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ACCOUNTING AS A POLITICAL OBJECT

Edouard Jourdain

ABSTRACT

Accounting is part of a cosmology, even an anthropology, which goes beyond the simple input/output operation. This is why its object is in the deepest sense a political term: accounting reports on and informs the relations that a society creates. As the true working heart of a company and of the State, it constitutes, however, a kind of a black box, the design of which would be reserved for certain specialists claiming to be of a scientific neutrality that conceals very political choices. From a normative point of view, accounting standardisation is an instrument of corporate or state governance insofar as it accounts for what is valued: as such, it reflects what matters in a society, not only in the strictly economic sense but also more generally in the social and political sense. As far as the company is concerned, we can conceive of it as an entity owned by the people who work there while holding a mandate of the company as a whole as long as its activity fits into the horizon it sets out. In this sense, it aims to maintain the capital (human, natural and financial) that constitutes it and to meet social needs. As for the State, re-envisioned from the perspective of the common, it becomes the object of institutions thoroughly invested by citizen control at all levels, from a perspective of complete federalism in which political and economic needs are coordinated under the principle of subsidiarity.

Keywords: Accounting; commons; sustainability; democracy; politics; capital

INTRODUCTION

Accounting constitutes a real mirror of society in terms of its organisation of production and consumption relationships, as well as in the allocation of capital. It is therefore part of a cosmology, even an anthropology, which goes beyond the simple input/output operation. This is why its object is in the deepest sense a political term: accounting reports on and informs the relations that a society creates. As the true working heart of a company and of the State, it constitutes, however, a kind of a black box, the design of which would be reserved for certain specialists claiming to be of a scientific neutrality that conceals very political choices. Any attempt to change to a greener, more democratic and more just society is doomed to failure if it breaks accounting standards.

Accounting standards have several objectives. From a technical point of view, they enable the comparison, in space and time, of the economic situation of companies and of the State. Since accounting constitutes their capacity to give accounts on their situation, accounting standards contribute to installing a climate of confidence between the actors. From a normative point of view, accounting standardisation is an instrument of corporate or state governance insofar as it accounts for what is valued: as such, it reflects what matters in a society, not only in the strictly economic sense but also more generally in the social and political sense.

ACCOUNTING AND POLITICS

Accounting has always been a primary language of economics, but it has not been long since we understood this. Accounting standards are the grammar of economics. Economists, when talking about GDP, rely on value added, which is an offshoot of accounting standards. It should be remembered that accounting was the first form of writing and that it is linked to cosmologies. In Buddhist accounting, for example, the balance had to be 0, which represents a form of fullness. We will retain the definition of accounting by Richard and Colette: 'We will define accounting as a set of subjective information systems the purpose of which is to measure the value of the means and the results of an entity'.¹

An entity can refer to very different actors, ranging from a family to a multinational company to the State. Accounting values the means and the goals it sets for itself. It is therefore a subjective information system insofar as it results from singular situations (geographic, temporal) in the service of particular subjects and representing a particular vision of the world, especially concerning the measurement of value.

Accounting is both the image and the instrument of the ideology that defines corporate governance. Jacques Richard demonstrated this dimension by distinguishing the types of accounting corresponding respectively to the capitalist, Soviet and self-managed systems. What will be decisive in identifying these different systems through accounting is the concept of accounting result, which

comes from the dominant economic agent and appears in the profit and loss account. The concept of result then varies as follows:

- In capitalist systems, where, as a rule, the dominant power in the enterprise belongs to the private owners providing equity capital (and not to the lenders or the personnel), the accounting result should measure the profit of these private owners. Expenses therefore include the remuneration (wages) of the personnel, the interests paid to the banks and the taxes paid to the State.
- In Soviet-type systems where power generally belongs to a state bureaucracy, the accounting result should represent the allocation of value that this bureaucracy takes from businesses. Bank interest (all state-owned) and taxes are excluded from the expenses.
- In self-managed systems where, in principle, the power belongs to the personnel, the accounting result should measure the total remuneration which goes to the personnel of the enterprise.² Remuneration here is not an expense but a profit.

As Eve Chiapello maintains, accounting creates the economy in many ways and is therefore far from being a neutral and technical recording chamber:

...it makes the company visible and therefore manageable, it defines it as an entire economic entity and thereby contributes to the apparent *disimbedding* of the economic fact, it makes it exist as a comprehensible whole, and finally, it organises the systems of representation of the actors who make it work and even of those who seek to interpret it, to define the rules, or its modes of action in the economic space. It also provides a framework for thinking and calculation techniques that allow financial analysis of different aspects of life. After an operation of accounting human translation, there seems to be nothing left – of any human activity – but the economic aspect, which was thereby detached from the rest of the social, political or cultural aspects of this same activity. Only the sociological work of ‘opening the black box,’ of analysis of the incorporated conventions, of the social and political which has been translated into formats and rules of calculation makes it possible to find the web of the social at the very heart of the technical.³

One thing is common to all the accounts that modernity has known to the present day: they all seek to retain capital and only one financial capital, that is, a product created by man, whose exponential growth he seeks. The way of management may well change, with a distribution that differs depending on the importance given to the subjects (the private investor, the state or the employee) but the logic that only financial capital is maintained. For this reason, Jacques Richard can say that, whatever their nature, capitalist, Soviet or even self-manager,

...they can therefore be brought together under the same name; in the absence of an official name, we propose, following Aristotle’s example, to call them ‘chrematistic accounting’ (chrematistics being, according to Aristotle, the search for the maximisation of industrial goods).

This type of accounting has two major consequences, the effects of which have become increasingly visible since the end of the twentieth century:

...first, damage to nature, specifically to the goods it produces and supplies free of charge, is never counted in expenses; hence a fantastic squandering of 'natural capital'; secondly, attacks on human health and their living conditions more generally are also not taken into account at the level of business expenses.⁴

RELATIONAL ECOLOGY: RETHINKING THE SUSTAINABILITY OF CAPITAL

The Externality of Social and Environmental Costs

To some extent, there are already alternative accounts to financial accounting. France, for example, was among the first countries, in 1977, to make a social balance sheet mandatory for companies with more than 300 employees to include a workers' council. Article 438-3 of the Labour Code states that

...the social balance sheet summarizes in a single document the main figures for assessing the company's social situation, recording achievements and measuring changes in the past year and the previous two years.

Focussing on several data points on working conditions, this assessment is a medium for discussion between the workers' council and management, particularly for the negotiation of remuneration, and also feeds into socio-economic statistics.

Similarly, environmental relations are also beginning to take hold for large companies, responding to the concerns of the local authorities involved in their activities. A timid institutionalisation of environmental accounting emerged at the beginning of the twenty-first century, as evidenced, for example, in France by the NRE (New Economic Regulations) law, which provides for companies listed on a regulated market that

...information on the consequences of the company's activity on the environment, given according to the nature of this activity and its effects, are included in the report of the Board of Directors or the Executive Board.⁵

However, as Jacques Richard and Alexandre Rambaud note,

...the method of calculating and developing socio-environmental information is not standardised and verification missions do not question the relevance and construction of the selected indicators (it is only a matter of dwelling on the conditions of collection and sincerity of published information). In a way, the major problems of the integration of environmental elements are ultimately not really addressed.⁶

This is because the accounting model remains geared towards and benefiting investors and the financial risks they incur. The impact on the environment and its social consequences, taken as such, are not taken into account. This problem is largely due, at its origins, to what we call externalities.

Karl William Kapp has demonstrated that capitalist entrepreneurs have a truncated view of the reality of production costs in that they outsource social and environmental costs. As Michael Albert noted,

Markets are supposed to be a mechanism for evaluating everything that is sold and purchased in a transaction. But they do not appreciate the value of the goods and services involved in these transactions to the extent that they have implications for people beyond the buyer and seller. In economics, this phenomenon is described as externalities. This is especially true when transactions have broad ecological or social effects. Thus, the price of a litre of fuel, according to the laws of the market, does not include the social and environmental cost of the pollution it generates. As a result, the market, which is supposedly effective, is wrong about the price of gasoline by a factor of about ten.⁷

With William Kapp, we can add that

...if the expenses of private contractors do not measure actual production costs because some of them tend to be carried over to other people, then the traditional cost-benefit calculation is misleading and, more importantly, serves as an institutional cover for a large-scale plunder that exceeds anything that the first utopian socialists and even their Marxist successors had in mind when they denounced the exploitation of man by man in the nascent system of capitalist enterprise.⁸

They therefore pay fictitious dividends to their shareholders, without taking into account the amortisation of natural and human capital. The concept of amortisation is fundamental here, as is the notion of double accounting, which distinguishes between capital to be used and capital to be retained. Only in double, capitalist-type accounting do we see that financial capital is to be retained.

If, instead of 20,000 workers, 20,000 head of cattle were exposed to certain death from an epidemic and recurrent disease, this would be an easy to figure motive for the adoption of the necessary preventive measures. The fact that the human factor of production has no value of capital makes its position in the market economy less favourable than that of machinery or livestock, unless powerful forces of political opposition obstruct the free course of the competition process.⁹

We will note that social costs cannot really be covered in a capitalist market economy that relies on legal power relations. People affected by toxic products may never make the connection between the deterioration of their health and the product in question; phenomena such as soil erosion can be attributed to nature while they are caused by industries; and others such as pollution may seem negligible given the individual impact. This is why social costs cannot be limited to legal treatment and must be included in economic accounting.

What alternative exists to this value of existence where natural and human capital are seen as mere means of allowing financial capital to reproduce?

The Integrative Accounting Model

What Jacques Richard and Alexandre Rambaud call the 'integrative accounting model' is precisely an answer to this question. This idea reverses the current logic that is more interested in the term 'capital' than in its qualifier. In other words, it is a matter of taking into account for themselves the 'human' and 'natural' entities. From there, it becomes possible to conceive a political ontology to integrate different modes of existence. Relational ontology calls into question 'orthodox' modernity, which implies a clear disconnect between Subjects and

Objects, by introducing the complexity of relationships as well as the multiple relationships that play on the individualisation of beings. It is from this perspective that it is possible to reconsider our understanding of what can be called capital.

Then, if we take the example of a tree, it can appear as a knot in a tangle of dynamic relationships, with various connections. These relationships include visual relationships (characterizing the appearance of a tree), physical and biological relationships (referring in particular to size, age, etc.), cohabitation relationships (in which squirrels, birds, plants such as mistletoe, etc.), economic relations (the tree is an element in a productive 'system'), etc. With relational ontology, each entity thus opens the door to a 'multitude' of relationships and other entities, and finally to a multitude of questions, concerns, doubts, uncertainties, etc. It is no longer a question of ending any debate about the things that make up our world, and our relationship to them, but rather of making them questionable. Behind everything, therefore, arises an eminently *political* problem.¹⁰

It is a question of recording and designing them in a common world. The difficulty here is how to account for their life value. Alexandre Rambaud, in the wake of the work of Bruno Latour and Isabelle Stengers, envisages the possibility of a 'parliament of things' that is not likened to a National Assembly but more to a set of mechanisms with mediators or spokespersons that would make non-human entities exist. Thus, collectively, they (citizens, elected officials, scientists, associations, workers, etc.) could be instituted to evaluate natural capital in accordance with its maintenance cost over a given period. These provisions are not without problems, and the notion of representation is not necessarily the most appropriate, if only because it would imply that humans replace these entities (in whose name? with what legitimacy and what mandate?). Rambaud's work, like Latour's, meets a limit here that is not insurmountable. On the other hand, the difficulty is of course to differentiate the different capitals found in nature: a tree is not the same (and cannot have the same status) as a cow, just as the cow cannot be put on the same footing as a human, if only because rights are accompanied by duties. We therefore believe that the question of responsibility (and therefore of representativeness), specific to the human order, cannot extend to the whole of the natural kingdom. But it is also in the name of this responsibility that man has a duty to preserve the ecosystem in which he includes *taking* into account the various beings that make up the world. In this respect, the Integrative Accounting Model is a significant step forward.

Let us return to this new way of looking at capital. Alexandre Rambaud determines four dimensions: first, it is necessary to know ontologically the thing to be maintained, in other words, to know precisely how said thing exists, so as to preserve it despite the change that its use can cause. Second, it is necessary to be able to define a period of maintenance of this thing, which can be intrinsically linked to it (the definition of this temporality is related to its ontology). For example, pastures have a regeneration time related to their specific use, or the health capital of an individual who is particularly vulnerable or sensitive to a disease may take longer to recover. Another matter is it is necessary to be able to

guarantee the preservation of the thing despite its use. Finally, this thing must be a cause for concern.¹¹

Using the concept of capital, it is understood that the question of its valuation arises in monetary terms. But first it is necessary to understand that monetarisation leads to two main pitfalls: like any system of quantification, money can substitute for the thing by pretending to represent it and erasing its singularity. This aspect is not unique to money and can end up with many indicators. Second, money can turn things into a mere means at the service of the power of subjects: money here becomes synonymous with reserve value, a constituent axiom of capitalism.

Money can, however, avoid these pitfalls from the perspective of maintaining capital:

In general, it is not a question of *representing* capital by a value (monetary if any), but of making the capital *say* something, through a value expressed in a homogeneous way to the resources used to maintain it; *i.e.*, to maintaining what capital is. In this, it is a question of representing capital by this value in the sense of 'making present': the value thus determined has no pretension to grasp the full complexity of the thing underlying the K capital, but on the other hand, it is essential that it makes present a fundamental element of the reality of this thing; namely, certain modalities relating to its maintenance. In the case of monetary value, what this value says is that it is necessary to have some relative purchasing power in order to put in place an adequate mechanism to maintain capital: this purchasing power will be used in particular to pay the labour force and to buy materials necessary for maintenance.¹²

The corresponding accounting model therefore requires associating the value of capital with its maintenance cost by determining budgets that are consistent with the ontological definition of capital. Assets then represent capital uses, where, for example, the use of nutrients needed for a soil valued at 100 euros corresponds to the valuation of the soil at 100 euros.

There has been a lot of discussion so far about how to maintain natural capital, but what about human capital? Again, it is a question of emphasising the human dimension rather than the dimension of capital by taking into account the human being for himself, and not as a means of allowing the accumulation of financial capital. Thus, the measure of the cost of human capital on the balance sheet can be done by taking into account expenses (such as lifelong learning), capital that can be depreciated like any capital (e.g., physical wear). When the amortisation of human capital exceeds expenses, the surplus is considered a loss of capital at the expense of the company. Human capital is as much linked to free time as to work:

...in traditional (chrematistic) accounting, a reduction in free time in favour of an increase in working time leads to an increase in income: in fact, the loss of free time is not taken into account while the increase in production due to the increase in working time is. On the other hand, in the context of environmental accounting, the reduction in working time is considered a loss of human capital: the increase in results due to the increase in labour is therefore offset by the loss of capital.¹³

From this perspective, the budget allocated to the maintenance of human capital and the wealth produced by its work fill both the liabilities and the assets,

so that it is both a means and an end. The person no longer has a salary as long as he is no longer in a relationship of subordination to financial capital but instead receives the equivalent of amortisation.

ACCOUNTING AND ECONOMIC DEMOCRACY

Karl Polanyi considered accounting from what he calls 'social law', where workers and consumers are the central subjects of the economy and democracy to the extent that they must be able to decide together their needs. In this, the accounting he conceived was critical of the *dirigiste* economy found in the Soviet Union, unable to adapt to reality because of a dogmatic and authoritarian state centralism. For Polanyi 'Accounting should allow for an overview and control over each part of the economy, each company in particular and every part of the production process in each company'.¹⁴

This accounting is part of a 'functional organisation' of the economy that itself falls within the tradition of economic-political federalism or libertarian socialism that is found in Proudhon's writings in the nineteenth century.

We are thus in the presence of a dual-functional system: on the one hand, the municipality, which brings together consumers and citizens, and on the other hand, the groups of production that bring together workers. These two units are the basic units from which democracy will be able to exercise itself directly and which are expanded to higher levels, such as the region, in order to address regional issues. Polanyi notes:

The commune is not only a political body, but also the true bearer of the community's higher objectives. The main functional groups are responsible for legislative and executive issues, each in its own field.¹⁵

Consumers are represented by both the municipality and consumer cooperatives to determine their needs. Accounting for production costs then assumes a record on the balance sheet of the 'production group' and the 'common'.

The first involves all the costs that weigh on the production group as a result of the production process, such as work, raw materials, various components, depreciation of the means of production, wear and tear of buildings, etc. All costs incurred by the production process by the provisions of the municipality are carried by the production group to the "municipality" account. If these costs have also been entered into the "production group" account, they will be extracted before closing and transferred to the "municipality" account.¹⁶

Wages and fair prices of goods are the result of agreements between the main groups of production groups, consumer groups and municipalities. On the other hand, 'the definition of all community income by social law nullifies the economy of profit and profitability in its foundations'.¹⁷ While there may be conflicts between producers and consumers, each individual, in that he or she participates in the economy, is both a producer and a consumer. These forces are therefore balanced in society as they can be balanced in an individual. The few possible frictions can thus only be sporadic. It is that

...instead of the conflict between similar interests of different human groups, specific to a class society, in socialism, *it is the conflict between different interests of a single group of individuals that constitutes the principle of movement of that society, and thus, of the economy.*¹⁸

Karl Polanyi's accounting model is particularly innovative and interesting on several points: first, he designs an economic right to accounting that is not limited to cash accounting. It also illustrates the phenomenon of accounting standardisation by introducing the law designed as a guiding principle to determine the fair distribution of capital and its fair valuation. On the other hand, Polanyi places an important emphasis on consumers, while Marxists value only producers. With a 'common' account, Polanyi's model of accounting values two aspects of the economic individual: the producer and the consumer. The 'common' account adds a political dimension to the strictly economic dimension: local authorities participate in economic development, suggesting that ownership of the means of production does not belong exclusively to workers using their tools of work.

Accounting has played a fundamental role from the beginning of the political history of mankind, insofar as it is consubstantial with the birth of written language, the state and the primitive accumulation of capital. Accounting is an instrument at the intersection of political, economic and linguistic relations that structure our societies. Since its inception, it has conveyed a representation of the world, of what it constitutes and of the relations between the entities that constitute it. In this, it is a mirror of what a society cares about, what it considers valuable and, by extension, what it considers wealth. We have seen in this regard how this representation has evolved, as the different conceptions of capital and profit can be found in history. Today, accounting conveys a neoliberal ideology that affects both businesses and the state, and its standards are created by private entities exempt from democratic control. This is not so much the result of a market takeover as a delegation organised by political authorities in order to satisfy investors who now embody the public interest. This central role of investment is to be understood in a general context where credit and debt are at the heart of financial capitalism.

With regard to the notion of capital, by incorporating natural and human capital into accounting, the very notion of profit in capitalism is questioned as solely the maintenance and accumulation of financial capital. By rethinking ownership and the relationship between consumers and producers, it is understood that accounting can be an instrument to meet the true needs of society.

In this way, such a revision of accounting fundamentals calls into question the traditional definitions of the state and the company, both of which are responsible for anti-democratic and neoliberal norms whose impacts in political, social and environmental terms are more catastrophic than ever. As far as the company is concerned, we can conceive of it as an entity owned by the people who work there while holding a mandate of the company as a whole as long as its activity fits into the horizon it sets out. In this sense, it aims to maintain the capital (human, natural and financial) that constitutes it and to meet social needs. As for the State, re-envisioned from the perspective of the common, it becomes the object of

institutions thoroughly invested by citizen control at all levels, from a perspective of complete federalism in which political and economic needs are coordinated under the principle of subsidiarity after having been the subject of deliberations and collective decisions. With this, accounting would thus become the instrument par excellence of a society eschewing chrematistics in favour of autonomy, and the norms that constitute it would become the ultimate guarantor of a common by which politics would reinvent itself as the first wealth.

NOTES

1. Jacques Richard et Christine Colette, *Comptabilité générale. Système français et normes IFRS*, 8th Edition, Dunod, 2008, p. 3.
2. Jacques Richard et Christine Colette, *Comptabilité générale. Système français et normes IFRS*, 8th Edition, Dunod, 2008. Possibility: Ibid., p. 12.
3. Chiapello, *La construction comptable de l'économie*, Idées économiques et sociales 2008/2 (N° 152), pages 26 à 34.
4. Jacques Richard et Christine Colette, *Comptabilité générale. Système français et normes IFRS*, 8th Edition, Dunod, 2008, p. 244.
5. Loi n°2001-420 du 15 mai 2001 relative aux nouvelles réglementations économiques.
6. Jacques Richard et Alexandre Rambaud, La prise en compte d'éléments environnementaux dans la mesure de la performance, *Policy paper des 6èmes Etats généraux de la recherche comptable*, 12 décembre 2016, p. 18.
7. Michael Albert, "l'économie participaliste promeut la solidarité", Entretien in *Alternative libertaire*, 23 juillet 2007, <http://www.alternativelibertaire.org/?Michael-Albert-economiste-1>.
8. Karl William Kapp, *Les coûts sociaux de l'entreprise privée*, Les petits matins/Institut Veblen, 2015, pp. 428–429.
9. Ibid., p. 264.
10. Alexandre Rambaud. *La valeur de l'existence en comptabilité: Pourquoi et comment l'entreprise peut (p) rendre en compte des entités environnementales pour "elles-mêmes"*, Gestion et management, Université Paris-Dauphine, 2015, p. 533.
11. Ibid., pp. 396–398.
12. Ibid., pp. 432–433.
13. Jacques Richard et Christine Colette, *Comptabilité générale. Système français et normes IFRS*, 8th Edition, Dunod, 2008, p. 246–247.
14. Karl Polanyi, "La comptabilité socialiste" in *Essais de Karl Polanyi*, Seuil, 2008, p. 298.
15. Ibid., p. 303.
16. Ibid., p. 306.
17. Ibid., p. 305.
18. Ibid., p. 322.

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