

The Myth of Numeracy: The Accountant as Ethical Actor

MaryAnn Reynolds, Professor of Accounting, Western Washington University

Jesse F. Dillard, Professor of Accounting, Portland State University

Abstract

We introduce the accountant as an actor in the stories told by organized entities to their constituents in society. These are the stories used by external viewers to evaluate and assess the activities that take place. We work from the premise that the central objective is the long term viability of a democratically governed society grounded in justice, equality, and trust and supported by sustainable natural, social and economic systems. The chaos of our present time calls for new understandings.

We stage this discussion in systems theory which looks at interrelatedness of all entities and constituents. This is related to quantum theory and development of consciousness. The development of a global interactive system with potential for ethical resolution of current problems is proposed.

Introduction

Present day reports on economics and employment lead us to consider carefully numbers that are used to drive policy decisions locally, nationally, and internationally. The financial institutions crisis of 2007 and beyond produced exposure to losses in the trillions of dollars. Thus a focus on numbers: produced by theoretical economic models with their attendant assumptions or produced by accountants with their attendant allocations and estimates.

Once a number is produced it is treated as real. Then questions, discussions, and decisions can revolve around this artifact, an artifact that serves as a summary of the entire enterprise or institution. The numeric representations drive out potential discussions of displaced workers, environmental degradation, lack of health care and social unsustainability. Transnational corporations are held accountable for the earnings per share, and the bottom line. They need not account for immigration or community impact. Within the transnational company there are many complex transactions, and reports of these transactions. The framing of these reports or accounts requires professional judgment, making space for the accountant as ethical actor. At each node of a complex transaction an accounting is rendered. An account can be given of the flow of natural resources. An account could also be rendered of the impact of the resource extraction, shipping, storage, and use.

Globally major corporations are adopting voluntary reporting standards, becoming more transparent to internal and external constituencies. Accountants help frame these reports, choose what to include and what not to include. They are also called upon to review, attest or audit these reports, making the accountant a key actor in the decision models that frame our global society.

The Accountant can be seen as mythological hero turned to public service. I propose her as a Seeker of Truth. This exploration encounters the social construction of reality and can be seen through the eyes of a hedgerow fox. Loren Eiseley, naturalist, describes hedgerows as boundaries and those within them can see both sides while themselves unobserved.

The Hedgerow Fox

Hedgerows – fox waits in the hedgerow

Watcher at the boundaries

Watcher of the night places with their terrors.

Observer of Experiential Ethics with their heroes and their tales

Observer of the Initiations of daily life

Observer of Masks, covering truth, creating illusions.

Uncover compassion, see society, account differently

Myth of the stakeholder, false mantra

Forgotten truth of history, of corporations.

Not who we are, but what they are

Whose truth are they?

What face is revealed?

Façade, cardboard cutout of old western movies

Covered truth of old western ethos.

Where is the ethos? What is the experience?

Think anew, what happens?

- Criticism
- Collapse
- Social restructure
- Re-organize

Loren Eiseley, naturalist, student of time

Hand in ledge crack

Skull on ledge looking outward.

What would it see? What do we see?

Heroes in time – Music of spheres – Dance of stars

Stories, images, constructions.

Numbers – swirling, settle where?

Winds of social blowing: constraints, patterns.

Account, Re-count, story

Re-count ,to count differently

Re-look, to tell anew.

New palettes, pictures expand to globe,

Paint with different palette, hear a different voice

See different paintings on the wall, different shadows thrown in the cave.

Different conclusions drawn

New realities made, constructed

Decisions drive, new story

Outcomes quantified, rationalized, realized, become social fabric; accepted as real.

Now a call for heroes...

Accountant as hero,

Not those who are enlightened and ascend

Those who stay and interact in daily life

Experiential ethics: work in daily detail, tell daily story.

Who tells the story has the power

Bards of yore scripted outcomes by the stories they told.

Accountants as:

- Hero

- Dancer
- Painter
- Bard

Still, in the hedgerow – see both sides.

Essence of accounting; seeing two sides,

Double entry; see two impacts

Fox in hedgerow- watches, Both Sides,

Boundary dwellers see the road and the field.

Accountants: identify, measure, report.

Who sees?

What metrics?

What language?

Who will hear it? Who read?

What do the graphs reveal?

Pictures or masks

Poets dancing on spires, or town criers with lanterns?

Is this accounting – to account: to tell:

Who has constructed the stage upon which the fool plays?

Who has written the song to which the fool dances?

Who shines the light that lets us see the dance?

What wind blows the leaves into the patterns we perceive?

Quantifications dancing upon a world stage.

Fox watches:

What will we call forth to examine?

What metrics will we use?

To whom will we report?

Heroes: Campbell, Moyers, Turkell, tellers of stories, creators of truth?

Experiential heroes, experiential ethicists, storiers

Accountants as weavers:

Weavers

Fate's heroes of legend weaving future of mankind.

Fates of creations, many traditions

Towne crier at midnight

Sounds.

Watchers in the hedgerow

What do we see?

What measure?

What report?

Colors of visible spectrum, tones that humans hear

What do we miss? Are there patterns?

Patterns missed / colors not seen

Color blind, tone deaf

Factors not accounted- Black swans flocking in fields unremarked

Consequences gathering: resting, feeding

Waiting for flight into the next generation of experience

Where will they nest?

Having framed the actor we move next to staging. Staging gives us place and time. The location is global and the time is now. We Leave Eiseley with his wondering and follow other scientists who can speak to our search and reveal different patterns

Developmental Cycles

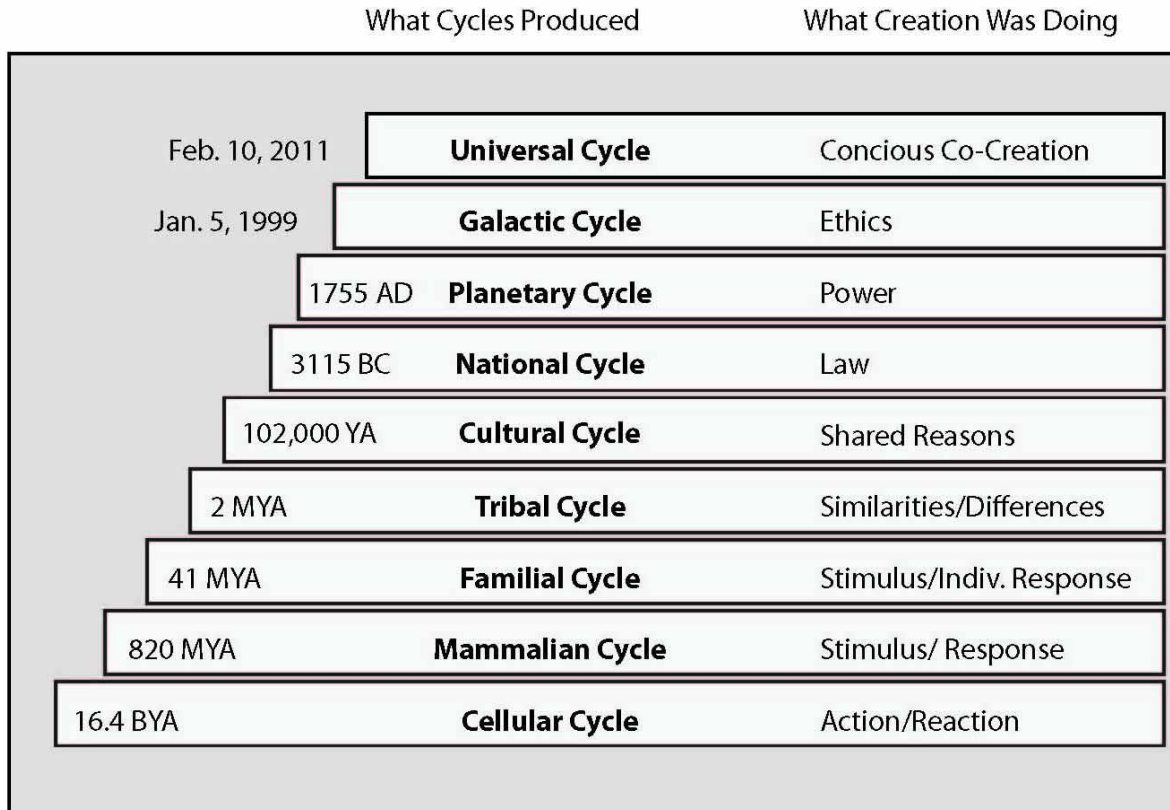
Developmental cycles of earth progress from the cellular through the national to the planetary. These physical cycles are mirrored by metaphysical cycles moving through action/reaction to shared reason, law, power, and ethics. This arrival of global society at a consideration of ethics can be examined from different levels of analysis. Starting broadly with global society we can progressively narrow the focus to the nation state, corporations, professionals, individuals and values.

These levels can be imagined as globes connected by multi-directional interactions. It is at these nodes of interaction that the accountant stands. Accountants work at these loci, directing the flow of resources by the stories they tell. However, a social construction of reality precedes the accountant's report. This mutually agreed upon framework underlies the numbers chosen for report and lends a legitimacy to the report and the reporting. The accounts are of bounded entities (Hines 1988). These boundaries change as perceptions change and additional players must be engaged.

The framing of accounts can drive outcomes, and a false sense of accuracy and precision arises when discrete numbers are given, referenced, ratioed and taken as truth. Kamuf (2007) discusses the confusion resulting from, "crossing between calculation and narration, between count, account and recount," (p.252), and further posits that our bottom line focus replaces thinking with counting. Kamuf suggests sensemaking may be furthered by finding, "an opening in calculating, accountable logic to locate a space for other articulations between our account and our abilities, the space precisely of a free space or free play that can be taken into account only in the figure of the unknown, the factor of uncertainty" (p.253). It is precisely this unknown that we must engage as we attempt to understand our present circumstances differently. Seeing the relevant elements and adopting a different lens can lead to an expanded understanding of global society, the place of business and ethics within this society, and a different sense of where it has come from and the potentials of where it is going.

We engage systems theory (Bertalanffy, 1952; Capra, 1996) to present a large enough view to enable thinking anew about both short and long term events, interactions and objectives found in our complex society. This enables us to seek understanding outside the traditional Western rational models. Systems thinking is dynamic and may be helpful in understanding the evolutionary aspects of our global society. We will look to the analysis of developmental cycles proposed by a student of the Mayan calendar, Carl Calleman, (2000, 2004, and 2009), whose ideas informed the writings of systems theorist T. J. Lazanski, (2008). Our search is also informed by evolutionary psychology described by Ken Wilbur (2000) as he proposes, *A Theory of Everything*. Similar searches are found in Laszlo's *Science of the Akashic*, (2004) and Calleman's (2009) *Purposeful Universe*. A common notion in these works is that of developmental cycles and the evolution of consciousness. This is well explicated by Calleman and seen in the model copied below.

The 9 Underworlds - Frames of Consciousness



In this representation of a Mayan pyramid we see a representation of the physical evolution of planet earth and the emerging life forms. The physical development as it is currently known to science is carefully matched to the steps of the Mayan cycles. Beginning with the cellular development, Calleman, a research biologist, shows the accepted development of life forms as they relate to the stages seen in the pyramidal depictions of Central and South America. Of particular interest for this paper is the correspondence claimed in the mapping of consciousness development. These waves of consciousness in the last four developmental cycles can provide one lens for understanding our global society and reaching for a hopeful future. This model also serves to tie the physical, social, and conscious development into an integrated whole. The model is helpful because only a holistic model has the potential to inform a sustainable future socially, economically, and ecologically. Lazanski (2008) provides a brief summary of the evolutionary system presented by the Mayan calendar as depicted in Calleman's, *Purposeful Universe* (2009). The final four of these developmental steps are:

- 6th 3115 BC-1775 AD, concept of good and evil; society established law (also laws of nature and science)
- 7th 1775-1999 AD, consciousness of power (separation, war, individualism)

- 8th 1999-2011 AD, consciousness of ethics (spontaneous solutions benefitting everyone, personal knowing leads to ethical action and away from abuse of power)
- 9th 2011-- of evolution of conscious co-creation (integration of all systems, leads to harmonious planet).

Thus, in this view, the planet as a living system and an inclusive global society can evolve into a new co-operative stage. The argument is that it is only now that we as a human society have evolved to a point that global or planetary, society can become truly ethical in the broadest sense and application. Systems thinking replaces linear rational thinking and allows for integral problem solving. This could further global development away from the previous model of separation and war.

This integral perspective allows the transcendence of the material and enables a shift in perspective. Wilbur (2000) sketches a full spectrum approach which references four quadrants: interior, exterior, individual and collective. Each of these progresses in stages similar to those noted above. The basic levels are seen to develop in waves. The developing waves are seen as a holarchy (p.45) with each level incorporating the preceding levels. This developmental pattern is congruent with the Mayan system described above where each level is built upon and includes preceding levels. Wilbur's model also depicts mankind and society engaging in an upward evolutionary spiral moving through universal care to an integrated whole. This development would necessitate an emergent ethical understanding.

We are moving toward integral transformation (Wilber, 2000). This integral perspective allows for transformation within, the transcendence of the material, and enables a shift in perspective. Wilber differentiates between transformation, which relates to vertical integration, and translation, which refers to horizontal integration. Insight emerges through the integration of the increasing levels of complexity into a universal awareness based on a conscious and personal understanding. The evolutionary change requires the detection and appreciation of multiple levels of interaction, harmonic themes, mystical forces, and pervasive flow states. The change is transformative in that it is moving beyond and integrative in the sense of incorporating the productive lines that have gone before.

Ervin Laszlo, a founder of systems theory, proposes an, "Integral Theory of Everything", based on constructs from quantum physics. Laszlo proposes that the quantum universe is an informed universe. It is this, "in-formation" that integrates everything in a holistic manner. Thus science begins to describe an integrated web of life with constant observable interactions and cybernetic loops. Laszlo proposes this connection as the information that makes up the field of the universe and explains its coherence. Further this holistic approach supports current work in quantum physics, cosmology and biology. Understanding this view of the universal field would allow

science to propose answers to questions that are unresolved by traditional Newtonian science and Darwinian evolution.

The field as it is proposed resembles the akasha of oriental ancient understanding. Western thinkers may more closely come to understand and appreciate the Eastern mystic field as quantum science proceeds with the unified field (or M field), and we rise to the understanding that everything is connected (Laszlo 2004).

Consideration of Global Society: Actions of any impact the whole

Investigation of present society reveals permeable boundaries. Flows of: political influence, commerce, and human populations are no longer contained. The boundaries, both of nation states and institutions have become porous. It becomes increasingly impossible to define where they begin and end. Supranational corporations are larger in economic terms than some of the nation states within which they operate, hire workers and sell goods and services. Globally there is a rise in poverty, homelessness, hopelessness, terrorism and violence against persons and property (WorldWatch, 2010). Scientists document habitat change and resultant security threats (WorldWatch 2009). Internationally governmental, nongovernmental (NGO), voluntary and business groups are expressing serious concerns about the changes in agriculture, mineral extraction, and water use. Water use alone has become an incontrovertible issue for alarm and requisite planning and co-operation. A large portion of the world's population does not have an adequate safe drinking water supply. This crisis then must be part of the civil discourse of this time. Data can be examined within the ethical frames needed to lead informed policy decisions within a context of global social justice and inter-generational and inter-species fairness.

Governance Responsibility

Transnational and multinational corporations now operate outside the traditional nation state boundaries and controls. These supranational entities have evolved certain legal rights. In the United States, for example, their rights are held to include: property rights, personal rights, and natural rights. The U.S. Supreme Court recently affirmed corporate right to free speech. This was specifically applied to their right to contribute fully to political campaigns. What then are the concurrently evolving responsibilities? This question should motivate discussion of deep ecology, and begin to move away from a strictly homocentric consideration of future policies and development and toward an explicit consideration of the greater good. How might these entities be responsive to the communities and states within which they are embedded?

Multi-directional Interactions

An important starting point is an examination of interactions. Specifically here we consider communication as interaction. These interactions lead to decision making, reporting, control and

enforcement. The direction of the exchange determines the nature of the interaction and will be a concern as we attempt to view through an ethical lens. Habermas posits ideal speech as communicative action. Requirements for this are that communicative action is iterative, responsive with a feedback loop. Formal models have been developed that can track these communications and monitor, or audit, the conformance with the actual multi-directional communication goal. Notions behind this effort are that pronouncements are top down communications with little interaction that may indeed lead to: rules, laws and policies. However, the voices of the multiple constituents or stakeholders have not necessarily been considered. Therefore a broader, more inclusive approach may better serve the greater good and long term planning. Hawkins (2008) suggests clamor rather than pronouncement might serve. Clamor is seen as bottom up communication arising from unrest, voicing complaints and making visible disagreements over basic rights. An example would be the confrontation over water rights between Bechtel and local communities in Bolivia.

The content of the communication can determine the outcomes. Certainly the choice of what to report frames the decision. The decision models that are adopted reflect the values that have been prioritized. Resources, capital, material and human are allocated based on the communications.

Accountant as Ethical Actor

Here the accountant steps out of the shadows into the center of the discussion. Accountants work at these intersecting nodes of communication. Accountants then have a primary role in the social construction of our perceived reality. We embrace a myth that decisions are founded on hard facts, or numbers. We hold that this myth of numeracy can bias our decisions and obscure our understanding of a wider reality. An accountant identifies, measures, and reports. Thus the first decision comes in defining the boundaries of the entity, what is considered internal and what external. For example, were the basic water needs of the local communities in Bolivia an external issue or part of the internal decision making criteria? What types of things are to be measured and reported? For example, habitat degradation can be measured. Who decides whether this is a reportable item that will be integrated into the decision model? Accountants frame numeric depictions following specific value sets. Are these inclusive sets? Who chose them? Accountants allocate numeric representations to events and present these artifacts to readers of financial statements or managerial reports. But the representation is not the event, and the information is not neutral (Hines 1988, 1989, Latour, 1987). It has been selected and framed by the accountant. Thus we see that the accountant as well as the corporation or other entity must have an ethical frame.

Accountants and accounting systems are an inherent part of the “accumulation cycle” that supports “centers of calculation” (See Latour, 1987: 232ff). Accounting systems, designed and implemented by accountants, are a primary means by which information is identified, specified,

and captured. These systems, guided by the centers of calculation, search, collect, and deliver from all parts of the specified domain thereby facilitating control from the center. In that information is to be collected over time, stored, and retrieved, history can be reconstructed (re-presented) and the information reassembled. The accountant creates symbolic forms wherein the disparate evidence is translated, and as such, it can be captured, transported, archived, summarized, reassembled, simplified, and prioritized. Once the symbolic translation has taken place, the centers can control from a distance. Multidimensional phenomena are reduced to two dimensional symbols, and these symbols used to construct disciplinary networks. Inputs disappear into the accounting system and reemerge as economic results with little understanding of the translation process. The assumptions, calculations, and translations are lost. As a result, the accountant, and her systems, defines the reality within the centers of calculation. New systems are constructed on, and extend, the old ones with the latter justifying the former. Within this circularity, the initial conditions of the old systems become invisible. What was initially tenuous and subjective become confident and objective. Little consideration is given to what came before, or why. The accountant as experiential ethical hero must reverse his or her role and render these “black boxes” transparent and understandable for both those on the periphery and those at the center.

To Whom Do We Owe Responsibility

We now have a global society. This is seen as we examine corporations, financial markets and labor pools. Accounts of the activities are categorized as both mandatory and voluntary. Regulators of various jurisdictions do require specific reports and advance specific criteria. Publicly issued financial statements are an example of this. Additionally groups are acknowledging that the voluntary disclosure of activities in social, environmental and ethical arena also provide an important portrayal of the entity. These voluntary disclosures may serve to legitimate the organization and may provide information useful to decision makers. Models have been developed: a sustainability report, Global Reporting Initiative (GRI3); environmental standards, International Standards Organization 14000 series (ISO 14001) and Eco-management and Audit Scheme (EMAS), human rights standard, Social Accountability, (SA 8000); and an assurance standard, AccountAbility, (AA 1000). These internationally adopted voluntary standards provide for some consistency and verifiability in the reporting of entities choosing to follow them. Accountants are active in both developing the presentation of the reports and assurance audits of statements. Impacts of the reporting are financial, political, and personal. These impacts flow through all levels of society from the international level to the community level.

Global and local societies are made up of multiple constituencies with competing needs. To whom do accountants owe the duty of care that characterizes professional service? If constituents have competing needs and objectives how might the accountant fulfill the prescribed professional role of serving the public good?

Use of existing frameworks favors the status quo. The accepted status of corporations has been challenged by Kelly (2000), *the Divine Right of Capital: Dethroning the Corporate Aristocracy*. This work traces the history of corporations and comes to a very different conclusion about their place in the global economy. Kelly argues that they were originally chartered to serve the public good, the good of the communities that chartered them. This starkly contrasts with the present mantra that their purpose is to increase shareholder wealth. There is not legal recognition of other stakeholder wellbeing. Further documentation illumines the fact that “investor” payments to acquire shares are exchanged primarily in the secondary market. Thus the shareholder, who may provide no value to the corporation, is entitled to extract all wealth increases resulting from labor efforts and resource use. How does this conform to an ethical model with concerns for multiple constituents and an intergenerational timeline?

Development of Ethics to a Global Scale

Referring again to the evolutionary model referenced above, we see that globally we can observe that the last 5,000 years have seen the development of reasoning, law, power, and now ethics. The implication is that this is a planet wide development and thus this developmental stage will require ethical considerations that are global in scope. Individual and local optimization alone will not serve the development of all constituents and the whole. Global society must begin to emancipate. We must step past our assumptions of corporate powers so that real questions relevant to the survival of the planet, its cultures, species, and habitats can be framed and examined.

The complex transactions engaged in by transnational companies are reported to the global society. The framing of these reports or accounts arises from use of professional judgment and thus makes space for the accountant as ethical actor. At each node as an accounting is rendered, as an account is given of resource flow, a value judgment is made; what to include and what to leave out. An account could be rendered of the impact of the resource extraction, transportation alternatives, and storage or disposal risks. A full account might reveal a robust understanding of events and interactions that cannot be summarized as a negative or positive \$10 million. Accountants could frame reports that include information on environmental impacts and remediation as well as human resource aspects with implication for community development and generational equity. As reporting models are adopted that may be more transparent to internal and external constituencies, ethical choices can be made that include factors not restricted to traditionally constructed financial accounts. Accountants framing these reports may identify different boundaries. Boundaries concerning decision relevant information for a given entity may be expanded to a more inclusive and holistic consideration. An ethical accountant must fully examine and understand her own positions, those underlying assumptions and biases that frame her choice in reporting. Accountants, working at the nodes and intersections are uniquely positioned to enable the call for more disclosure and inclusivity, and for verification of assertions and numbers.

Economics Nobel laureate, Elinor Ostrom, urges acknowledgement of the, “opportunity of the commons”, rather than “the tragedy of the commons”, often cited. This call is to reframe: values, use, and institutions. Out of chaos new order emerges. We are working within a frame for a corporation that is based on a 300 year old structure. We can re-examine this within a new more inclusive ethical frame that allows a more organic order to emerge.

Conclusion

Watchers in the hedgerow

What do we see?

What measure?

What report?

Colors of visible spectrum, tones that humans hear

What do we miss? Are there patterns?

Patterns missed / colors not seen

Color blind, tone deaf

Factors not accounted- Black swans flocking in fields unremarked

Consequences gathering: resting, feeding

Waiting for flight into the next generation of experience

Where will they nest?

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