

THE NATURE OF THE ACCOUNTING PROFESSION TODAY: A POSTSTRUCTURALIST CRITIQUE

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The simulacrum is never that which conceals the truth ... it is the truth that conceals there is none ...
[Baudrillard, 1983:146-147]

INTRODUCTION

A recent special issue of *Critical Perspectives on Accounting* [Vol.9, No.5, 1998] focused on standard setting and auditor independence in the USA and the UK. In the lead commentary, Hendrickson [1998] argues persuasively on the basis of published documents and his personal experience on the SEC that in the USA "... auditors are not fulfilling their regulatory role of providing independent assurance to stakeholders and the general public on the relevance and reliability of financial statements prepared by public corporations" [489]. Moreover, Hendrickson claims this lack of independence contaminates the role the profession plays in the standard setting process. In the following article, Owsen [1998] implies that the auditing oligopoly reversed its position on the GAAP regarding expensing in the current period, executive stock options in order to gain Congress' support for accounting tort reform. Later in the same issue, Zeff [1998] also expresses concern over the lack of auditor independence and identifies it as "... part of the larger question of corporate governance" [*Ibid.*:541]. As a remedy he suggests tinkering with the auditor appointment process by creating an Audit Review Panel. In sum, the lack of auditor independence contaminates the role public accountants play in financial reporting and in setting standards while the Whiggish solution is to set up another quasi-independent overseer body.

Fogerty [1998] finds these commentaries of questionable value. They are, he believes, scattered, unfocused and most importantly, totally devoid of theory.¹ He concludes that "it is not enough to take the high moral ground without benefit of the kind of clarity that theory brings to the analysis" [*Ibid.*:521]. Fogerty then gestures vaguely towards Marxist political economy theory and the Frankfurt School of Social Philosophy's ideological critical theory. McKernan and O'Donnell [1998] follow this suggestion and draw on modernistic critiques of capitalism by Marx and Habermas to present "an immanent critique of the ideology of the fetishised commodity in financial accounting" and call for working towards an "emancipatory" accounting [*Ibid.*:567].

We find these ideas and the proposed remedies to be very much "old rope" and "old hat." As Hendricksen clearly illustrates, the problems and issues have been part of the accounting profession throughout this century. Regurgitating them and resurrecting the old nostrums based on modernistic, tired metanarratives for yet another try seems like a huge waste of time and energy. Nor is such an approach likely to revitalize the critical accounting project. In this we agree with Fogerty that "accounting theory and the regulation that put it into place can be seen as a vain attempt at a singular ever-progressing grand narrative whose literal truth is increasingly under attack in a postmodern era" [p.517]. Following this lead, this paper presents a critique of the politics of the accounting profession that draws on some of the poststructuralist ideas set forth by Jean Baudrillard, the high-profile postmodern theorist whose "acolytes praise him as the 'talisman' of the new postmodern universe ... the supertheorist of a new postmodernity" [Best and Kellner, 1991:111].

The paper proceeds by examining Briloff's [1973, 1981, 1990, 1993, 1994, 1997] claim that the accounting profession over the past several decades has behaved in such a scandalous manner that it has desecrated its sacred covenant with society. Before it is too late, Briloff warns, the profession must purge and revive a moral order in which accountants engender truth and provide the world with true and fair representations of enterprises' financial and economic transactions and events. The paper investigates this claim relying on several of Jean Baudrillard's poststructural constructs which suggest that accounting never has had any such covenant. This is the real scandal, not the scandalous behaviour of the professional accounting firms. There is no-thing to purge and revive.

BRILOFF'S CRITIQUE

¹ These ideas, Fogarty asserts, "lack sufficient intellectual rigor and factual support. Someone less predisposed toward their conclusions than I would dismiss them as editorial journalism at best, and paranoid fantasy at worst" [516].

The accounting profession emerged as an integral part of the Industrial Revolution [Jones, 1981]. The general aim of professional bodies in most English-speaking countries was to bring together those practicing accountants who hoped to put the profession on a higher plane than it previously occupied in society and so raise its public esteem [Parker and Yamey, 1984]. This was achieved by obtaining charters and statutes from governments which ceded a virtual statutory monopoly on auditing and accounting services to the various professional bodies. These charters and statutes were legitimated by reference to the profession's vital mandate to conduct independent appraisals of the truthfulness and fairness of reported results of management's stewardship as shown in the annual financial statements and to comment on them in terms of their proper application of generally accepted principles of accounting [*Ibid.*].

Briloff [1973, 1981, 1990, 1993, 1984, 1997] claims that today, at least in the USA, the accounting profession has desecrated this contract with society. Briloff grounds "the existence of a covenant" in the statutory monopoly granted to CPAs by most states, such as New York:

The practice of the profession of public accountancy is defined as holding one's self out to the public, in consideration of compensation ... services which involve signing, delivering or issuing ... any financial, accounting, or related statement or any opinion on, report on, or certificate to such statement if, by reason of the signature, or the stationery or wording employed, or otherwise, it is indicated or implied that the practitioner has acted or is acting, in relation to said financial, accounting or related statement, or reporting as an independent accountant or auditor or as an individual having or purporting to have expert knowledge in accounting or auditing.²

Briloff calls this the accounting profession's enshrined covenant with society.³ Accounting's covenant, of course, is reinforced and legitimated by generally accepted accounting principles (GAAP), generally accepted auditing principles (GAAS), professional codes of ethics, accounting regulator boards, and various security commissions such as the SEC.

Briloff meticulously documents how the accounting profession has violated this sacred trust over the past several decades.⁴ The specific cases and instances of this breach are well documented in his publications. Some of the most flagrant abuses involved accounting for consolidations, goodwill, inventory, leases, intangibles, foreign currency translation, income taxes, and oil and gas exploration. In many cases, the abusers relied on several of these issues to "window dress" their accounting reports. The list of corporations involved reads like a cross-section of corporate America and Briloff's exhaustive research contains a litany of egregious scandals and cover-ups.⁵ In describing these desecrations he does not mince his words.⁶

² New York State Statute (sec.7401) quoted in Briloff [1990:5].

³ A covenant denotes an agreement, bargain, or contract under seal particularly one with sacred Biblical roots as with the compact between God and the Israelites.

⁴ By accounting profession, he means the public accounting firms, particularly the Big Six (formerly Eight), the AICPA, accounting academics, the SEC, FASB, and professional accountants in industry, commerce, and government.

⁵ Briloff [1973, 1981, 1990, 1993] documents abuse by: Ling-Temco-Vaught, Leasco Reliance, National Student Marketing, Atlantic Acceptance, Telex, Memorex, Mill Factors, Lockheed, Boise Cascade, Commonwealth United, Major Realty, Liberty Equities, Occidental Petroleum, Investors Overseas, Global Natural Resources, Great Southwest, Penn Central, US Home, K&B, Yale Express, ITT, Westec, Continental Vending, Goetec, US Stell, Tenneco, Jones & Laughlin, General Electric, Kennecott Copper, RJ Reynolds, United Technology, Gelco, Gulf Oil, Northrop, IBM, Republic Bank Corp., Federal Savings and Loan Insurance, Industry, S&L-Thrift Industry, RJR Nabisco, Penn Sware Bank, and Guarantee Security Life Insurance.

⁶ He uses descriptors such as: gimmickry, chicanery, sophistry, distortions, manipulation, mirages, flaky reporting, going astray, perversities, and criminal behavior. Titles of some of his chapters include: Manufactured Profits; Disappearing (Profits) Act; Accounting Alchemy: Creating Profits Out of Nothing; Whose Deep Pocket?; Stygian S&L Swamp; Junky Junk Bonds; Blast Off to Irrelevance; Alice in GAAP Land; Inflated Bosoms and Big Busts; "P" in the Pool; Dirty Pooling and Polluted Practice; and More Flap in the GAAP. And he describes accounting practices and actions by public accounting firms, the AICPA, PASB and SEC in the following terms: the profession's *dismal* performance, FASB's proclivity for *rules* rather than standards, permitting memories to *lapse* and new *fiascos* to intervene, *nefarious* machinations, false and *misleading* statements, grievous acts of *perversity*; *aberrant* behaviour, *suppressing* vital information; *fakery* of numbers; a sea to *watered* accounting numbers; master *misrepresentation* ... a cordon blue at cooking the books; prevailing *malaise*; accounting *alchemy*; contaminated by *original sin*; and sponginess of the

Briloff's exposition of the S&L Industry scandal which cost the "nation's taxpayers something between \$150 and \$200 billion" [Briloff, 1990:8] is noteworthy. Many of the independent auditors "did not properly audit or report S&L's financial problems as internal problems in accordance with professional standards" [GAO, February 1989 report cited in Briloff, 1990:8-9]. Moreover, following this example, President Bush did some creative accounting of his own in getting rid of the costs to the public sector of the S&L fiasco by means of some off-balance sheet recording and by restating of previous years' government accounts. In another exposé, Briloff [1990:15] reveals how (using the RJR Nabisco shenanigans as a prime example) the orgy of merger mania and the junk bond "feeding frenzy" were rooted in accounting gimmickry, so much so that "[e]normous amounts of the costs incurred on the acquisitions are buried in an amorphous, inchoate intangible quagmire ... euphemistically referred to as Goodwill."

Briloff also provides convincing evidence that the entire financial community acted complicitly in perpetrating this state of affairs. For example, he reveals how FASB and the SEC scrimshanked, year after year, in not coming to grips with the "chimera" of accounting reporting issues and practices—even in the case of oil and gas accounting in the 1970s, when Congress was in a state of shock "on learning the state of the accountant's craft in bearing on this Act."⁷ And he documents how the AICPA ethics committee whitewashed the unethical behavior of prominent certified members. A notable case in point is that of Maurice Stands, a principal partner in one Big Eight firm and inductee into The Accountant's Hall of Fame, who was indicted for his role in the Nixon Watergate Affair and charged with obstructing justice, conspiracy, violating election laws, lying to a grand jury, conspiracy and soliciting political contributions illegally. The AICPA ethics board reluctantly held a hearing (at Briloff's insistence) and found Stands not guilty. They also refused Briloff's request to reveal the details and reasoning of their verdict, or to make public the minutes of the proceedings, or to identify the board members.

Briloff also uncovers how corporations exploit the confusion reigning in accounting practices and standards (such as the early 1980s requirement for oil and gas companies to report historical cost, replacement cost and discovery value net incomes in the same financial statement) by telling different stories to different constituents. Shareholders, tax authorities, union officials, government-subsidy policy-makers, and investment analysts could all be told a different accounting story each of which was embedded in and arising from a particular audited financial statement. While it is no longer "anything goes," like the 1950s and 1960s, significantly different stories can be told today from the same data base of events and transactions, each of which conforms to generally accepted accounting standards.

In the face of these events, Briloff [1990:6-7] makes a fervent plea to the profession to restore and recover its sacred trust. This is, he believes, "absolutely essential to our constitutional, capitalistic, democratic society." Briloff targets the oligopoly of Big Six accounting firms as the source of much of this malaise: "They have essentially avoided paying the ultimate price for what, in many instances, could be deemed criminal behavior. ... The oligopoly retains its unmitigated power over the professional organizations and even government agencies ... imposing their views on state and federal legislatures" [*Ibid.*]

Nor are academics exempt in this sad state of affairs. To exacerbate this condition in the realm of practice, the presumptively independent academic accountants have been subtly co-opted by the oligopoly. "This has been accomplished by providing conferences and symposia in most agreeable venues, the hosting of lavish receptions, endowing professorships and research grants. When representatives of the firms appear on campus to present a distinguished lecture or to counsel, regarding the education for the profession, the guests avoid being challenged regarding the conduct of his or her firm in particular cases" [Briloff, 1990:333]. Academics have also lost their independence from society and are no longer capable of critically evaluating the profession.

Briloff's closing "prayerful code" sums up his covenant-desecrated thesis:

Would that there are sufficient numbers of colleagues in practice and academe who remain inspired by and committed to our covenant with society, thereby demonstrating a proper respect for the opinions of our forebears, and by so doing become deserving of a high regard from posterity.

We will examine Briloff's thesis later after reviewing some of Baudrillard's poststructuralist ideas which we will use for a critique of the profession and Briloff's claim.

ephemeral amorphous intangibles. These titles and terms give the flavor of Briloff's shock and chagrin at the state of affairs of the accounting profession and its regulatory bodies and agencies.

⁷ Briloff [1981:48]. This was the Energy and Conservation Act of 1975.

BAUDRILLARD

Baudrillard, hailed as one of the “most high-profile” postmodern theorists and “a high priest of the new epoch” has achieved “guru status around the world” [Best and Kellner, 1991:111]. Trained as a sociologist in the 1960s, he was then part of a group of mainly French intellectuals⁸ who were concerned with updating and reconstructing Marxist theory in light of post-war conditions in Europe, particularly France. Much of their work built on Saussure’s structuralist semiotics which they attempted to radicalize as part of a general movement that might be identified today as “poststructural semiotics.” This was a “time of ferment, experimentation, novelty and synthesis that combined theories from diverse fields” [Kellner, 1989:5].

Baudrillard was typical of the group. An ardent scholar of Marxism, politics, culture, history, and anthropology, much of his early work involved reconstructing Marxism on the basis of semiological theories of the sign. Culture [including art, the media, technology, sexuality, and fashion] was always important for Baudrillard, especially in his earlier period, while “his later work continues his ground-breaking forays into the life of signs in society” [*Ibid.*:8]. The symbolic, linguistic, immaterial sign world loomed much larger for him than the material world of real objects and things.

The “Events of May,” as they became known as, had a profound effect on this group of scholars. Baudrillard was no exception.⁹ It became apparent that Marxist theory, in either its historical materialist or radical humanism form, did not provide much leverage on explaining these events or, for that matter, contemporary society. While earlier Baudrillard [1975] had taken a critical Marxian stance towards the widespread cultural shift from a labour and production focus on society to one featuring technology, communication, the media and particularly consumption, he now embraced “the semiological revolution which was interpreting all aspects of social life as a system of signs” [Kellner, 1989:21]. From then on he would theorize culture in terms of a semiological system governed by its own rules, codes, and social logic. This “sign fetish” came to dominate his thinking.

Consequently, he broke with Marxism to fabricate new theories of contemporary society. These were characterized by the incessant proliferation and dissemination of signs, constantly shifting fashions, a profusion of computer and information technology products, and domination of the masses by an apolitical mass media which constantly bombards them with non-referential codes and simulacra. The masses, however, acting like a black hole, absorb and envelop the mass media, neutralizing it and themselves until the genuine social and political is no more, having been replaced by a society of simulations. These eventualities, Baudrillard concluded, provided a new kind of social order in which signs, images, models, and pretences dominate the individual’s life world.

Disneyland captures the ethos of his new order. It is a simulation of “real” America while “real” America is Disneyland writ large. Thus, the difference between them implodes:

Disneyland is a perfect model of all the entangled orders of simulation ... Disneyland is there to conceal the fact that it is the ‘real’ country, all of ‘real’ America, which *is* Disneyland ... is presented as imaginary in order to make us believe that the rest is real, when in fact all of Los Angeles and the America surrounding it are no longer real, but of the order of the hyperreal and of simulation ... The Disneyland imaginary is neither true nor false: it is a deterrance machine set up to rejuvenate in reverse the fiction of the real. [Baudrillard, 1994:12-13 and 1981:24-26].

Thus, today the individual lives in a Disneyland-like, postmodern world dominated by a shifting scene of imagined figures, mediated by electronic communication devices and gadgetry. This is the hyperreal, the domain of self-referential, simultaneously circulating images and symbols which is now for the individual the “real” world [more real than the real]. What is more important, however, is that Disneyland serves to obscure the fact that the “real” adult world does not exist

⁸ Including amongst others: Barthes, Levi-Strauss, Marcuse, Althusser, Lacan, Derrida, Foucault, Lefebvre, Lukacs, Deleuze and Lyotard.

⁹ The “Events of May” refers to a series of events that took place in 1968 in the social and political realm around the globe. In France that May the university students went on strike, took over the university buildings, barricaded the streets, and marched on the government. To most people’s surprise, they were joined by factory workers, shop keepers, middle class professionals, and even civil servants. Similar protests took place that year in other countries around the world. In the USA, anti-Vietnam war protesters from all walks of life marched on Washington and riots and looting broke out in African-American neighbourhoods across the nation. Similar events took place in far distant countries including Mexico, Portugal, Greece, Japan, and South Africa. And to top things off, the Russians [USSR] invaded Czechoslovakia. See Harman [1988] for details.

as such. It is, Baudrillard concludes, also a childlike, comic book fantasy order.

SIMULACRUM, IMPLOSION AND HYPERREALITY

In putting these ideas forward, Baudrillard [1981, 1983a, 1983b, 1983c, 1988, 1994] relies on three concepts—simulacrum, implosion, and hyperreality. Simulacrum refers to any sign, image, model, pretence, or shadowy likeness of something else. The accounting model, for example, is a simulacrum of the entity. Implosion is any situation where the distinction, difference, or boundary between two or more entities, concepts, or realms disappears, melts, dissolves, or otherwise collapses. In the case of a candy bar company that invests heavily in chocolate and sugar options and futures, the difference between operating and financial income, long an important distinction in GAAPs, implodes since the profits are an inextricable combination of operations [manufacturing, marketing, and engineering] and investments in financial instruments. Similarly, the deferred tax liability account is neither debt [nothing is owing to taxation authorities] nor equity [it hangs ambiguously in a sort of “no-mans-land” between debt and equity on the balance sheet]. In both cases, the boundary between the accounts has dissolved.

Hyperreality is the third concept in Baudrillard’s “Holy Trinity,” as Best and Kellner [1991:118] label them. It refers to the condition where simulacra are no longer associated with any real referent and where signs, images, and models circulate detached from any material reality. In Baudrillard’s [1988:166] own words [as translated from the French]:

Abstraction today is no longer that of the map, the double, the mirror or the concept. Simulation is no longer that of the territory, a referential being or substance. It is the generation by models of a real without origin or reality: a hyperreal. The territory no longer precedes the map, nor survives it. Henceforth, it is the map that precedes the territory.

Hyperreality, then, is the defining characteristic of contemporary, postmodern society. “[T]he new era of simulation in which ... the organization of society according to simulations, codes and models, replaces production as the organizing principle of society” [Baudrillard, 1994:118].

This general background provides an entry into some of Baudrillard’s ideas which we draw on to critique Briloff’s covenant lost thesis and some of the main ideas set out in the special issue of *Critical Perspectives on Accounting* [9:8, 1998]. Thus, we rely on only a small part of Baudrillard’s vast corpus of work which we find most relevant and insightful for investigating the nature of the accounting profession as it functions in contemporary society. These are his “phases of the image” theoretic and his “politics of the hyperreal” perspective.

PHASES OF THE IMAGE

Baudrillard [1988:170] identifies four types of sign to referent relationships. In the first type the image [sign] reflects some basic reality and is “a good representation ... in the order of a sacrament.” The image is a faithful [*bonne*] appearance of the referent. In the second type, the sign is not a good reflection of the referent but rather is in the order of a counterfeit which masks or hides [and sometimes perverts] some basic reality. It is a distorted or twisted [but not necessarily evil] image that deprives the reality of its deep-seated quality. In the third type, the image hides the *absence* of a basic reality. The sign here is “in the order of a sorcery ... and plays at being an appearance” [*Ibid.*:170]. In Baudrillard’s fourth type the sign to referent relationship is reversed. The sign now “bears no relation to any reality whatsoever: it is its own pure simulacrum” [*Ibid.*:170]. No longer an appearance of a reality, it is a vital part of the “order of simulation.”¹⁰

Examples from religion

Baudrillard illustrates these four types in the context of notions of the Christian God. Baptisms and marriage ceremonies [sacraments] are examples of the first type. They are regarded as the outward and visible signs of inward, spiritual grace. Baudrillard uses the Iconoclasts [image breakers] of the 8th-9th c. to illustrate the second type. The Iconoclasts were violently opposed to the use of images in religious worship, believing that it was a perversion of the Christian faith because icons distorted the image of God in the minds of worshippers who would come to worship only the icons and so lose touch with God and the potential to attain inward grace.

¹⁰ By order of simulation, Baudrillard means contemporary, postmodern society.

Baudrillard uses the Jesuits of the Feudal era to illustrate the third type. They manipulated their parishioners with spectacular celebrations such as the epiphany festival [which takes place every January 6th] featuring the manifestation of Christ to the Magi and based their politics on such ceremonies. “Behind the baroque of images hides the grey eminence of politics” [*Ibid.*:170]. These ceremonies were carried out as signs of the truth of God’s existence but in essence were merely religious systems which the Jesuits used to hide the fact of God’s non-existence and so control the populace.

In the case of Baudrillard’s fourth type, there is only the simulation of God and so features the “death of the divine” referential. Recall that in each of the first three types the guarantee of the sign to referent relationship was, of course, God in the form of sacrament, or distorted, or whose absence was hidden. But now even the latter has gone by the wayside. As Baudrillard [*Ibid.*:170] explains:

But what if God can be simulated ... reduced to signs which attest his existence? Then the whole system becomes weightless: it is no longer anything but a giant simulacrum: not unreal, but simulacrum, never again exchanging for what is real, but exchanging in itself, in an uninterrupted circuit without reference of circumference.

There is no longer any God or last judgment day to ascertain truth from false nor the real from the artificial.

Along similar lines, Baudrillard sees modernistic theories that postulate the existence of ideologies such as historical materialism, hegemonic paternalism, and ideological fettering of the proletariat by elite groups as signs which hide the fact that such things do not exist but are, in essence, only political ploys hiding behind fictitious religious-like systems. This is sorcery, not religion.

Examples from accounting

Some accounting examples illustrate Baudrillard’s types of sign/referent relationships. The accounts for cash, land, buildings, and inventory [in most cases] are examples of the first type where the accounting sign refers unambiguously to real referents. Another example is the practice of merchants and trading partners in mediaeval Europe to engage in a series of discrete trading ventures with profit materializing on the distribution of the net proceeds upon the completion of each venture. As Littleton [1968:280] reports, “This was profit in the true sense of the word rather than income. It was the result of liquidation; it measured the net of a closed venture, not a periodic calculation from continuing operations.” Accounting signs were transparent reflections of the surplus of liquidation proceeds over the original cost. Put differently, “income” was the transparent and obligatory sign of a realized referent that was co-determinant with the sign itself [Macintosh *et al.*, 1999].

The second type is illustrated by the historical appearance of the joint stock company financed with permanent capital [circa 17th and 18th c. in Europe]. It was no longer practical to wait and calculate liquidation proceeds at the end of the venture. With the shift to permanent investment, the going concern postulate replaced the net realizable value idea. This, along with the introduction of the use of accruals, deferrals, and allocation of costs to different accounting periods, permitted enterprises to simulate profit in the form of “net income.” The income had become a counterfeit or simulated image of realized profit [in the sense of liquidation proceeds]. The accounting sign of income no longer referred in a transparent way to profit.

Accounting for deferred taxes, albeit a highly contentious accounting issue over the last four decades, offers a vivid accounting example of the third type of sign where the image hides or masks the *absence* of any real referent. The balance sheet account labelled “Deferred Income Taxes” is carried on the balance sheet just below the long term liabilities section which implies that it is a liability and above the shareholders’ equity section which implies it might be part of the latter. However, theories of the deferred tax method have never been able to explain the nature of the resulting deferred tax liability [or asset as the case may be]. Similarly, the account “deferred income tax expense” does not represent any real tax expense in the sense of either having been actually paid or actually owing to any taxation authority. As such, then, in the case of both the liability and the expense, these accounts mask the reality that such amounts have not been paid [or are not due] and that no real legal liability exists. They are in the nature of a sorcery.

Finally, many accounting signs today are clear examples of Baudrillard’s fourth sign/reference relationship where the sign neither reflects, nor distorts, nor masks the nonexistence of any real referent. Accounting for derivative securities is a striking case in point. The accounting sign of the derivative, as called for by the latest GAAP [FASB, SFAS #133, 1998], is deemed to be the market value of the instrument at the balance sheet date [the “mark-to-market” rule]. While simultaneously its market value measurement is based on [using a Black-Scholes model of some kind] the

expected market value of its underlying security, the price of which in turn is a function of the accounting model. Thus, the two models circulate simultaneously referring to each other.¹¹ The resulting profit [or loss] from the entry to record the asset is suspended in a new statement called “Comprehensive Income” and then later recycled through the Income Statement directly to Retained Earnings. This can be thought of as “hyperrealization.”

THE POLITICS OF THE HYPERREAL

Baudrillard’s reading of the 1970s Watergate scandal, which led to President Nixon’s resignation, illustrates his view of the politics of the hyperreal in contemporary society. The indignation and denunciation aroused by Watergate served only to regenerate “a reality principle in distress,” the moral and political simulacra of the nation which is only “... an imaginary effect concealing that reality no more exists outside than inside the bounds of the artificial perimeter” [Baudrillard, 1988:172]. The putative scandal masked the ironic reality that the CIA, the Democratic party, the government, and the media operated like the Republican Watergate burglars, perpetuating the myth that such scandals are unusual [Best and Kellner, 1991:82]. The real scandal was how it worked as “an extraordinary operation of intoxication” [Baudrillard, 1988:173] that hid the absence of any real moral referent.

Drawing again on his order-of-simulacra theory, Baudrillard rereads what he calls the “order of capital.” The conventional Marxist critique saw capital as unscrupulous and immoral, operating behind a humanitarian, moralistic superstructure that hid the truth of capitalist exploitation and domination. Such critiques reproach capital and capitalist organizations, especially today’s multinational conglomerate corporations, for not honoring their moral contract with society—for not following the rules of the game. This implies that capital is capable of reforming itself and, moreover, that it might do so, to fulfil some moral purpose or to honor some covenant with society. By denouncing capital as a scandal, however, such a critique (a sign) only masks the fact that there is no moralistic superstructure (the referent) to reform.

So when Marxist followers like Bordieu theorize that capitalism operates behind a moral smokescreen (superstructure) which is a false representation of reality and call for purging and reviving a moral order of capitalism, which it has scandalized, he only plays into capitalism’s hand.¹² “All that capital asks us is to receive it as rational or combat it in the name of rationality, to receive it as moral or combat it in the name of morality” [173]. Whereas previous theorists like Engels made capitalism sound like a scandal today’s Marxists hide the fact that there is no scandal and make it look “as if capital were linked by a contract to the society it rules” [174]. Their indignation and denunciations only serve to further the order of capital. “It is the left which holds out the mirror of equivalence, hoping capital will fall for this phantasmagoria of the social contract and fulfill its obligation towards the whole of society ... [and so] no need of revolution: it is enough that capital accept the formula of exchange” [174]. As in the case of Disneyland and Watergate, this the real scandal.

For Baudrillard, then, this is just an instance of simulacrum chasing simulacrum. The model of society arising from a virtuous, humanistic moral referent is one simulacrum, and the moralistic critique of capitalism is another. The moral indignation and panic of both left and right merely conceals the way that capital works and so it masks the way in which the process of accumulating capital proceeds. So the dissimulation of capital, he argues, “hides its instantaneous cruelty, its incomprehensible ferocity, its fundamental immorality—these are what are scandalous, unaccountable for in that system of moral and economic equivalence which remains the axiom of leftist thought, from Enlightenment theory to communism. Capital doesn’t give a damn about the idea of the contract which is imputed to it: it is a monstrous unprincipled undertaking, nothing more” [Baudrillard, 1988:173]. We cannot understand or denounce capitalism by peering at it through the lens of some moral rationality. It never had a covenant with society. It must be understood and challenged, Baudrillard contends, according to symbolic law as part of the order of simulation. Against this background we return to Briloff’s covenant lost thesis.

A POSTSTRUCTURALIST ASSESSMENT OF A COVENANT LOST

¹¹ See Macintosh *et al.*, 1999, for a detailed explanation.

¹² Baudrillard [1988] explains this line of reasoning in some depth in “the Mirror of Production” [98-118]. His startling conclusion is that “Comprehending itself as a form of rationality of production superior to that of bourgeois economy, the weapon Marx created turns against him and turns his theory into the dialectical apotheosis of political economy [115] ... Every critical theory is haunted by this surreptitious religion, this desire bound up with the construction of its object, this negativity is subtly haunted by the very form that negates it” [116].

From a Baudrillardian perspective, Briloff's putative scandal presents us with a scenario that has striking similarities to the Watergate affair. The various charters and statutes, such as the New York statute cited earlier, are images (signs) which precede any covenant (referent). They have no rapport with nor any resemblance to any reality. No longer in the "order of appearance," they were and still are a pure simulation of "no-thing." Thus, Briloff's denunciation of the scandal simply pays homage to an acknowledgement of professional accountants' superior qualities and to their sacred obligation. His scandal-effect (a sign), however, merely refers to another sign (a non-existent covenant). As with Disneyland and leftist critiques of capitalism, it is the mirror image of an image.

Thus, the accounting profession's litany of offences against its covenant is not a scandal. This is what academics such as Briloff and the authors in the special issue of *Critical Perspectives on Accounting* mentioned earlier are busy unwittingly covering up. They impute that such actions and behavior are an egregious violation of accounting's sacred contract with society. But accounting from a Baudrillardian perspective is not the least bit interested in any covenant. As he might put it: "Accounting doesn't give a damn about the idea of the contract which is imputed to it: it is a monstrous unprincipled enterprise, nothing more." It is only moralistic thinking of both Enlightenment and Marxist scholars that attempts to make accounting "follow the rules." So these critics hold out the mirror of equivalence to accounting, hoping it will comply with this phantasmagoria of social contract and fulfill its obligations to society as a whole. So there is no need of any revolutionary changes in the status quo such as opening up professional accounting services to the market place or turning it over to impartial government agencies. Thus, the academics of accounting who try to combat scandalous behavior only work to conceal that there is no scandal. This is the real scandal.

In short, the sundry accounting manipulations, scrimshanking, cover-ups, and criminal acts present us with a scenario similar to Disneyland, Watergate and capitalism. Briloff's putative scandal works to hide the idea that there is no difference between the denunciation and the evidence. The principle that accounting has, or ever had, a sacred covenant with society that has been desecrated masks the absence of any profound referent such as a social covenant. There is no difference between the facts that Briloff so well documents and the reality of the accounting profession.¹³

In sum, Briloff's moralistic position, as with the Watergate scandal, aims to purge and revive a moral order for the profession, an order where accountants engender truth and provide the world with true and fair representations of the enterprise's financial and economic transactions and events. But, from a Baudrillardian perspective, there is nothing real to purge and revive. There is only the sign of it. This is the real scandal.

AUDITING AS SIMULACRUM

Auditing practices can also be fruitfully investigated from a Baudrillardian perspective. Francis [1994] argues that auditing practices are in danger of becoming deformed, owing to increasing corruption by "scientism and technocratic rationality." He takes a brief Baudrillardian tack, warning that in the extreme case, "the audit process becomes a pure simulacrum ... centered solely on the production of working papers for the purpose (reality) of producing working papers ..." When this happens, the subjective, hermeneutic judgements so essential to good auditing will disappear as auditing becomes a "... completely corrupted practice because there no longer *is* an audit, only a discourse *about* an audit, pure simulation" [261].

Francis states, however, that this is only a "cautionary warning ... a world that might be coming" [*ibid.*]. Like Briloff, he then reverts to a modernistic, high moral ground, enjoining the accounting profession to reflect on the goodness of their actions (*phronesis*), draw on Gadamer's philosophical hermeneutics and recover its rapidly decaying capacity for subjective reflexivity and virtue; that is to say, be "a 'good' auditor in an Aristotelian ethical sense" [236].

Francis' hermeneutical stance rests on an ontology of auditors as self-reflecting, sense-making individuals who can (if they try) overcome the alienation caused by the separateness of the interpreter (the self) and so "speak the truth" about themselves in order to recover auditing's *phronesis* (the other). Thus, while he goes along a deeper philosophical path than Briloff, Hendrickson, Owen, Fogerty, Zeff, and McKernan and O'Donnell and others such as Robson [1992]; Preston *et al.* [1997]; Cooper and Puxty [1994], Francis ends up at the same place, broaching an urgent need to recover a transcendental referent and end the corruption and decay that is eating away the profession's moral fiber.

A Baudrillardian view of the scandal of auditing would differ considerably. We claim that what Francis warns might happen to auditing has already become auditing in postmodernity. Auditors prepare working papers (images) of companies' financial records and statements, which are already simulacra of simulacra. Net income, as argued above, is

¹³ It seems that accounting is only the tip of the iceberg. The profession, as McGoun [1997] persuasively argues, is part of postmodernity's hyperreal capital accumulation process, which works by hyperreal, self-reflecting simulations that are the artwork of cadres of accountants, bankers, lawyers, investment bankers, and politicians [Mayer, 1990:27].

no longer an abstraction or appearance of any thing. The same goes for audit working papers of, say, derivatives transactions. They are just the mirror image of another mirror image. Auditing the results of previous accountings provides a striking example of Baudrillard's hyperreality—the circulation and recirculation of signs without referents.

CONSIDERATIONS

This paper began by looking at some of the issues facing the accounting profession today as set out by some of the authors in a special issue of *Critical Perspectives on Accounting* [Vol.9: No.8]. The paper argued that these ideas and the remedies proposed are “old rope” and “old hat” and, moreover, since they rely on moribund modernistic theorizing, nothing much would come out of them that might re-energize critical accounting. The paper then analyzed Briloff's lost covenant idea from Baudrillard's poststructuralist perspective. This led to the conclusion that accounting is a monstrous, unprincipled enterprise which “doesn't give a damn” about any sacred trust and so there is no-thing to purge and revive. A similar analysis of Francis' notion of recovering auditing's *phronesis* arrived at the same conclusion. This is the scandal, not the scandalous behavior of the accounting firms. This seemingly gloomy conclusion, however, raises the question of what, if anything, can a poststructural approach bring to the table for critical accounting?

The answer is that there is rather a lot. For starters, postmodernistic approaches radically challenge any system of thought which still requires metaphysical foundations, metanarratives, and commensurability. So they represent a “resourceful subversion of the dominant value system” [Eagleton, 1996]. In terms of accounting, they can be used to de-construct, de-bunk, and de-doxify those currently dominant paradigms in accounting research such agency theory, the informational perspective [Beaver, 1996], and the capital market paradigm that have pretty much colonized, at least in the USA, the accounting academy for several decades [Clarke, *et al.*, 1999]. Instead of constantly confronting the latter with competing modernistic theories, poststructuralist approaches offer a different line of attack, one which has gained credibility in most other social sciences and humanities.

A specific example may be helpful at this juncture. Baudrillard [1975, 1988] shows how Marxist theory with its conceptual baggage of historical materialism, dialectics and modes of production must draw on the very concepts of bourgeois thought Marx hoped to shatter, “Nature and Progress, Man and Reason, formal Logic, Work, Exchange, etc.” and so “universalizes them with a ‘critical’ imperialism as ferocious as the others” [1988:114]. Marxism, Baudrillard shows, is simply the mirror image of Marxist production theory. So it can no longer stand as critique since it is inextricable with the system of thought it aims to destroy. Paradoxically, it reinvests and reinforces neo-classical economics and other reactionary modernistic theories. It is the same with modernistic based accounting critiques. They do the opposite of what their proponents hope for: they reinvest conventional accounting theory.

Poststructuralist analysis does the opposite. It opens up spaces for the Other and Other People's History to speak and be heard and thus unseats the sovereignty of Western Man and provides a springboard for radical theories such as, say, the *Herstory of Global Wymin*. If, as poststructuralists hold, the ontological, epistemological, political, and moral representations of the status-quo are ungrounded and free-floating, then clearly they must be the effect of power structures and so are consciously [or unconsciously] political. The social gain from this realization is a politics of difference, “wherein many of the voices of color, gender and sexual orientation, newly liberated from the margins, have found representations under conditions that are not exclusively tailored to heroicized needs and interests of white, male intellectuals and/or white, male workers” [Ross, 1988:xv-xvi]. As Best and Kellner [1991:286-287] make the point:

... the postmodern emphasis on disintegration and change in the present situation points to new openings and possibilities for social transformation and struggle. The postmodern celebration of plurality and multiplicity facilitates a more diverse, open, and contextual politics that refuses to privilege any general recipe for social change or any particular group ... no longer confined simply to the realm of production or state.

Such an approach, and this is the point to underline, shifts the emphasis from philosophical foundations to historicism. Such an ontological move depicts the accounting profession, not as a product of the means and relations of production, or as ideologically self-fettered, but as a function of a series of historical struggles over the ownership of accounting principles and practices (to say nothing of accounting research) including the providing of accounting services. For example, instead of a GAAP which designates accumulated, undistributed net earnings as Retained Earnings and so part of Shareholders' Equity [which legitimates surplus value as the property of (usually today) absentee shareholders] this account could be labelled something like “Usufructed Surplus Value.” Such a postmodern gesture would put the emphasis on struggles between multiple discourses. Historical contingency would replace Enlightenment foundations with a radical democratic perspective respectful of and honouring lived out differences of gender, sex, race,

ethnic, class, and region [Mouffe, 1988; Laclau and Mouffe, 1985]. And surely, if the profession was run by such a mixture of interests, the nature and actions of accountants would be very different than they are today.

Finally, poststructuralist critiques of contemporary society emphasize the importance today of the image and the sign [the immaterial] over the real [the material]. A recent case in point was the purchase in November, 1998 of a painting signed by Vincent Van Gogh [presumably not a forgery] by an anonymous buyer for nearly \$80,000,000. Clearly, in material terms, neither its use value nor its labour value is anywhere near this magnificent sum. Its value was pure “sign” value.¹⁴ Along similar lines, the signature of the partners of the Big Six accounting firms on the financial statements in the annual reports of today’s gigantic multinational enterprises fetch significant sums of money. Whilst few of us would be able to identify or even know of these individuals, their signatures are valued at sums exceeding either their value in use or their labour value. They are precious for their sign value.

What poststructuralism teaches us here is that the legitimacy for this arrangement, as we hope is apparent from the foregoing, stems not from any sacred covenant with society that can be redeemed, but rather is the result of the historical and ongoing battle of discourses which was and is historically embedded in society and its institutions including legislative bodies around the world. It could have been, and can be, different.

EPILOGUE

Ironically, at least for us, Briloff [1995:20-21] captures the hyperreality of accounting in contemporary postmodernity. Very early on he points out, economic thought concerned real things—land, property, and objects. It then evolved in the Dark Ages with “the development of the coin of the realm, which, to the extent it involved precious metals, might also be deemed tangible property.” Next, as the Renaissance and the Age of Discovery appeared “Western economic thought proceeded to measure value in terms of abstractions, hence, doubly entry bookkeeping.” This was the seed of the proliferation “at an exponential rate” of the estrangement [“alienation”] of the accounting abstractions from their putative real referents “over the intervening five centuries ... attaining what may be its apogee during this 20th century” [20]. Today, however, Briloff continues, we cannot even go to the investor’s safety deposit box and inspect the stock and bond certificates and clip coupons. “All these are vestiges of a bygone era, along with the “runners on Wall Street ... the ownership stake is somehow, somewhere reflected in some disembodied alienated computer network.” It is this “abject detachment from reality”, Briloff [21] concludes, that leads to companies and individuals reporting millions on millions of dollars of “phantom profits.”

So in many ways a Baudrillardian analysis of the accounting profession and auditing is more similar to the children’s story about the King who has no clothes than Briloff’s story that the King’s clothes are soiled. It, too, leads to several startling conclusions. The profession has no sacred covenant with society. Accounting signs (such as those for Income and Capital) no longer represent transparently any objective, profound reality; rather they reflect other simulacra which in turn are simulacra of these accounting signs. Auditors then produce audit working papers which are simulacra of those simulacra. And financial markets arrange for the buying and selling of these signs, which are themselves simulacra circulating in the hyperreal financial economy [McGoun, 1996]. While accounting standard setters, SEC officers, and academic accountants sit around debating the merits and demerits of various accounting treatments which are only simulacra. More simulacra chasing simulacra.

Perhaps it does not take a Baudrillard to make us see that the King has no clothes, not even soiled ones; but at least it makes us aware that accounting and the profession is more in the nature of a carnival than something to be taken at face value. Once this is understood, perhaps it will be easier to push for a truly radical, democratic accounting profession.

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¹⁴ A recent case in point was the sale of paintings by movie stars such as Anthony Quinn. These paintings fetched a great deal more than did similar paintings by professional artists who were not celebrities. And when a painting, supposedly the work of a great artist, is exposed as a false, its market value plummets.

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