies for future management accounting research:*

'Another strategy may be to improve our understanding of the way management accounting systems operates in reality. Our knowledge of how accounting systems are used in organisations is incomplete. The rationalisation, rationalistic and symbolic uses of accounting are not well-understood or documented. And only through a well-grounded understanding of how systems operate can we prescribe how accounting systems should be changed.'
(p. 198)

Such a concern goes beyond simply trying to arrive at better descriptions for the sake of it but sees such a discovery as a necessary rerequisite for prescriptions and change.

On the basis of the above analysis the conclusion would be that to satisfy this study's dominant concern we would need to build on a stock of knowledge which is not technically of accounting theoretic origins even though this study has a central accounting concern. Quite clearly such a move cannot be lightly taken and certainly not on the basis of the above analysis. Thus Chapter 2 and half of Chapter 3 are addressed to a further exploration of this consideration. Chapter 2 explores the essential ontological, epistemological and methodological assumptions underpinning present accounting knowledge allowing us to see more clearly what actually it is attempting to achieve in the context of, and in comparison with, the concerns of this study. Sections 3.1 and 3.2 of Chapter 3, based on the analysis of Chapter 2, raise to the surface, and present an argument for, a particular assumption base upon which to build if this study's concern is to be satisfied. This argument takes us away from the assumption base which underlies most accounting thought.

The remainder of Chapter 3 through to Chapter 7 constitutes an outworking of these conclusions by building a detailed methodological approach in the context

* Cooper was writing in connection with management accounting issues but it is not necessary to see such concern totally in such context. However it is worth noting that the impetus for such indepth descriptions in quite the way Cooper is talking about has come mainly from those working in management accounting.

of this assumption base and applying this to actually describe, prescribe and change the accounting system in a specific enterprise context: the Church of England. The remainder of Chapter 3 presents the details and contexts of this methodological approach. Chapter 4 provides some important financial and historical background information concerning the Church of England. Chapters 5 and 6 and 7 present the detailed application of the methodological approach to the description, prescription and changing of the accounting systems in the Church of England.

Chapter 8 provides the customary conclusions along with the areas of unfinished business and future research intentions.

CHAPTER 2UNDERSTANDING THE NATURE OF ACCOUNTING KNOWLEDGE:
A RECLASSIFICATION AND CRITICAL ANALYSIS IN THE
CONTEXT OF THE PROBLEM FOCUS2.0 INTRODUCTION

The contents of this Chapter are addressed to extending the analysis of Chapter 1 in terms of exposing some of the key underlying factors which underpin the schools and sub-schools of thought discussed. The conclusion from Chapter 1 was that, almost without exception, the schools and sub-schools of thought in the two dominant wings of accounting knowledge (financial and management accounting) do not appear to be primarily concerned with the sequential process of describing, prescribing and changing accounting systems in enterprise contexts. The likely conclusion coming from this analysis is that this vast knowledge stock would appear to be largely redundant for this study's primary concern. However, before drawing this conclusion it seems valuable to extend the present analysis by investigating some of the key underlying assumptions underpinning this knowledge stock. Such an analysis will allow at least two objectives to be achieved: firstly it will help to clarify what this knowledge stock is trying to achieve in the context of its assumption base; secondly it will allow a somewhat less emotive, and more positive, process concerning decisions on adequacy by allowing us to concentrate on arguing the case for a particular assumption base for the problem focus of this study rather than a more cavalier approach which implies the irrelevancy of extant accounting knowledge.

Such overall objectives determines the contents of this Chapter and the first part of Chapter 3. Section 2.1 reclassifies the schools and sub-schools of thought of financial and management accounting in the context of the classification schema suggested by Burrell and Morgan (1979). Sections 2.2 to 2.5 looks comprehensively at some typical individual studies which reflect the entire range of the reclassified knowledge stock of financial and management accounting. Such a process allows us a level of intimacy into the spectrum of accounting

thought which is not afforded by the rather crude analysis of Chapter 1. It will also allow us to digress a little from the main intent of this Chapter and see how adequately such studies satisfy the assumption base and intentions to which they supposedly adhere. Section 2.6 will supply the customary conclusions and lead into some of the key questions which are faced in Sections 3.1 and 3.2 concerning which assumption base should be used to satisfy this study's primary concern with regard to the design of enterprise accounting systems.

2.1 A RECLASSIFICATION OF ACCOUNTING SCHOOLS AND SUB-SCHOOLS OF THOUGHT

This Section has three parts to it. The first attempts to combine the sub-schools of thought in both financial and management accounting using the classification scheme of Scott (1981) presented in Chapter 1 which was used originally only for management accounting. This is the concern of Section 2.1.1. Section 2.1.2 picks up the second concern which is to introduce Burrell and Morgan's (1979) four part 'sociological paradigm' framework. The third and final concern (in Section 2.1.3) is to position the sub-schools of thought in both financial and management accounting in the Burrell and Morgan framework and give direction through this to the studies to be looked at in Sections 2.2 to 2.5.

2.1.1 A Joint Classification of Financial and Management Accounting

In Section 1.4 we used Scott's (1981) classification of organisation theory to demonstrate how different sub-schools of management accounting fitted into such a schema. We didn't use such a basis for classifying the sub-schools of financial accounting very largely because the roots of these 'images' come more obviously from economic theory rather than organisation theory. However, as we pointed out in Section 1.4 this is also the base from which much of management accounting emanates but that still Scott's schema, given some

embellishment, proved to be a very useful heuristic device for classifying such schools of thought.

In a similar way, therefore, it is possible to use such a classification scheme for the sub-schools of thought of financial accounting as discussed in Section 1.3 given some leniency on the specific positioning and the heuristic nature of the classification scheme more generally. Table 2.1.1 and Figure 2.1.1 presents such a classification analysis: Table 2.1.1 supplies a coding of the sub-schools of thought and Figure 2.1.1, using such coding, positions these on the enriched classification model from Section 1.4.

The management accounting sub-schools of thought and their positioning are the same as in Figure 1.4.2.3 and the rationale behind this was discussed at length in Section 1.4.2.3. Such a discussion need not be repeated here.

The following therefore will concentrate on the rationale behind the positioning of the financial accounting sub-schools of thought. However, even here many of the pertinent points have already been covered at length in Section 1.4.2.3 and thus only some of the more general criteria will be discussed below.

As we pointed out in the adaptation of Scott's model economic theory, which is not strictly part of the mainstream literature on organisation theory, does share a similar theoretical concern. Further we maintained that due to the strictures surrounding economic theory the insights forthcoming somewhat naturally feature in the top two boxes of Scott's model. Thus the financial accounting sub schools which have a strong economics base (FE1, FE2, FI1, FI3 FC1, FC2, FC3*) will naturally feature in these two upper boxes varying only with respect to levels of rationality and openness to uncertainty.

Historic Cost Accounting (FH1) and Events Accounting (FH2) although not part of this economics tradition are, however, closely aligned in terms of positioning in Figure 2.1.1. This is because both have a highly rational base (in the sense of a uniform interpretation of reality) and vary only in terms

* See coding in Table 2.1.1

of lack of openness to uncertainty - FH2 is more open than FH1 but probably not enough to feature in the top right segment.

Human Information Processing (FI4) and Information Inductance (FI5) because of their kinship to the management accounting equivalents can be seen as being similarly classified.

This leaves only Behavioural Accounting Research (FI2) to classify. As pointed out in Section 1.3 this contains immense diversity - so much so it is difficult to see it as a unified sub-school. However, the overall emphasis is on trying to discover people's preferences with regard to different sets of information. In this sense it is somewhat closely aligned to the area in management accounting dealing with the 'impact of accounting system design on people'. Even though it does not have as strong ties to the 'scientific management' approach it does try to limit both the 'naturalness' and 'openness' of its subjects and keep the information system stable rather than unstable. Thus it seems appropriate to position this sub-school towards the middle of the bottom left hand part of Figure 2.1.1.

As can be seen the majority of the financial accounting sub-schools feature in the top two segments of Figure 2.1.1. The three sub-schools which feature in the bottom half of the figure are all positioned in the left hand segment and all can be traceable back to, and rooted in, their management accounting counterparts. This reinforces two important points. Firstly the dominance of economic theory in financial accounting as compared to management accounting. Secondly the willingness and ability of management accounting to break out of such a theoretical base and adopt more wide ranging alternatives and interpretations as well as supplying the leadership on newer financial accounting alternatives.

Clearly such an observation calls for some form of explanation. However, this will not be attempted since it is not essential for the present purposes and apart from this it would take us too far away from the main theme of this Section. The purpose of this Section has been to combine both financial

and management accounting so that it is possible to reclassify both rather than explain varied configurations in these two dominant 'wings' of accounting. This more limited purpose hopefully has been achieved. It is now necessary to look at the reclassification schema.

2.1.2 The Burrell and Morgan Framework: An Alternative Classification

Schema

Burrell and Morgan's framework is also a four part classification schema but deals with broader phenomena ('social theory') under deeper 'metatheoretical assumptions'. Their major proposition is that:

'... social theory can usefully be conceived in terms of four key paradigms* based upon different sets of metatheoretical assumptions about the nature of social science and the nature of society. The four paradigms are founded upon mutually exclusive views of the social world ...

(Burrell and Morgan, 1979, p. x)

Burrell and Morgan's major concern is with the general schema which underpins all social theory, however, they apply such insights to

'... the general area of organisational studies' (p. x)

but always as

'... special cases by which we can illustrate our general themes' (p. x)

Since the above analysis has put all financial and management accounting sub-schools into an organisation theory framework we have therefore an immediate

* Burrell and Morgan following Kuhn (1970) call these four alternatives 'paradigms' in a way which is rather inappropriate. The use of paradigms by Kuhn given the problems in defining what he meant anyway (cf. Masterman, 1970; Laughlin, 1981) is still probably only appropriate in natural science. Since Burrell and Morgan are at pains to distinguish alternatives to this view a term which strictly has no meaning outside of natural science should probably not describe these alternative schools of thought. However we will continue to adopt Burrell and Morgan's language despite such misgivings, to allow some coherent continuity in the summary of their work.

connection to Burrell and Morgan's specific application. However, it is important to note that such a connection links into the general schema with both its wide ranging applicability and also its assumption set laid bare. This, of course, is precisely the reason for introducing this classification schema in the context of this Chapter.

As can be seen in the above quote from Burrell and Morgan their key discriminators are the 'nature of social science' and the 'nature of society'. Like all classification schemes these are not claimed to be some type of absolutes but rather a meaningful heuristic distinction. Or as Burrell and Morgan put it:

'... we found that we possessed an extremely powerful tool for negotiating our way through different subject areas, and one which made sense of a great deal of the confusion which characterises much contemporary debate within the social sciences'

(p. xiii).

So such a classification scheme is deeper and more meaningful for a wide range of subject areas but ultimately it is nothing more than an 'extremely powerful tool'.

This, in sum, we can justify the use of Burrell and Morgan's framework on two counts. Firstly because accounting, as defined in Section 1.2, is a human endeavour and is therefore a social 'science' using this term somewhat loosely. Thus if Burrell and Morgan are right about their 'tool' it would be useful and relevant for accounting per se anyway. But secondly because we have already demonstrated the close relation between accounting and organisation theory* and because Burrell and Morgan have already analysed the latter in terms of their framework, the relevance of using this tool for accounting becomes more obvious.

* Which, of course, is to be expected in the light of the 'enterprise context' in the definition discussed in Section 1.2.

The 'nature of social science' discriminator was presented in a bi-polar continuum ranging from what Burrell and Morgan called the 'subjectivist approach to social science' to the 'objectivist approach to social science' with underlying assumptions under each position laid bare. Figure 2.1.2(1) summarises their entire schema and the following describes the contents.

Burrell and Morgan maintained that there are four key assumptions underlying any particular view of the nature of social science: the ontological (about nature or being) the epistemological (about knowledge), one about the nature of man and the methodological (about the way to obtain knowledge). Different emphases on these assumptions leads to different views about social science. These emphases have very *definite patterns according* to Burrell and Morgan which combined give two different schools of thought which, as noted, they entitle 'the subjectivist approach' and 'the objectivist approach'.

The objectivist approach has an emphasis on realism as its ontology, positivism as its epistemology, determinism as its view about human nature and nomotheticism as its methodology. Realism, as an ontological assumption, assumes that the world apart from the observer is somehow ordered, independent and unconnected to his perception and labelling. The world outside is: it is not created by the observers. Positivism as an epistemological assumption assumes that knowledge equals patterns, regularities, general causal relations and universal laws. Determinism as an assumption about human nature maintains that man is part of the ordered universe determined by the rules which guide and direct all of nature - he is not 'free' to change such inevitable patterns. Nomotheticism as a methodological assumption assumes that to understand the patterned universe requires systematic, careful, sophisticated approaches by the observer which will help expose the underlying causal order which is taken to be there.

The subjectivist approach to social science has an emphasis on nominalism

as its ontology, anti-positivism as its epistemology, voluntarism as its view about human nature and ideographicism as its methodology. Nominalism as an ontological assumption does not assume a natural order in the world, as such, independent of the observers' perception and labelling. The universe is given meaning by the observer and that is what it is. Anti-positivism as an epistemological assumption assumes that knowledge equals the meanings which people give to the phenomena under investigation. This is because as Burrell and Morgan point out:

'The social world is essentially relativistic and can only be understood from the point of view of the individuals who are directly involved in the activities which are to be studied' (p. 5)

Voluntarism as an assumption about human nature maintains that man is a 'free agent' to change but also be changed by the universe of which he is part. Ideographicism as a methodological assumption assumes that to understand the meanings about the universe (which is knowledge in this school of thought) requires a process of intuitive reflection and an ability to expose such ascribed meanings.

Before turning to the 'nature of society' discriminator it is valuable to briefly comment on Morgan and Smircich's (1980) development of the above and why it will not be used in the following. Morgan and Smircich were concerned to bring some finer tuning on the bi-polar understanding of the nature of social science continuum. Instead of a two part classification they introduced a six part one and Table 2.1.2 presents some of the key assumptions of ontology, human nature and epistemology related to this development.

This will not be adopted in the following for two reasons. Firstly because although refinement is to be commended it is doubtful whether Morgan and Smircich's work actually achieves this. Much of the richness and variety in both the subjectivist and objectivist areas is only partially covered by the seemingly exhaustive six part classification. Thus until we

can see more clearly it is better to adopt a broad based approach (i.e. the bi-polar one) into which detail can be added rather than assume greater refinement than there is. Secondly there is good reason to believe* that the 'nature of social science' actually takes on a different form when the 'nature of society' continuum is added. Thus the nature of the epistemological approach, may well differ, when positioned similarly on the 'nature of social science' one but differently on the 'nature of society' one.** This reinforces again how our understanding of the refined elements of the objectivist and subjectivist orientations are, as yet, not fully developed. Not to acknowledge such uncertainty (i.e. by using the Morgan and Smircich framework) could actually be counterproductive in terms of further development. For these two reasons, therefore, the development by Morgan and Smircich although acknowledged will not be used.

Turning now to the 'nature of society' discriminator Burrell and Morgan also present this as a bi-polar continuum ranging from what they call the 'sociology of regulation' to the 'sociology of radical change'. Such distinctions are an adaptation of the 'order-conflict' debate in sociology particularly Dahrendorf's (1959) insights and directions in this.

The 'sociology of regulation' assumes a certain unity and cohesiveness and 'goodness' in society. Starting from such an assumption the purpose of any explanations are intended to reinforce and uncover the reasons for such an ordered actuality. Change is seen in terms of improving the 'need satisfaction' of the institutions in society on the grounds that such institutions are already basically 'good' but could be 'better'. In this sense the sociology of regulation is concerned with the nature and improvement of the

* which is demonstrated more fully in Sections 2.4 and 2.5

** Thus in Figure 2.1.2(3) we make a clear distinction between the positivism and anti-positivism and the ideographicism and nomotheticism when respectively combined with the 'regulation' and 'radical change' nature of society assumption.

'status quo'.

The 'sociology of radical change' assumes that present societal formations are not optimal and can be destroying rather than aiding man's development. Starting from such an assumption the purpose of any explanations are to uncover

'... deep seated structural conflict, modes of domination and structural contradiction'

(Burrell and Morgan, 1979, p. 17)

It's concern is not only with explanation but with radical change to overthrow limiting structures and replace them with new forms to allow man to be emancipated and to develop as a human being. In this sense the 'sociology of radical change' is concerned with questioning and probing the status quo and with bringing about alternatives where appropriate for the benefit of mankind.

Burrell and Morgan combine these two bi-polar discriminators together to form a four part classification scheme which is presented in Figures 2.1.2(2) and 2.1.2(3). This forms their 'extremely powerful tool' (p. xiii) for classifying social theory for as they point out:

'It is our contention that all social theorists can be located within the context of these four paradigms according to the metatheoretical assumptions reflected in their work'. (p. 24)

These four paradigms which combine different aspects of the discriminators ('nature of social science' and 'nature of society') take on their own unique character and it is helpful to briefly recount what this is. The functionalist paradigm is highly pragmatic, concerned to discover practical knowledge which can be put to use, usually problem oriented and is usually committed to social engineering as a basis for change. It emphasises order and stability and works towards a maintenance of this state by suitable marginal changes. The interpretive paradigm is concerned to understand the world as it is or rather as seen by those who are participating in the interpretation. The social world is not 'out there' it is an orderly stable

world created by subjective experiences and meanings which need to be understood in the context of everyday life. A concern for change is even less likely than in the functionalist paradigm, because order and stability are assumed to be present and anyway it all depends on whether people desire changes in the meanings they attach to phenomena. The radical humanist paradigm also maintains that the social world is only meaningful in the context of people's interpretation. However, it maintains that such meanings may be biased or restricted by existing social arrangements. The whole concern of this paradigm is to expose such underlying biases, change the meanings and the social arrangements which causes such 'false consciousness'. The radical structuralist paradigm also is concerned with radical change but not in terms of people's consciousness or meanings but in the real world (which exists apart from these interpretations) particularly with regard to the structural aspects. There is an assumed instability and domination in the real world particularly in the economic and political system which need to be fundamentally changed if man is to be fully emancipated and realise his full potential.

Burrell and Morgan then go on to show how these four paradigms explain and position all social theory constantly referring back in more detail to organisational theory in this paradigmatic context. The following Section briefly summarises Burrell and Morgan's view concerning organisation theory in the context of their paradigms and then relates this back to Scott's classification and the accounting schools of thought as in Section 2.1.1. This will then lead into and supply the context for the remaining sections of this Chapter.

2.1.3. Organisation Theory and Accounting Systems: Scott's Classification in the Context of Burrell and Morgan's Framework

Burrell and Morgan's analysis clearly views all present organisation theory as being situated in the 'functionalist' area or as they put it:

'... most organisation theorists, industrial sociologists, psychologists and industrial relations theorists approach their subject from within the bounds of the functionalist paradigm' (p. 28)

Whilst the majority of studies fall in this area there have been a few others which fall into the 'interpretive' segment but

'the paradigm has not generated much organisation theory as such' (p. 31/32)

and even less still in the two more 'radical' areas.

Thus an initial look at the contents of Burrell and Morgan's functionalist classification of organisation theory in the light of Scott's classification should indicate the areas which fit into other segments. Figure 2.1.3 presents such a synthesis. Burrell and Morgan isolate five* major schools of thought in organisation theory which are part of this functionalist paradigm. The objectivist and social system schools of thought are the most common in organisation theory but can be easily summarised as being:

'... dominated by abstracted empiricism' (p. 122)

This, of course, is typical of Scott's 'rational and natural closed' and 'rational open' quadrants the former being more aligned to 'objectivism' and the latter to both 'social system theory' and 'objectivism'. Burrell and Morgan's 'theories of bureaucratic dysfunctions' is based around particularly the work by Merton (1968) who was basically concerned to explain how socially deviant behaviour can be seen as a product of social structure. Or in other words the social structure which is intended to be furthering organisational goals may in fact hamper such achievement because it is mismatched to the people who make up the organisation causing them to be deviant. In relation to Scott's classification such a concern can be aligned with his 'ration open' or 'natural open' depending on the assumptions adopted in the actors analysed.

* Clearly one could take issue with Burrell and Morgan's views about organisation theory particularly as they seem to ignore large parts of that literature and rely somewhat heavily on sociological sources. However, there is enough scope and coverage in their analysis to demonstrate the points relevant to this Section and thus their classification will, with some misgivings, be adopted somewhat uncritically.

Burrell and Morgan's 'action frame of reference' and 'pluralism' are at the boundaries of the functionalist paradigm the former pushing into the interpretive segment and the latter into the radical structuralist segment.

The 'action frame of reference' as developed by Burrell and Morgan (based on the work of Silverman (1970) and Parsons (1951)) can really be seen as an extension of the 'theories of bureaucratic dysfunctions'. It is concerned to give credence to how individuals give different meanings to different phenomena (thus drawing on the insights of those more appropriately placed in the interpretive paradigm) but only in the context of furthering the functional concern of organisation efficiency and effectiveness. Or as Burrell and Morgan put it:

'Action theorists have used notions derived from the phenomenological perspective to shore up and support the functionalist point of view.' (p. 201)

Pluralism in an organisational context sees organisations as political systems where power over, and conflict between, individuals and groups dominate activities.

The organisation is viewed:

'... as a plurality of power holders who derive their influence from a plurality of sources'

(Burrell and Morgan, 1979, p. 203)

Pluralism however stops short of seeing such arrangements as dysfunctional and requiring change but rather looks towards devising a network:

'... of rules and regulations which allow this process to occur in an orderly fashion and without undue prejudice to the survival of the organisation as a whole'

(Burrell and Morgan, 1979, p. 204)

Both 'pluralism' and the 'action frame of reference' are at the extremes of the functionalist paradigm. Pluralism is not far away from the radical structuralist concern to overthrow power blocks. Likewise the action frame of reference is very close to the symbolic interactionism or phenomenological approaches of the interpretive paradigm. Given a slight change of emphasis away from the functionalist advantage for understanding meanings and these

would be situated in the adjacent quadrants.

These two schools of thought can be related most closely to Scott's 'natural open' classification. This also has the tendency to be both diverse and more exploratory of new approaches even though the tendency is towards the 'interpretive' paradigm rather than the 'radical structuralist' one.

Thus, despite some misgivings about both Burrell and Morgan and Scott's full comprehension of what constitutes organisation theory, the assertion by the former authors that it is dominated by functionalist thinking does appear to be valid. It is difficult to think of any major schools of thought in organisation theory to fit into the other paradigm of Burrell and Morgan's schema although there are clear signs of developments moving into the interpretive quadrant (cf. Weick, 1979).

Since all accounting schools of thought feature in Scott's classification and since this classification fits into basically Burrell and Morgan's functionalist paradigm then accounting is basically functionalist. Such a conclusion is clearly dependent on the validity of the above analysis. However, given the accuracy of this analysis we can now look at the schools of accounting thought building on Figure 2.1.1 in the context of Burrell and Morgan's understanding of organisation. This is attempted in the first two columns of Table 2.1.3.

As can be seen from this Table the majority of sub-schools of thought are most appropriately placed in Burrell and Morgan's 'objectivism' and 'social system theory'. Burrell and Morgan see little difference between 'objectivism' and 'social system theory' both to them are 'abstracted empiricism' attempting to make descriptive and prescriptive generalisations about some sort of abstract or general organisation. Only the three sub-schools of thought in the behavioural aspects of management accounting (MB 21, MB 31 and MB 41) can be seen as really breaking out of this traditional. MB 21 (impact of people on accounting system design) and MB 31 (impact of organisational aspects on accounting

systems design) are typical examples of Burrell and Morgan's 'theories of bureaucratic dysfunctions' dealing as they do with alternative models of man and organisations in the context of accounting system design, which are meant to complement, rather than contradict, such models - all for the good of organisational viability and development. Likewise the 'action frame of reference', 'pluralism' and movements into other paradigms are typical expressions of the work going on in MB 41 (impact of all aspects on accounting system design) whether in terms of deeper understanding (cf. Hopwood, 1978) or for change (cf. Cooper 1981, 1983) - the former moving towards the 'interpretive' and the latter towards the 'radical'.

Before discussing some of the limitations surrounding both 'functionalist' and 'interpretive' thinking* it is important to ascertain the accuracy of this classification by looking at a suitable cross section of studies in various accounting sub-schools. This will be done to ascertain basic assumptions behind these studies. This will demonstrate not only the consequent accuracy of their positioning in the above classification schema but also indicate how well these studies are working within the assumption set they have chosen. The next four sections of this Chapter are addressed to this concern.

The last two columns of Table 2.1.3 summarises the intention of these four sections in the context of Burrell and Morgan's classification and the accounting sub-schools relationship to such a schema. Section 2.2 looks at some of the studies which adopt 'agency theory' as a basic tenet (coded MQ 33/FC 2 from Table 2.1.1) particularly some of the studies in the 'emerging Rochester School of Accounting' (Jensen, 1976). This is intended to reflect some of the 'better' 'objectivist' thinking in accounting. Section 2.3 looks at

* which will be introduced in Section 2.6 and developed further in Chapter 3.

some of the studies which adopt a 'contingency theory' approach (MB 32) which are intended to reflect the 'social systems theory' in Burrell and Morgan's classification. The more 'subjective' studies from the sub-school: 'impact of organisational aspects on accounting system design' (MB 31) will be looked at in Section 2.4. Finally Section 2.5 will look at two somewhat diverse studies in accounting* from the 'impact of all aspects on accounting system design' sub-school .

As we indicated in Section 2.0 the contents of these four sections are introduced to satisfy a number of objectives. Firstly to supply a level of intimacy into studies which are intended to reflect the entire spectrum of current accounting knowledge, which was not possible through the rather limiting analytical framework adopted in Chapter 1. In other words it gives an opportunity for the spectrum of accounting knowledge to demonstrate what it is doing even if, as Chapter 1 has indicated, it is not concerned with the accounting system design cycle (i.e. the processes of describing, prescribing and changing accounting systems in enterprise contexts). Secondly it permits a slight digression to allow us to demonstrate how these studies reflect, however badly, the intentions and assumptions sets to which they apparently adhere.

* By Pettigrew (1973, 1979) and by those at the University of Bath (cf. Tomkins et al, 1980; Colville, 1981; Tomkins and Groves, 1983; Tomkins, 1983; Colville, 1983). The choice of these studies is because they respectively reflect a 'pluralism' and 'social action' emphasis.

2.2. OBJECTIVIST THINKING IN ACCOUNTING: THE EMERGING ROCHESTER SCHOOL OF ACCOUNTING

The 'Rochester School of Accounting (RSA hereafter), is built around the agency theory ideas* of two of their colleagues: Jensen and Meckling. Now agency theory, as already pointed out, is to do with the contractually related actions of two people (a principal and an agent) both of whom are assumed to be resourceful, evaluative, maximising men (REMMS) (Meckling, 1976).

Because agency theory is about the behaviour of contractually related individuals and small groups it is not therefore surprising that the RSA has a similar focus. The concern is with explaining the behaviour of accountants in the context of accounting thought and accounting system design rather than the latter more directly. Christenson (1983) calls this a 'meta problem' or a 'sociology of accounting' (p.5) as distinct from what he refers to as the 'primary problem' (i.e. the actual design of accounting systems).** So, for instance, Watts and Zimmerman (1978) looks at the behaviour of practising financial accountants and managers; Watts and Zimmerman (1979) with that of academic accountants; and Zimmerman (1979) with that of cost accountants but always in the context of accounting choice.***

Thus any explanation concerning accounting system design has to work through, and be part of, the agency theory framework with all of its assumptions about the nature of man and his contractual relationships. Simon's early

* Clearly Jensen and Meckling are not the originators of agency theory approaches per se but they took the idea into new realms of possibilities in their 1976 work.

** Christenson appears to view these two levels as unrelated which no doubt the RSA would strongly contend. The latter would view 'primary' being explained by an analysis of the 'meta' although this is a little difficult to sustain with regard to the 1979 Watts and Zimmerman study.

*** Whether to lobby on particular accounting standards (Watts and Zimmerman, 1978); whether to produce accounting ideas or not (Watts and Zimmerman, 1979); whether to allocate costs to departments or not (Zimmerman, 1979)

challenge (1955, 1957, 1959) to the universal view of economic man as a 'resourceful evaluative maximising' being remains unheeded and is explained away as a 'misinterpretation'. Jensen and Meckling (1976) put it like this:

'Unfortunately Simon's work has often been misinterpreted as a denial of maximising behaviour, and misused especially in the marketing and behavioural science literature. His later use of the term 'satisficing' (Simon, 1959) has undoubtedly contributed to this confusion because it suggests rejection of maximising behaviour rather than maximisation subject to costs of information and of decision making'

(footnote no. 3 p. 307)

Clearly 'satisficing' to Simon was not constrained maximising but a whole new 'model of man'. Jensen and Meckling along with the majority of economists do not want to accept alternatives to their model of man therefore they don't exist!* So sure is their conviction that Jensen and Meckling can with some confidence state:

'We retain the notion of maximising behaviour on the part of all individuals in the analysis to follow' (p. 307)

The doubts surrounding this model of man are clearly immense as we have indicated in Chapter 1 and in many ways it is possible to reject such an assumption and with it much of economic theory. However, even though this has been implied in Chapter 1 it is not the intention of this study to attempt this immense task. What will be attempted in this Section is to show through the studies by Watts and Zimmerman two important points: firstly the strong objectivist (in Burrell and Morgan's sense) orientation of these studies; secondly that even accepting the agency theory model (with its particular view of economic man) that the conclusions do not stand up to empirical test using the methodology to which they supposedly adhere.

* Undoubtedly they can get away with this because the concept is so 'loose' and can be shifted around or expanded to accommodate any challenge.

Looking at this methodology will, in fact, supply a key insight into the strongly objectivist approach of these theorists. Clearly the following can only give the briefest of introduction to this and needs to be seen in the context of the other summaries made by Christenson (1983) and Lowe, Puxty and Laughlin (1983) along with studies in the philosophy of science.

The RSA are basically concerned to produce:

'... a positive theory of accounting (which) will explain why accounting is what it is, why accountants do what they do, and what effects these phenomena have on people and resource utilisation' (Jensen, 1976, p. 13)

To achieve this very clear 'objectivist' aim they have attempted to adopt some form of natural science methodology or more overtly Friedman's (1953) interpretation of this. However, as will become apparent not only has Friedman misinterpreted what he actually believes in but also the RSA are not following Friedman anyway!*

Friedman overtly is a 'logical positivist'. Logical positivism is a belief (and little more now cf. Passmore (1967)) that propositions attempting to describe and portray reality actually do so in an objective true way. Friedman overlooks, of course that human agents and instruments intervene in this process and cause some bias in the system. As a result a logical positivist approach has long been dismissed as a viable claim or methodology and replaced by a number of less assured alternatives. Foremost amongst these, which has come out of logical positivism, is 'instrumentalism' which is actually what Friedman is practising and not logical positivism. Instrumentalism has a long history and is nicely compared and contrasted with positivism by Christenson (1983) in

* Such indeed is the methodological confusion of the RSA as Christenson (1983) and Lowe, Puxty and Laughlin (1983) and a number of others have indicated.

the following:

'Instrumentalism differs from strict positivism in admitting that theories, although they cannot be reduced to statements of "what is" are nevertheless needed in science. It claims, however, that their utility is only as instruments for prediction and not as descriptions of reality. Positivism and instrumentalism both agree that only observational propositions describe reality'. (p. 15)

Friedman is clearly an instrumentalist even though he may not think himself to be one for as he points out:

'... the only relevant test of the validity of a hypothesis is comparison of its predictions with experience'

(1953 pp. 8-9) (emphasis in the original)

To the instrumentalist there is no distinction between explanation and prediction. Explanation is 'nothing but prediction in reverse' (Christenson, 1983, p. 15) thus there is no distinction; predictive accuracy is all that matters and the so called 'explanatory' assumptions, upon which the model is based, are irrelevant.

The RSA however although wishing to link themselves to Friedman actually are not instrumentalists. They clearly see a distinction between prediction and explanation as the following indicates:

'This theory is intended to be a positive theory, that is, a theory capable of explaining the factors determining the extant accounting literature, predicting how research will change as the underlying factors change, and explaining the role of theories in the determination of accounting standards'. (Watts & Zimmerman, 1979, p. 274)

The methodological view called 'realism' is really what the RSA is working under. Realism makes a distinction between prediction and explanation and maintains that some theories are nothing more than predictions. Realism as Christenson (1983) point out:

'... holds, however, that for a theory to be considered explanatory, it must be more than an instrument for prediction. It must also be interpretable as a description of a deeper reality that underlies the surface reality of the phenomenal domain of occurrences' (p. 15/16)

Realism draws a sharp line between prediction and explanation and creates a number of acute problems when trying to relate the two especially in terms of validity criteria. Accurate predictions cannot be used to corroborate the 'explicans' in an explanatory hypothesis. This is precisely because of the differences in prediction and explanation, for as Popper (1972) points out:

'A true prediction may easily have been validly deduced from an explicans that is false'

(p. 353) (emphasis in the original)

However, predictions and explanations are related in a somewhat negative sense. If a prediction from an explanatory hypothesis is found to be false then the explicans will be false as well. Popper (1972) summarises this important point as follows:

'... a prediction can be used to corroborate a theory only if its comparison with observations might be regarded as a serious attempt at testing the explicans - a serious attempt at refuting it.'
(p. 353)

A 'serious attempt' is only possible if the explicans can be independently tested via predictions to discover which cannot be refuted at the moment and which need to be modified. But it needs to be repeated that even if the explicans can be tested independently and the predictions occur in every instance this still does not make the explicans 'valid'. It is not necessarily 'true' as such but rather unrefuted at the present time.

The above is a classical understanding of what is required if the desire is to adopt an 'objectivist' approach to social theory whether it be accounting, organisation theory or whatever. They are tough and difficult requirements to meet but the results are universal laws in the functionalist sense. These are the tenets to which the RSA supposedly adhere although as will become apparent they appear to be unaware of either the very difficult assumption base under which they are working or the relative underachievement of their studies. The following will touch on some of these problems.

Concentration will be placed on the two studies most pertinent to describing practices or rather the people who perform the practices. The studies are by Watts and Zimmerman (1978) on management practices in respect of lobbying on accounting standards and Zimmerman (1979) on cost accountants' practices with respect to allocating overheads. The other study by Watts and Zimmerman (1979) on the behaviour of accounting academics is ignored because it has similar problems to the other two and has already been criticised in depth by Lowe, Puxty and Laughlin (1983).

Watts and Zimmerman (1978) attempt to design a general model to explain why corporate management will or will not lobby regulatory bodies on particular standards. They test their general theory suitably interpreted with respect to the responses to the FASB's Discussion Memorandum on General Price Level Adjustment (GPLA) but their major concern is with the general model.

The building of the model starts with a steady reduction of causal variables. It begins with the all too familiar assumption which gives the major focus:

'... we assume that individuals act to maximise their own utility. In doing so, they are resourceful and innovative. The obvious implication of this assumption is that management lobbies on accounting standards based on its own self interest.'

(Watts and Zimmerman, 1978, p. 113)

This is conducive with both economic theory and, more particularly, agency theory which gives clear recognition that even though management is contractually bound as an agent to the shareholders this does not detract from the former's wealth maximising endeavours. Utility to Watts and Zimmerman is assumed to be:

'... a positive function of the expected compensation in future periods ... and a negative function of the dispersion of future compensation' (p. 114)

Compensation, to Watts and Zimmerman, has both pecuniary and non pecuniary elements but:

'Since it is unclear what role accounting standards play in the level of non pecuniary income we exclude it.' (p. 114)

Pecuniary compensation consists of:

'... wages, incentive compensation (cash, bonuses and stock or stock options)' (p. 114)

However, the study concentrates virtually exclusively on aspects of 'incentive compensation' and how this can be affected by lobbying or not lobbying on accounting standards.

The second stage of the explanatory model looks at the variables which indirectly and directly affect such incentive compensation. The indirect variables* are those which are affected by accounting standards and have an effect upon the cash flows of the enterprise and hence on incentive compensation. The direct variable** has a direct effect on such incentive compensation. These variables are juxtaposed around in relation to the cash flows and direct incentive compensation in the context of reporting income measures to come to some global conclusion (with an eye to empirical testing) which can be summarised as follows:

1. If the accounting standard could lead to a declaration of accounting earnings increase then there will either be no submission (if the firm is small) and an unfavourable submission (if the firm is large).
2. If the accounting standard could lead to a declaration of accounting earnings decrease then there will be an unfavourable submission (if the firm is small) no submission (if the firm is medium sized) and a favourable submission (if the firm is large).

* Four such variables are put forward namely i) taxes ii) regulatory procedures if the firm is regulated iii) political costs iv) information production costs. Where these come from and whether there are more is left to the readers imagination!

** There is only one which is management compensation plans.

The third stage involved testing the theory through predictions but not in the sense of trying to refute explicans but rather as a way of bolstering the standing of the explanatory theory. However as discussed above predictions can never confirm an explanatory theory even if they are 100% correct. But Watts and Zimmerman's predictions cannot be viewed in that way. One out of eight who were predicted to be against GPLA favoured it. Two out of eight who were predicted to be in favour of GPLA were against it, and a number of firms who should have favoured GPLA didn't even make a submission!

Popper would no doubt say that such predictions indicate a basic problem with the explanatory model. However it is difficult to see which explicans are incorrect because the predictions are not related directly and independently to any particular explicans. But such humility does not appear to be in Watts and Zimmerman's mind for they can boldly claim:

'We believe that the general findings in this paper, if confirmed by other studies have important implications for the setting of financial accounting standards in a mixed economy'. (p. 132)

But there are no 'general findings' given the strictures of scientific method to which Watts and Zimmerman apparently wish to adhere.

The study of Zimmerman (1979) starts with the important:

'... positive question of why firms persist in allocating costs in spite of the continued admonition by educators against doing so.' (p. 505)

This clearly is a valid empirical concern yet Zimmerman's solution to identify:

'... some plausible reasons why rational maximising individuals would want to allocate costs.' (p. 505)

is probably not the answer! Plausibility to Zimmerman rests on accounting adaptations of developments in modern economic theory which, of course, assumes that economic man is a 'rational maximising individual'. So the two 'plausible reasons' which Zimmerman puts forward naturally involve the empirical validity of the underlying model along with the specific suggestions.

The first 'plausible reason' comes, not surprisingly, out of an agency

theory framework. The basic argument is that fully allocating out costs to departments (agents) would be a form of monitoring and controlling the agents flexibility to 'overconsume' certain 'perquisites' in which, technically, he has the freedom and assumed tendency to indulge. Zimmerman puts forward a number of testable implications from this plausible reason e.g. cost allocations are more likely in situations where other monitoring costs are high. These are seen as a way to test the validity of the model in actual empirical situations. However, no evidence is presented to support or reject such predictions.

The second 'plausible reason' is based on economic modelling to discover:

'... under what conditions does applying an overhead charge to the production manager maximises the value of the firm?' (p. 516)

Through a careful and rigorous analysis Zimmerman shows when a centralised resource is 'best' allocated out as a notional overhead charge. Once again based on an agency theory framework the overhead charge is seen as a way to reduce over consumption by production managers (agents) of a common resource. Such an analysis is clearly very thorough logically but what of its empirical validity? - the major concern of Zimmerman it will be recalled. Zimmerman is in fact bold enough to put forward some testable implications e.g. cost allocations are more likely in situations where average service costs are increasing. However no evidence is presented.

The Zimmerman model therefore is nothing more than conjecture at the moment. He may attempt to test out his predictions in the future but even if confirmed in totality this will not necessarily support his model for the reasons discussed above.

In conclusion, the RSA claims a great deal but delivers little. It's basic problem is trying to be scientific and attempting to stay very close to economic theory. To be scientific, in the Popperian sense, is to arrive at general functionalist laws but is extremely difficult in the area under consideration. Likewise to be tied so closely to economic theory means that the methodological and empirical reality problems which are present in this discipline naturally

feature in any accounting adaptations of the base. Blaug (1976) puts the combined problem somewhat succinctly:

'Much empirical work in economics is like 'playing tennis with the net down': instead of attempting to refute testable predictions, economists spend much of their time showing that the real world bears out their predictions thus replacing falsification, which is difficult, with confirmation*, which is easy' (p. 173)

Unfortunately the RSA cannot even get the 'confirmation'* aspect right along with much economic theory.

The RSA therefore are a typical example of what Burrell and Morgan would call 'objectivists'. They are the most recent and judging by the citations of their work the most dominant in this basic area. However, as objectivists, as demonstrated, they are somewhat lacking in terms of their expression of their adopted assumption base.

* Blaug may be somewhat misleading here in his use of the word confirmation. Rigorous predictions need to be right 100% of the time for any 'confirmation' to occur. However if they occur this does not confirm the theory anyway (see discussion above). In fact, econometric methods can mystify and give illusions of confirmation in a way which is probably unhelpful and this has probably led Blaug to be somewhat 'loose' in his language.

2.3 SOCIAL SYSTEMS THEORY IN ACCOUNTING: THE CONTINGENCY THEORY

APPROACHES

Typical examples of social system theory thinking in accounting are those who adopt a contingency theory approach to accounting system design. The basic tenet of this school of thought is that there is no one 'best way' to organise an organisation, such design problem depends on a number of factors which are situation specific to the enterprise in question. In a like manner, therefore, accounting systems are not a mapping of an ideal but rather are an expression of a number of possible ideas in the context of alternative configurations of important contingent factors. Thus unlike the 'best way' of objectivist thinking which is a universal law the 'best way' in such social systems approaches is variable and depends on a number of contingent factors. Thus neither its methodology nor its conclusions are that clear cut - which isn't surprising in terms of its mid position in the functionalist paradigm being away from the more obvious objectivist concerns. However its dominant concern with appropriate design to further goal achievement in environmental contexts is very clearly functional.

Otley (1980, 1982) and Cooper (1981, 1983) have done a masterly job of summarising the studies in this area and the following will not emulate such a well performed task. Instead three studies* which, in this author's opinion, symbolises this field of study will be looked at to demonstrate the functional centrality of these studies and how well they perform their allotted task given the assumption set they are working under.

* By Waterhouse and Tiessen (1978), Lowe and Tinker (1976) and Hayes (1977)

An interesting example of a study which adopts somewhat unquestionably the insights of organisation theory is the one by Waterhouse and Tiessen (1978) (WT hereafter).^{*} Based on the work in organisation theory WT can confidently start by stating that such work:

'... has demonstrated that technology and environment are important variables in understanding the structure and activity of complex organisations'. (p. 66)

WT then give meaning to these variables from other parts of the organisation theory literature^{**} and then applies this to determine structural matters such as the make up and functional nature of organisational sub-units. Such organisational sub-units with their functional responsibilities clearly need control mechanisms of which accounting systems are part. Thus the design of these accounting systems is contingent on the design of the control system which is contingent on the function of the organisation sub-unit which is contingent on the structural arrangements which is contingent on the technology and environment of the enterprise in question.

The logic is clear and the accounting system is grounded in an organisation context yet the empirical accuracy is open to question. The accuracy is not only dependent on the validity of contingency theory but also the adaptations of this into the accounting context. With respect to the former WT touch on some of the problems but do not take them seriously and offer no empirical test as to the latter. However, the functional concern and obvious underpinning is clearly very apparent in this study.

* One has to wait until the conclusion of WT's paper to get any feel at all of any uncertainty in this set of literature upon which they heavily rely. Even then such issues are somewhat casually brushed aside. Equally the more recent work by these two authors (Tiessen and Waterhouse, 1983) which adopts unhesitatingly agency theory and transaction cost theory into their contingency framework seems to suggest some reasonably consistent uncritical behaviour!

** Primarily Perrow (1967) for technology and Duncan (1972) for environment.

The study by Lowe and Tinker (1976)* is a very untypical example of studies which can be classified (just) as a contingency approach. It is untypical because although using much of the literature on organisational theory allied to the contingency approach it also goes beyond such work into the deeper and underlying systems and cybernetics foundations. In this sense it is much more of a truly social systems study.

The study's basic concern is to build a model of what could be called an 'effective enterprise system' which will include and give direction to the design of the accounting information system. The model is built around the 'architectural design' of Ashby's (1956) law of requisite variety and an adaptation and development of Simon et al's (1954) understanding of the different uses of accounting information, in the context of this design.

Organisational performance (O)** in systems theory is a function of the elements we can 'significantly influence' (N) and those that we cannot (M). The usual view is that a particular level of (O) can be achieved by predicting (M) and 'fixing' (N). However, disturbances occur in (M) which require changes in (N) if the desired level of (O) is to be achieved. Ashby's law of requisite variety generalises this relationship in terms of degrees of variety in (M) and (N) in relation to (O). In general it is saying that there must at least be as much variety in (N) as there is in (M) if (O) is to be unaffected. This will allow the variety in (N) to match the variety in (M) and prevent any disturbances in the pursuit of achievement of (O).

Such a law clearly has implications for the design of control systems of which accounting systems are part. Lowe and Tinker develop this by following

* This was based primarily on Tinker's Ph.D work (1975)

** Using the variable abbreviations as in Lowe and Tinker (1976).

Simon et al (1954) highlighting when 'problem solving' and 'monitoring' information would be most appropriate. The conclusion being that problem solving information is needed for high variety control systems to match high environmental variety and achieve high performance. Whereas monitoring information is needed for low variety control systems to match low environmental variety and achieve high performance. Any other matching would have an effect on performance.

The empirical model of Lowe and Tinker was not only to test this general model in the context of performance measures but also to explore the reasons as to what causes adaptiveness (variety) and why certain information is used.

This study is undoubtedly a very well executed functionalist piece of work. It is clearly functionalist since it sees organisations existing and basically 'good' but requiring some modification of the organisational system so that greater 'good' can be achieved i.e. higher levels of performance. To understand, using functionalist causal modeling, helps to appreciate the areas which need changing if such a 'better' state is to be realised.

The study by Hayes (1977) is another interesting but somewhat typical contingency theory/social systems theory approach in accounting. It is interesting because it attempts to be empirical (in the context of a formal model) to capture managers' of organisation sub-units basic beliefs about important contingent variables which they believe have a marked effect on performance. It is typical, however, because of its heavy use of functionalist tools (i.e. complex statistical techniques particular factor analysis).

His formal model specifies three contingent variables: sub-unit interdependence, environmental relationships and factors internal to the sub-unit of interest. He then postulates three possible 'configurations of importance' for three departments (production, research and development and marketing) and then goes out to test such propositions using structured

questionnaires* and factor analysis calling for participants to define their own criteria of performance.**

According to Hayes his analysis supported his original propositions. However, in a valuable interchange of comments (Tiessen and Waterhouse, 1978; Hayes, 1978) some of the real problems involved in making any sensible conclusions using the statistical approach adopted became more overt. At various points in Hayes' reply such doubts are very apparent:

'But it should be recognised that such difficulties as are indicated are a frequent problem in survey research not unique to this study Shades of grey dominate the area, not the extremes of right or wrong or black or white' (p. 532)

Hayes is realistic enough to know the limitations of this heavy statistical approach to real understanding and has, in fact 'moved on' to much more subjective endeavours as will become apparent in Section 2.4.

The above examples therefore are typical of the social systems theory thinking in accounting. Hopefully enough has been said to indicate the very real functionalist concern which dominates these studies. Given that this is no bad thing if one adopts a functionalist approach then the final question to face is how well are they performing their task given the assumption base they are working under.

The first important point to note in contingency theory approaches more generally, and certainly in the studies looked at above, is that all have a strong prescriptive bias to them***. This and other points are perceptively

* The use of structured questionnaires is typical of functionalist thinking since it is assumed that there is enough order and uniformity in the world and that differences in 'meanings' of terms used are a problem but not a fundamental difficulty.

** Much to the consternation of Hayes' critics - see Tiessen and Waterhouse (1978).

*** Even the less obvious prescriptive studies e.g. Hayes (1977) cannot avoid prescriptive generalisations because the whole contingency approach leads naturally into such concerns.

brought out by Cooper (1981, 1983) building on the critical analyses by organisation theorists (cf. Child 1977; Wood, 1979; Schreyogg, 1980; Schoonhoven, 1981.)

Whether they are 'good' prescriptions depends on some sort of moral and empirical arguments. The former in this functionalist paradigm is resolved by demonstrating the need for the development in terms of greater need satisfaction or increased organisational effectiveness. It is, in fact, the dubiousness of this relationship which has caused many of the above critics to turn against contingency approaches. The latter argument has been seen, in the context of this study, in terms of the necessity for prescriptions being able to be actually applied admittedly through change processes however complicated and far reaching. Such prescriptions therefore must be based on accurate initial descriptions - without them prescriptions are mere fanciful dreams.* It is this inability to apply contingency theory approaches because of poor descriptions in the first place which dominates criticism in the literature** Cooper (1983) puts the matter succinctly:

'The recognition of multiple (and conflicting) environmental demands, the doubted linearity of environmental characteristics and the choices that are possible for managers, are all fundamental problems for designers of organisations (and their information systems) who attempt to utilise contingency theory. Most fundamentally by providing management with a rationale for action, that is by offering the excuse that organisational changes are technically (environmentally) essential, contingency theory mystifies the values that are inherent in any organisational change'. (p. 279)

* Not that dreams are a bad thing as long as they are coupled with mechanisms for change. Martin Luther King was famous for his saying 'I have a dream' but he was also famous for his thorough understanding of situations and change strategies in the context of such understanding - his dreams were empirically related therefore.

** It should be pointed out that this global criticism does not necessarily apply to the study by Lowe and Tinker (1976) which is not normally considered to be a contingency theory approach as such. It may be exempt as well because of its roots in cybernetics which claims to be a universal understanding of the actions of animate and inanimate beings in a complex changing world.

Cooper's last 'most fundamental' point in different guises is a common problem to most if not all prescriptions which have an intention of being applied but are based on an inadequate understanding of why things are as they are. The problem is that if no attempt is made to actually apply the good ideas the barrenness of the description is never brought to the surface. Exposing barrenness is a painful process since it must bring into question the whole assumption set under which one is working. This could be why even marginal change (and that is all that is to be entertained under functionalist thinking) is so visible by its absence in accounting thought.

2.4 THEORIES OF BUREAUCRATIC DYSFUNCTIONS: ACCOUNTING IN ORGANISED

ANARCHIES

It will be recalled that 'theories of bureaucratic dysfunctions' to Burrell and Morgan revolve around two important insights. Firstly the recognition that models of 'organisation man' do not 'fit' every organisational framework which can lead to 'deviant' behaviour. Secondly that to survive and grow as an organisation requires a matching of framework to the nature of the organisational participants. Such 'theories' are undoubtedly part of the functionalist paradigm yet they are a step away from the more objectivist and social systems approaches and lean more towards the 'interpretive' and 'meaning' concerns of action theory, symbolic interactionism and the like. They are neither one thing nor the other but hold an uncomfortable and unsure central position in the paradigm.

This clearly makes a comprehensive analysis of which studies in organisation theory and accounting 'fit' such a classification somewhat complex. The middle ground may in fact not even exist given more refinement in defining the boundaries of adjacent schools. Certainly such doubts surround this particular middle ground. However, there is a possible* example in organisation theory which has been adopted and adapted into an accounting context which does fit such an anomalous classification - the 'garbage can' and 'technology of foolishness' model of decision processes as seen particularly in the collective**

* It is only 'possible' because certainly this example was not mentioned by Burrell and Morgan. However, Burrell and Morgan built this classified type particularly around the work of Merton which may be a rather narrow base on which to build. But given some careful thought it is possible to see a more general ethos in this work which could fit other schools of thought of which the one being discussed is a typical example.

** Building on particularly the earlier works of March, Olsen and Cohen

works of March and Olsen (1976) and adapted in accounting by Cooper, Hayes and Wolf (1981).

The following therefore will concentrate on Cooper et al's work as a typical and certainly the best example of this middle ground position in the functionalist paradigm. As in the previous sections we are not attempting to be exhaustive in terms of the studies which can be rightly classified in this way. We are rather looking at typical examples to demonstrate and justify their positioning in Burrell and Morgan's models and also to see how well they are expressing the assumptions to which they supposedly adhere.

The 'garbage can' model of organisational decision making maintains that choices are fundamentally ambiguous. Or as March and Olsen (1976) put it:

'A choice situation is a meeting place for issues and feelings looking for decision situations in which they may be aired, solutions looking for issues to which there may be an answer, and participants looking for problems and pleasure' (p. 25)

Thus the meaning of choice changes over time, choice is not always intentional nor always rational but is dependent on the particular context and meaning by the participants in the choice situation.

Such 'disorder' in the choice situation leans heavily towards the subjectivist view of the world yet March and Olsen create some crude level of order by suggesting that a decision:

'... is an outcome or an interpretation of several relatively independent "streams" within an organisation' (p. 26)

They then 'limit' their attention to four such streams although no real reason for this limitation is given. These four streams therefore become the focus of attention and the 'fortuitous confluence' of these in any context becomes the order which explains why particular choices occur. These four

streams are 'problems', 'solutions', 'participants' and 'choice opportunities'.

Such a model creates a partial uncoupling of problems and choices. Previous models of human choice have assumed that decisions are made to solve problems and March and Olsen's work casts doubt on this model. It all depends to March and Olsen on whether the fortuitous confluence of the four streams of 'garbage' in a particular choice situation comes up with 'problems' first. There is no guarantee that this will occur in all and every case.

Much, if not most, of March and Olsen's work is concerned with refining and creating greater order in this general model. They do this by attempting to model the structural processes which lead to the timing of arrival of the various streams, the expected energy to be expended on and importance of the decisions and the linkages between the streams.

The result of this extensive modelling and testing allows March and Olsen to make some general conclusions, one of which concerns the types of decisions which come from this garbage can process. These types of decisions are three mutually exclusive and comprehensive processes with regard to any one particular choice situation. The three different processes are by oversight, by flight and by resolution. March and Olsen describe these three processes as follows:

'By oversight. If a choice is activated when problems are attached to other choices and if there is energy available to make the new choice quickly, it will be made without any attention to existing problems and with minimum of time and energy.

By flight. In some cases, choices are associated with problems (unsuccessfully) for some time until a choice "more attractive" to the problems comes along. The problems leave the choice, and thereby make it possible to make the decision. The decision resolves no problem (they having now attached themselves to a new choice).

By resolution. Some choices resolve problems after some period of working on them. The length of time may vary greatly (depending on the number of problems). This is the familiar case that is implicit in most discussions of choice within organisations.' (p. 33)

Thus even though the choice situations in organisations is ambiguous it has a certain assumed order to it. Cooper et al (1981) summarises the first part of this very neatly:

'The essence of such a depiction of organisational choice is ambiguity with respect to goals, uncertainty concerning technology and structure, and fluidity of participation' (p. 177)

Yet neither Marsh and Olsen nor Cooper et al seem to question whether the creation of generalised order in such a situation is either possible or appropriate. They lean towards subjectivism in the Burrell and Morgan sense and then move back towards a more objectivist approach which sees the world as out there with its own order and coherence even if, on the surface, disorder and differences are apparent. Combine this with a basic lack of concern for radical change in the organisations being described and we have clear functionalist thinking in the 'middle ground' of this paradigm.

The addition of the second wing of this approach - the seemingly prescriptive 'technology of foolishness' - also reinforces this positioning. It is difficult to know whether, in fact, this technology is descriptive or prescriptive. However, it seems to be more the latter rather than the former. The approach seems to be that given the garbage can model and such ambiguity in choice situations what can we do to choice processes which can encourage 'non pathological' organisational behaviour? Certainly this is how Cooper et al would see this 'technology of foolishness' in their introductory paragraph before describing this approach. For as they say:

'In the presence of ambiguity, the issue of how action can be effected is critical, for without such consideration this depiction of organisation is pathological: undertaking sensible or intelligent action in the absence of well defined goals becomes problematic' (p. 178)

The 'technology of foolishness' is the 'sensible' and 'intelligent' design of choice processes for maximum effectiveness in garbage can models and this of course has strong prescriptive intentions. If true it also shows how the ethos of the Burrell and Morgan's 'theories of bureaucratic dysfunctions' is

clearly portrayed in this approach and how it is appropriately positioned in the middle ground of the functionalist paradigm.

March's* (1971, 1978) "Technology of Foolishness" has two major elements to it. Firstly it suggests a re-examination of the prohibitions in the more traditional theory of choice against imitation, coercion and rationalisation. Imitation is where the decision maker seeks support for his intended action by looking to past actions or possible future prohibitions and imitates and interprets what he sees in such current choice problems. Coercion is a form of 'organised power' to ensure that those things which should get done are done. Rationalisation is a process of explaining ex post why particular actions occurred. It is often associated with an explication and understanding of goals which were not clear at the time action occurred (cf. Weick 1979; March, 1978). The second element in the "Technology of Foolishness" is to encourage playfulness and an abandonment of consistency in the choice process. To March (1971) this has five major elements to it. Firstly it requires treating goals as hypotheses, rather than something which are certain and must be achieved. Secondly it requires treating intuition as real and important in the choice process and not a thing to be discouraged. Thirdly it requires treating hypocrisy as transitory. Hypocrisy is taken to be discrepancies between actions and stated goals which can, if not quashed, hold up initial action which will, in the end, give the real goals and remove the apparent inconsistencies. Fourthly it requires treating memory as an enemy to essentially

* March is normally associated with this technology although as expected the ideas feature in the collective work of March and Olsen (particularly Chapter 5)

discourage imitation of more standard approaches.* Fifthly it requires treating experience as a theory constantly updating and modifying what is known, as and when new things become apparent.

Given that there is some confusion as to whether this 'technology' is a description of what happens or a prescription of what should happen in a 'garbage can' model of organisational choice it is not surprising to see such confusion transferred into studies which use these insights somewhat uncritically. The accounting interpretation by Cooper et al unfortunately contains such tensions and confusions. The way Cooper et al resolve such problems is to use, in the main, March's first element as a basis for understanding accounting systems as they are and his second element as a basis for making prescriptions about future designs of accounting systems.

Therefore in terms of description Cooper et al see accounting systems containing rationalisation, imitative and coercive elements. On the matter of rationalisation:

'The budget process may be interpreted as a means for justifying past actions and making them appear sensible to both the actor and others Systems of cost accumulation and financial reporting may also help to create an organisational history and resolve uncertainty about the past' (p. 181)

Likewise Cooper et al see imitative and coercive elements in accounting system design:

'Accounting systems encourage imitation and coercion by defining the problematic (by choosing which variables are measured and reported) and they help to fashion solutions (by choosing which variables are treated as controllable)' (p. 182)

This then leads into even higher levels of generalisation to suggest that accounting systems in practice can be seen as a form of language and legitimation.

* Clearly there is some inconsistency in March's work here since on the one hand he is encouraging imitation (in the first element of this technology) and on the other he is discouraging it.

Undoubtedly these are new and interesting insights but are they 'accurate' descriptive generalisations? Accuracy depends on the assumptions about the nature of social science and in this case, since generalisations distinct from the meanings of participants are sought and assumed possible, objectivist rationale is clearly more appropriate. Yet none of this methodology is mentioned and the evidence put forward is an adaptation of other peoples' findings which in turn may have their own methodological problems. It does seem therefore, when one combines this with doubts surrounding the descriptive nature of March's original insights, that a lot more tighter work is necessary before these insights can claim to be accurate generalisations* in quite the way Cooper et al consider them to be.

Cooper et al are also concerned to make prescriptions on the basis of the insights from the 'technology of foolishness' particularly on the second element of March's model on playfulness in the decision process. The sociology of regulation with objectivist leanings (i.e. functionalist concerns) comes out most clearly here for as Cooper et al point out:

'... the implication is that playful, creative and experimental behaviour will help anarchic organisations adapt and survive in their ambiguous and rapidly changing environment' (p. 185)

Thus the concern is for marginal change so that existing organisations, as presently situated with all their garbage can attributes, can survive and presumably prosper.

Cooper et al's two prescriptions are as follows. Firstly, to design accounting systems with a reduction in the emphasis on performance evaluation and so facilitate a feeling of commitment and satisfaction by the participants.

* It needs to be repeated again that one is talking about accurate generalisations according to objectivist assumptions and not absolutely accurate generalisations.

Secondly to design accounting systems in such a way as to facilitate creativity, innovation and experimentation. Now as we pointed out in the Section on 'social systems theory' approaches prescriptions are 'good' in the functionalist sense if they increase the viability of the organisation and if such changes can be applied in actual situations. Cooper et al are honest enough to be explicitly concerned about the former matter in connection with their prescriptions:

'On the other hand, as we have argued in earlier sections of this paper, an important role of budgetary systems (and accounting systems) is that of providing constancy in organisations: controlling options available and providing a basis for the rationalisations of action. Such a stabilising force is important, yet the impact of play within the process may lead to organisational instability'... (p. 187)

Such a realisation also raises the very real problem of trying to apply such possibly dubious 'good' ideas. If as Cooper et al point out 'providing constancy' is the function of accounting systems in practice then to make these systems into 'playful' phenomena or 'semi-confusing' (Hedberg and Jönsson, 1978) will require some quite complicated change structures which have not as yet been either faced or thought about. Then there is the nagging doubts that not all accounting systems either can be changed in the same way or fit such a general descriptive model anyway.

2.5 ACCOUNTING STUDIES REFLECTING PLURALISM, SOCIAL ACTION THEORY AND BEYOND

According to Burrell and Morgan, as we discussed above, pluralism and social action theory are organisation theory alternatives at the very boundaries of the functionalist paradigm pushing 'upwards' (to the radical structuralist paradigm) and 'sideways' (to the interpretive paradigm) respectively. This Section looks at two accounting studies which appear to reflect this classification with their tendencies 'upwards' and 'sideways'.

These two studies are, as in other sections of this Chapter, not meant to be an exhaustive summary of work which could be classified in the way suggested. The studies are symptomatic and typical and are introduced, as in the previous sections, to demonstrate why they can be classified as suggested, what such approaches look like, how they compare with others in different positions and to see how well they are working under the assumptions to which they supposedly adhere.

2.5.1 Pluralistic Approaches in Organisation Theory and Accounting

The most apparent pluralistic approach in organisation theory with apparent accounting implications is the study by Pettigrew (1973). Pettigrew, building on views of Burns (1961) and Long (1962), sees organisations as political systems and organisational decision making in terms of and expressing power and conflict between actors. He criticises the organisational insights from March and Simon (1958) and Cyert and March (1963) (and presumably March and Olsen (1976)) for either their failure to mention political issues or, where mentioned, their inability to clarify issues involved. Pettigrew's analysis however:

'... seeks to complement existing work by exploring the nature of the 'political' in the context of an innovative decision process' (p. 30)

Pettigrew's study concentrates on this one area of decisions because of its very obvious political overtones:

'One of the major hypotheses of this study is that such political behaviour is likely to be a special feature of large scale innovation decisions ... new political action is released and ultimately the existing distribution of power is endangered' (Pettigrew, 1973, p. 20/21)

However, he is at pains to stress the generality of his findings despite the limitation of, and criticism which could be levelled at him for, concentrating on one research site and one major decision. Or as Pettigrew puts it:

'This research has tried to put forward a conception of decision making as a political process. Many of the theoretical insights are contextually bound in the sense that they are most applicable to large scale innovative decisions and, in particular, to those involving a decision unit composed of an executive leadership system and a differentiated innovative system. This is not a severe limitation. The interface between executives and specialists would seem to be a general problem' (p. 273)

The innovation decision which Pettigrew explored was concerned with the purchase of a major computer installation by a Midlands based clothing and furniture company. The study concentrates on the dynamics of the prime actors and their actions over primarily a two year cycle preceding the final decision.

Before looking at some of the results of his study, particularly the aspects concerning the use of information, it is important to appreciate the definitional and methodological underpinnings of Pettigrew's work. Pettigrew had a clear understanding of what he was looking for (the political dimension) and how he was going to approach this discovery (his methodology) and the following will explore what these were.

The political dimension in decision processes is discussed in the context of, and with reference to, authority and power but more specifically the latter. In fact, power is seen as dominant very largely because authority is seen as a special expression of this phenomena. Pettigrew's conception of power is

built up around Dahl's (1957, 1961, 1968) understanding* in terms of demands made, support given and intermediary processes which lead to both, particularly the latter. Or as Pettigrew puts it:

'First it would involve tracing out the generation of demands in the decision process... The second political component requires an analysis of the mobilisation of support for the demands ... Such a process of mobilisation is founded not only on the possession and control of system - relevant resources but also on skillful use of them'
(Pettigrew, 1973, p. 229/230)

Thus Pettigrew was concerned to understand 'demands' and what factors lead to 'support' by significant actors and this to him constituted the important political dimension.

Pettigrew's methodological choice was made on epistemological necessity:

'An underlying theme is that theories of organisational decision-making, power, and conflict require a processual form. Operationalising such concepts necessitates a longitudinal research design. It was felt that participant observation, interviewing and the content analysis of documents would meet the basic theoretical requirements of the study as well as the methodological aim of validation through convergence**' (p. 55)

Such a methodological approach involved active participant observation and a historical interpretive analysis.***

* Dahl maintained that power is a property of social relationships not an attribute of the actor. i.e. A has power over B to the extent that he can get B to do something that B would not otherwise do.

** Convergence involved the hope of common insights from 'multiple data sources, multiple observers and multiple levels of analysis.' (p. 53)

*** A model, which Pettigrew (1979) has repeated in his more recent work on 'organisational cultures'.

The former involved two years of detailed observation and investigation while the decision problem was being faced and fought over. The latter attempted to build a historical model of the ten years previous to this two year study to give a context for the latter debate. Despite Pettigrew's careful concern about the validity of this historical survey it was inevitably selective and partial concentrating on the 'history of computer activities' in the firm in question and the more general rise of a new 'occupational group called systems analysts.'

This then gives an admittedly brief, but hopefully accurate, understanding of Pettigrew's work. We now need to be looking at this in the context of Burrell and Morgan's framework. *However, before doing this it is clearly important to briefly comment on his conclusions and their relevance to information and particularly accounting information. The two are related for as Pettigrew concludes:*

'Control over information was a critical resource used by Kenny* for mobilising power for his demands. Because he sat at the junction of the communication channels between his superordinates, the manufacturers, and the board he was able to exert biases in favour of his own demands and at the same time feed the board negative information about the demands of his opponents.'
(p. 275)

Undoubtedly Pettigrew was not talking explicitly about accounting information but it could be, and often has been, seen in such a context. In fact the very point of putting such a study in the context of this Chapter is because of its accounting information implications. However, it still needs to be made plain that Pettigrew is not an accountant and was not referring specifically to accounting information in his dominant conclusion.

We now need to look at Pettigrew's work in the context of Burrell and Morgan's framework. Firstly the study seems to concentrate more on 'order'

* Kenny was the head of the Management Services Department and one of the prime actors in the computer decision.

than 'change' i.e. more the 'sociology of regulation' than 'sociology of radical change'. The study concentrates on an important, possibly, dysfunctional element in organisations but makes no reference to, or seems concerned about, such possible dysfunctionality. Power is seen as nothing more than an important causal element in organisational decision making and needs to be exposed rather than criticised. Secondly although there is a tendency towards the subjectivist view of social science the study has strongly objectivist inclinations. The concept of power as defined by the researcher's conceptual model, the assumption that this phenomena exists as an observable 'thing' and the apparent concern to generalise, all point towards objectivist thinking in the Burrell and Morgan sense.

However, neither of these tendencies are that clear cut and obvious. Thus it does seem appropriate to position this study in the upper middle ground* of the functionalist paradigm which is where Burrell and Morgan have, of course, positioned 'pluralism'. Thus it can be concluded that such a study is an example, with accounting implications, of pluralistic thinking.

Turning now to commenting on how well the study is working under the assumption to which it supposedly adheres it is difficult to make any obvious judgements. The rules which come from the assumptions in this 'upper middle ground' position of the functionalist paradigm are not altogether obvious.

However there are two interesting interconnected points along with an anomalous one to note when comparing this accounting pluralistic approach to the accounting in organised anarchies approach discussed in Section 2.4 which essentially is in the same middle ground but not near the upper

* It is upper middle rather than middle since the very choice of the subject matter (power) is implicitly critical even though not stated explicitly. It is also the dominant theme of the radical structuralist paradigm which, like it or not, it has a tendency towards.

boundary of the paradigm. Firstly there does appear to be a reduction in the necessity to generalise about findings in Pettigrew's study as compared with Cooper et al's work. Secondly and connected with this there is a willingness and seeming necessity in Pettigrew's work to get involved in longitudinal work in one organisation rather than the more cross sectional concerns of March and Olsen and presumably Cooper et al. The somewhat anomalous third point is to note that Cooper et al have a greater tendency to make general prescriptions for their general model of accounting systems in their universal organisation than Pettigrew. It is anomalous since, on the surface, Pettigrew's study should have a greater tendency towards prescription given the positioning in the paradigm (i.e. moving towards radical structuralism with its sociology of radical change element) and given the presumably easier task of changing one organisational rather than the generalised all.

These differences may or may not be more apparent than real and could be explained by the bias in the selection process of the studies looked at. However if they are real differences then they show the interacting effects of the two continuums i.e. studies with varying views about the nature of society but with similar views about the nature of social science may have, in fact, different approaches to the latter. It is for this, and other, reasons the more sophisticated discriminator on the nature of social science as suggested by Morgan and Smircich (1980) was not adopted and used in the design of this Chapter (see Section 2.1).

2.5.2 Social Action Theory Approaches in Organisation Theory and Accounting

The studies to be looked at which appear to fall under this heading are by Tomkins (1982) and Colville (1982). These studies are highly interconnected dealing with accounting systems in a social services department and police force under the jurisdiction of the same Treasurer in the same County Council.

They also have the great advantage as distinct from the majority of studies looked at in previous sections of making plain the assumption set under which they are working. Such an assumption set is contained explicitly in Colville (1981) and can be implied from Tomkins and Groves (1983). Therefore, before looking at some of the detail of these actual accounting studies it is helpful to look at these statements concerning assumptions and relate these back to Burrell and Morgan's framework.

The empirical work of Tomkins and Colville is grounded in, and works under, the assumptions of 'symbolic interactionism' particularly as exemplified by H.G. Blumer. As Meltzer, Petras and Reynolds (1975) point out there are basically two major schools of thought in symbolic interactionism which they describe as the 'Chicago' and Iowa' schools respectively. These titles refer to studies and students at these respective university institutions and particularly the two 'father' figures: H.G. Blumer and M.H. Kuhn. Although both are symbolic interactionists and can be traced back to common roots from the ideas of particularly G.H. Mead and more fundamentally German idealism (see Chapter 3) they differ in important ways, as Meltzer et al point out:

'Although both Blumer and Kuhn claim to be interested in what goes on 'inside the heads' of humans, their approaches to this subject matter differ significantly. Blumer's advocacy of a special methodology lays heavy stress upon the need for insightfully 'feeling one's ways inside the experience of the actor' ... Kuhn sought to 'empiricise' Mead's ideas, reconceptualising or abandoning those he deemed 'non empirical' and developing observational techniques that were consistent with this aim. His writings repeatedly sounded the call for methods that would meet the 'usual scientific criteria' (p. 57/58)

Thus Kuhn is more 'objectivist' in the Burrell and Morgan sense and Blumer is more 'subjectivist'. Symbolic interactionism does seem to 'straddle' the divide between the paradigms as Tomkins and Groves (1983, p.369) suggest. Thus although Burrell and Morgan make a distinction between social action theory and symbolic interactionism - the former positioned in the functionalist paradigm and the latter in the interpretive paradigm - it is probably more correct to see part of the latter contained in the former thus allowing this

basic approach to 'straddle' these paradigms.

Tomkins and Colville basically adopt a Chicago School approach to symbolic interactionism in their studies. Colville (1981) basing his insights on the seminal work by Blumer (1969) sees the basic premises of this approach as follows:

'Firstly it is asserted that human beings act towards things on the basis of the meanings that things have for them. Secondly because the world is experienced intersubjectively, symbolic interactionism further asserts that the meaning which individuals attach to things are themselves a product of social interaction in human society. Thirdly, these meanings are modified and handled through an interpretive process that is used by each individual in dealing with the signs he/she encounters. This leads not only to shared definitions of reality but to reciprocal definitions' (p. 124)

Thus, reality is a function of the meanings that people attach to phenomena and, action is related to, and in the context of, such meanings. However such subjective meanings can be shared because of the social interaction process which allows and encourages a convergence of views.

The research which is conducted using this basic approach must therefore be 'grounded' (cf Glaser and Strauss, 1967) in specific situations looking for the shared meanings in that situation rather than looking particularly for global generalisations. Or as Tomkins and Groves (1983) put it:

'In such research one must, therefore, commence from specific real world situations; the main intention is to answer the question 'what is going on here' not (with the exception of the Iowa approach) to provide generalisable conclusions for wide segments of society. If individual definitions of situations and responses do prove to be widespread across locations and time, then general formal theories may be formulated'

(p. 370) (emphasis in the original)

This is an important and marked change in emphasis from other studies looked at in this Chapter. Generalisations are very clearly secondary and even unimportant to those working under symbolic interactionist approaches in the Blumer sense.

This is a clear indication of the shift from objectivist to subjectivist thinking

but not too far away as to deny that any generalisations are possible or desirable.

Symbolic interactionism acknowledges the possibility of change but this is always set in the context of developing alternative 'meanings'. The very idea of social interaction which formulates meanings ensures that these can change. In addition the approach can expose and suggest alternative, deeper meanings to the interacting parties in the hope of bringing about changes in shared meanings.* However, as an approach it is not primarily concerned with developing new 'physical' phenomena around which new shared meanings can congregate; the concept of change, therefore, is restricted to developing the 'real'** meanings (with all the 'macro-factors' (Tomkins and Groves (1983) p. 370) laid bare) behind 'existing' phenomena.

In sum taking all these points together symbolic interactionism, in the Blumer sense, and since Tomkins and Colville are working under this approach they too, can be positioned on the far right hand side of the interpretive paradigm in the Burrell and Morgan framework. This is, of course, where Burrell and Morgan put this school of thought anyway.

The studies by Tomkins (1982) and Colville (1982) look towards uncovering and comparing what are the shared meanings concerning the accounting systems in a social service department and a police force working from the same County Council. The comparison is possible because superficially a number of accounting and finance phenomena appear to be common: both have the same Treasurer

* Tomkins and Groves (1983) p. 370 stresses the importance of this activity while purposefully leaving the nature of this exposure suitably vague to counteract the predicted critiques of Wilmott (1983) and others - see their further comments in Tomkins and Groves (1983A) p. 413.

** Quite clearly what constitutes 'real' meanings is problematic as Tomkins and Groves (1983 and 1983A) indicates and cannot be resolved absolutely whether one uses Wilmott's (1983) suggested 'critical hermeneutics' (cf. Thompson, 1981) or any other methodological approach - see Chapter 3 for further details on this point.

who basically oversees the work from a finance viewpoint; both are fed similarly structured 'formal' accounting information; both have a similarly named 'semi formal' accounting system. However, closer investigation indicated some very basic differences in the meanings ascribed to the accounting and finance function.

The differences highlighted were three. Firstly in the importance ascribed to finance and accounting functions generally in the two functional areas. The Social Services saw such functions as central the Police Force as more secondary. Secondly in the functional usage by the two areas of the same 'formal/official' accounting information. The Social Services found little use of this somewhat dated information whereas the Police Force used part of this information for control purposes. Thirdly in the design of the similarly named (commitment accounting) 'semi-formal/official' accounting system. The Social Services had a highly formalised responsibility accounting system while the Police Force maintained an informal somewhat ad hoc system.

These differences and the reasons for them are discussed at length in the two papers and presumably these together constitute the shared meanings, which together they are trying to expose. Presumably is probably the right word for two reasons. Firstly it is left to the reader of these papers to make the connection between the more conceptual studies (e.g. Colville (1981)) and the empirical work - the language of the latter is not clearly related to that of the former. Secondly because no-where in these papers is there a discussion of the process of taking these insights back to the prime actors to discover whether they truly are shared meanings. Clearly these may or may not be significant points but an adequate answer to them is necessary if one is to make any sensible judgement on how well these studies are working under the assumptions to which they supposedly adhere.

However, one thing is clear Tomkins and Colville have not only broken out of a 'desperation to generalise' they have in addition suggested that even generalisation with regard to the same functional systems may be a fanciful dream. Tomkins (1982) puts the matter succinctly:

'As with so many academic papers one must conclude that more widespread research is needed to clarify these issues by examining more Police and Social Service organisations. ... At least one thing is clear; if we want to understand in some depth how accounting information is used, one must study particular situations and local influences and perceived matters of importance to local officers in respect to both operational effectiveness and individual parts of the accounting system. It is suspected that while the accounting systems are geared to budget compliance in all Police and Social Service organisations in the U.K., the precise form of the system and the importance of different components in the system varies with local circumstances' (p. 21)

This is undoubtedly a significant change in, and emphasis for, accounting research endeavour and its conclusions.

2.6 CONCLUSION

The contents of this Chapter have been primarily concerned with key underlying assumption underpinning our present accounting knowledge stock ; to understand further what such insights are trying to achieve given the analysis of Chapter 1 that this is not to do with the accounting system design issues which are of importance for this study (i.e. the sequential and related processes of describing, prescribing and changing accounting systems in enterprise contexts).

There are four summary points which can be drawn from the contents of this Chapter before we turn to the implications of these for our still unfulfilled, but dominant, concern: viz the relevance or irrelevance of accounting and other knowledge for this study's dominant problem focus. Firstly the majority of schools and sub-schools of thought can be classified as 'objectivism' and 'social systems theory' in the Burrell and Morgan sense. Burrell and Morgan see these approaches 'dominated by abstracted empiricism' with heavy leanings towards the approach adopted in the natural sciences. Clearly it is rather generous to many of the earlier schools of thought to describe them in this way since, as Mattessich (1980) p. 167/8) so perceptively points out most schools of thought coming into existence in the late 1960's early 1970's borrowed heavily from, and attempted to 'mimic', the natural sciences. Since, as we pointed out in Chapter 1, most of the newer schools of thought in both management and financial accounting came into existence after such dates they naturally fit such a stereotype. However, as Mattessich points out, and the discussion on the Rochester School of Accounting (Section 2.2) indicates, such a 'mimic' is both extremely demanding and seriously underachieved.

One further point needs to be made which refers back again to the problems of the 'middle ground'. In one sense there is really not that much difference between the studies discussed in Sections 2.2, 2.3 and 2.4 all could be combined and seen as 'abstracted empiricism'. All rely on cross sectional data and generalisable conclusions - both clear signs of 'abstraction'. They are,

however, separated because they show different emphases and in many ways indicate how accounting studies can 'cheat' (with their contingent rules) on the natural science rulings to which they implicitly adhere while still keeping up some degree of an appearance of 'rigorous scientific respectability'.

The second summary point, and somewhat connected with the above, is the very real 'desperation to generalise' in the majority of accounting schools of thought. All of the studies looked at in Sections 2.2, 2.3 and 2.4 which are, it will be recalled, typical examples of all accounting schools of thought except the 'impact of all aspects on accounting system design' school (MB 41 in our coding - see Table 2.1.1.) have this basic tendency. Even Pettigrew's 'pluralism' study (part of MB 41) sees generalisations as important and necessary to legitimate the longitudinal study adopted although somewhat sceptical about need:

'Fortunately, generality is something over which the researcher has a certain amount of control'

(Pettigrew, 1973, p. 269)

Only the symbolic interactionist approach of Tomkins and Colville stands out as seeing generalisations as a secondary and even impossible consideration.

The third summary point is that all of the present schools of thought in accounting are clustered in and around the bottom right quadrant of Burrell and Morgan's framework. Most of the studies fit most appropriately into the functionalist paradigm with its realist, positivist, determinist and nomothetic assumptions about social science - its overarching concern for explanations of the status quo, social order, consensus, social integration, solidarity, need satisfaction and actuality. Only the symbolic interactionist approach of Tomkins and Colville have broken out of this paradigm and somewhat 'crept' over the borders into the interpretive quadrant with its change to working under social science assumptions which are nominalist, antipositivist, voluntarist and ideographic but still retaining similar assumptions about the nature of society.

The fourth and final summary point, which is a natural extension of the

third, is to note the emptiness of accounting schools of thought in the top two quadrants in Burrell and Morgan's framework and consequently the absence of a concern for, particularly radical, change. Undoubtedly there are a number of individual studies which make moves towards the 'upper' quadrants (cf Burchell, Clubb and Hopwood, 1981; Cooper and Sherer, 1982; Cooper 1983; Puxty, Soo, Lowe and Laughlin, 1980; Chua, Laughlin, Lowe and Puxty, 1981; Chua, 1982; Tinker, Merino and Niemark, 1982; Tinker, 1982) but the vast majority of studies and schools in accounting are situated in the bottom half of Burrell and Morgan's framework. As indicated in Chapter 1 change does appear to be exogenous to accounting endeavour although our analysis of thinking in the functionalist paradigm suggests this need not necessarily be the case. However, inevitably by adopting a functionalist and an interpretive perspective, the concern for change will always be curtailed, whether exercised or not, to developing organisations as they stand rather than in any way calling for a deeper evaluation of, and change in, such institutions.

These four summary points help to highlight the key issues which need to be faced if we are to judge which, if any, of our present accounting knowledge is relevant and upon which we can build upon to satisfy this study's dominant concern. The primary issues which need to be faced are twofold. Firstly should we be building on functionalist, interpretive, radical humanist or radical structuralist thinking to satisfy this problem focus with all the underlying ontological, epistemological, methodological etc. assumption which come with such paradigmatic positions? Secondly which particular approach inside the selected Burrell and Morgan paradigm constitutes the most fruitful basis upon which to build to satisfy this problem focus?

It is to these questions we now turn in Chapter 3.

CHAPTER 3AN ARGUMENT FOR AND THE NATURE OF A CRITICAL
THEORY APPROACH TO THE DESIGN OF ACCOUNTING
SYSTEMS3.0 INTRODUCTION

The argument and contents of Chapters 1 and 2 have lead us to asking some fundamental questions concerning the appropriateness or otherwise of particular assumption bases to satisfy this study's dominant concern. This Chapter is not only addressed to presenting an answer to these questions but it is also concerned with presenting a detailed methodological approach based in and around and the assumption base chosen.

The contents of this Chapter therefore can be divided into two parts: the first (Sections 3.1 and 3.2) containing an answer to the questions posed at the end of Chapter 2; the second (Sections 3.3 to 3.5) which looks at critical theory more generally and aspects of Habermas Critical Theory* more specifically as an approach under the selected assumption base and as a way to satisfy the methodological needs of this study's dominant concern.

The first part (Sections 3.1 and 3.2) presents an argument for an approach for this study which is based on critical theory established in the radical humanist paradigm of Burrell and Morgan's framework. As an aid to establishing the key issues to be faced Section 3.1 sets Burrell and Morgan's framework in its dynamic historical philosophy of knowledge context. This is important since it grounds the issues to be faced with regard to justification to one dominant question: do we need Kantian or Comtean accounting to satisfy this study's concern? Thus Section 3.1 is solely concerned with setting up this dominant question. Section 3.2 attempts to answer it and having answered it sets

* Throughout this Chapter we will use 'critical theory' as a collective term for the various ideas and thoughts of all those connected with the Frankfurt Institute of Social Research. On the other hand 'Critical Theory' will always refer to a particular expression of this collective school of thought.

some supplementary questions (which also have their own historical roots discussed in Section 3.1) answers to which, in the end, leads to a justification for the use of critical theory in the contest of this study.

The second part (Section 3.3 to 3.5) does three things. Firstly it supplies an understanding of the basic intentions, or underlying themes, of critical theory. Secondly it shows how this underlying theme is completely compatible with this study's dominant concern. This, of course, is yet another form of justification for the use of critical theory. Thirdly Habermas' expression of this dominant theme which is claimed to be the most developed alternative available is expanded at length to formulate a model for the design of accounting systems in enterprise contexts. Section 3.3 discusses the first two of these concerns and Sections 3.4 and 3.5 the third.

Thus the Chapter is a philosophical journey starting with some important overarching questions and ending with some refined and detailed points which only have any meaning and sense once the previous issues in the excursion have been explored.

3.1 HISTORICALLY BASED SCHOOLS OF THOUGHT IN THE PHILOSOPHY OF KNOWLEDGE AND THEIR CONTEXT IN BURRELL AND MORGAN'S FRAMEWORK

The following schools of thought in the philosophy of knowledge are not intended, or claimed to be, exhaustive; they are selected on the basis of their relevance in locating the roots of Burrell and Morgan's paradigms (particularly the functionalist and radical humanist ones), to allow a crystallisation of the issues to be faced in making a case for critical theory in the context of this study.

Burrell and Morgan's framework has clear historical roots in schools of thought in the philosophy of knowledge which in turn supplies the meaning to not only the horizontal axis (nature of social sciences) but the vertical (nature of society) one as well. Such an appreciation gives greater credence to their framework as well as supplying a much needed dynamic context for their model. This in turn crystallises the issues to be faced more

clearly in the nature and location of these paradigms as well as permitting clear questions to be faced when one is deciding which paradigm is appropriate - clearly this latter point is the guiding principle for the introduction of this intended development.

An overview of the following discussion is presented in diagrammatic form in Figures 3.1(1) and 3.1(2). Figure 3.1(1) presents, in summary form, the history and philosophy of science in terms of major schools of thought from early 1500 to the present day. Each school of thought is titled in a way which is hopefully recognisable and in brackets below each are some of the more dominant important proponents. Clearly many of the subtleties and sub-schools of thought are not contained in this somewhat generalised picture. This is, of course, recognised - it is a selective picture to give meaning to the Burrell and Morgan's framework. Figure 3.1(2) picks up this theme and locates each school of thought within such a framework highlighting respective interrelationships. As can be seen the major shift and change occurred at the age of enlightenment with the advent of German idealism particularly through Kant's thinking. It is this change which supplies important insights into the Burrell and Morgan framework and one which highlights the major differences between the functionalist and the radical humanist paradigms. However, this discussion is premature since first we must trace the elements in Figures 3.1(1) and 3.1(2) more closely.

Scientific endeavour was not well developed in the early 1500's. Bacon (1561-1626) is a typical and often quoted example of those early masters. He, like so many of these early scientists, believed in:

'... a reasonable God, who had created a reasonable universe and thus man, by use of his reason could find out 'the universe's form' (Schaeffer, 1968, p.31)

Bacon, like other early scientists, believed in order and unity in the material world and that man through scientific endeavour could discover this orderliness despite his 'fall' from a relationship with God and the effect (if any) this had either on the world he was investigating or his perceptual powers.

Although Bacon can be seen as the rearguard of early science he can also be seen as the vanguard of a movement which has come to be given the title of 'rationalism'. Dominant in this school are Descartes (1596-1650), Spinoza (1632-1677) and Leibniz (1646-1716). All took the major tenets of Bacon's position if not all the Christian implications and believed in the orderliness of the material world and the ability of reason to obtain an:

'... absolute description of the world uncontaminated by the experience of any observer' (Scruton, 1982, p. 14)

So Leibniz, for instance, believed that it is possible to divide the world into 'substances' (or as he called them 'monads') and 'properties' - the latter being aspects of the former. The monads exist independent of the experience of the observer but can be made known through, and discovered by, reason.

Rationalism was largely a continental movement but in Britain a very different school of thought which has come to be known as 'empiricism' was becoming dominant. Notable proponents of this view were Locke (1632-1704), Berkeley (1685-1753) and Hume (1711-1776). Empiricists argued a contrasting 'experience-oriented' view concerning the discovery of knowledge or as Brown (1969) puts it:

'In contrast with the rationalists who tried to erect philosophical systems by means of reasoning on the basis of allegedly self-evident truths, the empiricists stressed the part played by experience in knowledge. They argued that we have no ideas at all other than those derived from experience which comes to us via our senses. Statements (apart from those of pure logic) can be known to be true or false only by testing them in experience' (p. 60/61)

Hume, for instance, personalised knowledge to such an extent that nothing could be confirmed by anybody unless that person had actually 'experienced' the phenomena in question.

These splits in the nature of scientific knowledge gave rise to two major developments: the age of enlightenment as expressed particularly in German idealism and the refinement of rationalism and empiricism into positivism. Both of these developments are of profound significance for the structure of

scientific knowledge more generally as well as for understanding the framework of Burrell and Morgan. All more current schools of thought which can be loosely classified as scientific can be traced back to these two major developments. In addition without the introduction of German idealism three out of the four paradigms in Burrell and Morgan's framework would not have existed. Thus the following will concentrate in more depth on these two developments and discuss more briefly the other schools of thought which have come from such developments.

We will start by looking at the age of enlightenment and more particularly the prominent figure of Kant (1724-1804). There are clearly other important figures in this age of change (e.g. Rousseau and Voltaire in France and Lessing in Germany) yet it is probably Kant who crystallised the intentions most fully and upon whose insights most further schools have been built. Kant is also important since his insights link to the rationalist and empiricist traditions and are built out of criticisms of these ideas particularly those of Leibniz and Hume. Thus to understand the nature of these criticisms helps to appreciate the reasons and justifications for what is depicted here as a fundamental split in scientific knowledge.

It is in Kant's Critique of Pure Reason, first published in 1781*, that insight into these fundamental criticisms can be discovered. This critique despite its title was primarily motivated by being very disturbed by Hume's empiricist ideas, but, in Kant's critical analysis of Hume, he also fundamentally challenged Leibniz's stand as well. To Kant neither experience nor reason is alone able to provide knowledge. The first provides content without form, the second form without content. Only in some appropriate synthesis is knowledge possible. Such knowledge is genuine and legitimate in terms of

* See Kemp-Smith's (1929) translation of both first and second editions of this critique.

claims about an independent world; yet it is impossible to know this world and the objects in it independent of the point of view of the observer.

Scruton (1982) puts the matter succinctly:

'Objects do not depend for their existence upon my perceiving them; but their nature is determined by the fact that they can be perceived. Objects are not Leibnizian monads, knowable only to the perspectiveless stance of 'pure reason'; nor are they Humean 'impressions', features of my own experience. They are objective, but their character is given by the point of view through which they can be known' (p. 18)

This somewhat novel conception of truth and objectivity needs to be understood further and can best be seen in the context of some of Kant's interconnected terms and ideas with respect to knowledge. Kant maintained that there are both a priori truths and a posteriori truths. The former are truths 'independent of experience' and the latter truths derived from experience.* A priori truths to Kant are either analytic (i.e. all bachelors are unmarried) or synthetic (i.e. all bachelors are unfulfilled) the latter saying something meaningful while the former is definitional. Kant maintained that a priori synthetic knowledge is possible but always from the perspective of the knower or knowers which in turn has implications for a posteriori truth.

But how is synthetic a priori knowledge possible? This to Kant is the fundamental question in metaphysics and can be answered by what he calls 'subjective' and 'objective' deductions. The subjective deduction arrives at the actual cognitive processes of knowing, making judgements and deciding on truth and falsity by the knower(s). The objective deduction consists in a positive, critical and rigorous attempt by the knower(s) to establish the content of a priori knowledge. What are the grounds for this knowledge as

* The following will concentrate on the a priori truths initially since these supply the important context for understanding a posteriori truths.

distinct from the subjective faculties which allows us to call it knowledge? What are the presuppositions of experience? These deductions (transcendental* deductions as Kant calls them leading to a theory of 'transcendental idealism') make synthetic a priori knowledge possible and legitimate.

Uncovering synthetic a priori knowledge also interacts and affects the nature of a posteriori knowledge. If we uncover the presuppositions of our 'experience' then this clearly affects such experience not only by putting it more clearly in a context but actually, maybe, changing the basis of the experiential approach.

Allied to this is the problem of empirical existence. If all experience has presuppositions to what extent is a posteriori knowledge 'appearances' only as distinct from knowledge of 'things - in - themselves'. This has clearly been a problem to Kantian followers since, as pointed out below, Kant was not altogether clear as to whether anything actually exists at all.

In sum then Kant put forward a number of important landmarks and radical issues. Firstly he showed the fallacy that a posteriori truths are the only form of knowledge. This contradicts the empiricist stand. Secondly that it is possible to arrive at synthetic a priori truths which are true to the knower(s) doing the discovery through reflection, argument and critique. Such truths also implicitly impinge and interact on the nature and design of a posteriori truth which is true to the knowers but also possibly true per se. Thirdly that contrary to the rationalists there is no such thing as universal a priori knowledge concerning objects in the world discerned through 'pure reason'. All a priori and a posteriori knowledge has to be seen in the context of the knower or knowers and his (their) perspectives.

* Defined by Scruton (1982) as some process which: '...transcends' the limits of empirical enquiry so as to establish the a priori conditions of experience' (p. 23)

These last two points, as we pointed out above, clearly have posed some difficulties in those following Kantian thought since it is possible to see in this that knowledge (particularly a posteriori knowledge) is nothing more than 'appearances' agreed to and accepted by the particular knower(s) - subjective meanings in other words in the Burrell and Morgan sense. Kant was not clear about this in his own mind (Scruton, 1982, p. 42) as to whether there was anything which could be seen as a 'thing - in - itself' as distinct from an agreed appearance. As a consequence many schools of thought following from Kant have given different emphases to these 'levels of subjectivity', in the Burrell and Morgan sense.

Two major schools of thought which give different emphases to this subjectivism debate are what could be conveniently titled 'critical theory' and 'phenomenology' - the former taking a more 'objectivist-subjectivist' stand and the latter a more 'subjectivist-subjectivist' viewpoint.* What is also interesting to note is the relationship between the levels of subjectivism and the levels of critical reflection involved in the approaches. It is probably true to say that Kant was more implicit rather than explicit about the level of 'radicalness' in the design of synthetic a priori knowledge. What seems to have happened is that those who have adopted an 'objectivist-subjectivist' interpretation of Kant's work have also developed a more radical understanding of the design of synthetic a priori knowledge.**

* The political economy of the later Marx is even more of an 'objectivist' 'objective' subjective approach, as are a number of other derivative schools of thought from the 'phenomenology' wing. Many of the latter have been omitted from the present discussion so as not to confuse the picture or the points being made - but see Section 3.2.2 below for more details on these approaches.

** We will pick up this important point and develop it a little further in Section 3.2 below.

Clearly these two schools are neither cohesive groups nor exhaustive of the possible schools coming from Kant's basic insights. They are grouped in this way partly because they have some recognisable meaning in the context of the literature and relationships between dominant actors (see Figure 3.1 (1) for details) and partly because they can be traceable back to, and reflect, a fundamental lack of clarity in Kant's work.

Turning now to the second major development in the philosophy of science following the somewhat unsatisfactory split between rationalism and empiricism we find yet another dominant individual: Comte. Comte (1798-1857) like Kant was concerned to integrate these streams but in a way which preserved the essentially qualities of both rather than critically redesigning their contents.* Comte's solution was in what he termed 'positivism'.

Comte believed that the history of the human race revealed three main stages of development. The first, the theological, where there is a supposition that being comes from the action of a supernatural person. The second, the metaphysical, where the mind searches for 'abstract forces' behind phenomena. But in the third, final and most mature stages (the scientific or positive) man's mind applies itself to the scientific study of the laws according to which all things supposedly obey. Or as Comte (1853) himself defined this 'ultimate' state:

'In the final, the positive state, the mind has given over the vain search after absolute notions, the origin and destination of the universe and the causes of phenomena and applies itself to the study of their laws, i.e. the invariable relations of succession and resemblance' (Vol. 1 pp. 1-2)

Thus to Comte this third and final stage was the ultimate and to which, over time, all disciplines gravitate towards, even though at different speeds. Thus his hope, and expectation, was that there would be, in the end, a positive science

* A classical integration rather than Hegelian synthesis in other words.

of society (which he called sociology) which he eagerly anticipated.

Comte's concern therefore was with the nature of this 'ultimate' level of knowledge which of course had no semblance of the theological or metaphysical but was located in an amalgam of:

'... both the empiricist and rationalist traditions'

(Habermas, 1978, p. 4)

As will be recalled the empiricist tradition maintains the dominant importance of experience and perception through the senses to discover facts. Comte concurred with this basic view but maintained that rationalistic thinking in conjunction with observation was vital. To Comte, as Habermas (1978) points out,

'Methodological certainty is just as important as sense certainty' (p. 75)

Thus much of Comte's endeavour was to arrive at a 'unity of method' - the positive method. The conglomerate and interacting relationship between method and substance and its affect on knowledge is succinctly captured by Habermas (1978):

'Science asserts the priority of method over substance, because we can reliably inform ourselves about substance only with the aid of scientific models of procedure. The certainty of knowledge demanded by positivism thus means simultaneously the empirical certainty of sensory evidence and the methodological certainty of obligatory unitary procedure' (p. 75)

The basic tenets of Comte have more or less lived on to this day somewhat unscathed through 'logical positivism' and 'instrumentalism' and still can be traceable in particularly 'realism' and to a lesser extent in 'theoretical realism' (see Figure 3.1 (1)). As Kolakowski (1972) points out probably the high point of positivism came during and soon after Comte's death:

'Positivism dominated the spirit of the age to such an extent that even Kantians sought to interpret Kant - or to amputate his thoughts - in such a way as to retain only what was compatible with a broadly conceived positivism'. (p. 122)

However, doubts and a re-assertion of Kantian insights led to the critical schools of thought of 'empirio criticism' (of Avenarius and Mach) and

'conventionalism'* (of Duhem and Le Roy) during the later part of the nineteenth and early part of the twentieth centuries. This led however to another high point in positivism with the emergence of the logical positivists in the 1920's particularly in the Vienna Circle which has, in turn, given way to the 'instrumentalist' and 'realist' schools of thought in the sense used in the discussion of the Rochester School of accounting thought in Chapter 2. The latest member to this family of positivistic approaches is what Keat and Urry (1982) call 'theoretical realism' building on particularly the insights of Harre (cf 1970) and it is important to make one or two points about this school of thought in the context of this discussion.

Keat and Urry's 1982 postscript to their 1975 work on Social Theory as Science like so many eminent postscripts** provide valuable insights into what the authors were originally saying and how they have changed. Keat and Urry's postscript supplies just such insights and makes some extremely important summary points concerning their newly termed 'theoretical realism' (TR hereafter) and how it differs from realism and instrumentalism which presumably is one form of what they call 'empiricism'***. TR to Keat and Urry (1982) has four major distinguishing marks which separates it out from traditional positivism:

* Which edges towards but holds back from a phenomenologist approach.

** For instance Kuhn or Habermas

*** It is assumed Keat and Urry relate these two in this way although their language is a little loose on these connections.

'First TR rejects the positivist limitation of scientific ontology to the observable second ... TR rejects the positivist requirement of defining the theoretical vocabulary of rules linking it with observational terms... Third TR denies the adequacy of positivist analyses of scientific laws as statements of universal regulations.... Fourth, in place of these basically Humean views of explanation (and causation), TR maintains that scientific theories explain observable phenomena by describing the mechanisms and structures through which various often unobservable entities possess the 'power' to generate these occurrences' (p. 231 and 232)

These are neither realist nor instrumentalist and certainly not positivist intentions. Thus Keat and Urry have to coin a new name: TR. Even though these tenets smack of Kantian overtones Keat and Urry are keen to disavow any connection with idealism and see their position firmly in the 'empiricist' tradition which they minimally define as:

'... consisting of the following claims: that the truth or falsity of scientific theories cannot be established by a priori argument alone (thus the rejection of traditional epistemological rationalism); that scientific theories must be evaluated by reference to their consistency or inconsistency with the perceptual information acquired by humans through the operation of their sensory equipment; and that there is therefore a central role in scientific inquiry for the testing of theories in terms of their consequences for perceptually determinable states of affairs. And we suggest that, in this minimal sense of term, TR can properly be regarded as 'empiricist', as can positivism.'
(p. 233)

Now there are some problems relating all this together. On the one hand Keat and Urry are, to use Kant's terms, agreeing that synthetic a priori knowledge exists but on the other apparently denying its existence. This is clearly a difficult position to hold because essentially it is an attempt at bringing Kant and Comte together which really doesn't appear possible. However it does allow these authors to evaluate and see both Marx and Habermas*, both of whom come from a Kantian rather than a Comtean tradition, in the context of

* Keat (1981) is exclusively concerned with Habermas' insights.

this somewhat uneasy amalgam of TR which attempts to 'bridge' both traditions. The success of their evaluations must be seen in the context of the validity of the tool they are using which must in the end be open to question.

Before closing this Section with a brief discussion on the positioning of these schools of thought in Figure 3.1(2) a word needs to be said about the pragmatists approach of the American's Peirce and James. This basically is traditionless it takes a bit from here and there in its practical, down-to-earth, 'getting-on-with-life' approach. Kolakowski (1972) puts the context of this somewhat sardonically as follows:

'After a period marked by the dominance of transcendental idealism and British versions of Hegelianism the United States produced a philosophical style that long enjoyed the reputation of being 'typically American' (p. 181/2)

Finally referring to Figure 3.1(2) we have in this diagram attempted to position these various schools of thought in Burrell and Morgan's framework. The positioning is clearly meant to be more indicative than necessarily accurate. Perhaps the key point to note is the positioning of Kantian and Comtean insights. Basically these are depicted in the corners of respectively the radical humanist and functionalist paradigms. They are, in these positions, the classical opposites of each other since: neither works under any similar boundary assumption. They are positioned where they are in the Burrell and Morgan framework because Comtean approaches assume order and regularity in the outer world which one is subservient to in observational practices. Kantian approaches on the other hand rests more on beliefs and possibilities which can affect both understanding of, and reaction to, the world 'outside'. Change in this sense is always possible. A natural interpretation of these two approaches in the Burrell and Morgan sense is as depicted in Figure 3.1 (2).

To a large extent having positioned the core the 'spokes' naturally arch out in the directions suggested. Three comments need to be made, however, with regard to some of the less obvious positionings. Firstly although 'empirio

criticism' and 'conventionalism' are clearly pushing towards a more subjective interpretation of the processes of science it is difficult to know whether in any sense one is more subjective than another and whether either actually cross over into the interpretive paradigm. Secondly it is difficult to accurately position 'pragmatism'. However, it does seem appropriate to see this as part of the functionalist paradigm with its practical functional concerns and tendencies towards more subjective interpretations, but with the pragmatist Mead forming an interesting and complex link to the phenomenologists.* Thirdly the positioning of 'theoretical realism' and the connections to it are more problematic. As depicted above it does seem to sit somewhat uneasily between the functionalist and radical structuralist paradigms. It's concern with the unobservable, with power etc. and with observation, rigour and understanding etc. and its rejection of idealism would all seem to point to this somewhat ambivalent positioning. As to linkages there is a clear line and relationship to realism and the whole positivist tradition. Yet there is also a possible link through what could be called the later Marx which is normally dated from around 1846 following his somewhat critical study of idealism.** Whether the later Marx did or did not adopt theoretical realism in his work is open to debate but certainly Keat and Urry would claim so.

* See section 3.2.2 below for more details on this.

** This study (The German Ideology) is seen by Burrell and Morgan as a fundamental break in Marx's commitments away from Hegelian dialectics. In fact it is the ideas of the later Marx which to Burrell and Morgan constitutes the radical structuralist paradigm which we have depicted as 'political economy'.

This then concludes a far too brief (to give justice) analysis of major schools of thought in the philosophy of science. It has hopefully achieved what it set out to achieve which is to trace the roots of primarily the Burrell and Morgan paradigms. The polar divide is fundamentally between Kantian and Comtean. The next Section will discuss which of these, in what form, constitutes an appropriate basis for satisfying this study's concern.

Before moving to this it is worth reflecting on the insights of this Section in the context of the dominant functionalist thinking in accounting which we discussed at length in Chapter 1 and 2. In general we could conclude that accounting thought has fundamentally followed a Comtean tradition. - Kantian developments have been virtually non-existent. But this is not surprising when one looks at the development patterns of other social science disciplines which have similar dominant Comtean traditions. This is not intended to be a derogatory judgement it is merely an observation which shows the greater standing and support given to Comtean as against Kantian thought and how one may well be 'swimming against a powerful tide' to call for a universal epistemological shift from the majority view (Comtean) to the minority one (Kantian). It is for this reason the following Section is not calling for such a radical shift it is rather facing this possibility in terms of relevance to this study's concern.

3.2 KANTIAN OR COMTEAN ACCOUNTING AND OTHER QUESTIONS

The following discussion will be addressed to two fundamental questions. Firstly with respect to this study's concern do we need a Kantian or Comtean form of accounting in the sense used in Section 3.1? Secondly, given an answer to this, what sort of Kantian or Comtean derivative or school of thought is required? Section 3.2.1 answers the first question and Section 3.2.2 the second.

It is a purpose oriented analysis rather than some more abstract discussions on the truth or falsity of the various positions. In so doing it begs the question as to whether anything is true or false per se. On the one hand by seeing certain approaches better than others does not deny the possible existence of one approach which is true but maybe not relevant for a purpose. On the other hand by adopting this approach could imply the 'relative' nature of all knowledge systems. The following leans more towards this latter interpretation but will not be drawn into a discussion on what is essentially an unresolved problem in the philosophy of knowledge.

3.2.1 Kantian or Comtean?

Turning to the first question on whether Kantian or Comtean accounting is an appropriate basis for the design of processes of describing, prescribing and changing practices it is necessary to remind ourselves initially of the major differences between the two systems of thought. With an eye to the purpose in hand and with some acknowledged simplifying of complex ideas Table 3.2.1 presents a comparison between the two systems. This Table centres around the differences concerning the assumed contexts (on which inquiries are to be conducted) and the different models and outcomes of inquiries with regard to such contexts.

Table 3.2.1 is simply a focussed summary of the more detailed discussion concerning Kantian and Comtean systems of thought in Section 3.1 above. Both are concerned with certain phenomena which we have called in Table 3.2.1 a 'world'. To the Kantian such a world is part synthetic a priori and part

a posteriori always interpreted through the knowers by reflexive reason, observation and discourse and always potentially open to be changed. To the Comtean such a world is orderly, existing and outside of the observer which needs to be understood and controlled so as to permit survival and preservation of the human race. Such a world needs to be discovered through essentially non-reflexive, strictly ordered reasoning processes and controlled observation to arrive at general predictions and explanations leading to technical control.

But which basic system of thought is more appropriate for the design of accounting system in practice - for the processes of describing, prescribing and changing these systems? To answer this we must initially remind ourselves again of how we have defined these systems. Basically we have seen the accounting system as an enterprise based financially oriented language system. The crucial question therefore is: is this language system a universal ordered phenomena or a 'specific-to-the-enterprise' system. If it is the former then clearly we take a Comtean approach if it is the latter we adopt a Kantian view.

Accounting is but a subset of language (cf. Jain, 1973; Belkaoui, 1978; Laughlin, 1981) more generally and thus there must be lessons to be learned from language theorists with respect to this basic question. Basically there are two fundamental positions held by language theorists which are encapsulated in the early and later Wittgenstein. Wittgenstein's early work (1922) maintained that there was some ideal form of language to which all natural languages should emulate. Such work was, of course, much welcomed by Comtean theorists particularly by the logical positivists of the Vienna circle but much to the consternation of Wittgenstein as Kalakowski (1972) points out. Such a basis gave natural support to the positivists more recent developments into language and also their basic ethos of universality claims. Wittgenstein's later work (1953), however, rejected all his early work and maintained that ordinary language had its own, often unique, meaning

to those who were using it and such was both natural and appropriate having no need to refer to some allusive universal model. This clearly has Kantian overtones and is undoubtedly the dominant approach in the philosophy of language today (cf Austin, 1961; Searle, 1969). Wittgenstein's later work has also given meaning and impetus to the many schools of thought in the 'hermeneutic' tradition which links up with what we have termed Kantian 'phenomenology'.*

The claim to universality in language therefore is not the normal view by language theorists even though some form of generality is not ruled out. Katz (1966), for instance, building on the later Wittgenstein maintains that there are some quite abstract generalisable qualities in all natural languages. These, combined with 'local' aspects, constitute each and every linguistic description. Or as Katz (1966) puts it:

'...every linguistic description has a common part consisting of the set of linguistic universals and a variable part consisting of the generalisations that hold only for the given language' (p. 109)

However, the important point to note is that such common elements are highly general and abstract basically to do with structural matters (e.g. 'every sentence of a natural language contains both a verb and a noun phrase subject to that verb; there exists a very small number of fixed, universal phonetic features etc' (Katz, 1966, p. 10)). In this sense it is an outgrowth and development of the later Wittgenstein ideas rather than a return to his early understanding of language.

If this is the approach language theorists are adopting (i.e. a derivative of a Kantian approach) and accounting is a form of language then logically the latter should follow the former. Certainly some have been pushing for this approach (cf. Mattessich, 1964/77, 1970, 1972, 1980; Laughlin, 1977, 1981)

* Further discussion on this point will be made below.

but few indeed have followed such a lead. This of course is to be expected given the dominance of functionalist (Comtean) thinking in accounting. However, it is surprising that given accounting has long been seen as a form of language that accounting theorists have, in the main, consistently failed to see, learn from and use the insights forthcoming in the philosophy of language. Such insights persuasively call for Kantian rather than Comtean developments.

Although this can, and possibly should, be taken as a general and far reaching criticism of accounting developments it will not be pursued here; rather we will return to our main theme concerning whether Kantian or Comtean insights are relevant for this study's concern. The conclusion must be if we are interested in accounting systems in enterprises and if these are language systems of such enterprises and if such language systems are as the philosophy of language depicts them then Kantian rather than Comtean developments must be sought. This is indeed our standpoint.

3.2.2 Which Kantian Derivative?

If we are to adopt a Kantian approach for this study which is the most appropriate derivative? This is, as will be recalled, the second question of this Section. In Section 3.1 we made the choice basically between three possibilities: either 'critical theory' or 'phenomenology' or 'political economy' which of course reflected respectively a radical humanist, interpretive and radical structuralist perspective in the Burrell and Morgan sense. However, as we pointed out in Section 3.1 although this is a meaningful classification it is not an exhaustive understanding since a number of other schools and sub-schools are contained within these broad categories. Thus to be exhaustive in our choice we at least need to be aware of these various alternatives although the basic decision process probably still remains the same.

A somewhat more detailed but still not exhaustive depiction of schools of thought coming originally from Kantian thought is presented in Figure 3.2.2 and is briefly discussed below. The two key developments coming from Kant can be traceable to Fichte (1762-1814) and Hegel (1770-1831), along with the 'young

Hegelians' particularly Marx*, both gave different emphases to the more obscure and unclear elements (on subjectivity and radicalness) in Kant's thinking. Fichte can be seen as an early 'transcendental phenomenologist' and Hegel an early 'critical theorist' or in terms of Burrell and Morgan's framework founder members of the interpretive and radical humanist paradigms respectively. From these leaders further schools and sub-schools have been developed which link in with developments particularly from what could be called 'disillusionised functionalists' (e.g. Mead and Weber). But an understanding of Fichte and Hegel and the differences between them are key in making sense of all the schools of thought which can be connected with these two Kantian followers. Thus the following will look more closely at Fichte and Hegel and will discuss somewhat more briefly the schools of thought which can be connected to them.

To understand reality, to Fichte, required understanding the nature and structure and functioning of the conscious mind. Something exists but what we see is not some actuality but the reflection of the projection which comes from our own conscious mind. Thus what we see is nothing more than our original projection. We see what we want to see depending on what we wish to project onto the outer world in the first place. Thus any change in this projection must be mediated through the conscious mind of the projector. Change in phenomena, even though existing, but without meaning, is neither contemplated nor possible in Fichtean thinking. Taken together Fichte gave Kant a highly subjectivist twist and in so doing removed the more radical change-in-the-world possibility in Kantian thinking.

Such basic thinking was taken up and developed further by Husserl (1859-1938) to give greater strength to 'transcendental phenomenology' as a school of thought. Husserl's notion of 'intentionality' (i.e. the idea that consciousness always has an object which constitutes it) is both central to his thinking as well as implicit in Fichte's understanding. Reality is not constructed by consciousness

* When talking about Hegel in the remainder of this paragraph it is assumed this includes the 'young Hegelians' as well.

it is revealed to it through the act of intentionality. Such is a refinement rather than a denial of Fichteian thought and like this walks a tight rope between the existence or non-existence of objective reality.

There are at least three major schools of thought which can be directly traceable to the insights of Fichte and Husserl which vary in terms of the assumptions under which they work. Firstly there is, what Burrell and Morgan call, 'existential phenomenology' particularly in the sense expressed through the work of Schutz who was concerned with understanding how individuals interpreted their every-day life. Second there is the French existentialist movement notably led by Sartre which has similarities to the insights of Schutz but also differences. Rather than just understanding, Sartre was concerned to demonstrate the 'pathos' of such constructions in the hope of bringing change to such views. The third development is in terms of ethnomethodology as particularly expressed by Garfinkel concerned with not only understanding what people hold to be reality but also the more implicit assumptions behind these views in the context of the social roles they hold.

Allied to these more directly traceable schools of thought from Kantian ideas further looser connected schools can be discerned which feed into the above discernible areas. The 'hermeneutics' school of thought which has been given meaning by Dilthey, Weber, Gadamer and the later Wittgenstein is a typical example. This language based school has referents in both idealism and positivism although probably it is built on a rejection of positivism rather than a full acceptance of idealism - certainly this would be the case with the later Wittgenstein. Likewise the 'symbolic interactionist' approach of the somewhat liberal pragmatist Mead and his exponents Blumer and Kuhn can be seen in a similar light. However, both Dilthey and Mead, the two leaders in these respective areas, both recognised and drew upon the insights of the enlightenment in the formulation of their respective viewpoints. But they, particularly in hermeneutics, added a new dimension to the insights of the various more 'mainstream' Fichteian schools of thought as the directional arrows in Figure 3.2.2 indicate.

The second developmental stream of thought from Kant is, as pointed out above, traceable to Hegel (1770-1831) and the 'young Hegelians' (particularly the younger Marx) and it is to their insights we now turn. Hegel's ideas like so many German philosophies, is difficult to fully understand and thus the following can only touch on some of his more complex thinking with respect to particularly epistemology. There are three major elements in Hegel's epistemological system: first knowledge which comes from consciousness and comprehends 'spirit'; second this 'spirit' (Geist) which is expressed though and can potentially be seen in reality; third reality itself which is the outworking of spirit. Consciousness to Hegel is both part of spirit itself as well as potentially seeking for a comprehension of spirit which is apart from the seeker. The state of absolute knowledge is when human consciousness becomes aware of its location within 'absolute spirit' and 'absolute reality' (the perfect society) reflects such comprehension. In this sense consciousness and the external world are viewed as two sides of the same reality. They are locked together in what Hegel calls a dialectical relationship where each defines and influences the other by a critical process of thesis, antithesis and synthesis until the absolute states of knowledge, spirit and reality are reached. In this happy state perfection is reached and subject and object or thought and being are one and the same.*

Hegel was thus concerned to interpret Kant in a more radical change oriented way than Fichte. Part of the reason could be the greater confidence in the existence of 'things-in-themselves' but a more likely reason could be Hegel's belief in both the presence of an 'absolute spirit' and the inevitable historical dialectical process between thought and being to arrive at such an idealic state.

* This is of course the classical 'philosophy of identity' so often associated with Hegel.

Hegelian followers were divided on their attitudes concerning the presence of 'absolute spirit' which is explainable by Hegel's lack of clarity on the matter and a somewhat simplistic view that somehow the Prussia of his day was the embodiment of the perfect society. The so called 'right-Hegelian's retained the belief whereas the 'Left' or 'young Hegelians' took the view that the 'absolute spirit' did not exist waiting to be discovered but had to be created by man.

The young Marx and others (particularly Feuerbach) maintained that there was no 'absolute' above and beyond man - religion and the state were not manifestations of the absolute spirit but man made and open to change. All objectifications in the social world were man made according to Marx and Feuerbach and through the Hegelian processes of dialectics and historical analysis man could become aware of through his conscious processes what he has created, why he has created it, the dangers of it as it stands leading to suitable emancipatory changes.

Whether Hegel or Marx have captured what is true and lasting is not important at present. What is important is to note the radicalised interpretation of Kant through Hegel and the younger Marx and the differences between this development and the Fichtean one. The result has been the creation of a number of schools of thought from this line of development which are markedly different from those which have come from the Fichtean line.

The first school of thought which comes closest to the Kant - Hegel - young Marx development is what we have called 'critical theory'. Such a school of thought can be discerned both in the writings of these and also others but as a school it probably got its primary impetus from the development of the Institute of Social Research founded in Frankfurt in 1923. It is from the members and associates of this Institute (particularly Horkheimer, Adorno, Marcuse and Habermas) that the greatest impetus and focus for critical theory can be found. It was the intention of these main figures of the Institute:

'... to learn from and synthesise aspects of the work of, among others, Kant, Hegel, Marx, Weber, Lukacs and Freud. For Habermas certain traditions of Anglo-American thought are also important, especially linguistic philosophy and the recent philosophies of science ... the aim being to lay the foundation for an exploration in an interdisciplinary research context, of questions concerning the conditions which make possible the reproduction and transformation of society, the meaning of culture and the relation between the individual, society and nature' (Held, 1980, p.16)

The remaining schools of thought which come from this Kant - Hegel - young Marx line are those most closely associated to the later Marx. Whether there really is a young and later Marx in quite the extreme sense of a Wittgenstein model is open to considerable dispute. However, his publication in 1846 of 'The German Ideology' did mark a change in his thinking or rather what he considered was important to write about. Marx's later work is based around:

'... the political economy of capitalism. 'Structures', 'contradictions' and 'crises' take over from the concepts of 'consciousness', 'alienation' and 'critique' reflected in his earlier work' (Burrell and Morgan, 1979, p. 329)

In general as Burrell and Morgan so perceptively point out:

'Marx's overall change in orientation was aptly expressed by Lasselle, one of his contemporaries who described him as 'Hegel turned economist, a Ricardo turned Socialist'. This description summarises succinctly the two developments which characterise the thought of his later years, in which he moved away from a radical idealism towards a radical interpretation of 'bourgeois', 'positivist' economics' (p. 329)

Whether this is a development of his original ideas or a particular outworking of these in an important empirical area is difficult to discern. However, there certainly was a change in emphasis and a change in paradigms in the Burrell and Morgan sense. To the later Marx 'structures' were independent of individual consciousness which existed and could and should and would (because of contradictions inherent in them) change through crises.

There are two major schools of thought which come from this later Marxian thinking along with a possible third. The first which Figure 3.2.2 calls 'Russian social theory' is later Marx in the Engels-Plekhanov tradition which gave greater meaning and importance to 'dialectic historical materialism'. The

second ('contemporary Mediterranean Marxism') is more in the tradition of a Leninist interpretation of the later Marx which attempted to recreate his thinking more fully in the context of Hegelian thought on the grounds that Russian social theory had mistakenly emphasised certain aspects at the cost of underemphasising others. The third possible school of thought is 'conflict theory' which is a combination of the somewhat all pervasive thoughts of Weber and the later Marx. It comes most obviously out of the functionalist paradigm and Weber's critical insights but links up with aspects of both Engels' and Lenin's interpretations of Marxism.

This far too brief exposure of derivative schools of thought from Kant at least makes plain the crucial issues which must be decided upon if an answer to the second question, with which this present Section opened, is to be discovered. The fundamental issue to be resolved is whether it is right to adopt a more objectivist change oriented interpretation of Kant (Hegel and the Young Hegelians) or a more subjectivist more status quo interpretation (Fichte and Husserl). Clearly there are many subsidiary questions that have to be faced (e.g. do we adopt a symbolic interactionist approach as distinct from a transcendental phenomenological alternative) but the fundamental issues remains: are we to be Hegelian or Fichtean Kantians?

Ultimately there is no right or wrong answer to this either generally or specifically with respect to this study's concern. However, an argument can be made out for this study's concern that whatever approach is adopted it must not curtail flexibility with respect to both understanding and the possibility for critique and change. On the basis of this a Hegelian approach looks most appropriate since it keeps open the possibility for both subjective and objective interpretations of the 'real world' as well as encouraging critical analysis and possible change. A Fichtean approach reduces both the possibility of objective existence as well as critique and change. In a similar manner the later Marxist schools of thought in the Hegelian tradition curtail flexibility of approach by their concentration very much on economic structures. This is not

to say that such insights are unimportant but rather, in this author's opinion, that these later Marx works are an explicit outworking of the young Marxist ideas making much of the flexible general insights of the latter too regimented and detailed. In addition, apart from being only concerned with economic systems, Marx's later works are not time invariant but time specific to the capitalism of the latter part of the nineteenth century as Habermas (1976, 1979) so persuasively argues.

The answer therefore to this second question is that an approach based on critical theory should be able to satisfy this study's concern, in the light of the above discussion due to its ability to handle both subjective and objective interpretations of reality and its potential for encouraging critique and change.

Although such qualities are vital for this study it could be argued that they have a more general applicability to all accounting endeavour. No matter how one defines the nature of accounting or how one sees the accounting mission the basic questions will always be: is this a 'subjective' or 'objective' phenomena and do we want to only understand or not only to understand but change as well. If one is undecided about how to answer these questions the most obvious approach which keeps flexibility in the forthcoming answers is one based on critical theory. In such a way a universal case can be made for the adoption of this approach.

However, we are not pushing for this universal viewpoint our concern, as we have indicated on many occasions, is with an approach which is relevant to this study. But such concern with its dominant interest in accounting practice and the need to see 'theory' in such a context is, in it's own way, or so we would claim, central to the accounting endeavour. If this is so then there are grounds for making critical theory more central too...

We will not pursue this line of argument here but the following Sections (3.3 and 3.4) are based on the premise that critical theory is relevant for this study certainly and maybe more generally.

3.3 SOME INSIGHT INTO THE HISTORICAL AND THEMATIC CONTEXT OF CRITICAL THEORY

Despite the variety of ideas which could legitimately be called critical theory one theme is common to all: the need for change in society and the necessity for theoretical insights both to give leadership for, as well as to be geared towards, such change. It is this theme, with its roots in not only Kant, Hegel and the young Marx but others also, which underpins all critical theory. However, it is this dominant theme and the adequate expression of it in theory-led practical action which has caused the greatest problem for, as well as a great deal of scepticism about, critical theory.

Such an underlying theme, the details on its nature and the problems in its expression needs to be understood before any model based on this approach is presented. Without such an analysis there is a tendency to give far too much credence to what is essentially a good idea rather than a tried, tested and sophisticated approach. Thus this Section is addressed to such a contextual analysis while the following sections sets up a model based on some of the ideas of Habermas which is firmly set in the issues, problems and factors raised in the following.

Before embarking on this initial analysis it is important to reflect on the relevance of critical theory's dominant theme for the accounting concerns of this study. Clearly not enough is known about this theme at this stage to be categorical and exhaustive in such a reflection. But we certainly know more than we did in Section 3.2 where we discussed the relevance of the 'roots' of critical theory for this study. We now have some understanding of the nature of the 'plant' which comes from these 'roots' and we can, even at this stage, make two points on the relevance of this theme for the accounting concerns of this study and in so doing provide yet more justification for the relevance of critical theory in this context.

Firstly critical theory puts the need for change as central: it starts from the basis that not everything is 'ideal' and 'good'. In many ways it

is even more aggressive than that: everything is not ideal and not good and needs to be changed so that human welfare can be advanced. Such a strand of thought as applied to accounting practices is central to this study's concern. This study starts from the premise that such practices are not in an optimal state but require change and development, not in the limited functionalist sense - although such partial change isn't ruled out - but possibly in a way which alters such practices beyond recognition. Such a possibility cannot be ruled out and is at the heart of critical theory.

Secondly critical theory links the design of theory directly to practice and change. Theoretical knowledge is not valued for its own sake in critical theory but its very nature and design is both claimed to be necessary for, and directed towards, practical action and change. In a like manner we have looked at our concern in terms of the processes of sequentially describing, prescribing and changing accounting practices with the theory part of this cycle (description and prescription) similarly allied to practice and change and having no meaning outside of such. However, it is interesting to note that critical theory does not use the terms description and prescription to depict their theory part and we along with them will move away from this language as the following sections unfold. The reason that critical theory does not use these terms, as will become apparent, is because of the heavy 'scientific' overtones in their everyday meaning and the inevitability and necessity for prescriptive elements in the process of any form of description.

Thus like our analysis of the 'roots' these two points demonstrates the relevance of the impressions of the 'plant'. We now need to turn to a development of this dominant theme in critical theory and the problems in its outworking both to set the scene for the specifics in the following Section and to allow a final judgement on relevance.

Critical theory as developed through the Institute of Social Research is grounded in Marxism but highly critical of it as well. This apparent inconsistency can be understood if one sets the creation of the Institute

in its historical context. Between 1917 and 1920 Marxist theory and its composite expression in revolution and change looked secure and accurate. February 1917 saw the end of Tsarism in Russia and the rise of the Bolshevik party; 1918 saw the end of the German imperial system and, even though the more establishment democrats took over power, all number of more radical socialist 'rumblings' were clearly apparent. In Hungary a Soviet Republic was established after the bourgeois government resigned. In Austria and Italy socialist rumblings and strikes were frequent and apparent.

However, such developments lost momentum from around 1920. In Europe, particularly in Germany, Italy and Austria, the revolutionary socialist advances were checked. The 'inevitable' revolution and overthrow of the ruling classes did not occur. On the contrary Nazism and Fascism rather than Marxism was gaining ground. Even in Russia where revolution had occurred things were not developing in the way Marxist theory predicted. Deviations from the Leninist pathway were apparent and the seedlings of moves towards 'Stalinization' were clearly to be seen.

It was in this spirit of a need for change and the apparent inoperability of Marxism to bring this about that provided the backcloth for critical theory and more specifically the motivation for Felix Weil to sponsor the creation of the Institute of Social Research in 1923. The first director, Carl Grunberg still sought solutions to these issues from later Marxism. However, the second director, Max Horkheimer, appointed in 1931 at the height of Stalinism and Nazism took a very different view on Marxist thought and gave critical theory much of its present identity, as well as gathering together many of its most important proponents.* Horkheimer's inaugural address set up the basic agenda for critical theory. Such an agenda, as Held (1980) points out had three somewhat interconnected points or themes:

* Particularly Adorno (to whom Habermas was a research assistant in later years), Marcuse, Fromm and Pollock.

'... first ... suggests the necessity of re-specifying 'the great philosophical questions' in an interdisciplinary research programme. The second theme, more implicit but made clearer in later essays, is a call for a rejection of orthodox Marxism and its substitution by a reconstructed understanding of Marx's project. The third emphasises the necessity for social theory to explicate the set of interconnections (mediations) that make possible the reproduction and transformation of society, economy, culture and consciousness' (p. 33)

These three themes are interlinked - the first two being a necessary explication of, as well as clearly related to, the third. For instance Horkheimer set on the agenda of the Institute broad based philosophical questions but not for their own sake but rather because they were part of the social theory which would lead to the 'transformation of society'. Likewise he, like other critical theorists, was sympathetic to the important (Marxist) concern with this basic relationship between theory and practical change but felt its particularly expression through historical materialism failed to achieve the desired result. It is in this sense, of course, that critical theory is both sympathetic and unsympathetic to Marxism which needs to be seen in the historical context of thwarted change.

Such a grand agenda with its central concern for the 'transformation of society' and the necessity to design theory in such a context was the major motivation behind the ideas in critical theory but also the one which has also caused the most problems. Rather than transforming German society Horkheimer and the other prominent members of the Institute were expelled by the Nazi government of Germany. They took up residence in New York in 1935 and California in 1941. The gap between theory and practice became more and more marked since not only were they unsure about which society they were trying to change but were unaware of all the subtleties of this somewhat alien American culture as well as being unsure of changes in the German culture following the outbreak of the Second World War. In such situations a retreat to theoretical viewpoints was the expected reaction but this in turn caused a lot of problems to the critical theorists of the

Institute due to their dominant view on the necessity for such theorising to have practical expression.

The way the critical theorists coped with this dilemma, given the situation they were in whether in America or in Germany on their return in the 1950's, was to concentrate on the theoretical pre-conditions for change and development. Instead of transforming society directly their involvement was at one stage removed namely to highlight the important issues which need to be faced and resolved if transformation is to occur.

This partial retreat from the actual struggle for emancipation to the preconditions for it is necessary but not a necessary and sufficient satisfaction of critical theory's dominant concern. It is clearly necessary to explore the important preconditions which could allow or prevent emancipation, transformation and change but unless these are actually tested out in actual processes of change it is difficult to know whether the correct preconditions have been specified.

It is this retreat into preconditions and the uncertainty concerning the adequacy and accuracy of these for the emancipation and consequent transformation of society which has dominated the criticisms of critical theory. These criticisms have primarily come from those who might label themselves Marxist who while agreeing with critical theory's emancipatory aims see the pathway to such goals through very different practices.

As a way to introduce some of critical theory's main concerns it seems appropriate to look at these in the context and through the perspective of the criticisms levelled against it. Held (1980) cites Anderson (1976) and Therborn (1977) as being some of the most eloquent of the Marxists' attacks on critical theory and from these and others divides the 'charges' into four main areas. Firstly there is the charge that critical theory is a form of 'metaphysical humanism' with all the Hegelian and idealism overtones and concentration on the importance of individuals versus structures. Secondly the charge that critical theory is more philosophical than practical making it distanced from more

practical political concerns. Thirdly and connected with this is the charge that critical theory is preoccupied with 'superstructural phenomena' making it more distanced from the real determinants of social life. Fourthly and finally the charge that critical theory is remote and distanced from working class politics. Held (1980) attempts a rebuttal of these charges and in the process provides some valuable insights into the fundamental nature of critical theory and its differences from a more traditional Marxist viewpoint. It seems helpful therefore to look at Held's analysis.

On the first charge concerning 'metaphysical humanism' Held (1980) shows that critical theory is not unconcerned about structures but that an exclusive concern with such matters has failed to achieve the originally transforming desires of Marx. As Held perceptively points out there is no exclusivity about the concern in critical theory with humanity versus structures: both are important. Yet critical theory would maintain that Marxist exclusivity of concern with structures has not succeeded in terms of either revolution or transformation of society leading to the view that if Marx's original aim is to be achieved the human factor needs to feature strongly in the analysis.

Held (1980) puts the matter succinctly:

'... At a theoretical level the reduction of Marxism to dialectical materialism trivialised the significance of human agency, and, at a political level, justified the exclusion of the mass of people from active participation in decisions that affect their lives. As Marx indicated in the Theses on Feuerbach, idealism restores insight into the 'active side' of materialism ... The retrieval of precisely this aspect of materialism - the interplay between sensuous human activity and nature, between human subjectivity and second nature - enabled the critical theorists, at various stages in their careers, to restore to the centre of Marxism some of the most radical and subversive elements of Marx's work. The latter are encapsulated by the view, defended by Horkheimer, Adorno, Marcuse and Habermas, that the process of emancipation is inseparable from the struggle for self-emancipation'

(p. 358)

On the second charge concerning the espoused dominant concern of critical theorists with philosophical and theoretical issues at the expense of practical, especially Marxist political, matters Held (1980) highlights three points which,

to an extent, we have touched on already in this Section: firstly that critical theorists' interest in theory and philosophy has a practical import; secondly that such theoretical base needs to be wider than Marxist political economy in the minds of critical theorists due to the perceived failure of traditional Marxism to achieve desired change and development; thirdly to note the present speculative nature of critical theory in terms of actually achieving the change which it promises. Held (1980) puts these collective points succinctly as follows:

'Far from reflecting a distance from practical political problems their interest in theory and critique was directly related to an ambition to analyse new forms of domination, undermine ideology, enhance awareness of the material conditions of life circumstances, and to aid the creation of radical political Movements'

(p. 361)

But it is the case at present that critical theory:

'... has not provided an extended discussion of the strategy of the party necessary to overthrow the bourgeois state'

(Held, 1980, p. 360)

We are therefore looking at preconditions which could aid the creation of radical political* movements but which remains in a state of conjecture and apparent distance - a point which Held himself raises in a critical comment:

'I agree, moreover, that the level at which some of the critical theorists work often makes the relevance of their ideas to social and political events hard to grasp'

(Held, 1980, p. 364)

On the third charge concerning critical theory's apparent preoccupation with 'superstructural phenomena' and the irrelevance of this for understanding

* As we will see shortly 'political' to critical theorists is interpreted in a wider sense than in Marxism.

the 'real determinants of social life' Held (1980) takes us into the heart of the differences between this approach and traditional Marxism and in so doing amplifies and develops the above two insights. Marxism maintains that the 'superstructure' is distinct, separate and secondary to the 'sub-structure' or economic base (dominated by the 'mode of production') with changes in the latter having only ripple effects leading to changes in the former. Critical theory, on the other hand, maintains that the two, although separate,* are interlocked and interlinked giving a greater importance to the superstructural humanity elements:

'... Their work sought to expose the complex relations and mediations which prevent the forces and relations of production from being characterised simply as objective - as things developing 'over the heads' of human agents. An analysis of the components of culture, of identity formation, etc. is necessary because 'history is made' - by the 'situated conduct of partially knowing subjects'. The contradiction between the forces and relations of production does not give rise to a fixed crisis path. The course of the crisis, the nature of its resolution, depends on the practices of social agents, and on how they understand the situation they are part of. Critical theory does not downplay structure, but seeks to examine the interplay between structure and social practices, the mediation of the objective and subjective in and through particular social phenomena.'

(Held, 1980, p. 361 and 362)

On the fourth and final charge that critical theory is isolated from working class politics Held (1980) shows that despite it's 'preconditional' nature (see above) it is concerned with political action but in a developed sense of this term which goes beyond, but encompasses, traditional views about such matters. Held (1980) puts these points as follows:

* See Section 3.5 below for more details on this 'separateness'.

'... the criticism of 'lack of involvement' itself presupposes an attachment to the view that the only form of legitimate political involvement is active participation in day to day working class politics. One of the significant achievements of critical theory is, in my view, to have shown that there are many ways of contributing to the project of human emancipation and that the terms of reference of the political are wider than is often thought'

(p. 362/363)

Put another way critical theory is not disinterested in the political struggle between classes but sets such a struggle in the context of a wider 'political' processes which is designed to lead (if the preconditions are correct) to the real emancipation of humanity:

'The Frankfurt school and Habermas sought to extend and adapt the insights of Marx's work in order to reveal the complex factors which hinder people coming to consciousness of themselves as capable of different action'

(Held, 1980, p. 363)

Quite clearly Held's argument against Marxist criticisms will not necessarily be convincing to those who believe in such a creed and in the end both schemes of thought are of necessity vulnerable because of the preconditional nature of both despite their mutual reliance on historical analysis. Both traditional Marxism (in all its diverse forms) and critical theory (a further 'brand' of Marxism) base their implicit or explicit prescriptions for the emancipation of society on the basis of historical analysis: Marxism maintains that the 'contradictions' in the 'substructure' produces crisis, revolution and fundamental change in society historically which gives clear direction to the areas of attention for future change; critical theory, on the other hand, maintains that the Marxist analysis of past societal change is too simplistic which needs to be enriched by a more dominant position for humanity and evolutionary advance which, in turn, gives a different set of variables for attention if future change is to ensue. Which model of change is correct depends on a number of factors not least of which is what one means by emancipation and how one measures its presence or absence - issues which have

yet to be fully resolved. Thus both are sets of preconditional beliefs about the best route to the achievement of a somewhat elusive goal (emancipation) with varying levels of application and success.

We clearly have many examples of new societies coming out of revolutionary class struggles following Marxist processes yet few outworkings of advances following the creeds of critical theory, which seems to suggest we should attempt a redressing of this imbalance before evaluating either scheme in terms of the mutually agreed, but elusive, goal of emancipation. To do this we need some actual applications of this approach to help this evaluatory process. This present study is attempting, in it's own small way, to help in this respect by using certain aspects of critical theory as a preconditional tool to bring change and development in a particular empirical setting using accounting system design as it's perspective.

We clearly need to be much more refined about our understanding of critical theory and to do this we will turn to some of the insights of one of the leading critical theorists: Jurgen Habermas. Habermas is the latest and possibly most famous of the associates* of the Institute of Social Research who not only built on the previous members but took critical theory into new and unexplored areas. Thus the following Section and Section 3.5 will concentrate on Habermas' interpretation of the reinterpretation of critical theory's dominant theme.

Habermas' more recent work is a highly complex and far reaching structure which concentrates on the importance of reason and dialogue and the blockages

* Habermas' association was theoretically total but only partial physically. He was an assistant to Adorno but then moved to Heidelberg, returned to Frankfurt in 1964 to take up a chair in philosophy and sociology before moving in 1971 to where he is now: to the Max Planck Institute in Starnberg, West Germany.

in both which hamper change and development. As McCarthy points out in his introduction to Habermas' Communication and the Evolution of Society (1979) the 'research programme'* of Habermas can be typified as a three-tiered interconnected structure:

'The ground level consists of a general theory of communication - as Habermas calls it, a universal pragmatics - at the next level this theory serves as the foundation for a general theory of socialisation in the form of a theory of the acquisition of communicative competence; finally, at the highest level, which builds on those below it, Habermas sketches a theory of social evolution which he views as a reconstruction of historical materialisation' (p. xvii)

Clearly given the on-going nature of this research programme there are problems in all three levels and their relevant interconnections. Level one analysis (upon which the other two rest) relies very heavily on a priori judgements which can ultimately only be justified by dialogue. But we need communicative competence to be able to dialogue which is of course what we are dialoguing about! The dangers of infinite regress are great indeed. Level two analysis rests on discovering key, but highly problematic, motivational elements to lead individuals and groups to adopt the insights from the level one analysis. Level three analysis relies not only on being communicatively competent but also on the absolute necessity of such competence if change and development in human/structural phenomena is to occur so that the social evolution towards a new and better society is made possible. But this causal linkage with communicative competence as the central element has yet to be categorically demonstrated.

Thus as a 'research programme' there is much still to pursue if Habermas' Critical Theory is to constitute a mature body of knowledge. This is not to say that it is better to wait until all issues and problems have been resolved before

* Such a phrase is meant to capture something of the hypothetical nature of insights to date. They are not 'results' or 'finished products' but part conclusions from an on-going 'research programme'.

one starts to use some of the insights of Habermas. On the contrary the actual process of using some of these ideas (given their tentative nature) particularly in terms of practical outworking will add to the development of Habermas' Critical Theory.

Based on this view Section 3.4 below develops a particular strand of Habermas' ideas which can be directly related to the particular focus of this study: the design of accounting systems in actual enterprise contexts. Such ideas which forms basically an empirical approach can be seen to be part of the third level of Habermas' 'research programme' and thus builds on the first two and is part of the necessary processes through which, it is postulated, social evolution will occur.

Section 3.5 on the other hand attempts to make plain the connections between this approach, and it's accounting focus and the theory of social evolution put forward by Habermas. *This will also provide a necessary expansion* of his ideas surrounding the third level of his research programme as well as giving a greater appreciation of some of the 'preconditional' problems discussed above.

3.4 HABERMAS' MODEL OF THEORY AND PRACTICE AND ITS RELEVANCE AND APPLICABILITY IN THE DESIGN OF ACCOUNTING PRACTICES

3.4.1 Introduction and Overview

This Section which must always be seen specifically in the context of the issues raised in Section 3.3 forms the crucial link between all that has gone before in this study and all that will follow. It presents the general model of Habermas' which sets up the preconditions and format for an interconnected relationship between theory and practice set in the context of social evolution, emancipation and development. It then applies this specifically to the accounting design issues to which this study is addressed.

As a prelude and overview of this argument Figure 3.4.1 presents a diagrammatic presentation of the model in question. The elements in this model come from a mixture of Habermas' ideas but some of the core structural aspects come from his new introduction to Theory and Practice (1974). However, it is an amalgum of a number of strands of his highly diverse thinking although it would be wrong to see it as in some sense a cumulative summary of his work to date even at this 'third level' where we have situated this model.*

Habermas sets this model in the context of what could be called researchers and researched (or 'target group') - the latter being the primary actors or changers. However as Heller (1982) points out he is not really concerned with the detailed application of this model per se (i.e. who are the researchers or the researched and what are they researching anyway); he is more concerned with the generalised, as Heller (1982) describes, 'theory of the organisation of enlightenment' rather than 'the theory of organisation'. Who takes on the role as researchers or researched and the detailed context which gives such

* His work for instance, in Legitimation Crisis (1976) tracing and postulating the 'crisis' looming in modern capitalism is also a 'third level' study but does not mesh neatly into the model under discussion although certain linkages can be seen as will become apparent in Section 3.5.

role definitions is not a secondary issue but an issue to which Habermas does not address himself.* However, one thing is sure: with the model's concentration on dialogue and consensus the processes of change and development and emancipation are to be seen in the light of small groups rather than some amorphous 'society at large'. In other words incremental change is anticipated rather than some form of total shift - the latter comes about by cumulative changes in the former.**

To Habermas there are three interlinked stages*** in this incremental change process. Firstly there is the formulation of critical theorems about whatever the researchers are researching which are 'radicalised' through a 'theoretical discourse' until a 'true' consensus by the researchers is achieved. Secondly this 'consensus or theory' is then taken to the 'researched' and through a 'therapeutic discourse' followed by a 'radicalised theoretical discourse' both researchers and researched come to a joint 'true' consensus on the nature of really what constitutes critical theorems about whatever it is that is being researched. Thirdly with both researchers and researched 'enlightened' together on whatever the matter is under debate the next stage is to conduct a 'radicalised practical discourse' between these parties on practical actions to be taken. The upshot is a 'true' consensus on practical actions which are to be undertaken by the primary actors (the researched) particularly.

* This is of course not surprising in the light of the discussion in Section 3.3 which showed the 'pre-conditional' concern of critical theorists.

** This of course is to be expected with Habermas' view about 'social evolution', rather than 'social revolution'.

*** We will in the following refer to these as the three stages of Critical Theory rather than Habermas' three stages of Critical Theory.

The words 'true' (consensus) has always been couched in inverted commas in the above and it is important to understand why this is so. Consensus to Habermas is, as Hesse (1982) points out, his 'theory of truth': truth and falsity are set exclusively in the context of the quality and nature of discourse which when certain conditions are fulfilled leads to a 'grounded', 'justified' consensus and truth to the dialoguing partners. Thus underlying all is Habermas' universal pragmatics or the validity claims of discourse.

The following Sections pick up elements in this model and develops them further-however, before we do this it is important to make a few comments concerning the expression of this model in the context of the accounting concern of this study. As we have already pointed out Habermas is not categorical on what should be the focus for this model. Most of his rare referents have been to the researched themselves and their political struggles but, as Held (1980) points out, to Habermas:

'... the terms of reference of the political are wider than is often thought' (p. 362/3)

Thus the design of accounting systems in enterprise contexts is as legitimate as any other as a referent because even if one has to see this as a political system - which Habermas doesn't really require anyway - then it is possible to do so given Habermas' leniency on the definition of 'political'.

Thus the focus for operationalising the model would be therefore the design of accounting systems in particular enterprise contexts. It could not be used at some sort of global general level unless somehow or other every researcher and everybody in every enterprise which possesses an accounting system could be brought together so that a consensus on enlightenment could occur. Or every 'researcher' could be gathered together to arrive at the consensus on critical theorems. Such procedures are clearly impossible from a practical viewpoint but they are also undesirable. Critical theory, as will be recalled, is based on Kantian rather than Comtean assumptions and

does not assume, unlike the latter, that order and general traits are 'there' and need to be discovered. To Kant and those who follow his line of thought generality is not impossible but cannot be assumed until demonstrated. Thus incremental investigation is both necessary and desirable. Therefore the concentration initially, maybe permanently, will be on the design of accounting systems in particular enterprises and will proceed through the three stages as indicated.

Critical theorists, as has already been pointed out, do not use the terms description, prescription and change. Such terms do not capture the richness of this model even though it is possible to relate the two. Consensus on theory and enlightenment has similarities to description but goes a long way beyond the traditional meaning of this world. Likewise consensus on practical action is the unified expression of prescriptive and change tendencies but cannot really be neatly captured by these terms. Thus from now on these expressions which have to date given meaning to the 'processes for designing accounting systems in practice' will be replaced by the three consensuses on theory, enlightenment and practical action discussed briefly above.

This then concludes a far too brief but nevertheless important overview into the model which will be further refined in the following Sections and will form the basis for the empirical approach in later chapters. Section 3.4.2. discusses the important underlying validity claims of discourse which form the vital backcloth to allow judgements on the validity of the consensuses in the three stages of Critical Theory. Section 3.4.3 clarifies and develops these three stages both in the context of the insights from Section 3.4.2. and in terms of its focus on the design of accounting systems in enterprises. As we have already pointed out the focus for the application of this model is not a settled phenomena. It may or may not have general applicability but this is not our primary concern. Our concern and claim is that it is an appropriate model for the design of accounting systems in enterprise contexts and it is in terms of such a framework the model will be discussed.

3.4.2 Underlying Validity Claims of Discourse

As we have already pointed out Habermas maintains that the:

'... presuppositions and procedures of discourse are the basis for establishing the truth of statements and the correctness of norms.'

(Held, 1980, p. 331)

Such a stand requires a careful analysis of language and discourse to establish the basis for what he calls an 'ideal speech situation' in which the consensus is 'grounded' or 'justified' and the specific outcome is truth and correctness for the parties in the discourse. This endeavour is encapsulated in Habermas' theory of communicative competence.

What Habermas is doing is creating what he calls a 'rational reconstruction' of the elements in communicatively competent discourse, which is in some way universal and above specific applications. It is for this reason that in Figure 3.4.1. the row variables have been divided between 'underlying validity claims of discourse' and the three particular expressions of these. The former are the universal rules the latter are the particular applications to arrive at particular consensuses. As we will see it is sometimes rather difficult to keep the two separate but there are important reasons for this division. The primary reason being that to do so provides a sort of abstract 'rule book' which is outside of the particular problem which is being discussed to which reference can be made as to the particular standard of discourse.

Habermas builds his argument on a detailed understanding of one of five 'pragmatic universals': performative verbs (assert, promise, command etc.) These verbs appear in every speech act and, thus, according to Habermas, should provide the basis for a comprehensive understanding of speech acts. Such verbs, and related speech acts, can be divided into four basic classes: constatives (to assert, to describe etc), regulatives (to order, to advise etc), representatives (to admit, to conceal), communicatives (to say, to ask etc.) which in turn refer to certain 'domains of reality' and rest upon certain validity claims. Thompson (1982) captures all these interrelationships from Habermas':

'What is Universal Pragmatics?''* in a tabular form which is presented in Table 3.4.2. (1)

Thus when we make statements about 'the world' to another then we are making a constative speech act which calls for a truth validity claim: is it really as you say it is? When we approach anybody at all on anything including the above or more particularly with some advice, recommendation, order etc (regulative speech acts) we naturally bring into question a correctness validity claim: is it right for you to do what you have done? Likewise the very fact that somebody speaks to another (a representative speech act) calls into question the sincerity of the speaker (i.e. another validity claim): is this person deceiving me?, is this person pretending? Finally the actual process of speaking (a communicatives speech act) calls into question intelligibility (i.e. another validity claim): what does that mean? how should I understand that?

Thus more than one validity claim is invariably raised with each speech act. When I say something about the world to another I am, in effect, raising all four validity claims: truth, correctness, sincerity and intelligibility. However, it is likely that the first ('truth') will prove more difficult to satisfy. Likewise when I suggest something in the way of advice I also raise all validity claims but will need to work very hard at the 'correctness' one if I am to secure your motivation to follow such a lead.

Clearly this is more a diagnosis of the issues rather than some solution to the problem of the supply of a universal rule book for satisfying validity claims. Habermas approaches such a need from two angles. Firstly to suggest the importance and nature of 'symmetry' in the attitudes and actions of the parties to the discourse. Secondly, and set firmly within this context, to

* In Habermas' Communication and the Evolution of Society (1979) pp. 1-68

develop the detailed attributes of an ideal speech situation. The first can be likened to the superstructure of the ideal speech situation and the second the substructure - without the former the latter is in-operable.

Turning first to the matter of symmetry Habermas (1971) makes the following point which constitutes a major underlying assumption:

'... the structure of communication itself produces no constraint if and only if, for all possible participants, there is a symmetrical distribution of chances to choose and to apply speech-acts' (p. 137)

As Thompson (1982) points out such symmetry in terms of equal chances is given different meaning through each of the four classes of speech acts. A symmetrical distribution of chances with respect to applying 'constatives' implies 'that all potential participants have the same opportunity to proper interpretations and explanations so that no preconceptions remain excluded from view'.* An equal opportunity to apply 'regulatives' entails 'that all potential participants have the same opportunity to order and prohibit, to obey and refuse, thereby precluding the privileges that arise from one sided norms'. A symmetrical distribution of chances with respect to applying 'representatives' gives all potential participants the same chance to express intentions and attitudes, creating the circumstances in which subjects become transparent to themselves and others in what they say and do'. Finally an equal opportunity to apply 'communicatives' means that 'all potential participants have the same chance to initiate and sustain discussion through questions and answers, claims and counter-claims'. Clearly these conditions are very idealistic but they form the vital backbone or superstructure of any ideal speech situation.

In addition to, as well as being essentially (if implicitly) part of, these symmetrical chances there are some basic rules on compulsion and motivation.

* All items in quotes in this paragraph are from Thompson (1982) p. 124 unless otherwise stated.

Habermas (1973A) puts these rules as follows:

'In a discourse, the 'force' of the argument is the only permissible compulsion whereas the co-operative search for truth is the only permissible motive' (p. 168)

Truth in this sense is not strictly the same as the validity claim truth although clearly related. Truth in the above quote is more of an overarching joint commitment to 'delve deep' and not to hold back from diligent searching. In this sense both this 'search' and 'the force of the better argument' can be seen as underlying commitments or objectives which coupled with the symmetrical chances forms vital benchmarks or pointers to the ideal speech situation.

We now turn to the second set of issues concerning what we have called the substructure of the ideal speech situation, which, in essence, looks more closely at the way the validity claims can be satisfied. Where problems arise on sincerity and intelligibility validity claims these can be solved between parties providing the rules of equal opportunity discussed above are conducted to the full. In such situations a consensus between parties is highly likely. However, where problems arise on the truth and correctness validity claims more detailed considerations are necessary. The solution to such problems cannot be found in the appeal to some sort of 'facts'. Since Habermas (1973A) points out:

'Facts are not constituted since they are not entities in the world but correlates of propositions on the level of argumentative reasoning' (p. 175)

(emphasis in the original)

On the contrary the solution to such problems lies in the very nature of what constitutes these Habermasian 'facts': argument and discourse. Habermas' view is that to solve problems in truth and correctness validity claims we must conduct respectively a 'radicalised theoretical discourse' and a 'radicalised practical discourse' until a consensus is reached.

It is the process of radicalisation in the discourse which is the vital element, for without it 'the force of the better argument' would be meaningless. Thus for instance in a theoretical discourse one may start with the seemingly obvious but not stop at this point even though some consensus may be perceived.

It is necessary to 'radicalise the argument' and proceed to increasing levels of reflection. Habermas (1973B) depicts the levels involved as four as Table 3.4.2(2) indicates. Held (1980) describes this increasing radicalization as follows:

In theoretical discourse there must be freedom to enter a discourse; check questioned claims; evaluate explanations; modify a given conceptual framework; and reflect on the nature of knowledge as such. In practical discourse it must be possible to let commands or prohibitions enter discourse when they can no longer be taken for granted; assess justifications; alter conceptions of norms, etc.; and reflect on the nature of political will. (p. 343)

A consensus reached in such a situation is a grounded (justified) consensus. Whether or not such a consensus can ever be achieved is not the question Habermas is concerned with. His concern is with the way the reasoning human being in disagreement with another on one or both of these particular validity claims should proceed to arrive at a consensus, in the end, which is 'justified'.

Putting all this together we have a complex theory indeed with regard to ideal speech situations. Table 3.4.2 (3) attempts to capture something of this complexity and is a useful summary of the above discussion. What this essentially is is a check list which can be referred to in actual discursive incidents to abstract from the specifics and see whether the 'universals' are present. For instance suppose we are attempting to have a dialogue with fellow researchers about the nature of an extant accounting system in a particular enterprise context then we could 'jump out' of the specific discussion to see whether our discourse was ideal. In this context we would have to ensure that our underlying commitment was as stated: relying on the force of the better argument and co-operatively agreeing that we were searching for truth. We would probably be using, in the main constative, representative and communicative speech acts but may possibly be using the regulative one as well. Either way we would need to be assured that equal opportunities as enumerated in Table 3.4.2 (3) and discussed above are being given to all researchers. Likewise it is to be expected that truth claims, in the main, will be the

dominant area for question or scepticism. Even if a consensus has already been reached we must be absolutely sure that such a consensus is grounded in the sense that the theoretical discourse leading to it has been radicalised. Only in this way by confirming the nature of our discourse could we confirm whether our consensus on 'truth' about the accounting system in question is truth or falsity to the researchers in question. In other words is our consensus 'rational' i.e. a consensus attained in the context that approximates the ideal speech situation? For as Held (1980) rightly maintains and as we have already pointed out:

'... a rational consensus... is for Habermas, the ultimate criterion of truth or of the correctness of norms' (p. 395)

Without such a rational consensus truth or correctness has no meaning to Habermas.

Now clearly there have been disagreements surrounding this model in terms of questions of justification, comprehensiveness and practicality of the ideas and thus it would be wrong not to introduce some of these doubts and problems. The following will look at the most recent of these by Thompson (1982) which apart from its comprehensiveness affords a valuable and insightful response by Habermas (1982) to the questions raised.

Thompson raises four 'theses' of Habermas model and then raises questions in respect of each. The four theses are:

(1) that the utterance of a speech act raises four validity-claims; (2) that communicatively competent speakers have at their disposal a series of pragmatic universals; (3) that an ideal speech situation which can be constructed in terms of pragmatic universals, is presupposed in everyday speech; and (4) that truth is a validity-claim that can be rationally redeemed in a discourse having the structure of an ideal speech situation' (p. 125)

On the first thesis Thompson raises the question as to whether, in every speech act, all four validity claims are always raised. Habermas' reply does not meet this challenge directly. However, the above discussion has already covered this point by indicating that in certain speech acts one of the validity claims

may take precedence but that still, in all speech acts, the four validity claims are raised at various levels of importance. On the second thesis Thompson raises questions concerning ability in discourse as well as whether it is only in speech that we gain understanding. Habermas' reply concentrates on his work on 'ontogenesis' (individual development) to counter the former and calls for a demonstration by Thompson of intersubjective knowledge without language to counter the latter. On the third thesis Thompson raises doubts as to whether the ideal speech situation is possible given where everyday speech is 'at'. Habermas' reply reinforces his belief in the viability of this possibility and its consequent power to discover when there is 'cheating':

'Should one party make use of privileged access to weapons, wealth or standing, in order to wring agreement from another party through the prospect of sanctions or rewards, no one involved will be in doubt that the presuppositions of argumentation are no longer satisfied' (Habermas, 1982, p. 272/3)

On the fourth thesis Thompson raises the very basic problem concerning the nature of truth and how to validate such a claim:

'One may have very good grounds for maintaining that it will rain tomorrow, but the truth of this statement is dependent upon what happens tomorrow and not upon the grounds that one has today' (Thompson, 1982, p. 130)

Of course this has strong positivistic, Comtean overtones which have been seriously questioned by the Kantian development to which Habermas subscribes. Habermas, taking the more objectivist development of Kantian thought which keeps alive the idea of an objective reality would be expected to be both sympathetic and unsympathetic (at the same time) to the basic question Thompson raises. His reply is as expected: it doesn't deny Thompson's view but doesn't confirm it - it encompasses it but at a new level of debate. The criteria of truth which Thompson is talking about in his example is nothing more than a discursively agreed criteria which could change. Or as Habermas (1982) puts it:

'Criteria change with standards of rationality and are subject in their turn to the dictate of argumentative justification. What can count in a given instance as a good reason is something that depends on standards about which it must be possible to argue' (p. 273)

Thus Habermas' theory of discourse with its concentration on the preconditions surrounding the phenomena's claim to truth encompasses but relativises Thompson's example.

Thus in conclusion even though the theory of communicative competence is, as McCarthy (1973) points out, 'in a highly speculative stage of development' (p. 154) it is difficult to find any substantive grounds for knocking down this fundamental corner-stone of Habermas' present work. Clearly it is important to attempt such an endeavour since otherwise we are denying the whole essence of the approach: argument and discourse so as to arrive at a rational consensus. Apart from this not to do so and criticising other levels in Habermas' work would not be shaking at the very foundations of his endeavours. However, at present such foundations even though they look sound and substantial may well require refinement and development to adequately support the superstructure of his later ideas.

Finally before moving on to the next Section something* needs to be said about the processes of bringing about a willingness, on the part of discursive actors, to move towards an ideal speech situation.** As McCarthy points out in his introduction to Habermas' Communication and the Evolution of Society (1979) this is an area where Habermas is still at the early stages of developing an adequate research programme. However, his work has some definable qualities. Basically he is concerned with both phylogenesis (species-wide development) and ontogenesis (individual development).

* More will be said about this in Section 3.4.3 below.

** This of course is McCarthy's 'second level' in Habermas' research programme.

These two sit somewhat uneasily together in Habermas work but with his concentration on social evolution and psychoanalysis his bias* is more on the latter with the former following rather than vice versa. The cornerstone of this work is on the development of the Freudian understood 'ego' particularly its cognitive, linguistic and interactive expression and its affective and motivation keys to bring such developments about.

Such developments can occur, according to Habermas if there are adequate 'rational reconstructions' of competence to be used in the context of 'therapeutic dialogues' and a willingness on the part of those involved in such dialogue to be 'self critical'. Rational reconstruction to Habermas (1974)

'... deal with anonymous rule systems, which any subjects whatsoever can comply with, insofar as they have acquired the corresponding competence with respect to these rules' (p. 22)

Whereas self criticism is a mode of reflection which

'... brings to consciousness those determinants of a self-formative process ... which ideologically determine a contemporary praxis and conception of the world' (p. 22)

Thus a therapeutic dialogue, which is not 'discourse' due to the a symmetry of the relationships, could and should generate self criticism (e.g. 'on the particular self formative process of an ego', Habermas (1973A) p. 183) to allow competences to develop so that rational reconstructions can be adopted. For instance the ideal speech situation is a typical rational reconstruction to which people could 'comply with' providing they have the competence to do so which may or may not** be acquired through self criticism and a therapeutic

* But not exclusive bias see Habermas (1976) and (1979) for a demonstration of his macro interests which still have clear links however to more individual micro aspects - see Section 3.5 for more details on these connections.

** This depends on whether the competencies are present or not at the outset.

dialogue.

We have now come to the end of this very long but very important Section, without it the following would be meaningless. Before moving to Section 3.4.3 which refers more directly to the three stages of Critical Theory from Figure 3.4.1 it is worth setting the above discussion in the context of this diagram. All the above discussion is concentrated on the underlying validity claim of discourse. Even though we have used the three row titles ('radicalised theoretical discourse', 'therapeutic' 'discourses' or 'dialogue', and 'radicalised practical discourse') these are not strictly the same as the expression of these in the context of the design of the three consensuses in Figure 3.4.1. The above discussion set these discourses in the context of the ideal speech situation and the developments towards this ideal stage, Figure 3.4.1 sets them solely in the context of particular consensuses on particular issues. They are therefore, an outworking and expression of the ideal speech situation and not a replacement for it.

3.4.3 Habermas' Three Stages of Critical Theory in the Context of the Design of Accounting Systems

As we pointed out in Section 3.4.1 the following discussion on the three stages of Critical Theory will be set in the context of both the underlying validity claims of discourse and in terms of the design of accounting systems. Certainly the former is always the universal context the latter is but a specific expression of a general model due to its centrality in this particular study.

The first stage is the formulation of critical theorems (i.e. to arrive at a consensus on theory via radicalised theoretical discourse.) In this context there are a number of issues to be understood which can best be exposed by a series of questions: What is the focus? Who are the researchers? Why is a radicalised theoretical discourse necessary? What would such a radicalised theoretical discourse look like in the context of the focus? What is the standing of the resulting consensus on theory? Each of these five questions will supply the basis for the following discussion.

Firstly, and somewhat briefly, on 'what is the focus?' the answer is, for the purpose of this study, the accounting system (as defined in Section 1.2) in particular enterprises. In Section 1.2 we defined an accounting system, as:

'an enterprise based formal system which expresses
in fundamentally numerical terms past, present and
future financial actions of such enterprises'

Thus any system which satisfies this definition can legitimately be called the focus for attention. However, such a focus includes the context in which it is placed. This definition of an accounting system is grounded in an enterprise context and thus the focus includes such contextual linkages.

In addition our focus is with the accounting systems in particular enterprises rather than some amorphous 'general' accounting system. As we indicated above generality is not assumed at the outset - particularity and uniqueness is the assumed state even though generality may be a possibility.

This is, of course, because of critical theory's Kantian rather than Comtean roots. Thus the focus is on an accounting system in a particular enterprise context; comparative analyses and a search for commonalities are not ruled out but are not the primary focus.

Secondly an answer to 'who are the researchers?' is somewhat more complex. In some ways an exhaustive answer to this is immaterial: it is whoever wishes to take on the role and has the capabilities to perform the task. Certainly Habermas envisages more than one researcher unless, of course, an individual can adequately perform a radicalised theoretical discourse with himself. If this is possible then a solitary researcher could fulfil Habermas' overarching conditions. What is possibly more important is not the number of researchers but rather their basic attitudes. What is vital to act as a researcher in this context is the ability to adopt a critical stance with respect to the phenomena one is researching. Fundamentally this is requiring researchers, to be classed as such, to have an attitude which accepts the possibility that, following our accounting application, the accounting system could change out of all recognition and even the enterprise of which it is part maybe should cease to exist. This invariably means that only those whose survival does not depend on the continued existence of the particular enterprise being researched could potentially qualify to be researchers. Thus employees of the particular enterprise are unlikely to be researchers in this sense since their survival depends on the survival of the particular enterprise which will constrain the radicalised theoretical discourse at the far extremes of its endeavour.

This takes us to our third question: 'why is radical theoretical discourse necessary?' which links back into the ideal speech issues discussed in Section 3.4.2. The discovery of critical theorems, as we will see below, involves making various statements as to why the design of a particular accounting system is as it appears to be. Such statements in the main, but not exclusively, raise the truth claims we were discussing in Section 3.4.2.

Thus the way to verify truth claims becomes the dominant issues to be faced. To Habermas the way to confirm a truth claim is through a radical theoretical discourse as discussed and thus this becomes a sufficient and necessary prerequisite to arrive at a consensus on critical theorems.

This also links in to our fourth question: 'what would radicalised theoretical discourse look like in the context of the focus?' an answer to which can be found in an application of the ideal speech interpretations of this type of discourse. Figure 3.4.3 (1) attempts to build on Habermas (1973B) insights (summarised in Table 3.4.2 (2)) introducing some of the dynamics involved in this process. A radicalised theoretical discourse in the context of accounting systems design starts with some statements about the accounting system e.g. it contains a budget system, uses an income and expenditure account etc. But even this must be *metatheoretically criticised*: *what do you mean by a budget system an income and expenditure account etc.* The aim is to arrive at some form of explanatory conclusion e.g. why this budget system, why an income and expenditure account etc. Such conclusions come from a logically related set of theoretical explanations the relationship of which must be susceptible to metatheoretical criticism with regard to language and logic used. These theoretical explanations have, to Habermas, three elements from which suitable conclusions can be drawn: data (causes of events, motives of behaviour), warrants (empirical uniformities, hypothetical laws etc.) and backing (observations, factual accounts etc). For instance a possible explanatory theory for why an income and expenditure account is used could be: the treasurer who is a qualified accountant produced it (data), most treasurers who are qualified accountants prefer income and expenditure accounts (warrant), a recent survey by X shows this to be so (backing). But the language and content of such data, warrant and backing must be reflexively criticised so that the resulting explanation 'moves on' to deeper and deeper roots. It is in this dynamic interrelated sense that a radicalised theoretical discourse operates leading to consensus on theoretical explanations and quite probably unexpected conclusions about the reasons for the accounting

systems in question.

Fifthly and finally on the question: 'what is the standing of the resulting consensus on theory?' one has to seek an answer by appreciating the standing of the consensus outcome for a radicalised theoretical discourse. If such an outcome is a consensus by the researchers which has exhausted all the radical possibilities in the context of the dynamics of the model in Figure 3.4.3 (1) then the consensus is 'grounded' and 'justified' to those researchers. Thus, the resulting consensus is justified only to those researchers - this indeed is its standing. However, to Habermas, it is not sufficient to leave the matter at this point there is a need to organise processes of enlightenment:

'... in which such theorems are applied and can be tested in a unique manner by the initiation of processes of reflection carried on within certain groups towards which these processes have been directed' (Habermas, 1974, p. 32)

Habermas' concern to see this as a way to 'test' (and presumably alter) such critical theorems suggest further relativity to the standing of the 'consensus on theory'.

This brings us somewhat naturally to the second stage in Critical Theory: processes of enlightenment. As in the above we will raise a number of pertinent questions which will form the framework for the following discussion. We will structure the following around answers to five questions: what is enlightenment? Who are to be enlightened? Why is enlightenment necessary? How is enlightenment brought about? What is a consensus on enlightenment and what is its use?

Hints towards an answer to the first question (on what is enlightenment?) have already been given when discussing critical theorems. It is about the belief in, and the nature and content of, the critical theorems which constitutes enlightenment. We become enlightened about the matter to which the critical theorems are addressed. In terms of our concern we become enlightened about explanatory theories concerning accounting systems design. In this sense the researchers are becoming enlightened in the search for critical theorems.

However, in Habermas' model enlightenment comes after critical theorems are designed although it is very clearly connected to them. Enlightenment to Habermas is a term he reserves particularly (in the context of this model) for the 'researched' or 'target groups' comprehension of the design of the critical theorems.

But it would be wrong to think that enlightenment is only the concern of the 'researched' or 'target group'. This brings us to our second questions: who are to be enlightened? The impression from the above is that it is the 'researched' or the 'target group' - the 'researchers' have achieved such an idealic state in the processes of arriving at the critical theorems. However, such a static picture is not Habermas' intention. The very idea of submitting critical theorems for 'test' in the enlightenment stage opens up the possibility for modification of these as the 'researchers' and 'researched' dialogue together in an ideal speech situation. In such a way enlightenment in the context of this model about newly formulated critical theorems can occur for both 'researchers' and 'researched'.

Before moving on to the third question there is a subsidiary issue to be looked at in the context of this second question namely: who are the 'researched' or 'target group'? A simple answer to this is those who need to be enlightened. But this is basically tautological. A way out of this cycle is to suggest that initially those who need to be enlightened are those who, in the present order of things, with regard to the phenomena in question, have power directly or indirectly to change the phenomena. In terms of our accounting concern this is basically those who either design or have the ultimate responsibility for the design of the accounting system in particular enterprise contexts. However, if other issues come to light which are dynamically connected with the accounting system in which changes are required the circle of enlightenment may well need to be widened.

Turning now to the third question on 'why is enlightenment necessary?' an answer can be given at two levels. At one level it is the necessary procedure

to arrive at 'genuine confirmation' of the critical theorems. Held (1980) puts such concern as follows:

'Through the systematic application of the theory developed in discourse, and self reflection on the part of the subject/object of investigation the theorems can be tested in the only way which can lead to their genuine confirmation' (p. 348)

At another, and possibly more important, level is that enlightenment is necessary, particularly for the researched, for without it understanding and action oriented change will be impossible. Habermas (1974) puts such a concern as follows:

'Only to the degree that organised enlightenment and consultation lead to those groups toward which this is directed actually recognising themselves in the interpretations offered*, do the analytically proposed interpretations actually become consciousness, and does the objectively attributed situation of interests actually become the real interests of a group capable of action' (p. 32)

Such enlightenment does not lead to change directly - there is a divide between processes of enlightenment and practical action - but without initial enlightenment, complacency and the acceptance of the status quo is the likely expected future state.

On the matter of the fourth question on 'how to bring about enlightenment?' an answer can be given in terms of, not surprisingly: discourse. Initially there is need for a therapeutic 'discourse' or dialogue between researchers and

* Habermas in this quote is seeing the 'phenomena of interest' for enlightenment the researched themselves. However, in the context of this study we are using the phenomena of interest to be the accounting system which may or may not be an expression of the 'researched themselves' even though they are responsible for its design. Some may accuse us of abusing Habermas' model in the way we are using it. However, as we have pointed out on a number of occasions Habermas is not really making hard and fast rules on the specific areas of application for his general model and thus applying these to accounting systems is just as legitimate as any other 'phenomena of interest'.

researched. It is not a proper discourse in the Habermas sense since it starts from a basis of a-symmetry between the two parties and is geared towards, in the context of this model, the adoption by the researched of the conditions so that an ideal speech situation (and symmetry) can ensue. Thus the initial a-symmetrical therapy is successfully achieved when, and only when, equal opportunity to choose speech acts in the sense envisaged in the ideal speech situation is realised. The successful outcome of such therapy leads naturally into a discourse into the nature of the critical theorems which will invariably raise, particularly, truth claims in the speech acts relevant to these. In such a situation both researchers and researched will then need to move into a radical theoretical discourse to validify such claims.

The fifth and final two part question on 'what is a consensus on enlightenment and what is its use?' has already been answered at different points in the above but will be brought together since it provides a good summary focus. A consensus on enlightenment is a mutual agreement coming out of the condition of an ideal speech situation between both researchers and researched on the contents of critical theorems with regard to a particular phenomena of interest. As we have pointed out this 'phenomena of interest' could be anything including the researched or target group themselves. However, in the context of this study, as we have indicated on many occasions, this phenomena of interest is the design of accounting systems in the enterprise for which the researched are fundamentally responsible. Such enlightenment is necessary since it allows both researchers and researched to clearly see the accounting system in the particular enterprise with all its roots and connections to underlying organisational phenomena laid bare. In addition such enlightenment is a necessary pre-requisite and goad to change and development, particularly with regard to the design of the accounting system but also, quite possibly, with respect to the underlying interconnected organisational phenomena.

This brings us to the third and final stage of Habermas' model of Critical Theory on the selection of strategies. Enlightenment even though it may be 'good for its own sake' is never the end of the matter for Habermas. Such enlightenment is intended to lead to practical action but cannot give total direction to the nature of this action. Or as Habermas (1974) puts it:

'While the theory legitimises the work of enlightenment as well as providing its own refutation when communication fails, and can, in any case, be corrected, it can by no means legitimate a fortiori the risky decisions of strategic action. Decisions for the political struggle cannot at the outset be justified theoretically and then be carried out organisationally' (p. 33)

Once again Habermas is using his interpretation of his model in the context of the 'liberation of the proletariat' but the general intention is clear: theory cannot lead and direct practical action.

To help us to understand what is involved in this practical action we will, as we have done before, raise pertinent questions and structure the discussion around answers to these. What is the focus for practical action? Who are to undertake practical action? Why is a radicalised practical discourse necessary? What would a radicalised practical discourse look like? What will a consensus on practical action lead to? Answers to these five questions will form the focus for the following.

A simple answer to the first question on 'what is the focus for practical action?' is whatever is the phenomena of interest about which one has become enlightened. However, this disguises the web of interconnected 'secondary' issues which have given the 'primary' phenomena of interest its particular shape and design which may need as much changing as the primary phenomena itself. In terms of our accounting concern this is saying that our focus for change is not only the accounting system (the primary phenomena of interest) but also the underlying organisational roots (which have been laid bare in the enlightenment stage) which give the primary phenomena meaning and context.

Our focus therefore is the whole interconnected system surrounding the accounting system.

An answer to the second question on 'who is to undertake practical action?' is basically those who have been enlightened. As we have pointed out enlightenment is intended to lead to practical action and in a like manner practical action is impossible, in the sense used here, without the insights supplied through enlightenment. Thus only those who are enlightened can undertake practical action in the sense being used here. Such enlightenment apart from encouraging change supplies vital background information on interlinkages and without such insights the areas for change would be unclear.

However even though we have suggested that it is the enlightened - which includes both the researchers and researched or 'target group' - it would be wrong not to recognise that the target group have a much greater involvement in this action. It is, after all, their organisation, their accounting system, using our particular focus, which is the domain of interest and it is they, rather than the researchers, who have power and authority in the present system to make decisions and act with regard to the phenomena of interest and its related elements.

An answer to the third question on 'why is a radicalised practical discourse necessary?' can be found through the design of the ideal speech situation as discussed in Section 3.4.2. The discovery of practical actions, as we will see below, involves making various statements about things to do. Such statements in the main, but not exclusively, raise the correctness claims we were discussing in Section 3.4.2. Thus the way to give validity to such claims becomes the dominant issues to be faced and, as indicated, to Habermas this is only possible if protagonists conduct a radicalised practical discourse.

This naturally links to our fourth question on 'what would a radicalised practical discourse look like?' an answer to which can be found in an

application of the ideal speech interpretation of this type of discourse. Figure 3.4.3 (2) attempts to build on Habermas (1973 B) insights on the dynamics of radicalised practical discourse which were summarised in Table 3.4.2 (2) above. The conclusions from such a discourse are commands to do or to make prohibitions about something which must be grounded in what Habermas calls theoretical justifications. In terms of our accounting concern such commands or prohibitions could be related to the accounting system (e.g. start budgeting, design the accounting system to be 'semi confusing' etc.) or its related counterparts (e.g. stop spending money on the bosses supposed 'expenses' etc). The theoretical justifications have, to Habermas, to contain similar (but not the same interpreted) three elements as in theoretical explanations from which suitable conclusions can be drawn: data (grounds), warrant (behavioural/evaluative norms or principles), backing (interpretation of needs (values), inferences, secondary implications etc). For instance a possible justificatory theory for designing a 'semi confusing' accounting system in the Hedberg and Jónsson (1978) sense could be as follows: the present accounting system produces apathy and stability (data), apathy and stability is not good for this organisation since it needs to be fundamentally changed and semi-confusing accounting systems would aid this change (warrant), such fundamental change is necessary because ... and semi confusing accounting systems have been demonstrated to encourage such radical change (backing). But the language, logic and contents must be constantly criticised by metatheoretical, metaethical and metapolitical considerations: what do we really mean by 'change', 'semi confusing'? Is it really right that semi confusing accounting systems will lead to such radical change? Is it right, at a more abstract level, that this organisation is really in need of this proposed fundamental shift? What political views are we demonstrating by these attitudes in the context of alternative political persuasions? All these and other questions must centre around the theoretical justifications constantly moving these on by uncovering

and abandoning assumption sets. Above all this Habermas maintains we need to reflect on where we are as people which will influence both the theoretical justifications on specific issues and our 'meta' views as well. In other words, to Habermas, we need to reflect and formulate in ourselves a 'rational critical will' so that such revisions in our views become a reality.

Fifthly and finally the answer to the question 'What will a consensus on practical action lead to?' is that change and development of relevant variables will be the intended outcome even though the expected results may not always be assured. Even though the whole intention of a radicalised practical discourse is to 'shake the foundations' of any practical action so that the resulting consensus is 'grounded' and 'justified' it still does not guarantee the success of the action in terms of either its nature or its intentions. For instance suppose we wanted to introduce a semi-confusing accounting system (its nature) because that would lead to change in the organisation (its intention) then there is no guarantee that either expected result will be achieved. The first may be possible since it is those who have the power and authority to make such decisions who have been chosen for enlightenment in the way we have been discussing. However, the second effect cannot be guaranteed even if it is coupled with other strategies. In the end trial and error coupled with a willingness to constantly shift back into a radicalised practical discourse becomes the only way to proceed to ensure that change and development is achieved.

3.5 HABERMAS' MODEL OF THEORY AND PRACTICE AND IT'S ACCOUNTING SYSTEM INTERPRETATION IN THE CONTEXT OF A THEORY OF SOCIAL EVOLUTION

The contents of Section 3.4 on a number of occasions have indicated that both the general model of Habermas linking theory and practice and it's accounting system interpretation can be seen in the context of a process of evolutionary development which now needs to be explored more fully. We will explore these connections by using Habermas' latest work (1981 A & B)* as seen primarily through the critical, comprehensive reviews of Giddens (1982) and Thompson (1983).

Despite it's 1200 pages Habermas' latest work does not contain anything comprehensively new in his thinking. But it does bring his current ideas and insights together in one work providing an opportunity to obtain a much needed overview:

'I don't think confirmed Habermas - watchers will learn a great deal from this massive work, for nearly all the main theorems it advances have been introduced in more minor contexts over recent years. But it does bring these together in a central source, and provides a useful opportunity to appraise the current trend of Habermas's thinking' (Giddens, 1982 p. 319)

His overarching task in this work is, as Thompson (1983) suggests, to elaborate an:

'... account which demonstrates the interconnections of communicative action and social systems and which provides a framework for comprehending the tensions and tendencies, the conflicts and potentialities, that characterise the industrial societies of today' (p. 279)

This task has dominated Habermas' agenda in what Giddens calls the 'second phase' of his writing:

'Habermas's later work can be seen as an attempt to give flesh to the emancipatory potential of social analysis.

* Theorie des Kommunikativen Handelns Band I: Handlungsrationality und Gesellschaftliche Rationalisierung (1981A) Band II: Zur Kritik der Funktionalistischen Vernunft (1981B)

This endeavour has led Habermas away - just how far, he has yet to specify - from the framework adopted in Erkenntnis und Interesse.* It seems apparent that Habermas would now regard the attempt to found critical theory upon epistemology as misleading if not actually mistaken.'

(Giddens, 1982, p. 319)

Despite the familiarity of this theme for this new work and the previous exposure of many of the ideas Habermas does introduce into the text some of the thinking and ideas of both Weber and Parsons which have not been quite as prominent previously in his social theory.

The following will concentrate fundamentally on Habermas 'theory of social evolution' which forms the central theme of this massive work and how this relates to the model discussed in Section 3.4. Although there are many areas of concern in Habermas (1981 A & B) the one which predominates throughout is his attempt at a reconstruction of the theory of social evolution. It is from this, as with other critical theorists as well as Marx, that Habermas draws his conclusions about how societal development will, if left unhindered, and can, if certain actions are undertaken, occur - a point which we have already briefly touched on in Section 3.3. The model discussed in Section 3.4 above, and it's accounting system application, therefore, need to be seen as intended intrusions into an evolutionary process which is, to Habermas, on-going. To understand this we must first understand Habermas' theory of social evolution and the criticism which have been made against it** to which we now turn.

Figure 3.5(1) is an attempt at a diagrammatic presentation of Habermas' theory of social evolution. As can be seen this is indeed a complex model

* Knowledge and Human Interests (1978)

** Some of the general criticisms have already been discussed in Section 3.3 when talking about critical theory as a totality. The criticisms one is talking about here refer specifically to Habermas' model.

with terms and concepts which need to be understood if one is to get to the heart of Habermas' intentions. To aid this process of understanding we will divide the following into three parts which refer to specific elements in Figure 3.5.(1). The first part looks at Habermas' understanding of 'life world' and 'system' and the distinction between the two. The second part looks at the processes of 'differentiation', 'decentration' and 'inner colonization'. The third part looks at the underlying assumptions concerning enlightenment and emancipation. This third part will lead into some summary thoughts and criticisms before moving into some of the interrelationships between this model and the one presented in Section 3.4.

We turn first to Habermas' understanding of 'Life world' and 'system' and their respective distinctive characteristics. Habermas, sees life world as referring:

'... to collectively shared background convictions, to the diffuse, unproblematic horizon within which actors communicate with one another and seek to reach an understanding. The life world of a society or social group preserves and transmits the interpretative work of preceding generations. It forms a symbolic space, as it were, within which cultural tradition, social integration and personal identity are sustained and reproduced'

(Thompson, 1983 p. 285)

Systems, on the other hand, according to Habermas, following Parsonian thought, can be conceptualised as:

'... self regulating action-contexts which co-ordinate actions around specific mechanisms or 'media', such as money or power'

(Thompson, 1983 p. 285)

Quite clearly the distinction between the two is more apparent than real and introduced largely for 'methodological' reasons yet Habermas is at pains to maintain the distinctiveness of the two as well as their interconnection. As we will see below to Habermas the very process of evolution leads to a developing differentiation of the life world from the systems world using his understanding of these concepts. In addition as differentiation occurs the

life world, which to Habermas is primary in terms of the two, creates 'steering mechanisms' which are intended to:

'... define the 'scope' (Spielraum) of system differentiation'

(Thompson, 1983 p. 285)

The primary area for their steering endeavours centres around the important 'media' for systems action namely power and money. The most important of these steering mechanisms, from a societal perspective, is, according to Habermas, the state apparatus and the market economy both of which, of course, are directed to the management of the important societal systems 'media' of power and money.

We now turn to the second part of the explication of Figure 3.5(1) concerning an understanding of the processes of 'differentiation' 'decentration' and 'inner colonisation'. Differentiation of both the life world from the systems world as well as internally in each world over time are key elements in Habermas' theory of social evolution. Habermas both likens this process as well as linking it directly to Weber's conceptual insights into the processes of 'rationalisation' particularly his understanding of the 'rationalisation of world views' and 'social rationalisation' in the context of his analysis of the historical development of Western civilization. For Habermas the rationalisation of life worlds can be characterised in terms:

'.... of both the separation of spheres of value and the advancement of levels of learning'

(Thompson, 1983, p. 286 Emphasis in original)

While Weber appreciated the first of these elements - the separation of the spheres of value (such as the cognitive, moral and expressive elements of cultural rationalisation) - Habermas maintains Weber failed to appreciate the processes which lead to such changing states. Habermas maintains that there is a 'devaluation' process occurring when life worlds change - devaluing previous beliefs and evaluating new belief structures - which is created by increasing levels of learning.

This links directly to Habermas' understanding to 'decentration' which we will look at below after briefly looking at Habermas' understanding of the rationalisation process of the systems world. Thompson (1983) puts such understanding succinctly as follows:

'The rationalisation of social systems can be characterised in terms of their growth in complexity. From this perspective one can analyse the formation and expansion of markets organised around the medium of money and the steady growth of political and administrative organisations'

(p. 286 Emphasis in original)

Thus, in Habermas' view, as the life world develops the social systems develop as well by becoming more complex both in terms of their fundamental nature as well as in terms of sub-system divisions and specialisation. Yet such increasing complexity can have an adverse feedback effect on the life world which Habermas calls the process of 'inner colonisation'.

Before looking at this, however, we need to return to the 'decentration' process which Habermas maintains is key to an understanding of how life worlds' develop. Habermas' understanding of deccentration links directly to his heavy reliance on Piaget's ontogenic studies of cognitive development.* These studies trace how human beings (primarily children) progressively demarcate the:

'... objective and social worlds from the subjective world of experience - that is as a 'decentration of an egocentric understanding of the world'

(Thompson, 1983 p. 286)

This decentring process as it progresses allows individuals, according to Piaget and Habermas, to be both more reflective as well as more rational making consensus on understanding, social interaction and action and felt experiences less dependent on 'pre-established beliefs or codes of behaviour' (Giddens, 1982,

* And the derivatives of this work particularly by Kohlberg.

p. 323). Habermas' view is that such a decentring process is achieved by growing levels of communicative competence in his theory of language. This theory of language as presented in Section 3.4.2 above and summarised in Table 3.4.2 (1) highlights three major domains of 'reality', three modes of communication, three types of speech acts and three major types of validity claims which all relates in a one to one sense, to the three areas in Piaget's decentring process. Thus to Habermas the development of life worlds is dependent on the decentration process in the Piaget tradition which in turn is dependent on expanding levels of communicative competence with regard to constative, regulative and representative speech acts.

Finally in this second part we turn to Habermas' 'inner colonisation' process. This process links primarily to the differentiation concept discussed above: as evolutionary development ensues differentiation occurs in both the life world and social systems world leading to higher levels of complexity in the latter which has the potentation, due to it's quasi-independence, to react back on the life world and threaten to stifle it's ontogenic developments. It is this process which Habermas calls the 'inner colonisation' of the life world and, according to his analysis, it has two major repercussions. Firstly it creates a very real legitimation and motivation 'crisis' for the life world's steering mechanisms. They are felt to be failing in their allotted task to 'define the scope of systems differentiation' and with such failure create a crisis as to their ability to perform such tasks. Secondly, according to Habermas, it creates protest movements such as the 'Greens' in Germany or the CND in Britain which do not 'infringe directly upon class-specific interest positions'* but are:

'... concerned with protecting the life world against further colonization'

(Giddens, 1982, p. 330)

* Quoted in Thompson 1983 p. 288 from Habermas (1981B) p. 513

Such an interpretation, of course, sees such movements as primarily defensive against, and reactive to, 'overshooting'* of systems complexity. Whether this really is evolutionary advance towards the goal of the emancipation of humanity is debatable and it is to this, and related issues, we now need to turn.

These issues are major elements in the third part of the explication of Figure 3.5 (1) related to the underlying assumptions of this model in terms of enlightenment and emancipation. For convenience we can divide the following into three areas with regard to these issues: firstly concerning the nature and accuracy of this model as a 'description' of societal evolutionary processes; secondly concerning the beliefs of Habermas in the emancipatory nature of this evolutionary process; thirdly concerning the implications of this evolutionary model for the future. We will look at each of these in turn.

On the first point concerning the nature and accuracy of his model of society there are two issues of importance which need to be appreciated. Firstly concerning the claims for his theory. Fundamentally Habermas' model of society builds on both Marx's and Weber's models** while at the same time disagreeing with both and building a new: it is therefore an alternative model for explaining how society, not necessarily totally Western society, has changed over time, (i.e. it's social evolutionary process). Secondly concerning the status of his theory. We have already raised doubts in Section 3.3 concerning

* How this can occur is not made plain by Habermas although as Thompson (1983) indicates he sees the 'beginnings of such an explanation can be found ... in Marx's analysis of the processes of accumulation and valorisation of capital' (p. 288) although not untypically he is critical of using such an explanation either exclusively or with all assumptions implicit in such a model.

** On balance based on his latest work Weber's model is more prevalent in Habermas' social theory although Marx's intentions and aspects of his views are also clearly apparent.

the descriptive accuracy of critical theory more generally, viz a viz Marx's interpretation of a model society, and Habermas theory is naturally caught in this questioning. Of course these are epistemological and methodological questions which, as much of this present study indicates, cannot be lightly resolved. Equally it is surprising as Thompson (1983) indicates (p. 291) how little space Habermas gives in his latest work to what constitutes 'truth' and by implication what status he is claiming for the model of society he is advancing. However, one can only assume that Habermas' theory of truth related to a grounded consensus following the conditions of an ideal speech situation discussed at length in Section 3.4 above is still his dominant belief. In this sense either we can take Habermas' model of social evolution as a grounded consensus or as a 'straw man' upon which argumentation is to be addressed before attaining the status of a grounded consensus. Either way it must, of necessity, be seen as truth to the dialoguing partners rather than some universal claim to truth, unless, unknown to his readers, Habermas has changed his views on such matters.

We turn now to possibly the central assumption underlying Habermas' model: the emancipatory, enlightenment advances which are assumed to be implicit in the social evolutionary processes he models. This brings us to our second point. Giddens (1982) captures the essence of both the nature of this evolutionary process and its enlightenment, emancipation assumptions in the following:

'The development of arenas of discourse, which he tries to trace through the emergence of the 'world religions' and the subsequent differentiation of science, morality and art in modern culture signifies a general evolution towards an expansion of rationality. The more we are able rationally to ground the conduct of our lives in the three main spheres of existence - relations with the material world, with others, and in the expressive realm of aesthetics - the more advanced our form of society can be said to be.

Enlightenment, obviously is no joke. The modern world for Habermas is more enlightened than the primitive.'

(p. 322)

Quite clearly such claims, as with the model itself, should be rightly disputed and challenged in the context of argumentation. Already such a process is underway with strong and persuasive arguments to counter such views. This is to be expected and, in a somewhat perverse manner, reinforces the argument the actors are disagreeing about i.e. the power and significance of dialogue in terms of change and development! That notwithstanding the important point to note at this stage is the claimed status of Habermas' view, to himself, as well as in the view of others. Put another way Habermas sees the social evolutionary process he describes as an advancement to a better society in terms of enlightenment and emancipation yet others would, on the one hand, question the accuracy of the model as well as, or in place of, on the other hand questioning it's emancipatory developmental assumptions.

This brings us to our third and final point concerning the implication of this model for the future. There seem to be two possibilities which present themselves as to the future application of this model: either we can leave it alone, so to speak, and allow it's claimed inbuilt momentum to continue along it's claimed evolutionary emancipatory pathway and maybe predict the changes which will ensue; or we can, in the light of the dynamics of the model, attempt to impose strategies for change and development. The first of these strategies, on the surface, appears to be the one which Habermas is implicitly advocating in his latest work by his discussion as to both the nature of current societal movements as well as in the prediction of the direction of future developments. According to Giddens (1982) Habermas:

'... is inclined to see the new social movements as primarily defensive, concerned with protecting the life world against further colonisation. Ecological and anti-nuclear movements are of this kind, since they are characteristically linked with the impetus to defend the natural world against despoilation, and to recreate communal relationships of various forms. Whatever the potential for specific movements, however, Habermas affirms strongly that the 'stitching' between system and life-world is likely to continue in the near future to be their point of origin'

But such a model assumes that the life world has reached it's zenith and that the:

... major problems facing advanced industrial societies today have to do with the self-destructive consequences of systems growth - a growth which threatens to silence the potential for reflection which, with the rationalisation of the life world has become accessible to us.'

(Thompson, 1983 p. 288)

Yet surely this process of defence, even though vitally important, cannot be seen as the only area which should be developed? Put another way if Habermas' prediction is correct and this is the developmental path which will ensue is it really that emancipatory and is there not some alternative strategy which should be pursued to advance such a goal?

This brings us somewhat naturally to the second of the two strategies for the future: directed developments. It is here that we find Habermas' real desire and links directly to his very clear distinction between the 'logic of development' and the 'dynamics of historical processes'. On the one hand Figure 3.5 (1) and all it encapsulates can be seen as the 'dynamics of historical processes' yet on the other there is the sneaking feeling that it is more a picture of his 'logic of development' - Habermas in effect is seeing what he wants to see in the past to give credence and support for what he wishes to prescribe for the future... This hesitation notwithstanding what is clear is that to Habermas we can speak of developmental logic:

'... only when the structures of the life world vary in a way which is not accidental but directed, that is, in a way which is dependent on learning processes that can be systematically reconstructed. Such reconstructions have a hypothetical status; they cannot be proved directly but can be supported by being incorporated into theories which are used to explain other phenomena, like the ontogenesis of language the development of legal systems'

(Thompson, 1983 p. 291 emphasis in original).

In other words initiatives can be taken to develop the life world by learning processes (i.e. creating an ideal speech situation and expanding communicative competence) but the worth and validity of this systematic process is not

related to this process in itself but in the effect it actually has in moving the life world and consequently steering mechanisms and systems world 'forward'. Yet despite the sense of these relationships at an abstract level it would be true to say that Habermas has not really grappled with this important aspect of development which leads Thompson (1983) to the view:

'that Habermas should be pressed to provide a more detailed account of the nature and status of the logic of development and a more precise statement of what would count against it'

(p. 291/292 emphasis in original)

Quite clearly such a challenge is important but unsurprising due to the 'retreat' of Habermas, and all critical theorists as Section 3.3 has already indicated, away from the real processes of developmental change to the pre-conditions for such endeavours.

In sum Habermas seems to be seeing his model of social evolution in terms of the 'dynamics of historical processes' both for the past and future yet at the same time could be seen to be viewing this model as more in terms of a 'logic of development' which needs to be worked out in the future even though, to date, little progress has been made in this direction.

Although Thompson is right to challenge Habermas to be more explicit about the 'nature and status of the logic of development' it would be wrong to suggest that the 'embryos' of such matters are not already contained in Habermas's previous work even though it is not clearly apparent in his 1981 opus. In fact Habermas' three stages of Critical Theory discussed in Section 3.4 and summarised diagrammatically in Figure 3.4.1 can be seen as this important 'embryo' which conveniently allows us to make some important links between the contents of this Section and 'the three stages' discussed in Section 3.4. Figure 3.5 (2) traces these relationships diagrammatically.

As can be seen this Figure in somewhat simple form encapsulates Habermas' understanding of the logic of development. The present life world, steering mechanisms and diverse system are explored through research endeavours in the

'formulation of critical theorem' stage which then passes to the 'processes of enlightenment' stage where such ideas are critically evaluated by both 'researchers' and 'researched'. Finally movements in the life world leading to changes in steering mechanisms and social systems comes in the 'selection of strategies' stage when enlightened researchers and researched move the 'elements' forward along the progressive evolutionary continuum. Quite clearly such a model is highly simplistic and fraught with problems - which isn't really surprising given it's highly embryonic nature. However, rather than catalogue these problems the following will be addressed to one dominant matter which is both central to the criticism and which also links more directly to the reasons for this present study.

This criticism centres around what could be called the 'macro' nature of this model and the necessity to enrich this through more micro analysis. As Figure 3.5 (2) stands the implication is for a total macro societal shift which on the surface given the discourse requirements of the model is difficult to envisage. This is because the discourse model requires the identification of discursive parties in an arena of argumentation which is difficult, if not impossible, to operationalise at such a macro level. The nearest equivalent, however, would be some national government body who as a steering mechanism is meant to be aware of the societal life world and defining the 'scope' of the various social systems in it's change through the 'media' of power and money. However, although this is an entirely legitimate, and necessary, area of concern for operationalising this model it would be wrong to demand that it be exclusively applied in such a context: individual, differentiated, micro social systems have their own life worlds and steering mechanisms, admittedly set in the macro context, in which incremental, evolutionary and emancipatory change is possible and should be encouraged.

It is in this latter micro context the present study is situated and in which it should be seen. More specifically the nature of this study using many of the conceptual terms and ideas from this Section and the previous one can be

portrayed as in Figure 3.5 (3). Before looking at some of the detailed aspects of this Figure it is worth making plain the interdependent factors implicit in this diagram. By taking this micro focus we are, in effect, looking in depth at but one small element of the 'diverse systems' presented in Figures 3.5 (1) and 3.5 (2). Thus the 'life world' and the 'steering mechanisms' presented in these Figures are on the surface independent from the similarly named elements in Figure 3.5 (3). However, it would be wrong to see these respective micro and macro models as independent: they are interdependent even though these relationships are highly complex. For instance the life world of the macro system must have an effect and be affected by the life worlds in the micro systems. Likewise the steering mechanisms of the macro system must of necessity due to it's role have an effect* upon the actions, intentions and planned changes of the micro systems. In sum the contents of Figure 3.5 (3) must always be seen in the societal context of Figures 3.5 (1) and 3.5 (2) even though all the interconnections may not be altogether apparent.

We turn now to the detail of Figure 3.5 (3) and although, hopefully, the contents should be self explanatory there are a number of points which need amplification which we will discuss under three headings. Firstly concerning the variables of the model. As we have already indicated the focus of this study is specifically with regard to the Church of England thus it is the elements of this institution which are being referred to. We have divided these elements into the same three which Habermas uses in the macro context. This is partly done to supply continuity with Habermas' societal variables but also partly because of the realism of this methodological division at the

* Unless the social system is 'overshooting' the steering mechanisms intentions - a state which Habermas' model forsees as possible.

micro level: there is a seeming tangible system which uses money and power as it's main media, there are steering mechanisms in the institution which direct, and to an extent control, the movement of money and lodgement of power which in turn do not occur in a vacuum but as an expression of a value system (i.e. a life world). This means that the accounting system, which is the focus for this study, being related to finance is, of necessity, part* of the social system and can be seen either in it's basic nature, or, in a more meaningful manner, by making plain the steering mechanism and life world aspects which underly it's basic design.

The second area of amplification concerns the dynamics of the model. As Figure 3.5(3) indicates there are four major stages in the dynamics of this model. Firstly what could be called the 'quasi-ignorance' stage where some people know something about the accounting system and maybe something about the underlying steering mechanism and life world but, in general, remain rather ignorant about all of these elements. The second stage is the 'formulation of critical theorems' with all the implications and underlying features as discussed in Section 3.4. Using the terms from Figure 3.4.3 (1) for a 'radicalised theoretical discourse' the clarification concerning the design of the accounting system at the social system level is equivalent to 'statements about systems' whereas the concluding consensus about the nature of the underlying steering mechanism and life world can be seen together as 'theoretical explanations'.** The third stage is the 'process of enlightenment' the features of which have also been discussed at length in Section 3.4 when both researchers

* It is for this reason that in Figure 3.5(3) the accounting system is shown as a sub-system of the total social system.

** Chapter 5 of this study presents such 'statements about systems' and Chapter 6 the conclusion on 'theoretical explanations'.

and researched come together to arrive at a possibly new and different consensus about the accounting system design and its contextual underpinnings in the steering mechanism and life world (i.e. new 'statements about systems' and new 'theoretical explanations'). The fourth and final stage is the 'selection of strategies' the nature of which is also discussed at length in Section 3.4 where enlightened researchers and researched, primarily led by the latter, work on practical changes and development primarily in the life world and in the steering mechanism but also, and consequently, in the accounting system design as well. Quite clearly each stage follows on from the previous one and in the process the assumption is that enlightenment and emancipation are increasing and the social evolutionary process is advanced.

The third and final area of amplification concerns the 'constraints upon knowing and acting' which impinge and disturb this seemingly straightforward evolutionary advance. Quite clearly there are innumerable psychological, sociological and societal constraints which could lead to a continuation of some distortion in communication, sub-optimality in change strategies and ultimately a somewhat 'messy' evolutionary advance. Many of these are to an extent situation specific to the system and people involved and thus will be left for detailed discussion in this study until later when the detail surrounding the Church of England is explored. However, even at this stage it is valuable to give some insight into the possible nature of these constraints.

The following looks at three possible examples of these constraints which relate to the three linkages between the developmental stages of Figure 3.5 (3). A possible constraint which could disturb the movement from the 'quasi-ignorance' to 'formulation of critical theorems' stages could be of a cognitive nature. For instance researchers may neither have the ability nor an adequate enough acclimatisation with the institution to enable 'critical theorems' of the sort envisaged to be formulated. Another constraint which could disturb the movement from the 'critical theorems' to the 'enlightenment' stages could be connected with an attitude of unwillingness on the part of the researched to indulge in *such critical reflection* for real 'psycho-social' reasons. Psycho-social

analysis is as Waddell (1983A) points out an attempt:

'... to generate a synthesis between intrapersonal and social analysis' (p. 1)

based primarily on psychoanalysis due to its avowed agenda:

'... to generate a system of understanding of human behaviour which reaches from the depths of intrapersonal unconscious, through the family and the small group, to the boundaries of major social systems'

(Waddell, 1983A, p.1)

Habermas, as will be recalled, uses psychoanalysis as an 'exemplar for critical theory' (Held, 1980 p. 276) and uses such insights primarily in the sense that Waddell is using them to explain the nature and intentions of institutions.

Habermas (1978) puts this dynamic in context when he says:

'As long as the pressure of reality is overpowering and ego organisation is weak, so that institutional renunciation can only be brought about by forces of effect, the species finds collective solutions for the problem of defense, which resemble neurotic solutions at the individual level. The same configurations that drive the individual to neurosis move society to establish institutions' (p. 276)

Thus if institutions are formed to act as a collective defence mechanism against individual anxiety and the people who join such institutions wish to be so defended they are going to be highly resistant to understanding the real institutional life world on the grounds of the personal anxiety which could ensue and against which they purposefully wished to be protected by membership in the first place. This possible constraint also has a bearing on disturbing the movement from the 'enlightenment' to the 'selection of strategies' stage: individual participants adequately defended through current institutional arrangements may not feel either able or willing to encourage changes even though the hope and intention would be as Held (1980) suggests:

'... As the level of repression diminishes, the institutional framework of a society can be changed to accommodate a higher level of need gratification' (p. 277)

However, apart from these possible psycho-social constraints which could reduce the level of change there are also societal, primarily legal, constraints which could reduce possible developments even further. Thus the macro steering mechanisms as their role suggests could seriously interfere in the amount and nature of change in the micro system so that any developments are restricted. However, as Habermas has already indicated social systems are quasi-independent and can 'overshoot' the steering mechanism leading to 'crises' in these institutional mechanisms and 'inner colonisation' of the macro life world.

Quite clearly all of the above points on constraints are examples only and not intended to be exhaustive. In fact, the actual nature of these are likely to be much more specific to the institution being analysed.

Thus to understand either the specific nature of these constraints or the models being put forward in this Section or the previous one we need to get involved in a specific outworking which is the intention behind the remainder of this study. However, the thrust, nature and assumptions of these models discussed in the abstract in the above must not be lost sight of in the detail that follows since such insights supply vital benchmarks for evaluating the status of the material to come.

3.6 SOME CONCLUDING COMMENTS

This chapter has been addressed to justifying the need for adopting a critical theoretical approach for satisfying this study's concern and to the design of a detailed model in such a context.

To justify the use of a critical theory approach we have traced the historical dynamics of Burrell and Morgan's framework so as to crystallise the key question which needed to be faced to supply such justification. The key question that was discovered was: do we want Kantian or Comtean accounting? The answer argued for was a Kantian approach because such reasoning permits subjective interpretations and doesn't assume universality - important assumptions for the accounting systems in enterprise contexts which may well possess such qualities. An analysis of language, of which our defined accounting systems are part, helped to reinforce the need for taking a Kantian rather than Comtean approach since the dominant approach in the theory of language, following the later Wittgenstein, is fundamentally Kantian. However, as indicated Kant's ideas left some ambivalence on whether anything exists as distinct from our subjective interpretation of its existence and whether radical change in terms of these phenomena are to be encouraged or discouraged. Fichte and Hegel, the two primary followers of Kant, emphasised different aspects of this ambivalence - the former took a more 'subjective and no change' approach and the latter a more 'objective and change' orientation. Thus the supplementary question became: do we want a Fichtean or Hegelian approach for satisfying the concern of this study. The answer argued for was a Hegelian approach as expressed through critical theory on the grounds that such an approach was more flexible and all encompassing allowing both subjective and objective interpretations of reality as well as facing the possibility of radical change. The Fichtean approach and its derivatives and the later Marxian derivative of Hegelian thought both put restrictions on this interpretation which were considered to be inappropriate for the phenomena of interest of this study.

Thus critical theory was seen to be able to supply the necessary approach for this study and the remainder of the Chapter was addressed to developing the detailed aspects of this. Firstly we attempted to expose what we called the dominant theme of critical theory: the 'transformation of society' and the need to see theory only in such a context. The problems in interpreting this dominant concern were highlighted and the resulting partial retreat to looking at the preconditions for change rather than the actual 'transformation' was discussed. The relevance of this dominant theme, even in it's abridged form, was shown to be completely compatible with the concern of this study which was seen to be yet another justification for using critical theory in this context. Secondly, on the basis of Habermas' standing as the latest and possibly the most innovative of the critical theorists, we argued a case for using his interpretation of this dominant theme and then presented and discussed, in detail, his model of theory and practice. - an overview of which is presented in Figures 3.4.1 and 3.5(3).

Habermas' model was discussed in terms of its particular application in facing the general issues surrounding the design of accounting systems in enterprise contexts although it was clearly indicated that this was one, out of many, possible interpretations of this model. Habermas, as we pointed out, has not specified clearly the 'phenomena of interest' for his model even though his rare interpretations have been on the 'proletariat and the political struggle': a not unsurprising example with his dominant interest in social evolution. Yet, as indicated, there are many aspects to the political struggle and to social evolution and the concern for the design of accounting systems both fitted such requirements and could be seen legitimately as part of this on-going process.

Thus, in conclusion, Habermas' model, suitably interpreted in terms of accounting system design, is put forward as a general approach with regard to such concerns. If we are concerned with understanding and developing accounting systems in particular enterprise contexts then the argument is

that this Habermasian model with its concern for critical theorems, enlightenment and practical action forms a suitable general methodological approach for such endeavours. If such a concern is really the central rather than some peripheral issue in accounting then the ramifications for our literature and the nature of our knowledge are great indeed if and only if the logic of the argument which we have put forward in these three Chapters which leads to the adoption of the Critical Theory approach is justified.

Such issues can only ever be resolved by critical debate, following the logic of the ideal speech situation, if we are to arrive at some meaningful consensus. Such a debate must wait for the future. In the meantime it is important to see whether the model actually 'works' in an empirical situation. The problems and successes of such an application will undoubtedly need to be faced if we are going to have any success at all in arguing the case for what is essentially a radical change in accounting thought.

The remainder of this study is addressed to such an endeavour - the researcher's problems and successes in applying this model in understanding and developing accounting systems in the Church of England.

CHAPTER 4AN INSIGHT INTO THE NATURE OF THE CHURCH OF ENGLANDFROM A PREDOMINANTLY FINANCIAL PERSPECTIVE4.0 SOME INTRODUCTORY COMMENTS

This, and the following two chapters are addressed to the design of critical theorems with regard to the accounting systems in the Church of England following as closely as possible the dynamics of a radicalised theoretical discourse as depicted in Figure 3.4.3(1).

This Chapter attempts to give something of an overview as to the nature of the Church of England from a predominantly financial perspective. This perspective is chosen for four major reasons. Firstly because of this study's overarching interest in accounting systems which, using the accounting definition adopted in this study, is clearly related to the finances of any institution. Thus to understand the finances gives pointers to understanding the accounting systems. Secondly because it provides a vehicle for making a choice on which of the many accounting systems we should look at. This selection is necessary since, in effect, the Church of England has over 13,000 separate and unique funding, and therefore, accounting units, a comprehensive study of all of which would not really be feasible. Thus any choice must be careful and set in the overall context of the whole financial system. Thirdly this perspective is selected due to the centrality of finance in this institution. Finances and their contextual underpinnings have shaped the Church of England more than many would readily admit despite it's more avowed altruistic and spiritual objectives. Fourthly, and finally, a perspective has to be taken when approaching such a diverse, complex historical institution such as the Church of England. This institution, the most ancient in the land, dates back over eighteen hundred years thus to capture any sort of comprehensive understanding which covers all facets is virtually impossible. It is clearly more beneficial to take one perspective and do it comprehensively rather than attempt a full

picture and lose out on detail - such indeed is the assumption under which the following is based.

This Chapter has two major sections to it with a final one which not only presents the customary conclusions but gives clear pointers to the accounting systems which appear to be the most obvious candidates for investigation. Section 4.1 gives greater emphasis to the actual detailed finances of the Church of England and the changes which have occurred in their complex nature over the last twenty five years or so. Throughout this Section we will look at many of the contextual underpinnings which are reflected in these funds flows. This will be pursued more carefully and historically in Section 4.2 but still with the financial perspective clearly in mind. In sum and in simple terms, Section 4.1 looks at finances first and context second while Section 4.2 looks at context first and finances second but with a constant financial perspective running throughout.

Before moving into the main body of this chapter it is worth reflecting on how this material will be used in the context of the more accounting oriented discussions of Chapters 5 and 6. As should be clear from the previous chapters the dominant view of this study is that the accounting system of any institution is some reflection or expression of the nature of that institution. We are in this Chapter attempting to portray something of this underlying nature which we will draw on, develop and amplify in the following chapters as we move towards the design of the critical theorems with regard to the accounting systems chosen.

4.1 THE CHURCH OF ENGLAND FROM A FINANCIAL PERSPECTIVE

As a start to understanding the Church of England from a financial perspective it is helpful to trace the major areas of income and expenditure of this institution as a whole. Unfortunately up until 1963 no such picture is available. There are clearly many different reasons for this which need not necessarily concern us at this stage. However, in the Autumn of 1963 the General Synod of the Church of England (the governing body of the church) appointed what came to

be known as the Archbishops Advisors on Needs and Resources to advise 'on the needs and resources of the Church of England and to keep these matters under constant review.' These Advisors produced eight reports during the period 1964 to 1975. The Advisors' appointment lapsed in 1976 and the work was taken over by a new Joint Liaison Committee (between the Central Board of Finance and the Church Commissioners*) who have to date produced three reports (1978, 1980 and 1982).

These eleven reports together form the only comprehensive picture of the Church of England as a whole from a financial perspective - but they date back only to 1963 when the Advisors were originally appointed. A summary of this information is given in Table 4.1(1). There are clearly many problems with the accuracy of these figures which are inevitable in trying to consolidate data from over 13,000 partially independent units who are neither obliged nor necessarily willing to produce information on a uniform basis.** Despite such doubts surrounding the figures the contents of Table 4.1(1) supply some valuable general insights. We will look at two.

Firstly the Table shows the dominant areas of income and expenditure. The income of the Church of England is fundamentally from two sources: investment income and giving by current members in the parochial churches. The investment income comes from a broad asset base (historic cost value (net) £1,630,419,000 at 31st December 1983) held by the Church Commissioners which is the collected endowments of the Church dating back over many centuries.*** The giving comes

* See below and Section 4.2 for more details on the make up of these bodies.

** Certainly the Central Statistics Department of the Central Board of Finance which officially came into existence in 1955 has made great strides in drawing uniform comparative information out of, particularly, parishes yet the implicit or explicit problems of aiming towards uniformity in a diverse situation remain very real indeed.

*** Section 4.2 will discuss further the history and make up of these endowments.

from the current membership of the Church of England. Like so many statistics of this complex enterprise it is difficult to say exactly who are the members of the Church of England. However Table 4.1(2) give some idea of the total membership based on electoral roll members (the official membership record), Easter communicants and Christmas communicants. As can be seen this Table traces these membership figures from 1956 to 1980 (the last date when full statistics are available) as related to the population showing percentage changes between these dates. Clearly these membership statistics are somewhat biased upwards since there are many fringe members who may well be attenders at Christmas and Easter and possibly on the official membership roll but not necessarily 'full and active' members of the Church of England. It could be, for this reason, that in recent years (since 1976) membership figures have included 'normal' communicants and 'normal' sunday attenders as depicted in Table 4.1(3) all of which give much reduced levels of current membership. Whichever figure is taken as the membership of the Church of England two things are clear: firstly it is declining and secondly it is from these that current giving is received.

The remaining item of income which appears from 1976* onwards is basically made up of three elements as Table 4.1(4) indicates. The parochial and clergy fees constitutes the charges made for funerals and weddings. The fees are based on a national scale modified annually by the Church Commissioners and General Synod and have increased quite substantially in recent years. The part time chaplaincy receipts comes almost exclusively from Area Health Authorities in respect of a reimbursement for the services of hospital chaplains. The state aid for churches is based on an agreement between the government and the Church of England to give annually, from 1979, to the Church the equivalent of flm in 1973 prices for the maintenance of historic church buildings. The agreement also gave some assistance during the interim years 1977 to 1978 before the contractual year of 1979.

* Some of these items were received before 1976 but did not feature in previous reports by the Archbishop's Advisors.

We now need to turn to the expenditure of the Church of England. As Table 4.1(1) demonstrates the expenditure of the Church of England is fundamentally on the ministry, public worship and buildings although other expenses such as administration are taking an increasing proportion of income.

The ministry element is fundamentally made up of the salaries, expenses, housing, pensions and training of the full time and retired staff of the institution. Table 4.1(5) presents the detailed breakdown of these expenses between the various elements while Tables 4.1(6) and 4.1(7) gives some details on the man (and woman) power over time and the ages of those in various roles in mid-1981. Salaries of this staff have always formed the major element of the ministry expenses but even though the percentage growth has been 63.3 and 199.6 for the decades 1963-1973 and 1973-1983 respectively these have, in fact, not kept pace with inflation.* Although moves have been made, particularly in the mid 1970's, to undertake some 'catching up' on staff salaries such a move was abandoned in the end due to various pressures on financing.** However, coupled with this desire to improve the salaries of the full time staff, moves*** have been made to improve the payment of working expenses and maintain the housing of the staff in a more orderly way both of which have been markedly successful as the percentage growth figures indicate. Likewise the payment of pensions has increased in real terms but also in the numbers of retired staff drawing pensions as Table 4.1(8) indicates. The training of future assistant clergy

* Based on the Retail Price Index a 74% and 225% growth for the decades 1963-1973 and 1973-1983 respectively are required to maintain 1963 and 1973 buying power.

** We will return to some of these issues in forthcoming sections.

*** In 1967 the Church Assembly (the governing body which metamorphosed into the General Synod in 1970) requested the Church Commissioners to initiate consultations with Dioceses with a view to adopting suitable schemes to ensure working expenses were and are paid. Likewise the Repair and Benefice Buildings Measure 1972 required dioceses to take on the responsibility of ensuring that maintenance of parochial houses for full time staff was and is carried out. Both of these initiatives came out of the neglect by the Church either at the centre or at the local level to adequately compensate staff for expenses or keep their houses (owned by the Church) in good repair.

via the Church of England theological colleges (there were 14 such colleges in 1982 training 873 future clergymen and deaconesses) has always been important yet, as Table 4.1(5) indicates, the cost of this training has increased immensely during the last decade in comparison with 1963-73 and previous years. The reason is not that there is a marked increase in the numbers being trained (see Table 4.1(9) for some details on this) even though there is an upward turn following the Archbishop's encouragement in 1977 to parish priests to 'foster the vocation of the stipendiary ministry'.* The reasons are two fold: firstly because the actual nature of the training is costing more and secondly, and possibly more importantly, that the support received by local authority and government grants is reducing markedly leaving a higher proportion to be met by Church funds.

The other major expenditure area, as Table 4.1(1) indicates, is on public worship and buildings. Public places of worship and the costs of upkeep and functioning of these tangible sites have always played a major part in the life of the Church of England.** As Table 4.1(10) indicates there were, at the end of 1981 (the last date when full statistics are available), 16,806 such places of worship in England which consumed £63.2m (average consumption £3761) as compared with say the 1970 places of worship of 17,670 consuming £21.9m (average £1239). The average expenditure has increased by 203.5% which is a reduction in real terms since based on the retail price index between these dates to maintain 1970 buying power in 1981 requires an increase of 278.2%. This seems

* Faced with a growing number of retirements (see Table 4.1(7) and 4.1(8) and a falling number of ordinations the then Archbishop of Canterbury (Donald Coggan) took the somewhat unprecedented step of writing to all clergy in January 1977 encouraging them to encourage others to face and follow the possible 'call' to the stipendiary ministry so as to stop the slide downwards in the full time staff (see Table 4.1(6)).

** See Section 4.2 for more details about the history surrounding this.

to indicate a possible deterioration in either the buildings or the service offered through them. Another interesting point to note from Table 4.1(10) is the total and percentage reduction in places of worship between 1957 and 1981. As can be seen this gives only a 6.5% reduction as compared with the much higher reductions in membership (see Table 4.1(2)) and manpower to support such buildings (see Table 4.1(6)). To understand why such a seeming anomaly exists is clearly important but will not be explored here although later sections will discuss this issue.

This brings us to the two final elements of expenditure in Table 4.1(1): other items and gifts/donations. As Table 4.1(11) indicates the other expenses are basically in two areas: education and organisation or administration expenses.* As can be seen the bulk of the expenditure in this area is on administering the Church. In real terms this has increased between 1976 and 1983 on the basis that the retail price index requires an 89% increase on 1976 figures to maintain that year's buying power. On the other hand the education expenditure (the other 'other' item) has declined in real terms. However, it is not surprising to see the administrative costs increasing in the Church of England because of the growing complexity of the institution along with, as we shall see, an expanding amount of money, which needs to be administered, which flows between internal accounts in this enterprise.**

The gifts and donations element of these other expenses constitutes the giving by, particularly, the parochial Churches to, home and overseas missions and charities.

* Clearly there are other possible categories in this residual items which may or may not be included in the figures. These two areas, however, are considered by the Archbishop's Advisors and the Joint Liaison Committee to constitute the dominant 'other' expenses.

** The issues surrounding these flows will be discussed further at the end of this current Section.

This then completes our somewhat brief summary of dominant areas of income and expenditure in the Church of England as depicted in Table 4.1(1), we turn now to the second general insight which is forthcoming from this Table concerning the mix and change in income sources. As Table 4.1(1) indicates throughout the twenty year period investment income has consistently accounted for between thirty and forty percent of total expenditure. In fact as the two decades growth figures indicate, real, as distinct from inflationary, increases have occurred although in the latter ten years such development has not been as great.* This reflects not only the careful management of historical resources but also an ability to allow portfolios to grow probably more so in the 1963-1973 decade as compared with the following ten years.

The 'cushioning' from the interest of historic endowments for current expenditure has been long and sustained although there are clear signs that the substance of this will, and is, declining now and in the future. There are two forces at work to make this inevitable. Firstly there is the financial force which results in the total costs of the Church of England increasing at a faster rate than the rate of growth in investment income. As a result, of course, investment income naturally plays a less important role. Evidence for this can be seen in the percentage growth figures for investment income and total expenditure for the two decades 1963-1973 and 1973-1983: for the first decade the growth of total costs actually went down in real terms** whereas the growth of investment income went up (in real terms) by 18.9% (92.9% less 74%), whereas in the second decade although there was real growth in investment

* In the decade 1963-1973 real growth was 18.9% (92.9% less 74.0%) and in 1973-1983, 16.8% (241.8% less 225.0%) - a 2.1% drop or 11% decline on 1963-1973 real growth.

** A 74% growth in 1973 is required to maintain 1963 buying power. Thus there was a real decrease of 22.5% (74% less 51.5%).

income of 15.8% (241.8% less the inflation element of 225.0%) there was a real growth in total expenditure of 60% (285.0% less 225.0%). These figures also indicate that the real growth in investment income is declining between the two decades (18.9% in 1963-1973 and 15.9% in 1973-1983).

The second force at work is more altruistic and less inevitable in terms of becoming reality. Increasingly a number of Churchmen and others are saying that the Church of England should not allow such cushioning to continue - the income should not be spent on the Church's current costs but rather given away to needy causes. The argument is simply that today's Church members should meet the costs of today's Church and that it is enough to use the buildings from past endowments without using the income from past capital as well. Two recent consultations set up by the Central Board of Finance and by the General Synod both took this view as their respective published reports (1980, 1981) indicate:

'Most parishes should aim to become financially self-supporting by about 1990... Over a time-scale to be agreed, the Church of England should move towards being able to say to the Church Commissioners: 'We do not need any of the £42 million (or whatever the total is by then) for our current work. Please use it instead for our agreed programme of giving to others', the necessary statutory authority being obtained from Parliament for this purpose'.

(How should the Church Pay It's Way?, 1980, p. 10)

'The wealth controlled by the Church Commissioners is unique in the Anglican Communion and therefore carries unique responsibility. This responsibility should be more clearly seen and be a model to others in their investment policy. The wealth should increasingly be used for mission, not just maintenance, so subventions to parishes should be phased out by 1995, and money redeployed in poor and underdeveloped areas at home and overseas, for Anglicans and ecumenically. Where necessary the law must be changed to make this possible.'

(To a Rebellious House?, 1981, pp. 47 & 48)

Whether these recommendations become reality remains to be seen.

However, one thing is certain: the proportion of investment income relative to total income requirements will continue to decrease as the years progress and if expenditures continue to rise as in the last few years giving by current members

must inevitably increase to cover these needs - yet here lies some problems. Giving by members is increasingly becoming the key element in how much or how little the Church can expend. Yet it is not as simple as that since much of the expenditure set out in Table 4.1(1) is, to a large extent, fixed covering as it does staff costs and running expenses of buildings which are in existence. Thus the question shifts to the ability of the current Church members to cover the shortfall between 'inevitable' costs less investment income as is clearly apparent in the nature of the recent reports by the Joint Liaison Committee of the Central Board of Finance and the Church Commissioners (1978, 1980, 1982). But as percentage growth in giving figures in Table 4.1(1) indicates there is an unpreparedness of current church members to respond to this challenge precisely because of the cushioning from the past. So in 1963-1973 giving only rose by 27.9% - an actual real decrease of 46.1% (27.9% less 74.0% inflationary element) because such money was not required to keep the institution running. However, in the decade 1973-1983 to cover the costs a real growth in 1973 giving required is 58% (283.0% less 225.0% inflationary element). Such a massive swing of expectations with a declining membership (see Tables 4.1(2) and 4.1(3)) would be expected to cause some difficulties which undoubtedly it is as will become apparent both in the following and in later sections.

This then concludes the insights which are forthcoming from the basic summary of income and expenditure as presented in Figure 4.1(1); however, this simple picture disguises some important financial complexities in the Church of England and it is to these we now turn. We have, to date, somewhat casually talked about the parishes and the dioceses and certain central funds (Church Commissioners and the Central Board of Finance) but we now need to delve a little deeper into these and their interconnections from a financial perspective.*

* More will be said as to their histories in Section 4.2.

But first a few introductory comments.

The whole of England is divided into 2 provinces (Canterbury and York), 43 dioceses and 13,663 parishes (1981 figure) as Table 4.1(12) indicates. The parish unit is a geographical concept as is a diocese and all parishes have one or more churches (16,806 in 1981) but can often be served by common benefices (10,268 in 1981). A benefice is fundamentally a property right over land (called glebe), and other property (parsonages and churches) which is lodged in the person who is the present incumbent (a clergyman) of a, or number of, parishes.

The central organisations although all based in London are not geographically bound as are the dioceses and parishes. They are nine such units out of the centre which have been created to serve particular and changing functional needs.*

A great deal of money flows between these central, diocesan and parish units. To give some idea of the magnitude of these amounts Tables 4.1(13) and 4.1(14) give a picture of the detailed internal flows for 1978 and 1980 based on a comprehensive analysis of the accounts plus the statistics from the Church of England Yearbook.** These transfers can be coupled with a slightly different analysis of income and expenditure (to Table 4.1(1) that is) to give the comprehensive picture as presented in Tables 4.1(15) and 4.1(16) for 1978 and 1980.

Before looking at some of the important points which can come from this analysis it is necessary to comment on the differences in the figures as contained in Tables 4.1(1) and 4.1(15) and 4.1(16). Table 4.1(1) shows the

* More about the nature of these will be discussed in Section 4.2

** Unfortunately it was not possible to obtain all the accounts of the 43 dioceses for 1978 and 1980 but the figures for these are created from a careful reconstruction of these based on both the sample seen and some additional summary information.

total income and expenditure for 1978 and 1980 as being the same amount in respective years of £126.8m and £180.7m. The figures in 4.1(15) and 4.1(16) are approximately between two to three million pounds up on these. The reason for these differences is that there are errors and omissions in all the sets of figures which reinforces again how difficult it is to get a completely accurate picture of the Church of England as a whole. Having said that the figures are accurate enough, and not that different from one another anyway, to give one confidence that they give a reasonable, if approximate, picture of the finances of this enterprise.

There are three sets of points to make which come from the contents of these Tables - particularly Tables 4.1(15) and 4.1(16). Firstly with regard to issues surrounding the income of the Church. Secondly on matters related to the expenditure and thirdly on issues surrounding the internal transfers between central, diocesan and parochial units.

Firstly then on income matters. As Tables 4.1(15) and 4.1(16) indicate the source of income varies greatly between the different units. Income for the Church Commissioners is entirely from past bequests and current transfers with the latter increasing at a very fast rate indeed. Whereas income for the parishes comes, in the main, from current sources although income from past bequests and previous savings are not insignificant.* However, many of these units are actually financed through internal flows. The principle units being the General Synod Fund (which collects for and transfers to the following three funds numbered 3 to 5 in Tables 4.1(15) and 4.1(16)), the Pensions

* This does not, however, include the income from all past parochial bequests most of which are currently held by the Church Commissioners on behalf of the parishes. Thus part of the £44m and £60m income of the Church Commissioners is parochial - see Section 4.2 for more details on this complexity.

Fund and the dioceses. Without adequate funding by internal transfers these would not be able to perform their allotted tasks. The Investment Fund, on the other hand, while receiving its income from current sources achieves that through the capital of others, particularly Church units. In fact, this fund was set up (in 1958) so that some of the past bequests of the Church could be brought together and maximised through careful collective management. Clearly not all* Church resources are invested with the Investment Fund and the Fund also invests capital from non-Church sources.

We turn now to a number of points surrounding the expenditure profile of Tables 4.1(15) and 4.1(16). The first important point to note is the dominance of expenditure on parish related activities. Thus the central even diocesan funds are not primarily concerned with their respective central and diocesan activities but rather with their support and encouragement of the parochial ministry. Thus, for instance, the Church Commissioner's income is basically spent on the salaries, housing and pensions of the parochial and diocesan (bishops, archdeacons etc.) clergy - the former being 'parish related' and the latter 'diocesan related'** the 'central related' element involves the costs of administering these. The second thing to note is the importance, as on the income side, of internal transfers in the expenditure profile: payments are made from most of the units with the parishes, dioceses and Church Commissioners leading the way. Comments about the expenditure transfers need to be set in the context of points surrounding transfers generally, thus it is to these we now turn.

* For instance the Church Commissioners inheritances are only partially invested with the Investment Fund.

** This, of course, highlights how arbitrary the expenditure classification scheme of Tables 4.1(15) and 4.1(16) really is. Many, if not most, bishops and other diocesan dignitaries would say their work is really more 'parish related' rather than 'diocesan related'.

There are a number of points to make with regard to these transfers. Firstly to note their increasing magnitude. As Tables 4.1(13) and 4.1(14) indicate transfers have increased by £25,011,206 between 1978 and 1980 which represents a growth of 68.6% on the 1978 figure. The bulk of the increases are traceable to two major changes between the parishes and the dioceses (£12,581,556 increase) and dioceses and the Church Commissioners (£9,182,500 increase) with the balance being explainable by a mixture of upward movements with Pension Fund transfers being particularly prominent. The second important point to note concerning these transfers is the importance of the dioceses in these internal flows. The dioceses collectively handles £31,705,242 and £54,781,019 of the 1978 and 1980 transfers which are respectively 87% and 89.2% of the totals. Money is received from the Church Commissioners for supporting parsonage repairs and from *parishes for the balance* of expenditure items and paid out to the Church Commissioners for salaries (which are paid through this body) to the Central Board of Finance and on parsonage repairs and diocesan committees and administration. In fact, the dioceses are pivotal in the whole financial system and are finding their budgets increasing for reasons which are not entirely their making. In fact, as Table 4.1(17) indicates their total budgets have increased by 387.8% between 1973 and 1980 which is due largely to a 1,939.8% increase in the parochial salaries (stipends) demands from the Church Commissioners (who are, it will be recalled, the official paymasters). As Table 4.1(17) so clearly demonstrates the bulk of this new money has had to come from the parishes. This brings us naturally to our third point: the amount of money to be gathered from parishes is both increasing in absolute amounts as well as in proportion to total ordinary income. Table 4.1(18) gives something of a feel for the magnitude of these changes between the years 1956 and 1980 indicating a growth in absolute amounts of 2,741.7% and in proportional amounts from 8% of ordinary income in 1956 to 35.6% in 1980. As can be seen the real changes occurred during the period 1973 and 1976 and have been

consistently increasing since that time. Unfortunately, due to a lag in the gathering of statistics in the Church of England as a whole, it is difficult to give actual details of changes since 1980. However, by looking at the accounts of the Diocese of Sheffield both before and since 1980 it is possible to use this as a microcosm of what is happening in the Church of England as a whole particularly in more recent years.* As Table 4.1(19) indicates the Diocese of Sheffield quotas have been consistently approximately 20% below the total increases for 1976, 1978 and 1980. If one transposes this onto the quotas for 1981 to 1983 for the Diocese of Sheffield then the total national quotas for 1983 would be £109,519,331 or 258.2% growth on the 1980 figures. Or alternatively, and possibly more realistically, if we assume a similar percentage of the Sheffield quota viz aviz the total quotas for 1980 to continue in 1983 the total parochial quota will equal £71,895,165 - a growth of 135.1% as in the Sheffield quotas. Whichever figure is taken the point is clear: increases in parochial quotas has not abated since 1980 and if anything have accelerated.

This then concludes our look at the Church of England from fundamentally a financial perspective. Many issues have been raised and not dealt with which was intended at this stage. The above and the following Section is intended basically as background information on the Church of England. However it is not some value neutral survey: the points raised are in the context of

* Using simple bivariate regression on these percentages in Table 4.1(19) gives the following:

	<u>R²</u>	<u>Standard Error</u>
1956-1983	0.57	19.98
1970-1980	0.98	7.43
1976-1983	0.99	0.18

which suggests more than a coincidental relationship particularly in later years.

moving towards both the choice of accounting systems to be looked at (to be introduced and discussed in Section 4.3) and the statements explanations and conclusions (critical theorems in other words) relevant to these systems (to be looked at in Chapter 5 and 6). As will become apparent we will be drawing from the above and the following sections insight's in the context of these critical theorems as they take shape.

4.2 SOME INSIGHT INTO THE HISTORICAL AND STRUCTURAL CONTEXT UNDERLYING THE FINANCIAL FRAMEWORK

Section 4.1 has attempted to portray something of the Church of England from a financial perspective tracing both its nature and changing nature in the last twenty five years. We have already touched on some of the contextual points underlying this framework (e.g. manpower, buildings, parishes, dioceses etc.) yet have consistently held back from tracing the origins of these phenomena. This Section is intended to make amends for this so as to link the finances of the Church of England more clearly to the dynamics of its, particularly, historical context but without losing sight of the dominant financial perspective of this whole Chapter .

The basic structure of the Church of England in terms of central, diocesan and parochial units which became apparent in discussing the finances in Section 4.1 gives an entirely adequate design for the points to be made. Thus Sections 4.1.1 to 4.1.3 will be addressed to issues related to respectively diocesan, parochial and central matters.

This ordering is not arbitrary and is based on a chronological development of this basic structure of the Church of England. In other words dioceses came first, parishes second and the central units last. As will become apparent dioceses can be traced back to the sixth century, parishes to the eighth and the seedlings of centralisation to the eleventh just before and following the Norman conquest. Clearly none of these dates are absolute but they highlight an important chronological progression in the affairs of the Church of England which needs to be understood if one is to put the finances, and their supporting accounting systems, in their dynamic historical contexts.

4.2.1 The Development of Dioceses

Although believing Christians, bishops and other clergy are traceable from approximately 200 A.D., the growth of dioceses as we know them today date back originally to the Roman mission of 597 by Augustine. The diocesan structure

fundamentally is Roman in origin and thus Augustine, coming as he did on the command and instruction of Pope Gregory, naturally intended to reproduce such a system in England.

However such a structure, partly through design and partly through necessity, had to initially fit in with the Anglo-Saxon kingdoms which divided up England. Although these kingdoms shifted and changed a great deal seven major ones emerged* (Kent, East Saxons (Essex), West Saxons (Wessex), South Saxons (Sussex), East Anglia, Mercia and Northumbria). The early dioceses were coterminous with these kingdoms and were created as and when the respective kings and queens permitted the cotermination to occur. Such important links between State and Church, therefore, occurred at the very outset of this institution and the issues surrounding such a linkage have been, and are, a major factor in its total make-up.

The initial movements into these seven kingdoms was for this reason far from orderly. Augustine, although the initiator of dioceses in England, spent most of his time in the Kingdom of Kent bringing the coterminous diocese of Canterbury into being. His missionary endeavours were not all that successful or fruitful although the Diocese of London in the Kingdom of the East Saxons (Essex) is traceable to him. However, although formulated by him in the year of his death (604) it remained in some disarray until 630. Paulinus another monk who worked both during and after Augustine's death in Kent can be seen to be the originator of the Diocese of York in the Kingdom of Northumbria. Paulinus' introduction to this Kingdom (in 625) was as an accompanying Bishop to a Kentish princess who was to marry Edwin the King of Northumbria. The Diocese of York was formulated in 627 but somewhat thrown into disarray by the overthrow of King Edwin in 633 by Cadwallon. A subsequent defeat of Cadwallon brought

* Known to historians as the 'Heptarchy' (Fisher, 1973, p. 110)

Oswald to the throne of Northumbria and re-established the Diocese not at York but at Lindisfarne calling not on Canterbury but on Iona* to supply the bishop, namely Aidan, to lead.

The move to make other major kingdoms into coterminous dioceses cannot be traced directly to either Canterbury or York although they can be traced to individuals who differed in their allegiance to respectively Rome and Lindisfarne/Iona. The Diocese of Dunwich (East Anglia) came into being in 631 through a Burgundian bishop called Felix who was invited by the King of East Anglia to that Kingdom to form a Christian diocese. The Kingdom of the West Saxons became coterminous with the Diocese of Dorchester in 634 following the burning evangelical drive of a Roman called Birinus. Due to some degree of imposition of both himself and his faith on this Kingdom his labours were not:

'... crowned with immediate success'

(Moorman, 1973 p. 17)

The move to allow Christian influence into Mercia was much later due to the resistance of the heathen King. However, in 653 he allowed four Christian priests of Lindisfarne, rather than Roman, persuasion to enter his Kingdom and the Diocese of Mercia, coterminous with this domain, was created in 656.

Thus by 656 all the great Anglo Saxon kingdoms were, in effect, dioceses as well with their own bishop** and cathedral building manned by a number of clergy under the overall leadership of the bishop. The bishop was, in effect, the spiritual leader and it was to him that parish priests (as and when they started to appear (see Section 4.2.2 for details) looked for instruction and help.

* The later Celtic church before Roman influence through Augustine had its centre at Iona established by Columba in 563 following his exile from Ireland.

** The creation of a diocese and the election of a bishop to rule were seen, and are seen as one and the same action.

But the bishops and dioceses, as we have already indicated, were, in these early days, subservient to the King of the kingdom with which the diocese was coterminous. The king was regarded not only as the head of the Church but as:

'..... the vicar of Christ among a Christian folk'

(from the Laws of Ethelred II quoted by Stenton (1943)
p. 538)

All appointments to bishoprics were made by the King and many of the king's advisors were ecclesiastics. In the shire-courts, where Anglo-Saxon justice and administration was conducted, the bishop was not only present but played a large part in deciding judgements on all matters - not just spiritual. In this way State and Church, in persona king and bishop, were interlocked and intermeshed.

However, such a state was hardly well received by those bishops of Roman persuasion since their 'vicar' was not the king but the pope. The importance of pope and Rome rather than king and Kingdom was given new impetus by, somewhat surprisingly Oswy the King of Northumbria. He and his wife were respectful of different Christian traditions: he looked to Lindisfarne she to Rome. The differences led to strange anomalies in Christian heritage including different times for celebrating Easter. The King called a 'synod' at Whitby in 663 heard the evidence and voted in favour of Rome which in effect led ultimately to the death of Lindisfarne and Celtic influence but also a reduction in the power of the King viz a viz the Pope.

This judgement coupled with the appointment of Theodore in 669 - an Archbishop not only of Roman persuasion but of immense charismatic and administrative skill - resulted in major changes in both the physical nature of dioceses as well as to whom bishops were beholden. The seeds of this change had already occurred in Augustine's time when he, in effect, created two bishops and dioceses in the Kingdom of Kent (Canterbury and Rochester) but was greatly

hastened by Theodore and once started has continued throughout the centuries.

Before Theodore's arrival there were eight* dioceses in six kingdoms: Canterbury and Rochester (Kent), London (Essex) Dunwich (East Anglia), Dorchester (Wessex), Mercia (Mercia), Lindisfarne and York (Northumbria) in 690 there were fourteen, in 1066 there were fifteen and today there are forty three. With each change it is less and less possible to relate these directly either to kingdoms (while they were in existence) or our present counties. These physical locations and names of the dioceses in 690, 1066 and today are presented in Figures 4.2.1(1), 4.2.1(2) and 4.2.1(3). Since it is not altogether clear how these relate to the original dioceses and kingdoms Figures 4.2.1(4) and 4.2.1(5) are produced which traces roots of dioceses in the two provinces in a chronological summary.

Despite these physical changes and the more subtle personal preferences and pressures to look to Rome the Anglo-Saxon kingly involvement in the Church was, and is, deep seated and has, and is, resurrected and resurrecting on many past and present occasions in different guises. A classic example of this, in these early times, was in terms of the attitudes of William I - the Norman Conquerer - who became king of all** England in 1066 following his famous defeat of Harold at Hastings. William's sole intention was to reform the Church of England and he had the Pope's blessing for this endeavour. However, despite this he did not

* Possibly nine if one counts Sodor and Man which on the surface claims to be the oldest of all dioceses dating back to 447 when Germanus was claimed to be the bishop. However there are some considerable doubts surrounding the creation of this diocese at such an early time.

** The separate kingdoms became one largely through the further invasions by the Danes. Only Wessex under Alfred survived and not only survived but ultimately took over the land conquered by the Danes to make way for one England and one king who was in the first place (in 900) of Wessex and Alfred dissent. Further invasions by the Danes and the defeat of the Wessex domination did not however change the fact that now there was only one king and one kingdom.

consider himself beholden to the Pope. He wanted to produce a 'better' Church not one more subservient to the Roman see and thus made it plain on his investiture as King that he was, like his Anglo-Saxon predecessors, the head of the Church. He was to nominate bishops and they were to be beholden to him not the Pope. Thus the disagreements between Pope and King with the Church of England as the prized element for dispute was 'writ large' long before Henry VIII's more famous intervention in Church affairs.

In all this the bishops were in the forefront - they were the 'Church' - to either pope or king and their preferment and financial fortunes were based on keeping 'in' with whoever had the 'upper hand'. In this sense bishops were more involved with the intrigues of state rather than the 'cure of souls' in their respective dioceses. Their ability or inability at this political level could be clearly seen in the respective differences in the wealth and endowments of bishops which varied greatly across the country. Clearly not all wealth came from such political acceptability but undoubtedly it had a marked influence on the immense disparity in the fortunes of bishops and hence dioceses.

However, with Henry VIII's Acts of Supremacy and the Elizabethan 'settlement' the pope was lost forever in this battle. Equally with a growing government supremacy from the Cromwellian Civil War and a shift in the political centrality of the Church in English society changes in both bishops' intentions and diocesan administration were inevitable. Such changes were greatly accelerated from 1836 onwards when reform of the Church both from without (via government laws) and from within (via changes in intentions in the full time staff force - particularly bishops) became of dominant importance.

Since 1836 there have been many elements involved in bringing about this change of which three are of particular significance. Firstly the finances of bishops and their cathedrals were fundamentally changed by a newly established national body (the Ecclesiastical Commissioners) from 1836 onwards. In effect this body took over the capital finances of these diocesan dignitaries equalised their income and used the income balances 'to make additional provision

for the cure of souls in parishes where such assistance is most required'. No longer was it a financial sinecure to be a bishop and as a consequence a new more sensitive 'concerned-for-the-diocese' breed of men both sought and became bishops. Secondly a new era of self-government for the Church was dawning. But this self-government was not by the bishops alone but by the whole of the Church: bishops, clergy and the, so called, laity. This, of course, brought greater institutionalisation to the Church with growing committee structures. A primary element in this was the 'diocesan conferences' the first of which was held in 1866 initially annually and then more frequently as business and supporting committees expanded. Thirdly, and somewhat coupled with this increasing democratisation, dioceses, as distinct from bishops (although they were, and are, normally the chairmen), from about 1914 onwards had their own boards of finance. These and the Central Board (see Section 4.2.3) came into existence following an inquiry into Church finance to bring some order and organisation to the finances of the whole Church. It is, therefore, the diocesan boards of finance which collect and expend money - the details of which can be seen in Section 4.1 and Table 4.1(17).

Thus from the 1830's onwards far-reaching changes have been occurring both in the activities, finances and nature of bishops as well as in the dioceses they represent. But the historical position and nature of bishops cannot be lightly eroded in a mere one hundred and fifty years! Many of them still have automatic right to sit in the House of Lords and be involved with state affairs. All of them are undoubtedly very influential in diocesan affairs. Many, if not most, still have to carry the projected illusion(?) of being establishment noblemen which, of course, is what they always were.

4.2.2. The Development of Parishes

The development of parishes as we know them also has roots in the Anglo-Saxon period* primarily through the manorial system which came into being at this time. As Fisher (1973) points out the Angles, Saxons and Jutes brought with them a very clear system of social strata. We have already seen something of the pinnacle of this in terms of kings but under these were noblemen, commoners, freedmen and slaves. The noblemen owned land and wealth and gathered those of the lower strata together to work and keep *their estates* in return for housing and payment. It was in the context of such estates parishes and parochial churches came into being.

As the Anglo-Saxon kings became Christians and allowed bishoprics and dioceses to be created so Christian noblemen took the initiative of creating both a Church and priest to serve and evangelise his estate. Thus it was in the main noblemen who both built and endowed Church buildings throughout the seven major kingdoms. However, such developments occurred on a very evolutionary ad hoc basis depending on the attitude of the respective noblemen.** Unlike the development of dioceses it is difficult to trace the origins of all the many parishes which came into existence. However, the development started in the eighth century was well advanced by the time of the Norman conquest and was completed probably in the twelfth century.

Despite the extended time horizon for the development of the parochial system there is some pattern to both financing of the parochial unit as well as the authority structures. On the matter of finance, patterns can be discerned in both capital and income items. The lord of the manor built

* Although as Addleshaw (1959) indicates something equivalent to parishes predates the Anglo-Saxon period.

** A situation not dissimilar to the development of dioceses which, as will be recalled, developed on the basis of the attitudes of the kings.

and provided buildings and land for both the Church and priest. Parsonages and Church buildings were often side by side surrounded by land (called 'glebe') and given to the priest as a freehold from the lord's estate. Income of the parochial unit was, in these early days, primarily income of the incumbent (priest). Such income came fundamentally from four sources: from produce from the glebe land, from trusts created by the benefactors, from offerings of the faithful and from the 'tithe' which was a tenth of all produce produced in the lord's estate which, of course, was co-terminous with the parish.

Turning now to the patterns surrounding authority structures what seems to be plain is that both in Anglo-Saxon and Norman times the incumbent was the manorial lord's 'man' however he was also responsible to the bishop. It was the lord of the manor who initiated, financed and appointed the incumbent in a similar way to the relationship between king and bishop yet the former, unlike the latter, had an ecclesiastical lord to whom he was also responsible. No man could actually be appointed to a 'living' no matter how much the lord of the manor desired it unless the bishop of the respective kingdom both instituted and inducted him to such a position. However, once instituted he was a freeman with his own land and responsibilities even though his close proximity to the estate and the lord of the manor resulted in the incumbent giving greater, relative, allegiance to the lay benefactor rather than the bishop.

As with bishops and dioceses the nature and wealth of parishes differed greatly. The variety (as with bishops and dioceses) was caused by the differences in the attitudes and generosity of the benefactors. In the parishes these were the lords of the manor while in the dioceses, as we have seen, the king(s) or pope were such benefactors. Like the king had the right to appoint bishops so the lord of the manor had the right to appoint incumbents to their parish livings. These rights of patronage still exist today even though those exercising such right are often not descendents of the original benefactors due to multiple transfers of such powers over the centuries.

With a lot of potential wealth to anybody who secured the incumbency of

particular parishes it was not at all surprising to see corruption coming into the system. An early example of this was in Norman times. With the Norman conquest came a growing infiltration of monasteries and support by the new (Norman) lords of the manor for these institutions. As a result many of these lords gave their rights of patronage to these monasteries on the reasonable supposition that they were more equipped to know the correct people to fill the position. However rather than do this directly the monasteries:

'... in the majority of cases, appropriated the whole of benefice, seized the greater part of its tithes for themselves, and appointed a vicarius or rector's substitute, to run the parish on a starvation wage, and with little or no security of tenure'.

(Tindal Hart, 1959, p. 13)

Some of the elements of this obvious abuse were righted by a canon of the Lateran Council of 1215 which gave back to the vicarius (or vicar) his freehold land and a 'living wage' but the substantial appropriations remained particularly the 'great tithes' which formed a substantial proportion of the wealth of the parochial units. These went to the monasteries and on their dissolution by Henry VIII to the royal treasury.

Clearly not all patronage was passed over to the monasteries and not all parochial wealth was appropriated in this way. The incumbents of many remaining parishes (called rectors) continued to enjoy the benefits of endowments yet these too were often subject to corruptive practices on a similar basis to the work of the monasteries. Often minors or relations of the patron were elected rectors while poorly paid vicarii or capellani (assistant curates) were appointed to manage the parish.

Parishes and their incumbents, like dioceses and their bishops, have been moulded and changed over the years: administratively from the early nineteenth century and financially from, in the main, the early twentieth. On the administrative side the issue surrounding the boundaries of parishes has been the dominant concern. With shifting populations particularly during the industrial revolution the traditional parish boundaries, based on the manorial system, were

seen, on occasions, to be inadequate to serve, particularly, the towns. As a result various acts and 'measures' (the Church's equivalent of acts of parliament) have been passed* to allow new parishes to be created and old parishes to be amalgamated suitably patronised in the context of the case under consideration. Also on the administrative front have been changes in the management of the parishes, away from the more autocratic leadership to a more democratic approach. The democratisation of the parishes occurred much sooner than in dioceses. The original move in this direction occurred in the twelfth century with the creation of the office of 'churchwarden' to assist the incumbent with the management of the parish. Both the power and position of this lay appointment expanded as the centuries went by particularly in the finances where money and land was left to them for the upkeep and maintenance of the church. However lay involvement was not just for the churchwardens and in due time more and more lay officers became involved with the management and administration of the parish in some degree of partnership with the incumbent. Greater democracy usually brings great bureaucratisation and during the period 1870 to 1904 more and more parochial church councils were being formed which finally became compulsory in 1921 (and further developed legally in 1956). These parochial church council's take financial as well as leadership responsibilities. Or as Section 2 of the 1956 Measure puts it the general function of the council is:

'...to co-operate with the minister in the initiation
conduct and development of church work both within
the parish and outside'.

In terms of parish finances there have also been many changes but before looking at the substantial shift in responsibilities three, somewhat unconnected,

* Church Building Acts 1818 to 1884 and the New Parishes Acts 1843 to 1884 all repealed and replaced by the New Parishes Measure 1943 and partially repealed and replaced by the Pastoral Measure 1968.

points need to be made. Firstly during the middle ages one further source of parochial income was added to the list discussed above: namely the Church rate. This was a legal tax on the parishioners for the maintenance of the nave of the Church building.* The second introductory point is that anomalies in the finances of the parishes, because of the different levels of endowments, were very marked indeed and were recognised but not changed by the Ecclesiastical Commissioners who, it will be recalled, realigned only bishops' and cathedral staff fortunes. These parochial anomalies, however, remained until well into the twentieth century. The third introductory point is to repeat the matter concerning the present position of the parochial church council viz a viz the parishes finances. As with diocesan boards of finance the income is no longer that of the incumbents but of the dioceses or parishes lodged in these new committees. Part of the reason for this is, undoubtedly, the slow centralisation of the respective personal fortunes of both the bishops and parish priests.

This brings us naturally to looking more closely at this centralisation process. The following will discuss this with respect to the five categories of income discussed above in the order of tithes, rates, trusts, glebe and offerings.

On the matter of tithes** this originally was a voluntary contribution although the benefits were so great that the tithe was soon made a compulsory

* In common law the incumbent was responsible for the upkeep of the chancel.

** Which, as discussed above, refers to the offering of one tenth of the produce and income generated by those within the parish boundary to the rector for his work in the parish.

tax with legal support. However, as the centuries passed and the laws, resentments and non-payments increased the system was close to breaking point. Various acts at reducing eligibility to pay and stabilising the tithe started in 1836 finally culminating in the 1925 Act which set the level of the tithe duty for eighty five years. This same Act required the remaining tithes to be collected, not by the individual parishes, but by a centralised body called Queen Anne's Bounty Office (see Section 4.2.3 for more details on this). However, resentments at payment of this tithe by the 'rump' of tithe payers (mostly farmers) to the Church still continued to mount resulting in the Tithe Redemption Act of 1936 and the total extinction of this source of income for the Church of England.

The compulsory payment of Church rates which also had legal support was also extinguished as a source of income to the Church but at a much earlier date. In a similar manner to the tithe the payment of a tax to maintain the fabric was greatly resented as the age of tolerance in religious allegiance continued. Non-conformists, Roman Catholics and the non-religious generally were combined in their resentment as to the payment of this tax for a building they never intended to use. Various attempts were made to remove the tax from 1834 although it was not until Gladstone's careful management that a bill (the Compulsory Church Rate Abolition Act) was finally passed in 1868 and Church rates were no more a source of income. Now the finance required and the maintenance of the Church building is the responsibility of the parish and more specifically the parochial church council.

The third element in the income of incumbents which, as indicated above, was, in essence, the income of the parochial unit was financial trusts set up by the benefactors. These too have undergone substantial changes over the years. However, the first move in this respect did not occur until 1951 (with the Benefices (Stabilisation of Income) Measure) which, in effect, centralised all the trusts in the control of the Church Commissioners but guaranteed that the capital and income so taken over would still be available

to the respective benefices. This, therefore, was more an administrative service change than a fundamental redistribution of the unequal wealth of parishes. This came much later in 1976 with the Endowments and Glebe Measure which dealt with not only glebe income but the income from trusts in the hands of the Church Commissioners. We will look at the glebe below but the change in the trust income here. In effect this pooled the income from these trusts. It did this in a number of subtle ways. Firstly by putting a ceiling (£1000) on the income from trusts for any one benefice with suitable transition arrangements in terms of 'personal grants' for sitting incumbents who received over £1000 before 1976. Secondly by, in effect, summarising all the trust income for the benefices in a particular diocese and paying this to the diocese rather than the individual incumbents.* In this way the individual benefices cease to have the benefits of past specific endowments unless the diocese chooses to distribute the total trust income allocated to it in a way which reflects such past endowments, although it is difficult to find any diocese which does this.

The fourth element in the income of incumbents/parochial units was income generated from glebe land and this too has been centralised and pooled. By the same Endowments and Glebe Measure of 1976 the technical ownership and responsibilities of glebe land was transferred into diocesan control to be managed by them with the income from which to be credited to

* The way this works is a little complicated. The Church Commissioners (formally Ecclesiastical Commissioners) were originally augmenters of clergy salaries but increasingly have become paymasters as centralisation has occurred. The Church Commissioners pay the clergy direct but from a separate Diocesan Stipends Fund held by the Commissioners. These funds must constantly balance, the income to which comes from the trust fund incomes presently under discussion, further grants from the income of the Commissioners and the transfers from dioceses re: stipends (see Table 4.1(17)) plus glebe income (see below).

the respective diocesan stipends funds. Thus this source of income, like the trust income, became pooled at the diocesan level although the disparity between dioceses remained and remains untouched.* The effect, of course, is to spread more evenly the income from the endowments of the past in the context of dioceses and to remove this from individual benefice ownership and receipt.

This brings us to the fifth and final source of original income of the incumbents/parishes: the offerings of the faithful. Two things have happened with regard to these. Firstly they are no longer the natural right of the incumbent but are, as already indicated, the income of the parochial church council. Secondly with so much previous parochial income being either stopped by law or pooled and equalised their position in importance has grown out of all recognition as compared with their previous standing in Church finance.

What we have therefore when looking at parishes are units which have clear elements which originally were present but a revolutionised system of finance. On the consistent nature of parishes these have always been local based community units with defined boundaries for their pastoral care with a Church building, a priest in charge who lives in a parsonage house close to his Church building and people. Financially such units originally were both independent and independently secure. However, this is not the case today. Most previous endowments appear to have been taken away from a parochial viewpoint whereas more and more is being asked from current membership in terms of giving. Expenditure possibilities remain as independent parochial responsibilities but are severely curtailed by not only giving levels but also

* For instance the 1981 diocesan income from glebe ranged from £521,000 (for Lincoln) to only £5,000 (for Bradord) while the trust income ranged from £241,000 (for Oxford) to only £5,000 (for Sodor and Man). Clearly there are different responsibilities with respect to these dioceses but the anomalies still are real and apparent.

by the growing demands of the diocese in quota which although greatly resented is substantially for incumbents' salaries and housing (see Tables 4.1(15), 4.1(16) and 4.1(17) for details).

These changes are very recent and are still causing a lot of trouble and tensions for the parishes - a point we will return to in later sections and chapters.

4.2.3 The Development of the Central Authorities

Unlike the development of parishes and dioceses which are definable and, to a certain extent, clear and obvious the development of some form of centralised authorities in the Church of England have been diverse and confusing. Undoubtedly the main reason is that the Church of England has been fought over ever since it first became a clearly defined national institution. Such fighting was precisely to obtain the coveted position of being the central authority to guide, lead and often gather resources from this ancient institution.

The possibility of some form of centralised authority only dawned when there was but one king of England from about 900 A.D. However, up until the Norman conquest the real dynamics of supremacy and control was not an issue of great significance: Church and State worked closely and amicably together in a somewhat uncluttered way. But from the Norman conquest onwards the whole concept of centralised control of the Church of England became a considered necessity and the fight for the privilege of being the 'helmsman' became real and very apparent.

There have been varying helmsmen over the last nine hundred years - a somewhat simplified picture of these are given in Table 4.2.3. This depicts ten stages or ten different types of helmsmen over the years with ascendent powers and challengers in the wings. It is not intended to go through this Table in any depth since to do so would encompass most of the history of England! Instead a few important points will be made. Firstly it is important to note the dominance of the pope in the Table up to the end of Stage 4 and the attempted return in Stage 6 with Queen Mary. Certainly William I (the Conqueror) held out against the pope's pressure for control as did William II and Henry I but the Roman pontiff's domination in Church affairs was inevitable and of a long duration. Secondly to note the very powerful influence of, particularly, Henry VIII (Stage 5) and Elizabeth I (Stage 7) in the control of the Church - for one hundred and forty years (minus five for Mary's interlude) the king's and

queens of England played an extremely dominant role in Church affairs. Undoubtedly this is the nearest to some absolute return to the original Anglo-Saxon days although clearly there were marked differences. Thirdly to note the importance of governments and consequent legislation in the control of the Church. Even in the days of Henry VIII's domination his intentions were reflected in Acts of Parliament.* However with the beheading of Charles I following the Civil War the kings and queens of England have tended to take more of a back seat in both politics generally and also in Church affairs. However, ever since the Elizabethan Settlement the kings and queens of England are the 'supreme governors' of the Church but de facto (not de jure) particularly during stages eight and nine of Table 4.2.3, this position fell to the government.** Fourthly and finally it is important to note the growing ascendancy and final domination by the Church itself and its centralised control. Already the signs of this were apparent from 1704 (during stage nine) but came to new levels after the Enabling Act of 1919 gave great powers to the Church to co-ordinate and develop its own activities but still subject to government and royal assent.

It is only, therefore, from 1704 onwards that any form of central authorities in the Church and for the co-ordination and control of the Church have come into existence. Since our interest is with the Church rather than the State we will concentrate on these developments from 1704 very largely because this change in control authorities has generated central ecclesiastical units which, because they have costs attached, are reflected in the first nine elements in Table 4.1(15) and 4.1(16). However, it is important to note the partiality of

* Hence the bracketed 'G' in stages 5 and 7

** Hence the bracketed 'K' in stages 8, 9 and 10

this - the centralised work since 1704 is largely additional to all that has gone before. It would be wrong to belittle the work of the Church for the Church from this time but it is still bound and shaped by many legal and other factors which predate and postdate 1704.

We will attempt in the following to adopt a largely chronological approach to these developments but will constantly keep in mind the nine funds highlighted in Tables 4.1(15) and 4.1(16) which are a reflection of the total central system of the Church of England.

The first real move on ecclesiastical control occurred in 1704 with the establishment of what came to be known as Queen Anne's Bounty: the transfer of the royal right to 'first fruits and tenths' into Church ownership. The first fruits and tenths were royal taxes on the total income of benefices (including bishoprics and 'chapters'). These were originally levied by, and paid to, the pope yet ever since Henry VIII's Acts of Supremacy had passed to the kings and queens of England. First fruits constituted a years income of the respective benefice as realised in the reign of Henry VIII. Tenths constituted an annual ten per cent tax on all current income received by the respective benefices. Queen Anne, a sensitive woman, troubled by the poverty of many of the clergy compared with the wealth of others was moved and probably led by her ministers and bishops (as Best (1964) p.31 suggests) to waive the rights to these taxes and to allocate them to a new central Church authority for redistribution amongst the poorer clergy. This new body not only redistributed this income but also made many benefices exempt from payment by raising the tax threshold. However, despite such reforms including the overarching transfer into Church ownership the whole concept of payment of these amounts was greatly resented but not finally abandoned until 1926.

The second move towards Church self-government came with the establishment of the Ecclesiastical Commissioners in 1836. This body was set up to carry out the recommendations of a government inquiry into Church finance. The recommendation called for a rearrangement of diocesan areas, episcopal incomes, a re-organisation

of the wealth of cathedral and collegiate churches and a redistribution of wealth to poorer livings. To perform these tasks the Government was requested to appoint a separate body beholden to parliament. Originally such a body was not considered to be permanent, however, many ardent Churchmen and politicians believed that the establishment of the Ecclesiastical Commissioners, as such, would give the Church a real government of its own. Or as Best (1964) puts it:

'Their conception as a permanent board is probably to be found mainly in the circumstance of the church's lacking a 'government'. It had recently become increasingly felt among the more reflective class of churchmen that this lack was a serious one'. (p. 309 and 310)

Yet despite these intentions and despite the actual permanency of the Commissioners due to the long delays in carrying out the original reforms coupled with *new* tasks being committed to it the board was always and currently is a parliamentary body involved in Church affairs. It's activities were, and are, bound by law and even though some flexibility was allowed in this context it was not enough to allow the Ecclesiastical Commissioners to become the governing body of the Church of England: this required a new institution as we shall see.

Before looking at the make up of this it is important to note that Queen Anne's Bounty and the Ecclesiastical Commissioners became amalgamated in 1948 to form the Church Commissioners. Such an amalgamation was suggested on many occasions before 1948 especially with the declining importance and work of Queen Anne's Bounty and growing dominance of the Ecclesiastical Commissioners but like so many things in Church affairs took a long time to be realised.

As we have seen the Church Commissioners at various stages since 1951 have centralised the historical endowments of the parochial Churches but always with the same aim in mind which guided the actions of their predecessors: a fairer distribution of the income from historic endowments for the benefit of the clergy. Or as the Commissioner's themselves put it in the introduction to their Annual Report and Accounts:

'The Commissioners' primary duties are to make better provision for the stipends and housing of the clergy and for the pensions of retired clerrgy and their widows. In the carrying out of these responsibilities they continue in the main the historic duties of their two predecessor bodies, the Governors of Queen Anne's Bounty and the Ecclesiastical Commissioners, in seeking to bring about a fairer distribution of the income derived from the historic endowments of the Church entrusted to their care. This is indeed the Commissioner's principal "raison d'etre"'.

(Taken from Church Commissioners' Report and Accounts 1975, p. 4)

Thus when the need for a Central Stipends Authority to monitor and update the salaries of the full time staff force of the Church of England became apparent in the early 1970's it became clear that the Church Commissioners were the obvious body for such a task. Thus in 1972 the Church Commissioners became the Central Stipends Authority as well.

Even though the Church Commissioners and their forbears can be seen to be the first tentative movers towards self government as distinct from parliamentary control of the Church of England there were never any subsequent attempts to really expand the domain of influence of this body. The criterion shifted not towards a developed Church Commissioners but rather a new national 'assembly' with wide ranging legislative and administrative powers over the life of the Church of England. Such a body was finally created in 1919. However, before looking at its functions it is important to trace some of the circumstances which led to it's emergence.

In addition to the more legislative and parliamentary reforms via, for instance, the creation of the Ecclesiastical Commissioners there were also moves and changes from within the Church which gave birth finally to this new 'assembly'. We have in Sections 4.2.1 and 4.2.2. already discussed the emergence of diocesan conferences (the first in 1866) and parochial church councils (during 1870 - 1904) but these in turn can be seen to be sparked off by the re-emergence of the 'convocations' of Canterbury and York in respectively 1852 and 1860. The convocations were of early Norman origin and were a clerical forum for policy matters with regard to the Church of England. The frequency of meeting,

the clerics allowed to be members, the areas for discussion and the relationship to parliament were constantly changing over the centuries. In fact, for the previous two hundred years before 1852 they ceased to exist at all for various reasons - parliament dealt with all ecclesiastical matters. But their re-emergence in 1852 and 1860 was spurred on by a desire to reform the Church from the inside without the intervention in parliament.

A new twist in the nature of this endeavour came in 1885 when a House of Laymen was created in the Convocation of Canterbury followed a few years later by a similar addition to the Convocation of York. These new additions were, according to Smith (1922), to be:

'... consulted on all subjects which ordinarily occupied the attention of convocation, saving only the definition or interpretation of the faith and doctrine of the Church' (p.10).

This was undoubtedly a significant change in Church affairs particularly at this level although as we indicated lay participation, in the form of churchwardens, had been a part of parochial life for many centuries.

But in the spirit of the times and with a new group of people with different ideas at this level of Church life it was not surprising to see somewhat radical changes being suggested. This came initially in 1897 when the Canterbury House of Laymen passed the following resolution:

'That in the opinion of this House the Church of England should, saving the Supremacy of the Crown and subject to the veto of Parliament, have freedom for self regulation by means of reformed Convocations with the assistance in matters other than the definition of the faith and doctrine of the Church, of a representative body or bodies of the 'faithful laity'.

(Quoted in Smith (1922) p. 11)

Twenty two years later after a long, difficult and often tedious process the Church of England Assembly (Powers) Act 1919 (or as more usually known: the Enabling Act) was passed.

The Enabling Act was in essence organisational but its effect on Church - State relations and on central control and authority on Church affairs has been marked indeed. The Church Assembly which formulates 'measures' which are

then submitted via a Church Legislative Committee to a parliamentary Ecclesiastical Committee for final ratification (to make a measure on equivalent to any other Act) by the two Houses of Parliament. A measure:

'... may relate to any matter concerning the Church of England and may extend to the amendment or repeal in whole or in part of any Act of Parliament, including this Act.

Provided that a measure shall not make any alteration in the composition or powers or duties of the Ecclesiastical Committee, or in the procedure in Parliament....'

(Quoted in Frindall (1972) p. 344)

Thus even though still subject to the State's final approval the Church of England had an 'in house' procedural body for legislating it's own affairs.

The Church of England had, therefore, a real central authority of its own which in turn had a ready made financial body to support it, a physical home to house it and some central organisations already in existence. We will look at these in turn. The Central Board of Finance had been created some years earlier (incorporated in 1914) following an inquiry into Church finance at the request of the Lambeth Conference (an annual meeting of bishops) of 1910:

'... to bring order out of chaos and to raise new money'

(Mayfield, 1958, p. 97)

The constitution of this Board was extended with the introduction of the Church Assembly to act as it's 'financial executive'. The original Central Board also set up, in 1915, a Central Church Fund as part of their plans to bring order out of chaos which was and is a centralised collection agency for gifts, donations and legacies to be used with the broad brief:

'... to meet any needs of the Church of England, at home or abroad which are outside the scope of the Church Commissioners and the Church Societies'.

Thus there was a ready made financial system already in existence with its own ties to diocesan boards of finance (see Section 4.2.2) before the Church Assembly was created which could be easily adapted to the new requirements.

It also had a ready made physical location in Church House next to Westminster Abbey to house it's activities. The building of Church House was seen to be necessary so as 'to provide a suitable central building in London for use by the Church of England and Institutions connected with it' and was to be financed by public subscription to commemorate Queen Victoria's Golden Jubilee (in 1888). Phased building commenced in the 1890's and was finished in the first decade of the 1900's. Buildings in the Church of England have always been filled and used and clearly Church House was, and is, no exception. The Convocations started to meet in these premises in 1896 and the new extension (commenced in 1901) was building for, and housed, the hall for the new House of Laymen. Likewise the Central Board of Finance and the Central Advisory Council for the Ministry (see below) were sited there. A new fund (the Corporation of the Church House) and administrative staff to manage the building also became necessary and these too were situated in the new complex. But there was and still is* excess capacity in the building to house both the meeting of the Church Assembly and the inevitable growing supporting administrative committees etc. which followed from the incorporation of this new form of Church government. Thus a physical location was clearly available for this new endeavour.

In addition to having an established financial system as well as a suitable physical location there was also some central work already established with respect to training ordinands. A Central Advisory Council for the Ministry was established on the initiative of the Convocations in 1912:

'...to arrange for the selection of candidates, to arrange for grants for their training, to help enlist the services of men in the ministry to inspect theological colleges, and to control the General Ordination Examination'.

(Mayfield, 1958, p. 74)

* Half of Church House is in fact today hired out to certain government departments due to Church underutilisation viz a viz capacity available.

Such a change, of course, required not only administrative assistance and organisations but also a financial support system to collect and administer grants as well as pay for its own administration. Thus there was already a central system under the control of the Church in existence and working. This not only set a precedent for the work of the new Church Assembly but provided a ready made and, to an extent, established area of concern for the deliberations of the new body - not that they were, or are, ever short of business.

The Church Assembly - which metamorphosed into the General Synod in 1970 - has from its inception been agreeing measures some of which have had, and are having, far reaching effects on the life of the Church of England. But increasing work of this nature often resulted in more on-going centralised work with its own needs for administration and finance. The result has been a growing need for finance by the Central Board of Finance to maintain this expanding support system.*

Apart from an expansion of the work under the direct auspice of the General Assembly/Synod and the Central Board of Fund a number of measures have created separate organisations. The two most obvious examples which have their own separate physical location as well as funds are the Pensions Board and the Investment Fund. Both were created by Measures** to cover particular centralised needs to handle the problems of adequate pensions for

* We will look at these in more depth in Chapter 5. However at this stage it is worth comparing the budget of the Central Board for 1921 and 1983 ignoring the Training for the Ministry element. The 1921 budget was only £21,000 whereas for 1983 it was £2,821,050 a growth of 13,021% as compared with an expected inflationary rise of approx. 1,243%.

** Clergy Pension Measure 1926 and the Church Funds Investment Measure 1958.

the retired clergy and to facilitate the maximum use of Church funds through careful investment - both of which were considered best performed by central, but separate, organisations.

Thus, in conclusion, the above presents an interesting progression in the central authorities of the Church of England. With this and the other background information on dioceses (Section 4.2.1) and parishes (Section 4.2.2) plus the financial insights of Section 4.1 we are now in a position to bring some of this argument together and make certain judgements on which of the many possible accounting systems we should look at. We pick up these points in the following Section.

4.3 CONCLUSION AND GUIDELINES ON THE CHOICE OF ACCOUNTING SYSTEMS FOR INVESTIGATIONS

The purpose of this section is to draw out certain general points from the contents of Section 4.1 and 4.2 which will afford a basis for making a judgement about which of the many accounting systems in the Church of England will be looked at in Chapters 5 and 6.

Although there are many points of significance raised in the previous sections two of particular note as *generalisations and as pointers to accounting system choice* stand out. The first of these is to note the evolutionary and partially independent growth of dioceses and parishes and the more recent but highly important moves towards centralised control and the effect of this. Secondly to note the changing financial situation of the Church and the present financial insecurity of the parochial church councils, the diocesan boards of finance and certain central units as compared with the more secure position, financially, of the Church Commissioners. We will look at each of these in turn and then use this discussion to give direction for the choice of the accounting systems to be viewed.

On the first general point there are a number of matters to highlight - three of which are of particular importance.

Firstly it is important to note the evolutionary but variable growth of all the units in the Church of England. Dioceses evolved over many centuries, first through missionary endeavours in Anglo-Saxon kingdoms and then through a process of sub-division throughout the centuries up to 1927. Likewise parishes evolved over a number of centuries until all of England was encompassed by such systems and have been constantly changing their geographical boundaries as needs and circumstances altered. Likewise the nature of centralised controlling authorities has also evolved over the years but in a somewhat different more revolutionary sense with major shifts and lurches in the process. Such developments were, to a considerable degree, independent from one another making the whole complex institution highly diverse and varied. Such basic

variability has clearly become a deep seated characteristic of the whole institution which undoubtedly causes many problems from a central control viewpoint.

The second point to note is the close relationship between the Church and whatever is, or was, the national ruling power and the consequent inevitability of centralised control of this clearly national institution. The Church in England came into existence because of the interest, drive and wealth of the nobility of the time. Thus the State authorities (using this term somewhat broadly) have always been involved in Church affairs. As the Anglo-Saxon kingdoms became one and as the ruling class started to exercise their right of leadership an obvious area for their endeavours was the one institution their forbears played a part in creating: the Church. In this sense centralised control was inevitable.

This leads us to our third point: such centralised control has differed both as to who exercises it as well as the nature of the controlling intentions. Table 4.2.3 has attempted to demonstrate the changing central authorities in the Church of England with the kings and popes, governments and the Church itself being dominant at particular times. We have already traced the dynamics of this and need not repeat it here. However some additional comment on control intentions are appropriate. Although it is somewhat foolhardy to generalise there does appear to be three basic intentions behind those who have sought to centrally control the Church of England: to be in a position to gather resources from the Church, to be the helmsman for the sake of it and to be in a position to reorganise it's disorderly nature. Undoubtedly each of the stages in Table 4.2.3 can be seen as majoring on one or more of these intentions. For instance stage 1 majored on the reorganisation intention, stage 4 on the finance one and stage 5 on the helmsman and the financial ones. Stages 8 to 10, however, have concentrated on the reorganisation intention. From this viewpoint, therefore, the move from parliamentary to Church government was not that significant. The only real difference was

not to do with intention or even in terms of nature* but rather who performed the task. From 1704 onwards, and more particularly after 1919, this task was, and is, performed by people who more obviously have a clear commitment to, as well as intimate knowledge about, the Church of England. This, of course, is not to denigrate either the commitment or knowledge of the Church of many politicians either before 1704 or after this date. However, slow but steady secularisation of parliament has occurred from Elizabeth I's time and thus it was inevitable that if sensitive reform was to be achieved this could only be done by people who knew what needed to be done, namely the Church itself.

We now need to turn to the second summary point with which we started this Section: on the changing financial situation of the Church of England. There are two matters of importance to note in this context.

Firstly to note the change to greater equalisation and interrelationship of the finances of the diverse units in the Church of England. Originally both dioceses and parishes were independent financial units pursuing their own individual policies with regard to obtaining income and patterns of expenditure. The inequality of this wealth and the inability of the established units in the Church to voluntarily redistribute such fortunes led to the establishment of various centralised bodies (Queen Anne's Bounty and, more particularly, the Ecclesiastical Commissioners which metamorphosed into the Church Commissioners) to perform such functions with legal authority. This, of course, led to a growing interrelationship of the units which make up the Church of England. However this interrelationship was reinforced by two

* The Enabling Act requires the Church to produce measures as indicated in Section 4.2.3 which are, in essence, not that different from Acts of Parliament calling for a similar process to arrive at their content.

further developments: firstly through the growth of the Church Assembly and diocesan machinery and the need to finance these through the parochial units; secondly because of the inability of the money from historic endowments to satisfy the original intentions and the consequent need, because of centralisation, to gather the shortfall from the parishes through the dioceses to the Church Commissioners for ultimate payment out again to individual benefices according to an equalised salary scale. Thus interrelationships between the funds have increased greatly over the years and the magnitude likewise as Tables 4.1(13) and 4.1(14) highlight.

This brings us to our second point with regard to finances concerning the variable financial vulnerability of the various units, in part, because of the nature of these interrelationships. Perhaps we could look at this in the context of four of the most dominant fund units in the Church: the Church Commissioners, the other main central funds*, the dioceses and the parishes.

Of these four only the Church Commissioners are not under pressure: they are the legal holders of most of the past endowments of the Church and if the income is insufficient to satisfy the expenditure needs then there is nothing they can or should do necessarily. They have a legal right to use part of the income to finance their central organisation thus as long as the endowments are in their hands their survival is secured.

The parishes are the most vulnerable although there is a tendency to not necessarily see it that way. The parishes are basically being squeezed from many different perspectives. Much of their previous income has been removed either by law or by pooling or equalisation as discussed in Section 4.2.2. The financial demands both to maintain the present parochial work as well as pay the quota for stipend augmentation and central/diocesan needs continues to

* The General Synod Fund and the Training for the Ministry Fund.

grow year by year while the active membership is, in the main, declining. Yet there is still the underlying belief created largely because of the centralisation process that the great 'mother Church' will somehow always bale the parishes out financially if things get too bad. How much this is fact or an illusion is difficult to say but it is undoubtedly an underlying belief.

From a somewhat different perspective the dioceses and the central funds are also extremely vulnerable financially speaking. Their survival is totally dependent on the payment of funds from the parishes to the dioceses - if these ceased then the various boards and councils could not continue their work. The dioceses are, to a considerable extent, in the 'front line', so to speak, of this situation: it is they who have to collect not only the funds for their own needs but also the shortfall for the Church Commissioners as well as to meet the costs of the other major central funds. With the growing magnitude of these demands and the increasing problems of parishes to meet such requirements there is more and more awareness of the vulnerability of the diocesan system which, in turn, is picked up and carried through to the dependent central funds.

This concludes the summary of the main ideas which have been forthcoming from the previous sections of this Chapter; we now need to use these insights to give direction on which of the many accounting systems should form the basis for the analysis in Chapters 5 and 6.

In the first place it is obviously important to set up some criteria for choice - different criteria will invariably lead to differences in the choice process. Three criteria are of particular importance. Firstly only those physical units of significance in the whole institution should be candidates. This must be so since we need to keep open to the possibility of making conclusions about the institution as a whole. Secondly only those physical units which are undergoing, or have undergone, major changes should be candidates. This is important so that the change element is an additional contextual variable when

investigating the design of the particular accounting system. This is not, of course, at this stage, implying that change in the physical make up of any unit will lead to, or be led by, changes in the accounting system design. It is simply making a potential allowance for this possibility. Thirdly only those physical units which reflect and represent the basic structure of the Church of England should be candidates. This, in effect, says we must select certain parochial, diocesan and central units for investigation, since this reflects the basic structure of the Church of England.

These three criteria together naturally selects both parishes and dioceses for investigation leaving the choice of which central units the only problematic area. However, the criteria in fact narrow the choice to essentially the General Synod Fund or the Church Commissioners, since the remaining central funds are essentially spinoffs from one of these (except the Central Fund for Ordination Candidates*) and hence not as significant. Thus these two are clearly both of primary significance to the institution. However it is probably only the General Synod Fund which has undergone the most change. As we indicated in Section 4.2.3 the budget of this fund has increased out of all proportion since it's inception which clearly demonstrates the changing and expanding nature of the activities generated by the Church Assembly/General Synod which it serves. The Church Commissioners, on the other hand, have had a simple unchanging brief: 'the fairer distribution of the income derived from the historic endowments of the Church'. The very fact that such process commenced in 1704 and is still not complete does not detract from the essentially unchanging nature of it's 'raison d'etre'. The work of the Church Assembly/

* However, these are increasingly being seen as part of the General Synod Fund since even though they are accounted for separately they are financed from dioceses as is the 'parent' fund.

General Synod has been a changing unfolding process of discovery.

The criteria therefore point towards investigating the accounting systems of parishes, dioceses and the General Synod Fund but this in total is an unmanageable proposition. The General Synod Fund is entirely manageable since it is a single organisation but there are 43 dioceses and 13,663 parishes all with their own possibly unique accounting systems: thus a further process of choice is necessary if we are to arrive at any realistic critical theorems concerning accounting system design. It is to this we now turn.