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Accounting for Economic Sociology

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Economic sociology is flourishing, as the rediscovery of the economy by a range of social scientists gains increasing momentum. This rediscovery could not be more timely, as politicians, regulators, commentators and many academics struggle to come to terms with the near-collapse of the global financial system in recent weeks. While economists continue to say much about markets, hierarchies and contracting, sociologists continue their concerns with organizations and networks. But neither has yet said much about the roles of the *calculative infrastructures* that make and shape markets, hierarchies, contracts, organizations, and networks. Even fewer seek to explore the links between these calculative infrastructures and the modes of governing of individuals and social relations. This remains the case, just as an increasing number of researchers begin to recognize the roles of calculative models in framing socio-technical interactions in the particular setting of financial markets (e.g. Beunza and Stark 2004; Callon 1998; Kalthoff 2005; Knorr Cetina and Preda 2005; MacKenzie 2006; MacKenzie and Millo 2003; Muniesa 2007; Preda 2006).

At issue here, we suggest, is a much wider phenomenon than financial markets and the models that animate and operationalize them. This article calls for greater attention by economic sociologists to the roles of the variety of different calculative infrastructures shaping the world in which we live. We call in particular for increased attention to the field of sociologically oriented accounting research that has emerged over the past two decades (see e.g. Hopwood and Miller 1994), and suggest that much can be gained from increased exchanges between this body of work and economic sociology more generally. It is important, we suggest, to avoid a partitioning of the economic sociology literature, whether on geographical or institutional grounds (Miller 2008; Vollmer, Mennicken and Preda

2008), as any such partitioning could lead us to miss important commonalities as well as principles of differentiation across the various domains of calculation.

In this short article, we argue that social studies of accounting can contribute to economic sociology in at least three distinct ways. First, accounting research can help in developing a more nuanced understanding of the capacities and roles of the various calculative practices that populate the socio-economic domain. Second, a closer engagement, particularly with governmentality approaches to accounting, can enhance our understanding of the implication of particular types of calculation in shifting modes of power, regulating and governing. Third, sociologically informed studies of accounting can offer valuable insights into the workings of accountability regimes, their changing nature and the emergence of new regulatory spaces and practices.

How and why sociology forgot accounting¹

In the past two decades, increasing attention has been paid by sociologists to the economy, economics, and financial models (e.g. Callon 1998; Callon, Millo and Muniesa 2007; Knorr Cetina and Preda 2005; MacKenzie 2006; MacKenzie, Muniesa and Siu 2007). Yet, apart from a few notable exceptions (Boltanski and Chiapello 2007; Botzem and Quack 2006; Vollmer 2007; Vormbusch 2004), sociologists have shown relatively little interest during the same period in the calculative practices of accounting. This is ironic, given the considerable interest of Marx, Sombart and Weber in accounting. Instead, the rediscovery of accounting as an object of sociological enquiry occurred largely outside the disciplinary boundaries of sociology, and within the discipline of accounting itself. In the mid-1970s, Hopwood (1976) called for attention to the social and organizational dimensions of accounting, and the ways in which the forms and philosophies of accounting change in line with changes in the social and political environment. Subsequent papers of his reaffirmed and extended this call to arms (e.g. Burchell, Clubb and Hopwood 1985; Hopwood 1983, 1992). Meanwhile, neo-institutional theorists had laid the grounds for a consideration of the institutional environments of accounting, and these ideas

provided important inputs to the early conferences on the organizational and social roles of accounting (Meyer 1986).

Developments on the borders between economics and sociology gave additional support to the concern with culturally specific forms of economic calculation (Cutler et al. 1978). A preoccupation with the constitutive capacity of particular ways of calculating emerged among post-Marxist researchers, in a manner that complemented those working within the discipline of accounting. Research was conducted on the historical nature of the categories of economic discourse (e.g. Tribe 1978), and attention started to be devoted to the formative effects of particular techniques of calculation and to their link with economic policy (Thompson 1986). By the mid-1980s, there was increasing acceptance by a wide range of researchers that accounting did much more than mirror economic reality, and that it needed to be addressed as a distinctive phenomenon in its own right.

Research in the history of science and of statistical thinking (Desrosières 1998; Hacking 1975; Porter 1986; Poovey 1998) paralleled this nascent interest in the relationship between measurement conventions and modes of governing. Nonetheless, efforts aimed at forming a sociological analysis of accounting were confined initially to those working within the discipline or within departments of accounting (for an overview see Hopwood and Miller 1994). It seems that, at least for a while, sociology was too accepting of the economy as a given and objective reality, to give accounting the attention it merits.

In recent years, this has changed. With the emergence of the *new economic sociology*, and sociology's increasing interest in financial markets, we witness a *technological turn* in economic sociology. Increased emphasis has been placed on the material reality of calculation, its mundane instruments and practices. This recent rediscovery of accounting by a variety of social scientists can, to a large extent, be attributed to an *eruption of interest in practices* (Miller 2008). Consistent with the arguments and findings of accounting researchers in the 1980s and 1990s – see e.g. the works published in *Accounting, Organizations and Society* or *Critical Perspectives on Accounting* – economic sociology, science studies, as well as economic geography and anthropology scholars have now begun to explore the diversity and distinctiveness of different forms and logics of economic calculation (Barry and Slater 2005; Callon, Millo and Muniesa 2007; DuGay and Pryke 2002; Leyshon and Thrift 1997; Ong and Collier 2005; Strathern 2000).

Unpacking calculation, calculative practices and market devices

As accounting researchers, we welcome these recent developments. We call for increased cooperation between accounting researchers and economic sociologists, so as to more systematically address the specificity of different types of calculation, and to allow us to compare and contrast different calculative instruments. We need to stop looking at economic calculation as mainly derivative of, or secondary to, the discipline of economics. We should be careful not to treat practices of economic calculation in an undifferentiated manner. And, if we are interested in their emergence and deployment, we need to pay attention to the roles of disciplines as diverse as operational research, engineering, and statistics, in addition to accounting. For it is often out of interactions among one or more disciplines, that new calculative practices are formed. As Power (2004) points out, we need to distinguish between different types of calculation (e.g. first- and second-order measurement, financial data, financial models and other calculative technologies), and their implication in different forms of monitoring and control (see also Power 1996).

Accounting practices, it has been suggested, have been formed to a large extent at the *margins* of accounting (Miller 1998). More recently, accounting researchers have drawn attention to processes of *hybridization* (Kurunmäki 2004; Miller, Kurunmäki and O'Leary 2007), while others have explored how calculative practices may contribute to the forming of *heterarchies of value* (Girard and Stark 2003). Accountants and auditors work with multiple, at times conflicting systems of valuation and evaluation, combining financial and non-financial measures, models, indices and different valuation principles (take for example the debates about historical costing versus fair value accounting, which are so central to the current near-collapse of the global financial system). One can argue that it is the interaction or friction between different principles of valuation that induces the professional scepticism which accountants need if they are to spot errors, irregularities and fraud. Accounting studies show that numbers and economic calculation are not only implicated in the objectification of things and production of comparability (Porter 1995). Indeed, as has been argued: “*Calculative technologies of accounting provide financial norms around which complex processes of negotiation of domains and outcomes can take place.*” (Miller and Power 1995: 51; see also Uwe Vormbusch's article in this newsletter).

Accounting, power and reconfigurations of government

Accounting is both inherently administrative and political. Not only does it depend on administrative practices of recording and bookkeeping, but the calculative technologies of accounting are mobilized by political programmes for intervening upon economic life. While some recent literature, particularly social studies of finance, has devoted great attention to the technological infrastructures of calculation, it has tended to neglect or downplay the roles that political ideas, programmes or myths play in articulating and mobilizing them. Drawing on arguments concerning the governing of economic life and the roles of accounting in making that possible (Hopwood and Miller 1994; Miller and Rose 1990; Power 1997; but see also Mitchell 2002), this article argues that we should attend to both instruments and ideas of calculation, and the interplay between them. For it is, we suggest, through that interplay that each dimension finds its conditions of operation.

Reflecting on the programmatic and discursive character of economic calculation enables us to rethink the *politics of quantification* (Fligstein 1998) and the relevance of numbers in public life. Much attention has been devoted to the role of quantification as a means of social control, and to the link between accounting, accountability and the power of experts and professional elites (e.g. Fligstein 1998; Porter 1995). In their ability to produce certain forms of visibility and transparency, and to make the judgment of experts open to question, quantification and calculation both create and constrain subjectivity. *Governing by numbers* (Rose 1991; Miller and Rose 2008) can help democratize spheres previously dominated by certain professional or technocratic elites, but the apparent de-politicization that this brings can simply shift the terrain of politics, or transfer control to other professional groups. Numbers and calculations are never simply technical solutions to allocation and accountability problems, never unproblematic vehicles of transparency.

As Rose (1991) put it, numbers have the capacity to act upon and standardize both the subject and the object of calculation. Numbers link decisions to the supposedly impersonal logic of quantification rather than to subjective judgement, thus configuring them as objective, replicable and independent of the people taking them. It is this perception of impersonality and objectivity which, according to Porter, makes numbers credible and turns them into a

successful political resource. Numbers, which thus become politically relevant, can paradoxically promote the de-politicization of politics (Rose 1991: 674), by inducing procedural forms of accountability which displace more direct modes of interpersonal relationship. This may stifle public life and judgement, rather than enhance it (Porter 1995; Power 1997). Objects and subjects of economic calculation, once standardized through accounting, become governable in specific ways. Every mode of calculation produces a certain form of visibility which creates unique possibilities for intervention while displacing others. If much is disclosed and made transparent under a certain regime of calculation, much else may become invisible and thus unaccountable. Sociological accounting researchers have drawn attention to the instruments and ideas that constitute specific regimes of calculation, and to how accounting is involved in redistributing accountability and redefining modes of governance, in intended and unintended ways.

Changing regimes of accountability

Social and institutional studies of accounting have attended to the relationships between programmes of governmental reform and institutional change, and the technologies of calculation that help operationalize these changes. In the process, and across a range of organizational and institutional settings, the boundary between what counts as calculable and what does not is constantly redefined, as is the social acceptability of calculation and calculative practices. There is nothing natural or inevitable about the centrality of economic calculation to contemporary social relations. Rather, it is the outcome of a slow process of institutionalization, the assembling and linking up of various competencies and components. The analysis of these needs to extend well beyond the power of elites and interest groups. For quantification is not simply the function of a certain system of power and authority, nor of certain cultural preferences. As Fligstein (1998: 330) has observed, “*there are good structural reasons why quantification and expertise have different uses in different societies. Accounting and quantification can serve a great many masters.*” This focus on the institutional context of calculation is important, but needs to be complemented with a greater sensitivity to the modes and operations of accounting techniques themselves, and their ability to reform practices, reinvent identities, reconfigure interests and redefine possibilities of economic action.

As calculative tools travel the world in ready-made packages, highly institutionalized and functionalist accounts of calculation proliferate. International accounting standards, financial appraisal techniques, cost-benefit analysis, risk analysis, impact assessments and much more reach institutional contexts that are largely alien to the *cultures of objectivity* in which such techniques originated. Private sector models are promulgated as panaceas for public sector and not-for-profit organizations, just as they are being discarded or disgraced in their original context. At such a time, we argue, it is even more crucial to analyze the roles of calculative techniques and infrastructures in driving institutional change, and to follow the contingent ways in which certain calculative tools become *world models* of rational decision making and control (Meyer et al. 1997). This can highlight the variety of ways in which *objectivity* comes to be framed and embedded in particular discursive and institutional configurations, and how particular accounting regimes and practices contribute to this (Mennicken 2008). The *power* of accounting is neither endogenous to calculative techniques, nor the mirror of the institutional conditions in which they emerge and operate. Attending to the calculative practices of accounting means working on the slippery ground of the socio-technical, to follow how technological infrastructures and social relations constitute and re-constitute each other.

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Endnotes

1The following section draws particularly on Miller (2008).

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