

Perspectives on Accounting and Accountability: Habermasian Accounting

This article explores Habermas's *A Theory of Communicative Action* (volumes 1 and 2) together with his recent *Between Facts and Norms*. These works have influenced the middle-ground perspective as advanced by Jane Broadbent, Richard Laughlin and Michael Power. Their accounting work on accountability mechanisms, critical accounting and public sector accounting issues create new ways to think about what accounting is, and what it can do. Yet, the Habermasian base on which they work reflect some instrumental problems which might be resolved by reactivating a role for accounting in the public sphere. Arguably, the accountability perspective implicit in Broadbent-Laughlin-Power can be extended using ideas from the work of Johann Herder, Wilhelm Von Humboldt and Hans Georg Gadamer to explore an expressive language theory and so deepen accountability research. More particularly, in the 20th century Hans Georg Gadamer has further refined an expressive language position which can be used to illuminate accounting and accountability structures. An expressive theory of language, it is argued, offers a social imagining that can re-figure our understanding about what is modernity and its conception about what is accounting in escaping the circular logic of capitalist modernity.

INTRODUCTION

In recent years, critical accounting theory (CATS) has been influenced by an applied linguistic turn which has adapted the philosophical work of Jurgen Habermas (see Laughlin, 1987; Power and Laughlin, 1996; Broadbent, Jacobs and Laughlin, 2001). In the analysis that follows a different perspective on language is offered to explore the Habermasian strain running through critical accounting and accountability research. By returning to the debates between Hans Georg Gadamer and Jurgen Habermas it is argued that new insights into accounting and accountability scholarship can be developed. More particularly, the accounting and accountability research strand, as developed by the Broadbent-Laughlin-Power school (hereafter BLP), adapts Habermas's *Theory of Communicative Action* and *Between Facts and Norms*. The BLP school offers a regulative framework to adjudicate between accountability claims and is built on Habermas's framework. They find within Habermas' work the assumption that within language there are rules of discourse that resolve, for example, economic conflicts. The accounting-accountability issue turns on whether a theory of society can be explained in the light of a procedural interpretation of language, or whether the criterion of accountability renews and develops itself in discourse. For Habermasian theory, a procedural interpretation of language theory assumes that moral evaluation must be contextualised within procedural structures.

Thus accountability research has focussed on Habermasian thinking, while Gadamer's insights into the craft of discourse are rarely discussed. For the development of accounting, Gadamer's work on language can be used to consider how a focus on rule development takes our eye off the ball (see Taylor, 1993). This article will explore Gadamer's hermeneutic critique of Habermas as a means to develop a different way to imagine accounting's role in society. This article explores the problems with accountability research by focusing on the BLP school's Habermasian accounting proposals in three principal sections. The first section of this article analyses the BLP school's development of Habermas's theory of language. The second introduces Gadamer's language theory to introduce the Gadamer-Habermas debate to reveal how

procedural accounting models rely on a rule-based approach to language. This is a problem because a regulative accounting methodology tends to obscure rather than reveal the common values of significance confronting the world. The aim of this article is to imagine another accounting which might reform capitalism's unremitting instrumental and procedural logic; thus, creating a spirit of reconciliation to heal differences and respects the commonalities in society.

MIDDLE RANGE ACCOUNTING AND LANGUAGE THEORY

Arguably, a Habermasian methodology guides the BLP school whose work has been described as a 'middle-ground', or 'middle-range' accounting research by one of its members, namely Laughlin. In a particularly telling article, Laughlin observed that his method shuttles between a skeletal ontology and empirical observation to imagine what is accounting. Laughlin has said of his work that he searches to enrich a skeletal ontology through empirical contextualisation and evaluation at the policy level. He claims to build on not only Habermas, but also on Merton's analysis of social behaviour. Merton called for middle-range thinking which apparently held 'the largest promise, *provided* that the search for them [theories of accounting] is coupled with a pervasive concern with consolidating special theories into more generalisable theories'. He argues that:

The "middle-range" that is referred to below has no faith in the development of such a general theory. Put simply the "middle range" of this essay maintains that there can only ever be "skeletal" theories in social phenomena – the hope for a grand theory, similar to Parsonian thought, is wistful and incorrect quasi-scientific thinking of a highly questionable nature. But this is only one of the areas of difference – the "middle-range" thinking in this essay also differs to Merton's emphasis on methodology (with its desire finally, although maybe immediately, to adopt highly theoretical methods for investigation) and change (with its purposeful distance from getting involved in any value judgements about what is being investigated) (Laughlin, 1995, p. 79).

Michael Power has written and engaged with Habermas's work directly and it is therefore reasonable to argue that it is Habermasian to the core. Moreover, Power's influential research position has scrutinised the role of the audit profession in creating a critical accountability perspective itself owing a debt to Habermas's methodology. The challenge expressed in Power's book provides an opportunity to further tease out the nexus between language and accounting. In this article it is proposed that social practices actually move in a space of reason where discourse reflects the needs of citizens which differ from those which conventional accounting serves. This involves a search for the common goods which shape not only technical accounting but broader community needs.

EXPRESSIVISM, LANGUAGE AND ACCOUNTING

Of course, the ideas drawn from Gadamer's expressive language theory are not designed as a critique of democratic theory. It is necessary for society to remain civil that public rules lean heavily toward the protection of individual rights. The problem is that relying on 'a rule like Habermas's exhausts morality [and] is to be strangely blind to the human condition' (Taylor, 1999, p. 112). More particularly, the Gadamer framework explicitly recognises the necessary and significant background factors that shape how people live

and act in the world. The implication is that technical and pragmatic accounting perpetuates a nihilistic stance toward the life-world and submerges explicit consideration of the significant values which shape civil society. This leads to a Habermasian 'middle-ground' perspective that is just another technical and procedural framework which side-step substantive community considerations. Arguably, this creates a climate where corporations can avoid procedural reforms without creating a climate committed to the good society. It perpetuates the current corporate structures that do not provide space for citizen involvement in decision-making. This can lead not only to the destruction of our life-world, but it also ultimately robs humanity of an appreciation of sources of the self. Thus, middle-range reforms need to take account of the risk that the logic of capitalist modernity perpetuates an impoverished understanding of the world through procedural structures.

Notable is Habermas' argument that the capacity to express thoughts through language is a primary means to bring about change in civil society. It has been argued, however, that language is more than an instrumental function of words to serve as a tool for achieving a given set of purposes (accountability). An instrumental and designative theory of language is more interested in engineering the good life without a substantive re-examination of the life-world. More particularly, it was argued that the Habermasian approach to language as a tool is appealing to accountants as it fits their vision of the world. But language can be probed from an entirely different perspective which is reflected in Gadamer's expressive theory of language. Here, language is not exhausted by procedure but contrasts sharply with this infatuation for precision and rule governed behaviour.

Habermasian and middle-range accounting contrast sharply with a dialogic approach which presupposes engaged agency. Language is not a tool at the hands of any one interlocutor, but is the stuff of interpretation which is a reflection of the nuances and ambiguities in the world. Through dialogue we may become clearer about things and we may try to figure out how we can together work through our differences and difficulties. Having sorted out their middle-ground perspective, it is therefore not surprising that recent research has been pragmatic analyses of hospitals, public sector reform, the Third Way, and KPI's. The pragmatic analyses reflect a prioritisation of procedure over interpretation and this reflects Habermas' assumption that a democratic system assumes that in allowing people to assert *facts*, it is assumed that their assertions can transform other interlocutors. This Habermasian assumption was seen to be problematic because measuring up to a set of rules like Habermas's miss the point that there are indeed societies in need of reconciliation and perhaps transformation.

BIBLIOGRAPHY

- Laughlin, R. (1995). Empirical Research in accounting: alternate approaches and a case for "middle-range" thinking. *Accounting, Auditing and Accountability Journal*, 8, 63-87.
- Taylor, C. (1993). To Follow a Rule.... In Calhoun, C., LiPuma, E., & Moishe, P. (Eds.), *Bourdieu: Critical Perspectives* (pp. 35-45). Cambridge: Polity Press.
- Taylor, C 'Comment on Jurgen Habermas' 'From Kant to Hegel and Back Again', *European Journal of Philosophy*, vol 7, no. 2, 1999, pp 158-160.