

**THE ECONOMIC ENTITY AND ACCOUNTING FOR LABOUR:
INSIGHTS FROM DIETRICH BONHOEFFER (1906 – 1945)**

BY

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ABSTRACT

This thesis offers an alternative to conventional accounting in the conceptualisation of the economic entity. Framed by the principles of philosophical hermeneutics, the writings of the German Lutheran theologian Dietrich Bonhoeffer (1906 – 1945) are explored in order to provide an alternative conceptualisation of the economic entity. This thesis then examines the implications of this conceptualisation for accounting for labour, beyond the confines of conventional accounting.

The most widely accepted conceptualisation of the economic entity in business disciplines, including conventional accounting, is the nexus-of-contract perspective. The nexus-of-contract perspective conceptualises the entity as an atomised, ahistorical and artificial fiction that serves as a nexus for contracting relationships among various parties. Because it is merely a nexus, the entity cannot be construed as an actor with ethical responsibility. The normative behaviour of the nexus-of-contract entity is profit and shareholder wealth maximisation. Despite the dominance of this approach, this perspective is limited in addressing the ethical controversies that economic entities currently face. As an alternative, the conceptualisation of the entity as “responsible collective person” – based on Bonhoeffer’s concept of mandates and his concept of the collective person – is provided to address the limitations of the nexus-of-contract approach. The “responsible collective person” has two features. The first feature is the positioning of the entity amidst various spheres of life, called “mandates”. The “mandates” exist in relations of “being-with”, “being-for” and “being-against” each other. The second feature is the delineation of the boundary of the entity through the notion of influence. The ethical imperative of the “responsible collective person” is based on Bonhoeffer’s ethic of responsible action.

Any conceptualisation of the entity has implications for how various stakeholders are perceived and accounted for by the entity. In regards to labour as a major stakeholder, the nexus-of-contract approach views labour as an equal, contracting partner that has a “fixed claim” from the entity in the form of agreed-upon remuneration. Following this perspective, conventional accounting characterises labour as a cost to the entity, with the assumption that remuneration to labour is adequate compensation for their services. While there have been attempts at recognising labour as assets, the strong adherence towards the principles of conventional accounting have thwarted these efforts. There are several ethical limitations to

these approaches. Firstly, the categorisation of labour as cost leads to the commodification of human beings in the pursuit of profits. Secondly, the adherence towards the “hard” and calculative nature of conventional accounting means that the goal of accounting for the worth of labour cannot come to fruition. Thirdly, conventional accounting for labour is mostly from the perspective of the entity, silencing labour’s own voices.

In contrast, the “responsible collective person” approach argues that “the labourer” cannot be separated from “the human”, and that any debate on labour necessarily entails a debate on humanity. To this end, it is proposed that accounting, via its communicative function, can act as a discourse that provides the “responsible collective person” with a wide array of information – information that will be helpful in enabling the entity to become an ethical and responsible agent. In regards to accounting for labour, it is argued that labour should not be negatively ascribed as an expense, but as a significant and important contributor to the entity. Space should be given for multiple forms of accounting from multiple perspectives, ranging from the “hard” financial representations to the “soft” narrative and visual approaches. Three approaches to accounting for labour are explored: the Statement of Redistribution of Income; Self-Accountings from Labour; and Accounting for Labour from Others.

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PART ONE:

INTRODUCTION AND METHODOLOGY

CHAPTER 1: INTRODUCTION

Corporations have neither bodies to be punished, nor souls to be condemned, they therefore do as they like. – Edward, the first Baron Thurlow as cited in Ramasastry (2002), p. 91.

There is a substantive lack of engagement with the ethics of accounting¹, attributable to the dominant perception of accounting as a neutral and amoral practice. Accounting is often perceived to be a technical subject and is marginalised from public debates on ethics. Unsurprisingly, most accounting practitioners view their day-to-day work with a keen sense of difference between the practice of accounting and the ethics of accounting (Schweiker, 1993). They also seem to be unaware of the ethical dilemmas that are inherent in the accounting discourse (Belkaoui & Chan, 1988; Claypool et al., 1990; Huss & Patterson, 1993; Tyson, 1990). When dilemmas are recognised, attempts at substantial changes are viewed as hopeless causes (Mintzberg, 1983; Trevino, 1992).

Despite the dominant perception of the relation between ethics and accounting, critical accounting research argues that accounting is embedded with presuppositions that warrant critique and ethical reflection, in that accounting promotes particular ideological systems and political-economic frameworks that have significant implications for the livelihoods of all humans. In order to discuss and critique the ethics of accounting, it is necessary to examine the contexts in which accounting operates, be it at a micro-level such as firms and organisations (S. Burchell et al., 1980; Hopwood, 1978, 1985), or at a macro-level, such as interactions between accounting and the economic, the political, the social and the historical (R. Gray et al., 1994; McPhail & Walters, 2009; Shearer, 2002). Thorough critiques of the ethics of accounting are particularly needed in the current economic climate, where the rapid accelerations of global markets and the rise of economic power are leading to worrying concerns over social justice issues, environmental stewardship and the survival of future generations. These concerns are justified as economic activities, via the expansion of neo-liberal and free-market ideologies, are exerting greater economic discipline over nation-states, collectives, communities and individuals: “We are all, it seems, caught in a web of a global

¹ As will be demonstrated in subsequent chapters, ethics, in the context of this thesis, is concerned with the ethical *posture* of the *discourse* of accounting. It includes explorations of: the theoretical underpinnings, values and ideologies of accounting; the roles of accounting in broader society; the effects of accounting on various stakeholders; and the morality of the market. As such, the approach to ethics taken here is much broader than a focus on ethical systems (for example: deontological ethics versus teleological ethics) or on the conduct of professional accountants (for example: codes of conduct; earnings management; and fraudulent behaviour).

economic system that we feel increasingly powerless to change” (Shearer, 2002, p. 541). Accounting practice cannot escape critical analyses of its involvement in these pressing issues.

1.1 THE NATURE AND STATUS OF ECONOMIC ENTITIES²

Increasing concerns with the drawbacks of expanding economic activities have led to renewed vigour in research on accountability. Indeed, it is impossible to engage with accounting without assuming a particular position on who should economic entities be accountable towards and the extent of this accountability. Conventional accounting, deeply rooted in neoclassical economics and influenced by the neo-liberal agenda, typically adopts a narrow position on accountability, where accountability is construed to be directed towards the maximisation of shareholder wealth (Benston, 1982, 1984; Cahill, 2010; Schreuder & Ramanathan, 1984). This position on accountability, however, has been heavily critiqued as a significant contributing factor towards social and environmental injustices. As such, alternative accounting practices have been formulated to take into account broader conceptions of economic accountability (Shearer, 2002). Specifically, alternative accounting practices are focused on *how* accounting can be formulated as a discourse that can bring economic agents to account for their actions and the impacts of their activities on various stakeholders. It is hoped that these approaches will give effect to broader scopes of accountability than conventional accounting would allow. Examples of alternative accountings include: social and environmental accounting (J. Brown & Fraser, 2006; R. Gray, 2002; R. Gray et al., 1996; R. Gray et al., 1988); dialogic accounting (J. Brown, 2009; J. Brown & Dillard, 2013a, 2013b); emancipatory accounting (Gallhofer & Haslam, 1996, 1997, 2004); and social and environmental auditing (R. Gray et al., 1988; Harte & Owen, 1987; Maunders & Burritt, 1991). In different ways, these accountings aim to “go beyond the economic” (R. Gray, 2002, p. 687) in order to communicate realities that are typically hidden in conventional accounting.

As such, a majority of existing critical accounting research have been focused on the expansion of accountability relationships. Beginning with the premise that economic entities

² The term “economic entities”, in the context of this thesis, refers to entities established primarily for profit-making purposes. While acknowledging that there are many forms of economic entities, some of which do not have profit maximisation as their teleology (for example: government organisations; non-governmental organisations; and not-for-profit entities), the primary concern of this thesis is with profit-making entities. This approach is in line with the majority of critical accounting literature that seeks to critique the impact of conventional accounting and accountability on social and environmental justice issues.

have various duties, obligations or social contracts to various stakeholders, above and beyond that of profit and shareholder wealth maximisation, alternative accountings are positioned as mechanisms that can better enable various stakeholders to have a say in the activities of economic entities (R. Gray, 1992; R. Gray et al., 1997; G. Lehman, 1995). However, this approach can only stand if there are adequate theorisations of the ethical status of the economic entity itself, including: the nature of the economic entity; the ethical posture that the entity should follow; and the scope of the entity's ethical responsibility. This subject has received little attention in comparison to the wealth of research in social accounting. As argued by Schweiker (1993), arguments based on "accountability for social and distributive justice in our economic life" often run aground on the issue of how corporate agents should be theorised: "If we cannot make sense of "who" is acting, it is difficult to imagine how we might legitimate and specify the claims of justice" (Schweiker, 1993, p. 231). The question of "how" should economic entities be held accountable, and "how" accounting can enable this, should be asked alongside questions of "what" is the economic entity, and "why" should the entity have an ethical imperative.

A majority of alternative accountings are formulated on the assumption that economic entities should be considered as "citizens" or "participants" in societies. However, existing research in human rights reveals that this assumption is problematic due to a lack of clarity as to the status of economic entities in societies, particularly in relation to human rights issues. In brief, the concept of human rights emerged from the catastrophes of World War II – a time when the protection of individuals, minorities and the marginalised against the power of state governments was deemed to be an extremely crucial issue. The United Nations' Universal Declaration of Human Rights, formulated in 1948, was the first international agreement on the promotion of human rights (Gallhofer et al., 2011). As such, the notion of human rights is traditionally concerned with the relationship between the state and its citizens. While multinational corporations have been responsible for a number of gross human rights' breaches, current institutional arrangements lack the necessary legal and governance powers to force economic entities to take active responsibility (R. Gray & S. Gray, 2011). For example, there is no procedure for enforcing a respect for human rights on corporations via international law – only national law formally regulates companies. Despite the existence of international agreements and conventions on human rights in relation to economic activity, these are effective only upon adoption, enforcement and proper governance by national laws (Gallhofer et al., 2011). Furthermore, there appears to a lack of capacity and / or

unwillingness on the part of some nation-states to hold corporations to account for these breaches. These controversies show that the position of economic entities in societies remains unclear:

[...] What are the ethical imperatives [of corporations]? What are the legal expectations? How far does responsibility extend? What can companies actually do in practice? The debate is further complicated by the range of actors (companies, governments, international institutions, local communities, non-governmental organisations [NGOs], trade unions, consumers) involved; by debates around free trade versus fair trade; by discussions of the specific role of governments; by broader concerns about globalisation and narrow concerns about community development; and by questions about regulation versus self-regulation (Sullivan, 2003, p. 14).

These discussions signal that in the current political and economic climate, state governments are not the only entities that wield significant power over the lives of people. Economic entities, particularly multinational corporations, are increasingly becoming more prominent and powerful, and hence, more susceptible towards human rights' violations. Despite these changes, "the translation of human rights from the state to the corporation [remains] a problematic and incomplete enterprise" (R. Gray & S. Gray, 2011, p. 784). Developments in human rights discourse and international / national laws are only just starting to catch up with this change in regulatory spaces and actors. It took a series of high profile events to formally link businesses to human rights – the turning point being the complicity of Shell in the Nigerian execution of Ken Saro-Wiwa of the Ogani people in 1995. However, this is but one event among many scandals that have occurred throughout the years (Banerjee, 2007; Chandler, 2003; R. Gray & S. Gray, 2011; Sullivan, 2003). In addition, many scholars are extremely critical of any effort to assign moral agency or ethical consciousness to economic entities, arguing that only individuals can be regarded as having the capacity to be morally and ethically responsible. This creates a seemingly paradoxical situation where corporations can be treated as separate legal persons for a variety of purposes (such as engagements in contracts and property ownership), but they cannot be treated as persons for crimes such as treason, felony or murder (Danley, 1993; Fischel & Sykes, 1996; Hazelton, 2013; Slavitt, 2013). This has further hindered efforts to apply international and human rights law to economic entities (Theophila, 2011). In light of these paradoxes and controversies, it is

simplistic to assume that economic entities, at least within current legal and institutional frameworks, can be considered as citizens or participants in societies. Thus, more concerted effort should be directed towards theorisations of the nature of the economic entity and its ethical imperative.

1.2 ACCOUNTING FOR LABOUR³

Theorisations of the nature of the economic entity and its ethical imperative have significant implications for various stakeholders, including the entity's treatment of and accounting for labour. Following on from previous discussions on human rights, it has been argued that an exploration of employment and labour issues might be the best entry point for accounting to connect with the human rights discourse (R. Gray & S. Gray, 2011; Owen, 2008). Labour is frequently cited in the social accounting literature as a major stakeholder group that has been marginalised from conventional accounting. The position of labour is unique in comparison to other stakeholder groups, in that labour, unlike most other stakeholders, is an internal stakeholder (Johansen, 2008). Employees are required to comply with the policies of higher-level management and the established goals of the entity. However, such compliances have led to many instances where their welfare has been ignored in the pursuit of profits (C. Cooper et al., 2011). Despite continuing affirmation that labour is an important but neglected stakeholder group, the presence of employee and employment issues, even within social accounting, is becoming less prominent and increasingly overshadowed by a bias towards environmental accounting (Owen, 2008).

The history of employee reporting is fraught with divergences, with contesting viewpoints as to the extent to which these reports have raised awareness of significant labour and employment issues (C. Cooper et al., 2011; R. Gray et al., 1995). In addition to employee-related reports, there have been various attempts at encapsulating the worth of labour into financial statements. While this was an intensively researched topic in the 1970s, interest declined due to limited progress. Predominantly positioned as a technical financial accounting problem that needs to be solved, various approaches in conventional accounting

³ In the context of this thesis, no distinction is made between the terms "labour" and "employees". However, the term "labour" is more frequently employed in order to explicitly acknowledge, in particular: the arduous nature of work and productive activity, be it in terms of physical toil or the sacrifice of mental and psychological well-being; the significant power differentials that exist between the provider of finance and the provider of labour; and the extensive exploitation and commodification of human beings in the pursuit of profits. "Labour" is undoubtedly a better word than "employee" in encapsulating these dimensions of work.

for labour leave many of the problematic assumptions in conventional accounting unquestioned. The “big picture” is often lost, in that practitioners and researchers lose sight on “*what* it is we are trying to account for, and *why* we are trying to account for it” (Roslender, 1997, p. 10, emphasis in original). Furthermore, the drive to include workers’ and other stakeholders’ interests into accounting has significantly altered over the past 35 years, with the informational needs of finance capital providers currently dominating the financial reporting scene. Consequently, the current reporting regime is more concerned with the measurement and reporting of efficient production of profits by labour, rather than accounting for their worth (C. Cooper, 1995; C. Cooper et al., 2011; Dey, 2007b; Dey et al., 1994; Owen, 2008).

Other forms of accounting for labour that are becoming increasingly popular are shadow accounts and social audits, most of which are prepared by non-governmental organisations (NGOs) and activist groups. At times, critical accounting academics are involved in the preparation of these accounts for added legitimacy. NGOs and activist groups have attempted to question the boundaries of the reporting entity by signalling towards human and labour abuses that occur throughout the supply chain. These groups have also pointed out the failures of “the audit society”, in that despite extensive audits, labour and human rights violations continue to occur. Thus, alternative forms of accounting and auditing are necessary to make these abuses visible (C. Cooper & Catchpole, 2009; C. Cooper et al., 2011; C. Cooper et al., 2005; Matthew & Willem van Gelder, 2001).

Many of these contestations can be traced back to how the relationship between the economic entity and labour is defined. This definition is dependent on the conceptualisation of the economic entity and its ethical imperative. Whether an economic entity is conceptualised as a functional, instrumental mechanism for profit-making purposes, or as a community of persons where the well-being and interests of its participants need to be considered, has significant implications on how the relationship between the economic entity and labour is construed. Additionally, various contestations on accounting for labour, coupled with the neglect of labour welfare in accounting, signal that labour is still an important issue in accounting practice and research.

1.3 ACCOUNTING AND THEOLOGICAL PERSPECTIVES

As further research is needed on theorisations of the economic entity and its ethical imperative, and their implications for accounting for labour, this thesis proposes that theological perspectives have much to contribute to these issues. Interdisciplinary accounting research that involves theologically- or religiously-informed perspectives often requires explanations of its legitimacy in academic debates. It is implicitly assumed that academic debates should be based on public secularism, and as such, they cannot be justified by appeals to contested religious beliefs. Contributions and perspectives offered should rest on principles or philosophies that can be commonly accepted, irrespective of belief or non-belief in religion (Chaplin, 2012).

In critical accounting research, however, there is a growing suspicion of dominant metanarratives, including the assumption of public secularism. There is increasing acknowledgement that the particular, the specific and the contextual have been displaced due to the pursuit of consensus and universal applications. As such, there is a need to give space to differences, divergences and multiplicities. There is no “one universalism” that everyone can accept, but “multiple universalisms” (Arrington, 1990; Arrington & Puxty, 1991; J. Brown & Dillard, 2013a, 2013b; Gallhofer et al., 2011; Leonard, 1990; I. M. Young, 1993). This movement is particularly fruitful for establishing greater linkages between accounting and theological perspectives, in that theology, as a form of universalism amidst multiple universalisms, can be given a legitimate space in accounting research.

Currently, a majority of the challenges against technical, apolitical and amoral views of accounting stem from irreligious, secular and atheistic perspectives (S. Burchell et al., 1985; D. Cooper & Hooper, 1987; D. Cooper & Sherer, 1984; Loft, 1986; Tinker, 1991). This highlights the implicit dominance of the metanarrative of secularism in critical accounting research – a metanarrative that is increasingly being challenged with calls to initiate further dialogues between accounting and theology (McPhail, 2011; McPhail et al., 2004). The inclusion of religious beliefs in accounting is undoubtedly “as weird as those seminal attempts by Puxty, Briloff, Cooper and Tinker to connect the word “accounting” with “politics”” and as “paradigm disrupting”; especially since by now, “we were all supposed to be secular atheists and far too enlightened to believe in any of this mumbo jumbo” (McPhail, 2011, pp. 516-517). This turn to religious beliefs – and to Judeo-Christian beliefs in particular – reflects the on-going proposals by theologians to set aside popular caricatures of the

Christian faith in order to discover valuable insights that Judeo-Christian beliefs can contribute to emancipation (Eagleton, 2010; McPhail, 2011). Particularly in ethics, religious perspectives and traditions have much to offer:

There are many [...] areas of [accounting] research and scholarship where a theological perspective could be applied. If theology were to be taken seriously then how would this affect our methodological understanding of epistemology, ontology, human nature and change? What insights might theology have for the kinds of social change and transformation that lie at the heart of critical and interdisciplinary accounting research? (McPhail et al., 2004, pp. 324-325).

However, the question remains as to the irreconcilability of a particularly theological universalism with other universalisms. An appeal to pragmatic politico-ethical solidarity can assist in surpassing irreconcilability across many different theoretical positions. Due to the diversities of perspectives in critical accounting research, difficulties often arise in aligning diverse interests and rationalities. However, a “pragmatic or open approach” to diversity can enable a movement away from relative-universal dichotomy to a universality of respect for difference (Ayton-Schenker, 1995; C. Brown, 2000; Calhoun, 1995; Gallhofer et al., 2011; Humphries, 1997; McNay, 1992). A universality of respect for difference or “differentiated universalism” can allow for a universality that is *not* uniformed. In doing so, “chains of equivalences” are created across multiple perspectives (Arrington, 1990; Arrington & Puxty, 1991; J. Brown & Dillard, 2013a, 2013b; Fraser, 1986; Gallhofer & Chew, 2000; Gallhofer et al., 2000; Gallhofer et al., 2011; Leonard, 1990; I. M. Young, 1993). Nevertheless, it is necessary to proceed with caution against over-simplifications of ontologies and epistemologies (Alvesson & Willmott, 1992; Benhabib, 1994; Gallhofer et al., 2011; D. Harvey, 1993; Hudson, 1989; Pieterse, 1992; Rorty, 1989).

This approach to multiplicity recognises that differences in philosophical and / or religious underpinnings, when brought in respectful dialogues with each other, can reach similar conclusions on ethical principles and praxis (An-Na'Im, 1992; Gallhofer et al., 2011; Rawls, 1993; Walzer, 1994). This particular approach to pluralistic debates is perhaps more reflective of the fragmented, paradoxical and yet unified nature of the human person (Ricoeur, 1992), in that a person’s identity is necessarily informed by multiple and contesting

universalisms. A number of philosophical and religious perspectives that have been brought into critical accounting research reflect this sense of multiplicity. For example, Gutierrez's Liberation Theology (Gallhofer & Haslam, 2004; Moerman, 2006) is heavily informed by Marxist ideology – an ideology which, in and by itself, is usually considered to be atheistic; Freire's philosophy on pedagogy draws extensively from a wide variety of traditions, both religious and atheistic, so much so that it is impossible to unravel the diversities of influences on his work (Taylor, 1993; Thomson & Bebbington, 2005). Many more examples exist.

1.4 RESEARCH OBJECTIVES AND RESEARCH QUESTIONS

This thesis is thus situated amidst continuing discussions on conceptualisations of the economic entity and its ethical imperative, the implications of these conceptualisations for accounting for labour, and the potential contributions that theological perspectives can offer to these debates. There are two research objectives in this study. The first research objective is to unpack, examine and critique the conceptualisation of the entity that underpins conventional accounting, which is the nexus-of-contract approach. Specifically, this study seeks: to link the notion of the economic entity as understood in conventional financial accounting to its nexus-of-contract underpinnings; to explore the linkages between the nexus-of-contract conceptualisation and current approaches to accounting for labour; and to make explicit their ethical limitations. The second research objective is to provide an alternative conceptualisation of the economic entity – one that is based on a theologically-informed perspective. Specifically, the study seeks to provide an alternative conceptualisation of the economic entity that is inspired by the theological and ethical writings of the German Lutheran theologian Dietrich Bonhoeffer (1906 – 1945), and to demonstrate how the alternative provided can address the ethical drawbacks of the nexus-of-contract approach. In light of the alternative conceptualisation, the study then explores the implications of this conceptualisation on accounting for labour. Based on these two broad research objectives, specific research questions are formulated as below:

1. What is the conceptualisation of the economic entity that underpins conventional accounting, and what are its existing ethical limitations?
2. What are the linkages between the conceptualisation of the economic entity (from Research Question 1) and conventional accounting for labour, and its existing ethical limitations?

3. What is an alternative conceptualisation of the economic entity that can address the ethical limitations of the conceptualisation that currently underpins conventional accounting?
4. What are the implications of the alternative conceptualisation of the economic entity on accounting for labour, and how do these approaches address the ethical limitations of conventional accounting for labour?

1.5 OVERVIEW OF THE THESIS

This thesis contains 4 parts and 9 interrelated chapters. Part One consists of Chapters 1 to 3. It positions the thesis amidst existing research and sets up the theoretical framework by which the research questions will be addressed, thus “setting the scene” for the rest of the thesis. Part Two, which consists of Chapters 4 and 5, addresses Research Questions 1 and 2 by exploring the conceptualisation of the entity that underpins conventional accounting, the linkages of this conceptualisation with conventional approaches to accounting for labour, and the ethical limitations of these approaches. Part Three, which consists of Chapters 6 to 8, addresses Research Questions 3 and 4 by exploring an alternative conceptualisation of the entity and the implications of this alternative for accounting for labour. Importantly, the alternatives provided aim to address the ethical limitations of the current conceptualisation of the entity and conventional approaches to accounting for labour, as explicated in Part Two. Part Four consists of Chapter 9, which concludes the thesis by summarising its main findings, contributions to existing knowledge, limitations of the research and future directions. A brief summary of each chapter is as follows:

Part One: Introduction and Methodology

Chapter 1: Introduction

Chapter 1 positions the thesis in relation to specific research strands in critical accounting, which are: the nature of economic entities and its ethical imperative; accounting for labour; and accounting and theological perspectives. Following the positioning of this thesis amidst these debates, the research objectives and research questions are specified.

Chapter 2: Theoretical Framework and Research Methodology

Chapter 2 discusses the theoretical framework and research methodology employed in this thesis, and justifies its suitability. The framework employed is philosophical hermeneutics.

The chapter begins by exploring the history of hermeneutics and its various categories, including classical hermeneutic theory, philosophical hermeneutics and critical hermeneutics. Hermeneutics is accepted as a legitimate theoretical framework for interpretive research in accounting (Arrington & Francis, 1993; Boland, 1989; Lavoie, 1987; Llewellyn, 1993; Willmott, 1983).

As this thesis seeks to explore an alternative conceptualisation of the economic entity, based on the theology and ethics of Dietrich Bonhoeffer (1906 – 1945), it entails an exploration of Bonhoeffer's writings and related academic scholarship. It is argued that philosophical hermeneutics is an appropriate theoretical framework for this approach. As philosophical hermeneutics can be applied as an overarching theoretical framework and as a specific mode of textual analysis, there is no strict separation between framework and methodology. The chapter then discusses the fundamental principles of philosophical hermeneutics and demonstrates how they will be applied for the purposes of this thesis.

Chapter 3: Pre-Understandings – Literature Review

Chapter 3 is a detailed explication of my “pre-understandings” as a researcher, namely a review of existing literature that this thesis seeks to engage with. Two strands of literature are reviewed: (1) existing critical approaches to conceptualising the economic entity and its implications; and (2) existing interdisciplinary research on accounting and Judeo-Christian religious perspectives.

A review of existing critical conceptualisations of the entity entails an evaluation of approaches that seek to examine the nature of the economic entity and alternatives to the commonly-accepted nexus-of-contract perspective. They are: the economic entity as a moral agent through the discourse of “giving accounts”; and the economic entity as a community of persons. Subsequently, the chapter reviews existing interdisciplinary research on accounting and Judeo-Christian perspectives. This field of research has two specific strands: the sacred-secular divide and engagements with theologies. This thesis contributes towards the latter strand.

Subsequently, the chapter identifies and discusses existing research gaps that this thesis seeks to contribute towards.

Part Two: The Nexus-of-Contract Approach

Chapter 4: The Economic Entity as “Nexus-of-Contracts”

Chapter 4 addresses Research Question 1 by providing a critique of the nexus-of-contract conceptualisation, focusing particularly on its ethical limitations. The chapter traces the intellectual development of this conceptualisation, including the linkages between the nexus-of-contract approach and the rise of the neo-liberal ideology. The ethical limitations of the theoretical assumptions of the nexus-of-contract conceptualisation are then examined.

Conventional accounting is the primary discourse through which the nexus-of-contract entity is socially constructed and reported to wider audiences, and it does so through two inter-related approaches. Firstly, the boundary of the entity is delineated via the notion of control. Secondly, principles of recognition and measurement determine the types of events that should or should not be disclosed, and the manner in which these disclosures take place. These approaches are outlined in the Conceptual Framework for Financial Reporting. The ethical limitations of how the nexus-of-contract entity is constructed and reported are then discussed.

Subsequently, the chapter examines the normative behaviour of the nexus-of-contract entity, which is profit maximisation. The rationales behind profit maximisation, its linkages with shareholder wealth maximisation, the limitations of this norm, and the complicity of conventional accounting in upholding it are explored.

Chapter 5: The Economic Entity as “Nexus-of-Contracts”: Implications for Accounting for Labour

Chapter 5 addresses Research Question 2 by examining current approaches to accounting for labour in conventional accounting, and tracing them to the nexus-of-contract perspective.

Two sets of approaches to accounting for labour are discussed. The first recognises, represents and includes labour in financial statements. This includes the categorisation of labour as a cost to the entity and various efforts to account for labour as assets. The second set is employee-related reporting, which is based on the rights of workers to receive information about the entity, and the rights of others to receive information on labour. The chapter then demonstrates how these approaches can be traced back to the nexus-of-contract assumption of labour as an equal, contracting partner and a “fixed claimant” to the entity.

The ethical limitations of current accounting for labour and its nexus-of-contract underpinnings are then identified. They include: the commodification of human beings in the pursuit of profits; the limitations surrounding the “hard” and calculative nature of financial accounting; and the dominance of the employers’ perspectives in accounting for labour.

Part Three: Dietrich Bonhoeffer’s “Responsible Collective Person”

Chapter 6: An Introduction to Dietrich Bonhoeffer (1906 – 1945)

Chapter 6 introduces the life and legacy of Dietrich Bonhoeffer (1906 – 1945) and explores the central presuppositions of his theology and ethics. The analyses provided in this chapter form the background from which to understand the specific Bonhoefferian concepts employed in Chapters 7 and 8. A brief personal history of Bonhoeffer is given, followed by discussions on four central themes in his theology and ethics: Revelation as Person; Reality as Reconciliation; Christianity as Non-Religious; and Sociality as the Meaning of Being.

Chapter 7: An Alternative Conceptualisation of the Economic Entity: “Responsible Collective Person”

Chapter 7 addresses Research Question 3 by providing a conceptualisation of the entity that is inspired by Bonhoeffer’s theology and ethics. The conceptualisation proposed is “responsible collective person”. The corresponding ethical norm for this conceptualisation is Bonhoeffer’s ethic of responsible action.

This chapter introduces the theoretical underpinnings of “responsible collective person”, which are Bonhoeffer’s concept of mandates and the concept of the collective person (*Gesamtperson*). The “responsible collective person” has two features: The first feature is the positioning of the entity amidst various “mandates”, including: the economy; the natural / ecological environment; the social environment; governance; and religious life. The second feature is the delineation of the boundary of the entity through the notion of influence.

Bonhoeffer’s ethic of responsible action conceptualises responsibility as “vicarious representative action” (*Stellvertretung*). The features of this ethic – Accordance with Reality (*Wirklichkeitsgemäß*) and Love (*Liebe*) – are discussed. Possible approaches as to how the “responsible collective person” can uphold this ethic are explored.

Chapter 8: The Economic Entity as “Responsible Collective Person”: Implications for Accounting for Labour

Chapter 8 addresses Research Question 4 by exploring the implications of the “responsible collective person” conceptualisation of the entity and the ethic of responsible action on accounting for labour. Implications for accounting in general are explored, the primary implication being the orientation of accounting towards the teleological goals of human development, environmental sustainability and the well-being of future generations. This necessitates multiple forms of accounting and the inclusion of multiple stakeholders.

In regards to accounting for labour, three approaches are explored, ranging from calculative to narrative and visual approaches. They are: the Statement of Redistribution of Income; Self-Accountings from Labour; and Accounting for Labour from Others.

The chapter then explores the inter-linkages between accounting and responsible action by discussing the necessity of implementing frameworks and strategies that will orient the “responsible collective person” towards upholding labour welfare.

Part Four: Conclusion

Chapter 9: Concluding Remarks

Chapter 9 concludes the thesis by summarising the main findings from previous chapters, discussing the contributions and limitations of this research, and exploring future research directions.

CHAPTER 2: THEORETICAL FRAMEWORK AND RESEARCH METHODOLOGY

The meaning of a text surpasses its author not occasionally, but always. Thus understanding is not a reproductive procedure, but rather always a productive one. [...] It suffices to say that one understands differently when one understands at all (Gadamer, 1960, p. 280 as cited in Linge, 1976, p. xxv).

The previous chapter introduced the issues that this thesis seeks to engage with, which are: the conceptualisation of the economic entity and its ethical imperative; accounting for labour; and the potential contributions that theological perspectives can provide to these issues. The research objectives and research questions of this thesis were also specified.

In this chapter, the theoretical framework and research methodology employed to address the research objectives and research questions are explained. The framework employed is philosophical hermeneutics. Section 2.1 explores the history of hermeneutics and its varying objectivist, subjectivist and inter-subjectivist perspectives. Section 2.2 justifies the usage of philosophical hermeneutics as the theoretical framework for this research, and explains how the principles of philosophical hermeneutics will be applied for the purposes of this study.

2.1 INTRODUCING HERMENEUTICS

Hermeneutics is generally known as a theory of interpretation (Llewellyn, 1993). Considered to be one of the most important contributions of the Western world to the theory and practice of textual interpretation, the history of hermeneutics is said to be as old as ancient Greece (Bleicher, 1980; Mueller-Vollmer, 1985; Ormiston & Schrift, 1990; Palmer, 1969; Prasad, 2002). Etymologically, the term “hermeneutics” can be traced back to the name of the Greek messenger god *Hermes*. Aristotle’s *Peri hermeneias (On Interpretation)* is one of the earliest treatises on hermeneutics. In the course of its development, hermeneutics came to be known as the science of interpreting sacred texts, as it was, and still is, employed for rabbinical interpretations of the Torah, Scriptural exegesis, and addressing theological controversies (Connolly & Keutner, 1988; Crotty, 1998; Palmer, 1969; Prasad, 2002). Because of its extended association with theology, hermeneutics, for a long time, became synonymous with biblical interpretation, even though for most of its history, it has been much more than a

theological enterprise. For analytical purposes, hermeneutics can be broadly categorised into three approaches: classical hermeneutic theory; philosophical hermeneutics; and critical hermeneutics (Prasad, 2002). These are broadly discussed.

Classical hermeneutic theory is the objectivist approach to interpretation, the goal of which is the recovery of meanings of the original author in light of the historical contexts in which the texts were written (Alvesson & Skoldberg, 2000; Arunachalam, 2010; Dilthey, 1976; Hirsch, 1967; Prasad, 2002; Ricoeur, 1974; Schleiermacher, 2002). It is argued that authorial meaning can be recovered through reliving the author's experience – a “mysterious process of mental transfer” (Palmer, 1969, p. 104). Throughout the process of interpretation, the interpreter uses imagination and intuition in order to “put oneself in the agent's (author's, speaker's) place in order to understand the meaning of the act (the written or spoken word) more clearly” (Alvesson & Skoldberg, 2000, p. 54).

One of the most important figures in classical hermeneutic theory is Friedrich Schleiermacher (1768 – 1834) – the father of modern hermeneutics. Prior to Schleiermacher, hermeneutics was understood as a set of techniques for interpreting textual passages that may be difficult to understand – a pedagogical aid in exceptional circumstances where the readers' understandings were, for some reason, blocked (Linge, 1976). However, this particular conception of hermeneutics assumes that understanding occurs as a matter of course. Schleiermacher challenged this assumption and argued that *misunderstanding*, rather than *understanding*, would be the normal situation in textual interpretation due to the ever-present differences between the author and the reader, such as differences in: personal histories; language; culture; and worldviews. It was argued that a comprehensive theoretical foundation for all textual interpretation was necessary. In this manner, hermeneutics was transformed from a set of techniques to a general theory of understanding and textual interpretation. For Schleiermacher, the goal of hermeneutic interpretation should be the recovery of the author's original meaning (Prasad, 2002).

After Schleiermacher, Wilhelm Dilthey (1833-1911) raised the status of hermeneutics to that of epistemology for the human and social sciences (*Geisteswissenschaften*). In contrast to the natural sciences (*Naturwissenschaften*), where the primary aim is explanation (*Erklären*), the primary goal in the human and social sciences is to understand, at deep, philosophical levels (*Verstehen*), the social phenomena at hand. Dilthey argued that social phenomena, similar to

texts, are human externalisation or objectification of inner feelings and experiences. Consequently, hermeneutics can be extended to include the interpretation of social meaning. Similar to Schleiermacher, Dilthey construed the goal of hermeneutics to be the recovery of original meaning; “an empathetic grasping, reconstructing, and re-experiencing by one human mind (namely, the interpreter’s) of the mental objectifications (for example: texts; legal structures; historical processes; etc.) produced by other human minds” (Prasad, 2002, pp. 14-15).

While the objectivist approach emphasises original authorial intention, subjectivist approaches to hermeneutics position hermeneutics as a subjective process of dialogue in which meanings emerge through conversations between the reader-interpreter and the texts (Palmer, 1969; Prasad, 2002; Tracy, 1998). Thus, the reader-interpreter’s understanding of a text can differ from the author’s, as “understanding is not merely reproductive, but always a productive attitude as well” (Gadamer, 1975, p. 264). For the likes of Schleiermacher and Dilthey, who advocated for the objectivist approach to hermeneutics, the reader-interpreter’s own personal historical situation can only ever have a negative value. It is a source of distortion and misunderstanding that the reader-interpreter must transcend. Beneath these assertions are the Cartesian and Enlightenment ideal of the autonomous subject who is able to successfully extricate him- or herself from the entanglements of history. This methodological alienation of the reader-interpreter is critiqued by advocates of subjectivist approaches to hermeneutics (Linge, 1976). For subjectivists, a text can have several different meanings, depending on the contexts of interpretations, and no interpretation can be claimed as definitive (Prasad, 2002). This is because interpretation is the act of understanding the author’s writings in reference to the reader-interpreter’s own experiences. The ideal of objectivist interpretation, which requires the reader-interpreter to overcome his or her own historical situation, assumes that historicity is an *accidental* factor. However, if historicity is an *ontological*, rather than an accidental and subjective condition, then the reader-interpreter’s own historicity is constitutive in any process of interpretation and understanding (Linge, 1976).

The strict objectivist-subjectivist dichotomy, however, implies either an acceptance of relativism and rejection of authorial intent, or an acceptance that any interpretation is legitimate. Philosophical hermeneutics is a synthesis of both objectivist and subjectivist approaches. For philosophical hermeneutics, interpretation does not mean a forcing of the

text to fit with the reader-interpreter's own prejudices or constructs, and neither does it imply that the reader-interpreter places him- or herself in the shoes of the author (Gadamer, 1975; Howard, 1982; Prasad, 2002). Philosophical hermeneutics does not deny the importance of authorial intentions, but it promulgates the significance of *going beyond* them in order to find new meanings and understandings (Arunachalam, 2010). What occurs is a "re-vision" of the texts – "the act of looking back, of seeing with fresh eyes, of entering an old text from a new critical direction" (Crotty, 1998, p. 107). Consequently, "the meaning of a text [always] goes beyond its author [and] the text at all times represent[s] more than the author intended" (Bleicher, 1980, p. 111). From the engagements and dialogues, something quite new is created. The insights gained were never intended by the author and they are not in the author's texts (Crotty, 1998). The dialogues between the reader-interpreter and the text are continuous "fusions of horizons", where "the old and the new grow together again and again in living value without the one or the other ever being removed explicitly" (Gadamer, 1960, p. 289 as cited in Linge, 1976, p. xix).

Philosophical hermeneutics is markedly different from classical hermeneutics theory with respect to the purpose of the hermeneutic project. While the purpose of classical hermeneutics theory is "correct" interpretation and understanding, the concern of philosophical hermeneutics is a deep exploration of the philosophical issues surrounding interpretation. Martin Heidegger (1889 – 1976) and Hans-Georg Gadamer (1900 – 2002) were the principal contributors to philosophical hermeneutics. Heidegger, in his *Being and Time*, formulated his ontology of *Dasein* ("being there"). In his formulation, he offered an existentialist-ontological conception of hermeneutics, thus raising "understanding" to a fundamental category of human existence (*Existenziale*). Gadamer used Heidegger's re-conceptualisation of understanding and interpretation to develop a systematic philosophy on hermeneutics. Philosophical hermeneutics rejects the separation between the object of interpretation (the text) and the reader-interpreter, and the goal of recovering the author's original meaning. In contrast, it emphasises: the productive role of "traditions" and "prejudices" in understanding and interpretation; interpretation as dialogues between the texts and the reader-interpreter; and interpretation as non-author-intentional (Prasad, 2002):

[...] Gadamer develops a conception of understanding that takes the interpreter's present participation in history into account in a central way. Understanding is not reconstruction but mediation. We are conveyors of the

past into the present. Even in the most careful attempts to grasp the past “in itself,” understanding remains essentially a mediation or translation of past meaning into the present situation. [...] Understanding is an event, a movement of history itself in which neither interpreter nor text can be thought of as autonomous parts. Understanding itself is not to be thought of so much as an action of subjectivity, but as the entering into an event of transmission in which past and present are constantly mediated (Linge, 1976, p. xvi).

This open admission of the productive power of the reader-interpreter places philosophical hermeneutics in explicit opposition to the scientific ideal of objectivity in interpretation. It threatens the taken-for-granted notion of self-understanding that has accompanied scientific scholarship in the last 250 years. Philosophical hermeneutics aims to “illuminate the human context” (Linge, 1976, p. xviii) within which all forms of understanding occur, to gain critical awareness of our prejudices, and to allow the texts to change our prejudices, in light of what they are saying to us.

Critical hermeneutics builds on the principles of philosophical hermeneutics in order to develop a more comprehensive hermeneutics of critique and emancipation (Apel, 1980; Habermas, 1990a, 1990b; Prasad, 2002). For critical hermeneutics, the task of interpretation and understanding necessarily entails a critique of the embedded ideologies in the texts. Critical theorists like Jürgen Habermas have carried out intense debates with the advocates of philosophical hermeneutics in order to give hermeneutics a more critical orientation. Notwithstanding the intensity of these discussions, as exemplified by the Gadamer-Habermas debates, it is important to note that the epistemological and methodological implications of both approaches are similar, in that they both affirm interpretivism and anti-positivism. Critical hermeneutics and philosophical hermeneutics have much in common, and the debates between Gadamer and Habermas are more like “family quarrels” rather than polemic, irreconcilable arguments (Brenkman, 1987; Howard, 1982; Hoy, 1978; Outhwaite, 1987; Prasad, 2002).

In regards to the employment of hermeneutics in academic research, hermeneutics is recognised as a legitimate theoretical framing in various business- and economics-based disciplines, including: management; marketing; management information systems;

organisation studies; and accounting (Prasad, 2002). In accounting research, hermeneutics is considered to be an established theoretical framework in the interpretivist research paradigm and has been employed in several accounting studies. Examples include: Arrington and Francis (1993); Boland (1989); Lavoie (1987); Llewellyn (1993); Francis (1994); and Willmott (1983). Inter-subjectivist approaches to hermeneutics are also employed in theology in order to go beyond traditional Scriptural exegesis to find new and creative applications of Scriptural teachings in modern and postmodern societies (Schweiker, 1990; Vanhoozer, 1990). Paul Ricoeur (1913 – 2005), through his work on narratives, literary theory and theology, has greatly contributed to this venture.

2.2 APPLICATION OF PHILOSOPHICAL HERMENEUTICS

This study is concerned with how Dietrich Bonhoeffer's (1906 – 1945) writings can inform the conceptualisation of the economic entity and its implications for accounting for labour. For this purpose, this study uses philosophical hermeneutics as the theoretical basis in studying Bonhoeffer's writings for the following reasons. Firstly, philosophical hermeneutics is appropriate due to its ontological and epistemological underpinnings. As an inter-subjective approach to hermeneutics, philosophical hermeneutics view authorial intentions and the subjective interpretations of the researcher on an equal footing. Thus, Bonhoeffer's theology can be applied to accounting, thereby extending existing scholarship in accounting. Additionally, academic scholarship on Bonhoeffer's ethics and theology is further enriched through this application. As the objectivist approach emphasises authorial intentions and assumes a subject-object polarity, it is not appropriate for the purposes of this study. Secondly, philosophical hermeneutics allows for a serious examination of the historical conditions and background of the texts. As Bonhoeffer's historical background is significant in understanding his writings, philosophical hermeneutics is more appropriate. This is in contrast with more positivist approaches to textual analysis, such as content analysis, verbal protocol analysis or script analysis, which promote textual understanding without any interaction with the author (Lacity & Janson, 1994).

In the following sub-sections, the fundamentals of philosophical hermeneutics are defined and discussed. After doing so, the application of these concepts in this interpretive study is explained. Together, these concepts form the methodological approach of this thesis. It is essential to note that philosophical hermeneutics can be applied as an overarching theoretical

framework and a specific mode of textual analysis. Thus, there are no strict separations between the theoretical framework and methodological approaches in hermeneutics. The framing of this study is adapted from Arunachalam (2010).

2.2.1 Text

While this study employs philosophical hermeneutics for the interpretation of written texts, the hermeneutic tradition is no longer confined to them due to the contributions of hermeneutic philosophers such as Dilthey, Heidegger, Gadamer and Ricoeur. Extending beyond its original meaning of written texts, texts, in the hermeneutic tradition, can include all kinds of social phenomena and interactions (Alvesson & Skoldberg, 2000; Arunachalam, 2010; Heidegger, 1967; Klecun-Dabrowska & Cornford, 2000; Prasad, 2002; Ricoeur, 1981). Understanding these phenomena is likened to reading and interpreting written texts, thus expanding the applicability of philosophical hermeneutics (Prasad, 2002). There are two categories of texts in this study: Bonhoeffer's theological and ethical writings; and academic scholarship on Bonhoeffer's theology and ethics. These categories are further discussed.

2.2.1.1 Bonhoeffer's Theological and Ethical Writings

Bonhoeffer's writings, originally written in German, have gone through several translation processes throughout the years. The primary collator of Bonhoeffer's writings – Eberhard Bethge, who was also his friend and biographer – played a major role in introducing Bonhoeffer's writings to English-speaking circles. In the 1980s, Bethge and leading Bonhoeffer scholars in Germany decided to publish new, annotated editions of Bonhoeffer's complete theological works - the *Dietrich Bonhoeffer Werke* series. The first publication was Bonhoeffer's doctoral dissertation *Sanctorum Communio*, published in 1986. The last of Bonhoeffer's books – Bonhoeffer's complete prison writings – was published in April 1998. Discussions on an English version of the entire series began around the same time as the first German volumes appeared. In 1990, the International Bonhoeffer Society (English Language Section), in agreement with the German Bonhoeffer Society, undertook the English translation of all volumes of *Dietrich Bonhoeffer Werke*. The *Dietrich Bonhoeffer Works, English Edition* is the definitive English translation of all Bonhoeffer's writings, and is widely used for Bonhoeffer-related academic research (V. J. Barnett, 2010). The *Dietrich Bonhoeffer Works* translations are used in this thesis.

The *Dierich Bonhoeffer Works* includes many materials appearing for the first time in English, including documents discovered after the publication of the original German

volumes. It is a noteworthy and significant contribution to 20th century theological literature, church history and history of the Nazi era. The translators attempted to render accurate and readable translations of Bonhoeffer's writings for a contemporary audience, while remaining true to Bonhoeffer's own unique style of writing. Significant attention was paid to the translation of important theological, historical and philosophical terms. Whenever necessary, the original German terminologies are included. While Bonhoeffer's language and writing style reflected his own historical period, particularly in relation to gendered language, the translators decided to use gender-inclusive language, insofar as it was deemed possible, without distorting the meaning of Bonhoeffer's writings or unjustifiably disassociating him from his own historical context. This thesis draws heavily from several specific writings, which are: *Sanctorum Communio*; *Act and Being*; *Ethics*; and *Letters and Papers from Prison*. These writings are discussed as below.

Sanctorum Communio: A Theological Study of the Sociology of the Church (Sanctorum Communio: eine Dogmatische Untersuchung zur Soziologie der Kirche)

Sanctorum Communio is Dietrich Bonhoeffer's doctoral dissertation and his first published work. An understanding of Bonhoeffer's theology requires an understanding of this book as many of the central ideas that would inform his later writings can be found in this dissertation (Green, 1998). Written under the supervision of Reinhold Seeberg when Bonhoeffer was 21 years old, this dissertation takes into consideration a wide range of social philosophy, including: Plato; Aristotle; Thomas Hobbes; Hegel; Max Schuller; Max Weber; Emil Durkheim; Theodore Little; Georg Simmel; Alfred Vierkant; and Ferdinand Tönnies. While his approach had affinities to Martin Buber's *Ich und Du* and to others who discussed the relationship between the "I" and the "Other" in the 1920s, Bonhoeffer sought to provide his own unique way of understanding sociality – with sociality being at the very heart of how we understand ourselves, God, and one another. For Bonhoeffer, the "I" and "You" relationship forms the very basis of human community, providing an ethical boundary for one another (Floyd, 2005).

In *Sanctorum Communio*, Bonhoeffer's primary concern is the sociology of the church, thus establishing this text as a dissertation in ecclesiology. Even so, the background chapters in *Sanctorum Communio*, particularly Chapters 1 to 4, address social philosophy, sociology, theological anthropology and sociality – concepts which can be applied more broadly to collectives and institutions outside the boundaries of the church. In *Sanctorum Communio*,

Bonhoeffer not only provided a thesis about Christian community, but about human sociality in general. The alternative conceptualisation of the economic entity proposed in Chapter 7 draws heavily from the background chapters in *Sanctorum Communio*.

Act and Being: Transcendental Philosophy and Ontology in Systematic Theology (Akt und Sein: Transzendentalphilosophie und Ontologie in der systematischen Theologie)

Act and Being's "wide-ranging, technical engagement with a host of contemporary philosophical and theological interlocutors" (DeJonge, 2012b, p. 6) makes this book, together with *Sanctorum Communio*, to be Bonhoeffer's most inaccessible writings. *Act and Being* is Bonhoeffer's postdoctoral thesis which qualified him for lectureship (also known as *Habilitationsschrift*). The central question that *Act and Being* tackles is the conception of revelation, namely – how should Christian theology understand revelation.

In addressing the problematic nature of revelation, Bonhoeffer also addressed how theology can approach the question of "the Other(s)". Further developing many of the socio-ontological themes in *Sanctorum Communio*, Bonhoeffer continued to discuss the "enduring ethical problematic of the Other, the stranger, the neighbour" (Floyd, 2009, p. 12), a topic which he would eventually return to in his fragmentary *Ethics*. As this thesis draws heavily on Bonhoeffer's approach to sociality, particularly on his conception of the "person", *Act and Being* is an important source, as the underlying ontology of Bonhoeffer's concept of "person" is discussed in *Act and Being*.

Ethics (Ethik)

Ethics was to be Bonhoeffer's magnum opus. While it remains unfinished and was published posthumously, *Ethics* is "the rich result of mature reflection during a decade of Christian resistance to National Socialism" (Green, 2009, p. 1). *Ethics* is a series of 13 manuscripts with two motives: the first motive is to contribute towards the reconstruction of life in Germany and in the West following World War II; the second motive is his reflections on his involvement in the resistance movement (Green, 2009). Many themes that he grappled with throughout his theological career reappeared in *Ethics* in "new constellations of significance, each transformed into a more mature theological statement" (Floyd, 2005, p. 53).

Bonhoeffer wrote *Ethics* in order to help the Christian community think, in new and fresh ways, about the relationship of the church to society and about the public responsibilities of

Christians. Throughout all 13 manuscripts, Bonhoeffer explored: the meaning of vocation as it relates to Christian responsibility in the world; the building of theological bridges to those who are committed to justice, truth and freedom, regardless of their faith backgrounds; conceptualisations of social life that would expand and replace the traditional Lutheran “two kingdoms” doctrine; and the envisagement of all historical life under the rubrics of “being human and being good”. All of these reflections in *Ethics* are ultimately oriented to “how the coming generation is to live” (Green, 2009, p. 10). Out of all of Bonhoeffer’s writings that are employed in this thesis, *Ethics* is the piece of writing that is most frequently referred to.

Letters and Papers from Prison (Widerstand und Ergebung)

Bonhoeffer did not intend for the publication of his letters and papers from prison, but Bethge undertook the task after Bonhoeffer’s death in order to share with a wider audience what Bonhoeffer had shared with him on Christianity. These are known as the “theological letters”. While these letters remain central to the prison writings of Bonhoeffer, they represent but a handful of the letters published in the *Dietrich Bonhoeffer Works*’ edition of *Letters and Papers from Prison*. The correspondences recount the remarkable story of a German family that was closely connected to the conspiracy against Hitler. From the outset, readers enter into the daily life of the extended Bonhoeffer family as the members attempted to cope with the challenges that they faced. At the centre of this unfolding drama was Bonhoeffer himself. Readers of *Letters and Papers from Prison* are invited to experience his struggles, doubts, fears and loneliness through the letters between himself and his family, his former students, his friends and his fiancée: “If in his other writings we encounter the student, pastor, theologian and teacher, in [*Letters and Papers from Prison*] we meet Bonhoeffer also as the human being and become party to both his strengths and weaknesses” (de Gruchy, 2010, p. 3).

Aforementioned, the “theological letters” remain the core of Bonhoeffer’s prison writings and continue to attract much attention. The central reason as to why these letters have remained a classic is because many of the concepts explored in these letters are driven by one overarching question: “What is bothering me incessantly is the question what Christianity really is, or indeed who Christ really is, for us today?” (Bonhoeffer, 2010, p. 362). The radical nature of the theological letters and the prison writings is in the peculiar confluence of Christology, creation, community and costly discipleship, with “church existing for others”, “secular problems of ordinary life”, “Christ for others” and the “polyphony of life” (Floyd, 2005, p. 55). Bonhoeffer’s *Letters and Papers from Prison* provides fresh, reenergising

approaches to faith, particularly for those who have become disillusioned with Christianity and its failure in attending to the problems of the world:

So what is it about these particular letters that is so significant? Why is it that they have made such an impact on Christian theology and practice over the past decades since they were first published? Why are they so important, creative and exciting for those who have responded to them with such enthusiasm? The short answer to these questions is that in them Bonhoeffer helps many who may have become disillusioned with Christianity as a creed, and dismayed by its failures in serving the world, to think in fresh ways about faith in Jesus Christ and what it means to be the church today. In doing so, Bonhoeffer does not propose trite or easy answers – no one who had previously written so powerfully about costly discipleship or the ethics of free responsibility could do that – but he does speak clearly and provocatively to people living fully in the modern world who are seeking to be truly Christian and fully human, people who are fully engaged in the life of the modern world but also open to the possibility of an authentic faith in the God of Jesus Christ (de Gruchy, 2010, p. 5).

In the context of this thesis, *Letters and Papers from Prison* is a vital text. It assists not only in understanding the unique historical, political and social situation of Bonhoeffer's day, but it also helps the reader to engage with the human being Bonhoeffer – his personal struggles and anxieties. Additionally, the “theological letters”, together with *Ethics*, provide exceptional and distinctive insights as to how Christianity as a faith, a worldview and a universalism can engage with seemingly “secular” discourses such as accounting.

2.2.1.2 Academic Scholarship on Bonhoeffer's Theology and Ethics

The second category of texts is existing academic scholarship on Bonhoeffer's theology and ethics. Bonhoeffer's writings have been heavily studied, examined and debated from various theoretical framings and worldviews, and have been employed to inform a diverse range of issues. To date, they remain popular for academic research, reinforced by the publications of the German critical edition of all Bonhoeffer's writings and corresponding translations to the English language. Academics who engage in the study of Bonhoeffer's theology and ethics come from various nationalities, traditions, cultures and disciplines, encouraging diversity in

approaches and interpretation. While Bonhoeffer's theology has remarkable continuity and coherence, it is also an "unfinished symphony", making it attractive for academic research. His writings invite others to participate, and to take the discussions which he had begun into various issues and contexts: "Bonhoeffer would have shunned any attempt to enclose his theology within some rigid orthodoxy, either traditional or in terms of a school of thought" (de Gruchy, 1999, pp. xviii - xix).

Naturally, there is excellent and extensive academic scholarship on Bonhoeffer's theology and ethics in the German language. In this thesis, however, primary focus is given to academic scholarship that is published in English. While I, as the researcher, have intermediate proficiency in the German language, it is a language that I have learned through adult education classes. To understand the German academic scholarship on Bonhoeffer demands great fluency in the German language – a level which I, unfortunately, have not yet achieved. However, my current level of fluency is adequate for recognising the idiosyncrasies of translating from German to English. Whenever deemed necessary by the translators of *Dietrich Bonhoeffer Werke*, the original German words or phrases are published in brackets or in footnotes in the English translations in order to better convey the meaning of the texts. My current understanding of the German language is sufficient for this purpose.

In studying the theology and ethics of Bonhoeffer, a range of scholarly books and journal articles are engaged with in order to provide critical understandings of Bonhoeffer's writings. Studies such as Marsh's (1994) *Reclaiming Dietrich Bonhoeffer: The Promise of His Theology*, DeJonge's (2012) *Bonhoeffer's Theological Formation* and the collection of essays in *Bonhoeffer's Intellectual Formation* seek to understand the themes, concepts and philosophies that underpin Bonhoeffer's theology and ethics. These writings reveal Bonhoeffer to be a creative and critical theologian who was influenced by a wide variety of philosophers and thinkers, including: Augustine; Thomas Aquinas; Thomas à Kempis; Immanuel Kant; G.W.F. Hegel; Friedrich Schleiermacher; Wilhelm Dilthey; Friedrich Nietzsche; Martin Heidegger; Karl Barth; and Reinhold Niebuhr. Engagements with these studies are necessary in order to better understand the diversity of opinions in regard to the presuppositions and underpinnings of Bonhoeffer's theology and ethics.

Studies such as Green's (1999a) *Bonhoeffer: A Theology of Sociality*, the collection of essays in *Bonhoeffer and Continental Thought: Cruciform Philosophy* and essays in *A Philosophical*

Anthropology of the Cross: The Cruciform Self seek to examine the theology and ethics of Bonhoeffer through specific framings or lenses, such as sociality, philosophical theology and philosophical anthropology. There are also studies that examine specific concepts or themes within Bonhoeffer's theology and ethics, or within his socio-historical and political contexts. The themes include: pacifism and tyrannicide (Clements, 1999; Green, 2005; Rasmussen, 2005); political ethics (DeJonge, 2012a; Green, 2012; B. Harvey, 2012; Heuser, 2005, 2012; Plant, 2005; Zerner, 1999; Ziegler, 2012); responsibility and justice (Kelly, 1999; Rasmussen, 1999; Wannewetsch, 2005) and many more. Additionally, Bonhoeffer's writings are also employed in interdisciplinary scholarship, including bioethics (Brixius, 1993; Overduin, 1986); law (Ball, 1985; Burns, 2007; Lehmann, 1985); economics (Dietz, 2010; Jähnichen, 2010; Ulshöfer, 2012); business ethics (Padelford, 2011); feminist ethics (Guth, 2013); and inter-cultural dialogues (Bohn, 2008; Greggs, 2008; Harasta, 2012; McBride, 2008; O'Donovan, 2008; Slane, 2008; Zimmermann, 2008).

The literature discussed above shows but snippets of the breadth and depth of the academic scholarship on Bonhoeffer's theology and ethics. Due to the constraint of time, it is not possible to cover the entire field in one doctoral thesis. As such, a selective focus is necessary. A majority of the academic scholarship that are engaged with for the purposes of this thesis are focused on: the presuppositions of Bonhoeffer's theology and ethics; Bonhoeffer's conceptions on collectives; ethics and responsibility; and interdisciplinary engagements between theology and other discourses. Slightly less attention is given to strictly theological themes, such as ecclesiology, prayer, Christian disciplines and discipleship, notwithstanding the importance of these themes in understanding Bonhoeffer's writings.

2.2.2 Pre-Understanding

The concept of pre-understanding is central in philosophical hermeneutics. Also termed as "prejudices", they are viewed as inevitable and necessary in all interpretation. Pre-understandings originate from the historical background and lived experiences of the reader-interpretor. This notion of prejudice is controversial, as it explicitly acknowledges the impossibility of suspending the historicity of the researcher-interpretor in every transmission of meaning. It openly rejects the neo-Kantian orientation of situation-less and non-historical transcendence, and the scientific ideal of prejudice-less objectivity in interpretation (Linge, 1976).

There are two, intertwining strands of pre-understandings that are significant for this study. The first strand is my pre-understandings as a researcher in this particular study. As a researcher, my pre-understandings are informed by a review of two strands of literature: (1) existing critical approaches to conceptualising the economic entity and its implications; and (2) existing interdisciplinary research on accounting and Judeo-Christian religious perspectives. I consider this pre-knowledge to be important, as it forms part of my “horizon” from which I engage with the texts outlined in Section 2.2.1. My pre-understandings are documented in Chapter 3.

The second strand of pre-understandings is my own personal historicity. I consider this strand of pre-understandings as important, as it reflects: my motivations for engaging in this study; my personal background; my traditions, and my political, social, historical and temporal contexts. By examining my own self in this manner, the distance and differences between the author of the texts and I are made clearer. The explicit acknowledgment of the differences between the author and reader-interpreter is important, as it illuminates: the personal frame of reference from which the reader-interpreter is engaging with the texts; how the frame of reference differs from the author’s; and the implications of these differences (Llewellyn, 1993).

The reasons and motivations for my engagement with this study stem from my own interest in critical and interdisciplinary accounting research and Christian theology. I consider myself as someone who abides by the Christian faith. As such, my decision to engage in such a study is very much a personal choice and an exploration of my own identity and beliefs. I was particularly wary of interdisciplinary studies that are extremely “evangelical” or dogmatic in nature, as I believe that analyses presented in this manner have a tendency to shut off engagements with other worldviews and beliefs. In contrast, I wanted my exploration to be one that holds in tension both the value of theology and the significance of non-religious or secular learning in contributing towards discussions and debates on human nature, emancipation, justice and change. Indeed “[...] taking theology seriously should not involve taking secular learning any less seriously” (McPhail et al., 2004, p. 321). For me, respectful partnerships between various worldviews are better able in contributing towards these issues. To this end, the theology and ethics of Dietrich Bonhoeffer is suitable for this form of exploration, as his writings show extensive and respectful engagements between theology and various other disciplines, including continental philosophy, sociology, anthropology, history,

politics and science. Under no circumstances did he, as a theologian, take “secular learning” lightly, but neither did he dilute his theological beliefs to suit secular knowledge. As a theologian and pastor who lived in Nazi Germany, his political and resistance activities were not confined only to the ecumenical movement. Rather, he partnered with various individuals and groups – both religious and irreligious – in resisting National Socialism. These aspects of Bonhoeffer’s intellectual and personal lives made him and his writings incredibly interesting for me.

My own personal background, traditions and context also differ significantly from Bonhoeffer. For example, Bonhoeffer’s historical context – the era of the World Wars – is a context that is foreign to me, in that I did not live through those times in history. As I was born much later, I can only ever *know of* this era, rather than experiencing it myself. Because we exist in different temporal contexts, the state of the world in which I currently live, and the major issues that are of concern to many, are inevitably different from Bonhoeffer. Differences in culture also exist between the author and I, as Bonhoeffer was German, while I am Malaysian. There are also linguistic barriers. Bonhoeffer’s writings were originally in German. Thus, I am dependent on the translators of Bonhoeffer’s works in interpreting and mediating his writings into a language that I have greater proficiency in.

These pre-understandings form part of my hermeneutical horizon. It is from this horizon that I engage with Bonhoeffer’s texts and academic scholarship on Bonhoeffer’s theology and ethics. Aforementioned, philosophical hermeneutics does not view these pre-understandings in a negative light. Rather, it is *because* of the differences between the author and I that the author’s texts are able to enter from the historical past into my present in new, invigorating ways. I, as the reader-interpreter, seek to gain critical insights into Bonhoeffer’s writings, to go beyond the author and to apply his writings in ways that the author did not intend. However, authorial meaning must be held together with my own interpretations, lest I try to fit Bonhoeffer’s constructs into my own pre-understandings. As I enter into dialogues with the texts, my pre-understandings will be continuously evaluated and challenged, as I allow the texts to “speak” to me. Alternating between my pre-understandings and the texts would result in validation, repudiation or amendment of my pre-understandings in the light of new understandings discovered during the dialogical processes (Arunachalam, 2010).

2.2.3 The Hermeneutic Circle

The hermeneutic circle refers to the process of understanding in the interpretation of text. In attempting to understand the meanings of texts, the hermeneutic circle asserts that “the part [can only be] understood from the whole (the *Geist* of the text) and the whole from the inner harmony of its parts” (Palmer, 1969, p. 77). As an example, consider the task of understanding a paragraph. To understand the paragraph, one must understand the individual sentences (the parts) that make up that paragraph. However, an understanding of individual sentences becomes clear only when we understand what the paragraph (the whole) is trying to say (Prasad, 2002). The hermeneutic circle also frames the dialogues between the reader-interpreter and the texts. In the interpretive process, I as the researcher begin with my pre-understandings. Through the dialogical process of moving between parts and whole of text, and going backwards and forwards between my pre-understandings and my readings of the texts, theory is generated, challenged and reworked (Arunachalam, 2010; Prasad, 2002).

In this study, the hermeneutic circle is illustrated in Figure 1. In reading the texts, I link different parts of a text (words, sentences, paragraphs, sections and chapters) to see if the text is coherent as a whole. Additionally, hermeneutic interpretation also requires that I alternate between different texts. There are alternations between different texts within the same category (for example: different writings by Bonhoeffer) and alternations between texts from different categories (for example: a theme in Bonhoeffer’s writings and a critique in a journal article). My readings and interpretations will necessarily be influenced by my pre-understandings. Not all possible interactions can be explored, as the hermeneutic process of understanding is never-ending (Arunachalam, 2010).

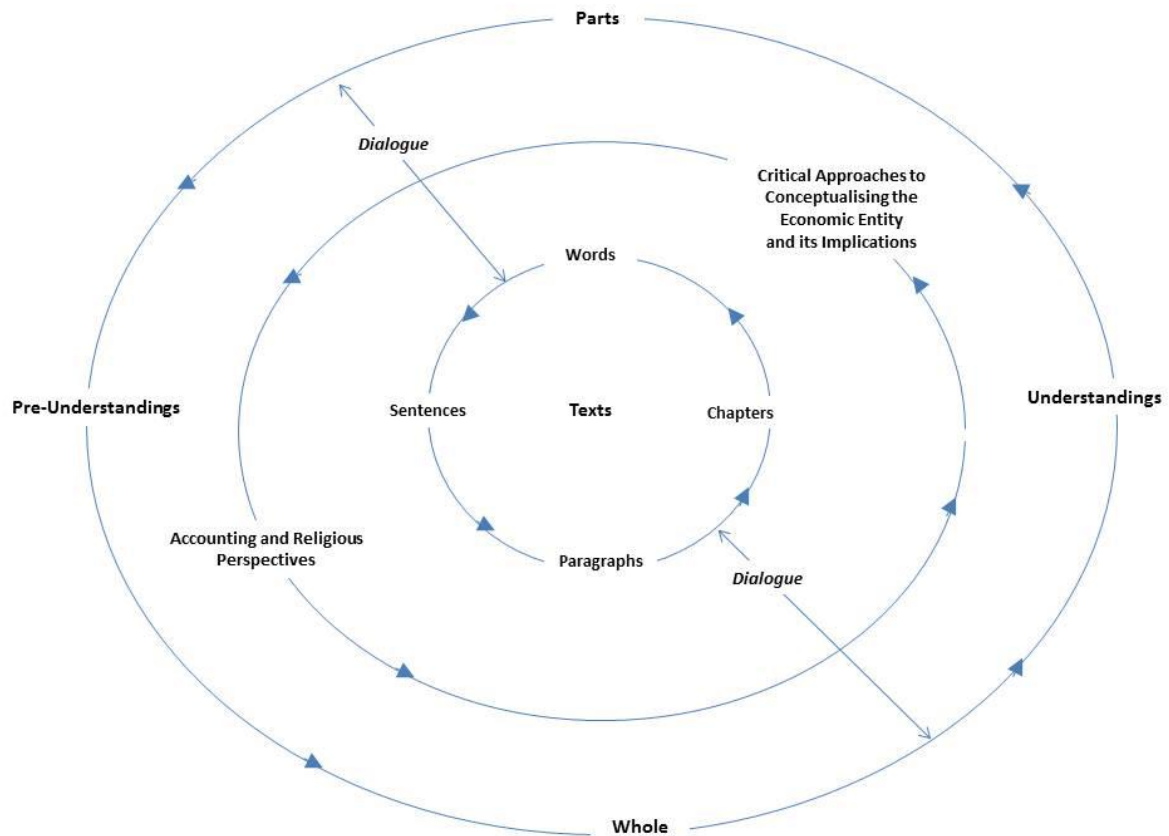


Figure 1: Hermeneutic Circle in the Interpretation of a Text (adapted from Arunachalam, 2010, p. 49)

2.2.4 Historicity and Multi-faceted Contexts

In elaborating further on the hermeneutic circle, Gadamer (1975) notes that in interpreting a text, a researcher approaches the text with pre-understandings of the context of the text and of the researcher's own historical situation. The importance of historicism cannot be denied in hermeneutics as the historical aspects of the text and the historical situation of the author need to be investigated in order to achieve better understandings of the text and its application for present issues (Prasad, 2002). Aforementioned, pre-understandings are not viewed negatively, as originality in research arises when the texts from the past are investigated and interpreted by the researcher, and applied in his or her own present context (Gadamer, 1975; Prasad, 2002).

Figure 2 shows the multi-level contexts of this study. The first layer is the historicity of the texts. Philosophical hermeneutics requires me to understand the historical and cultural backgrounds of the author and texts. Bonhoeffer wrote his theological and ethical writings when Adolf Hitler and the Third Reich were the ruling government of Germany. Significant

events during this period of history, together with Bonhoeffer's political activities, must be taken into account. These events and Bonhoeffer's personal historicity are further explored in Chapter 6. The second layer situates my study amidst a broader range of themes that are currently being debated in ethics of accounting. Efforts to provide alternative conceptualisations of the economic entity, the receptivity of religious perspectives into critical accounting research, and theorisations of and approaches to accounting for labour point to an overarching theme of wanting to position accounting as a discourse with broader ethical responsibilities. There are myriad approaches in existing accounting research that work under this overarching theme: such as accounting and the public interest; social and environmental accounting; organisational accountability; accounting and stakeholder rights and many more. This layer of context is important in that it links this thesis to various other research efforts that have similar motivations and objectives. The third context is my pre-understandings as a researcher in regards to this thesis. As previously discussed, these pre-understandings are part of the horizon from which I dialogue with the texts.

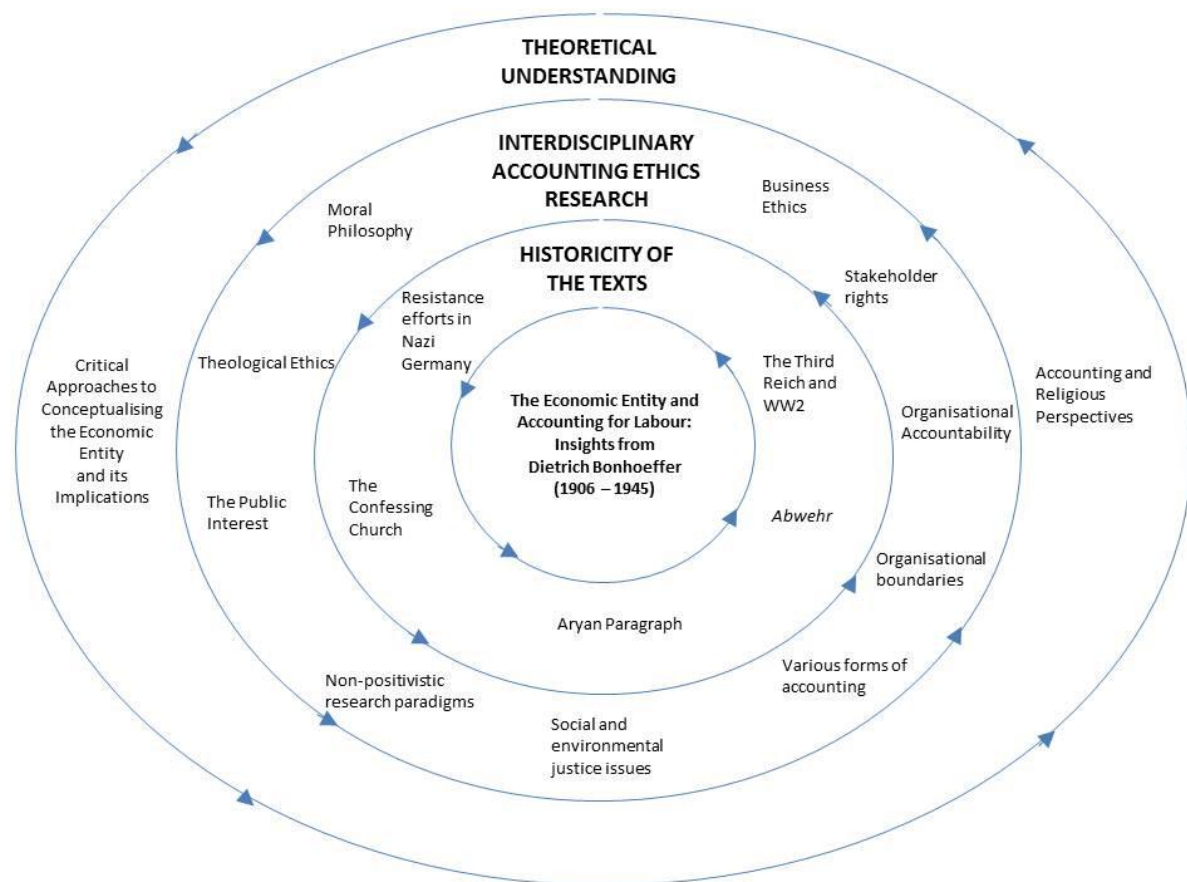


Figure 2: Multiple Contexts for Hermeneutical Inquiry (adapted from Arunachalam, 2010, p. 55)

2.2.5 Fusion of Horizons

A horizon refers to the vantage point from which a person understands the world. In philosophical hermeneutics, the pre-understandings (Section 2.2.2), and the historicity and multi-faceted contexts (Section 2.2.4) from which the researcher originates constitute the present horizon. The text emerges from another horizon, which is constituted by the traditions, historicity and contexts of the texts (Arunachalam, 2010). A fusion of horizons (*Horizontverschmelzung*) takes place in the interpretive process, where new understandings emerge by a merging of the world of the researcher with the world of the text. The fusions of these horizons lead to new research insights, as the meanings of a text “exceeds, overcomes [and] transcends the social conditions of its production and becomes re-enacted in new contexts” (Ricoeur, 1993, p. 208 as cited in Arunachalam, 2010, p. 56).

In examining how Bonhoeffer’s theology and ethics can contribute to an alternative conceptualisation of the economic entity, and implications for accounting for labour, the interpretive processes and dialogues occur across two different horizons. It is in the fusion of these horizons that the research objectives and research questions can be addressed. This is shown in Figure 3. Hermeneutic Horizon A – “Existing Debates on Ethics in Accounting” – is the horizon from which I engage with Bonhoeffer’s theology and ethics, which is Horizon B “Existing Knowledge on Bonhoeffer’s Theological and Ethical Writings”. The fusion of these two horizons, mediated by the principles of philosophical hermeneutics, leads to the generation of new knowledge. Naturally, there are numerous interpretive processes and fusions of horizons. However, it is beyond the scope of this study to explore all possibilities.

2.3 SUMMARY

This chapter discussed the theoretical framework and research methodology employed in this thesis, which is philosophical hermeneutics. The history of hermeneutics was briefly explained, including the objectivist, subjectivist and inter-subjectivist approaches. The principles of philosophical hermeneutics are discussed, followed by specific applications of these principles for the purposes of this study. Following the principle of “pre-understandings”, the next chapter provides a review of existing literature which has informed my pre-understandings as the researcher of this study.

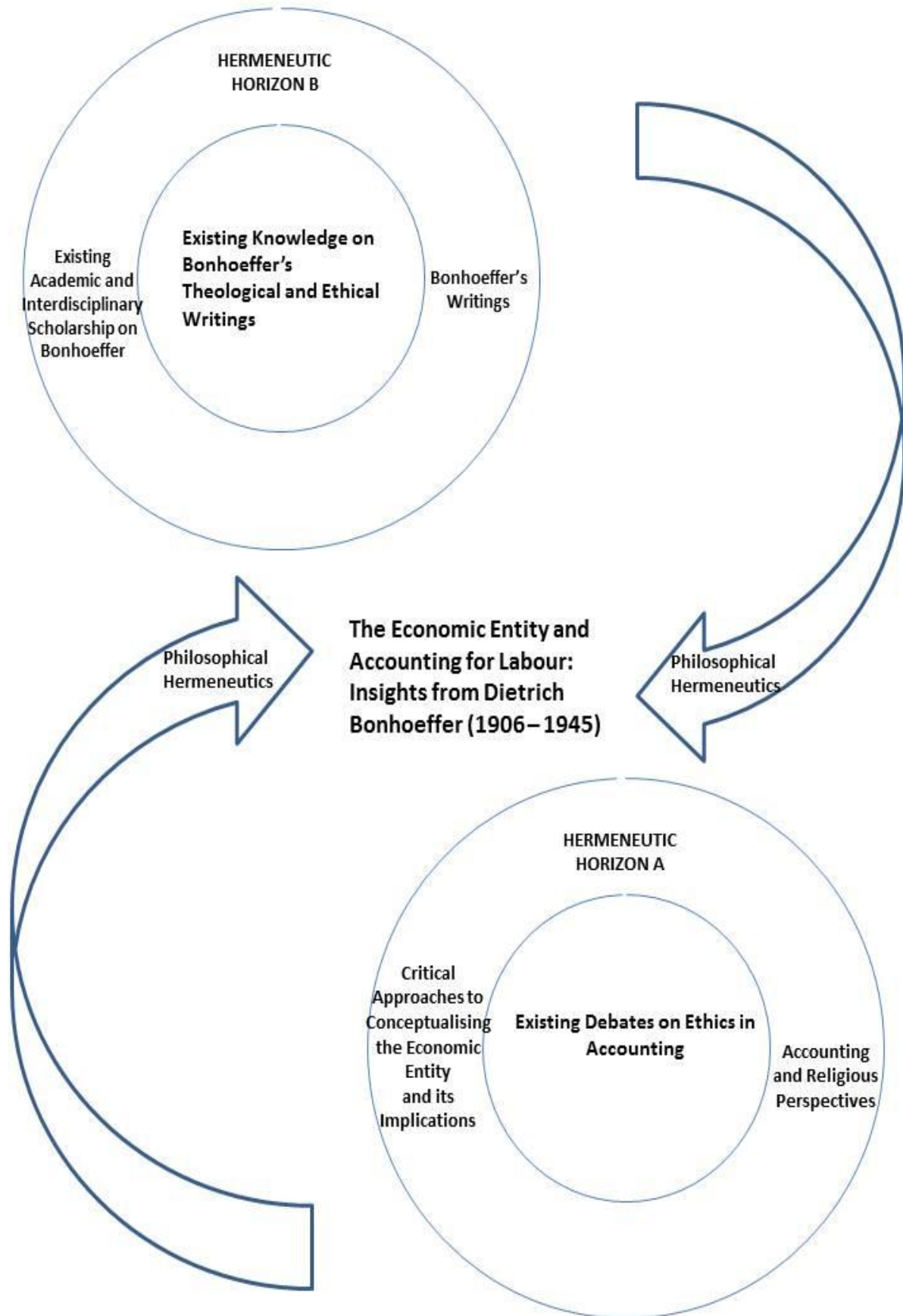


Figure 3: Fusion of Horizons

CHAPTER 3: PRE-UNDERSTANDINGS – LITERATURE REVIEW

The familiar horizons of the interpreter's world, though perhaps more difficult to grasp thematically, are as integral a part of the event of understanding as are the explicit procedures by which he assimilates the alien object (Linge, 1976, p. xvii).

As discussed in the previous chapter, an important feature of philosophical hermeneutics is a detailed explication of the pre-understandings of the researcher. To this end, this chapter provides a review of the literature that this thesis engages with. Section 3.1 examines existing critical approaches to conceptualising the economic entity and its implications. Section 3.2 examines existing research on accounting and Judeo-Christian perspectives, including: the sociologically-oriented sacred-secular divide; and engagements with theological perspectives. Section 3.3 teases out the research gaps that this thesis wishes to address.

3.1 CONCEPTUALISATIONS OF THE ECONOMIC ENTITY AND ITS IMPLICATIONS

The following sub-sections discuss two critical approaches to theorising the nature of the economic entity. They are: the economic entity as a moral agent through the discourse of “giving accounts”; and the economic entity as a community of persons.

3.1.1 The Economic Entity as a Moral Agent through the Discourse of “Giving Accounts”

A conceptualisation of the economic entity as a moral agent is explored in Schweiker (1993). It is argued that the key to identifying the acting economic agent is in the discourse of accounting. As accounting discursively portrays the identity of economic agents to others, it demonstrates that economic entities have fiduciary relations to the wider public. To this end, “accounting is in the service of moral as well as economic reflection”, as “it makes possible claims about how identifiable agents can and must live in relation to others and themselves” (Schweiker, 1993, p. 232).

Accounting is described as an activity of “giving an account”, and this activity entails, “in its simplest sense [...] providing reasons for character and conduct, ones held to be understandable to others and thereby rendering a life intelligible and meaningful” (Schweiker, 1993, p. 234). When an economic entity undertakes the activity of giving an account through the discourse of accounting, the intrinsic interdependencies between the entity and others are

surfaced. Importantly, no ontological assumptions are made about the ethical status of the entity, or about its “personality” as a collective. For Schweiker (1993), the entity is conceptualised as a moral agent only insofar as it engages with the linguistic act of giving an account. This means that collective agency is centred on discursive acts of giving accounts, rather than on ontological assumptions of the economic entity itself.

Following the conceptualisation of the entity as a moral agent through the discourse of “giving accounts”, it is then necessary to ask the fundamental question of “what and whose good is sought in personal and corporative behaviour” (Schweiker, 1993, p. 238). This brings into focus the social context of moral existence, as this question must be answered within the scope of a moral community (W. J. Everett, 1986; King, 1986; McDonald, 1986; Schweiker, 1993; Segundo, 1976):

For instance, should we see the moral dimension of economic life within the context of the “culture of business” that bears its own norms and virtues about purely economic flourishing, [...] then social justice and well-being are collapsed into the calculation of economic good. Contrariwise, maybe all of life is seen to be, as some theologians claim, within a specific religious community struggling for the reign of God that requires a preferential option for the poor? If this is the case, then the entitlement to goods and services is such that radical redistribution of wealth is possible and indeed required. [...] The debate about discourse and morality brings to light the problem of the scope of moral community and claims about what and whose goods we ought to seek (Schweiker, 1993, p. 238).

Shearer (2002) examines the implications of Schweiker’s (1993) conceptualisation of the entity on economic accountability. If the conceptualisation of Schweiker (1993) is accepted, Shearer (2002) argues that the moral norm of a community is dependent on *how* economic entities account for themselves to the moral community. Currently, economic entities render themselves to the wider public through conventional accounting. The theory and practice of conventional accounting is informed almost exclusively by the theoretical constructs and behavioural assumptions of neoclassical economics, which reduces the good of the moral community to the good of the entity. This results in the negation of broader human and environmental accountabilities. As it is the neoclassical-economic discourse that defines the

scope of the entity's accountability and obligations, it is doubtful as to whether the rendering of economic accounts via conventional accounting alone can result in accountability to larger human and environmental purposes.

In light of the limitations of neoclassical economics and conventional accounting, Shearer (2002) argues that a countervailing ethic that can better support the inter-subjective obligations of economic entities to others is needed. This ethic needs to be infused with the activity of giving accounts. For Shearer (2002), this countervailing ethic can be found in Emmanuel Levinas's radical ethic of alterity (Klemm, 1989; Shearer, 2002). In short, Shearer (2002) expands the analyses in Schweiker (1993) by infusing the language of the discourse of "giving accounts" with Levinasian ethics, as this ethic can better position the economic entity as an agent with moral and ethical obligations to others. This stands in contrast to neoclassical economics, where the good of any given community is positioned as being equal with the good of the entity. This infusion with Levinasian ethics has significant implications for accounting. If economic entities are to be held ethically and morally accountable to others in ways that exceed the profit motive, then the scope of accounting needs to be broadened. For Shearer (2002), there is much potential in social accounting that can be utilised to achieve this goal.

Macintosh et al (2009) examine the implications of Shearer's (2002) analyses in the context of management accounting and control systems. Utilising General Electric's (GE) takeover of the Italian company Nouvo Pignone (NP) as a focal point for study, Macintosh et al (2009) explore, along Levinasian lines, the ethics embedded in management and control systems of GE. The takeover by GE had significant impacts in NP, including: the objectification of managers and employees at NP; unrelenting pressure across all levels of NP to meet efficiency and profit targets; the reorganisation of NP into standard GE market-oriented business units with full profit responsibility; and the wide implementation of "performance measurement and accountability for the numbers" ethos (Macintosh et al., 2009, p.757). Following Shearer's (2002) Levinasian critique, GE discursively portrays its identity to others through financial accounting reports, thus demonstrating that GE is aware of its relationships with others. Consequently, GE cannot be construed as a "self-contained independent entity", but it shares "a space of mutual obligation" with other corporations and institutions (Macintosh et al., 2009, p. 758). Consequently, an ethical imperative arises before GE: "When NP appears before GE as the face, it brings with it an epiphany containing the

imperative ethical injunction: “Thou shall not do violence to NP”” (Macintosh et al., 2009, p. 759). However, Macintosh et al (2009) argue that GE did violence to NP’s otherness and NP’s managers and employees.

3.1.2 The Economic Entity as a Community of Persons

Melé (2012) conceptualises the economic entity as a human community. Drawing from various sources, including managerial literature, business ethics scholars, Catholic Social Teaching and some Phenomenological-Personalist philosophers, it is proposed that the entity should be viewed as a “community of persons”, oriented towards providing goods and services efficiently and profitably. A variety of sources from the managerial and business ethics literature support the notion of the entity as a community, including: the work of Mary Parker Follett and Chester Barnard (Barnard, 1968/1938; Follett, 1940; Melè, 2012; Melè & Rosanas, 2003); Ouchi’s Theory Z (Ouchi, 1981; Ouchi & Jaeger, 1978); and the concept of the “company man” (Pfeffer, 2006; Sampson, 1995). For Melé (2012), these discussions signal that economic entities should be understood as communities with varying degrees of intensity in their communal relationships. In the business ethics literature, business ethicists from the Aristotelian tradition argue that it is relationships between members of the economic entity that “make” the community, as “a community is, first of all, an open-ended and immensely complex set of relations between members, who may *within* the context, be called “individuals” (Solomon, 1994, p. 277 as cited by Melé, 2012, p. 93, emphasis in original). From this perspective, the entity is not merely an aggregate of individuals or a homogeneous body, but a “heterogeneous conglomerate that is bound to be riddled with personality clashes, competing aims and methodologies, cliques and rivalries, and divided loyalties but still presenting unity in its activity” (Melè, 2012, p. 93).

The conceptualisation of the entity as a community of persons can also be found in Catholic Social Teaching. This conceptualisation first appeared in 1961 in the Encyclical *Mater et Magistra* by Pope John XXIII, which asserted that the ideal form of an entity is modelled “on the basis of a community of persons working together for the advancement of their mutual interests in accordance with the principles of justice and other Christian teachings” (John XXIII, 1961, #142 as cited in Melé, 2012, p. 94). Pope John Paul II also argued that the entity cannot be considered merely as a society of capital goods, but as a society of persons in which individuals participate in different ways and with specific responsibilities. After reviewing sources from the managerial and business ethics literature, and Catholic Social

Teaching, Melé (2012) reviews the philosophical grounds for communities, starting with Aristotle. According to Melé's (2012) reading of Aristotle, human beings are political animals by nature, in that humans tend to have a disposition to associate and to live in communities. This tendency is termed "sociability", which entails a capacity for empathy and cooperation. Economic entities, among many other modern forms of communities, have their anthropological base in human sociability. Melé (2012) then cites Edith Stein, who argued that the human condition is not atomised, isolated individualism, but inter-human sociability. As such, community is inter-subjective relations between persons (Melè, 2012; Stein, 1989). Melé (2012) also examines the phenomenological-personalist approach of Wojtyła, who argued that the unity of the community is created through the sense of belonging that members have (Wojtyła, 1979/1969, 1993). It is argued that this sense of belonging and the internalisation of shared values – features which Wojtyła argued as being important in a community – also exist in economic entities.

3.2 ACCOUNTING AND JUDEO-CHRISTIAN RELIGIOUS PERSPECTIVES

The focus of my pre-understandings now turns to accounting and Judeo-Christian religious perspectives. There are two strands of research in this area, namely: the sacred-secular divide, which relates to investigations of the functions of accounting within religious institutions; and theological perspectives on accounting, which relates to the ways in which various Judeo-Christian theologies can inform accounting. This thesis is positioned within the latter strand of research.

3.2.1 The Sacred-Secular Divide

Early seminal research on accounting and Judeo-Christian religious perspectives takes a sociological approach by focusing on the functions of accounting within religious institutions such as churches (Booth, 1993, 1995; Laughlin, 1988, 1990). One of the first papers published in this area is Laughlin (1988).

Using the Church of England as a case site, Laughlin (1988) examines the factors and dynamics that give rise to the on-going existence of religious organisations and the role of accounting within these institutions. For Laughlin (1988), the creation of centres for "the sacred" is obvious for any religious beliefs. This centre performs two functions: as a sacred space with defined boundaries; and as a place where followers can learn "appropriate

behaviour” from the gods. Citing the works of Durkheim and Eliade, Laughlin (1988) argues that the central feature of all religion is the distinction between the sacred and the profane. As such, accounting systems are “profane” and subordinate to the “sacred” functions of the church.

Following along similar lines as Laughlin (1988), Booth (1993) develops a framework to facilitate further research on accounting as a situated practice in churches. The framework has three key sets of concepts: the centrality of religious beliefs in religious organisations; the role of actions of members in the (re)production of beliefs; and the significance of membership size and financial resources. On the first set of concepts, Booth (1993) argues that religious beliefs generally favour resistance against accounting. On the second set of concepts, it is argued that various occupational groups in churches may support the sacred or secular to fluctuating degrees. For example, the clergy will usually seek to strengthen resistance against the secular, while other occupational groups may seek to reduce resistance. On the third set of concepts, membership size and financial resources can either weaken or strengthen the sacred-secular divide. For example, growing membership may lead to prioritisation of sacred objectives, and abundant resources may act as a buffer against the encroachment of the “secular” on sacred goals.

Notwithstanding the contributions of the likes of Laughlin (1988) and Booth (1993), more recent literature has argued against the sacred-secular dichotomy and presented more unified perspectives of accounting and religious beliefs in religious communities (Berry, 2005; Irvine, 2005; Jacobs & Walker, 2004; Kreander et al., 2004; Quattrone, 2004). An example of an extensive critique of the sacred-secular divide is Jacobs (2005), who argues that the conception of accounting as sacred or secular in religious institutions is highly dependent on the individual’s phenomenological perception of accounting, rather than a sociological sacred-secular divide. Using the Church of Scotland as a case site, it is argued that the conflicts within the Church can be better explained by the concept of jurisdictional conflict, rather than the sacred-secular divide. The clergy lay claim to a very broad jurisdiction, including: the ultimate meaning of things; sickness; mental well-being; and personal problems – all of which have been contested by other groups. In regards to church finances, accountants contest with the clergy in this area.

3.2.2 Accounting and Judeo-Christian Theologies

The review now turns to an emerging body of research that engages accounting with Judeo-Christian theologies. The word “theology” is derived from the Greek words *theos* (God) and *logos* (word). When used in the phrase “Christian theology”, theology is “the discourse of the [Christian] God” (McGrath, 2007, p. 102) and “the fully reflective understanding of the Christian witness of faith as decisive for human existence” (S. M. Ogden, 1972, p. 23). The history of Christian theology spans across 2000 years, beginning with the Patristic Period (circa 100 – 700 A.D.) with theological thinkers such as Justin Martyr, Irenaeus of Lyons, Tertullian and Augustine of Hippo, until the present Modern Period, which consists of various movements such as Liberal Protestantism, Liberation Theology, Black Theology, Feminist Theology and Radical Orthodoxy. As such, theology contains an element of “looking over one’s shoulder”, as “the great theological luminaries of the past” (McGrath, 2007, p. 3) remain relevant for today’s theological debates.

The following sub-sections review specific examples of engagements between accounting and Judeo-Christian theologies. These are: Liberation Theology; Paul Ricoeur’s Narrative Identity; and the Radical Orthodoxy movement.

3.2.2.1 Liberation Theology

Liberation theology is a contextual theology that arose in the 1960s in Latin America as a challenge against forces that were elitist and hegemonic (Gallhofer & Haslam, 2004). As Liberation Theology interprets Scriptural narratives and Christian doctrines primarily from the position of the poor and oppressed (Moerman, 2006), the term “liberation” is associated with emancipation from both material and spiritual repression. Liberation Theology was originally coupled with Marxist methods of analysis, and it continues to engage with critical theories. In regards to economic activity, Liberation Theology recognises “the role that problematic capitalistic structures play in the repression and exploitation of people” and the necessity to “effect related structural change if the struggle for emancipation is to be successful” (Gallhofer & Haslam, 2004, p. 383).

Gallhofer and Haslam (2004) draw on multiple dimensions of Liberation Theology in order to contribute towards the emancipatory possibilities of accounting. The first dimension is Liberation Theology’s identification with the poor and oppressed. Liberation Theology views the poor and the marginalised as an oppressed collective. As such, effective action for their

liberation involves actual struggle alongside the poor, rather than mere contemplation of their condition. While this approach has some affinity in critical and emancipatory accounting (Broadbent et al., 1997; Gallhofer & Haslam, 2003), Gallhofer and Haslam (2004) question as to whether “critical accounting [has] left the ivory tower of academia and become an integral part of emancipatory struggles” (Gallhofer & Haslam, 2004, p. 387). The second dimension of Liberation Theology is therefore the establishment of grass-root communities in enabling the practice of Liberation Theology. The building of networks is incredibly important in order to reach the poor and to develop counter-hegemonic praxis. Gallhofer and Haslam (2004) argue that critical accounting should begin constructing such networks with unions, social movements and grass-root communities, thus challenging the detachment of academia from the world of policy and practice. The third dimension of Liberation Theology is to read and interpret the Scriptures from the vantage point of the poor. A potential implication for critical accounting is to question the authoritative texts in accounting, such as accounting laws, conceptual frameworks and standards, and to participate in providing radical understandings of social welfare and public interest.

Another study that linked accounting and Liberation Theology is Moerman (2006). According to Moerman (2006), Liberation Theology stands in contrast to Western mainstream theology which promotes a dualistic approach of the sacred and the profane. It is argued that this division is restrictive as it denies the secular and the worldly. In confining itself only to the sacred, Moerman (2006) argues that Western mainstream theology loses political import, thus privileging secular analyses of social, economic and political life. In contrast, Liberation Theology provides an alternative ontological stance that focuses on praxis in the world, and as such, is useful for informing emancipatory accounting. Moerman (2006) then draws from Liberation Theology in identifying various themes that would encourage engagements between accounting and activism, such as engagements with non-academic groups and exposing areas where accounting is lacking in its public interest function. Throughout the paper, Moerman (2006) also draws parallels between the critique of mainstream accounting from critical accounting, and the critique of mainstream theology from contextual theologies such as Liberation Theology.

3.2.2.2 Paul Ricoeur's Narrative Identity

Paul Ricoeur⁴ was a French philosopher and best known for his work in postmodern hermeneutics. However, he also engaged extensively with Christian theology. While he tried to maintain the autonomy of both philosophy and theology in his work (Ricoeur, 1992), Ricoeur found religious narratives, particularly those of the Judeo-Christian faith, to be rich in imaginative potential and relevant to fundamental human concerns and ethical reflection (McKernan & Kosmala MacLulich, 2004).

McKernan and Kosmala MacLulich (2004) apply Ricoeur's analysis of narrative and his biblical hermeneutics in providing an alternative foundation for financial reporting. Ricoeur's model of narrative identity as developed in *Oneself and Another* (Ricoeur, 1992) is helpful in enlarging communicative ethics, as a prominent place is given to narratives in the communicative process. Narratives are vital in moral judgment, as they involve "the interpretation of the narratives of oneself and of those others affected by the moral issue concerned" (McKernan & Kosmala MacLulich, 2004, p. 329).

Ricoeur's philosophical focus is on the "world creating, meaning-giving, aspects of narrative – its capacity to draw "scattered events" together into a unified story that explains the relations between events and actions and thereby creates meaning and understanding" (McKernan & Kosmala MacLulich, 2004, p. 338). In his theory of narrative identity, Ricoeur demonstrates how narratives shape the ways in which we come to understand the world, human action, behaviour, identity and ethics. Importantly, Ricoeur sees the process of ethical living as a narrative journey – a hermeneutic of the self: "We know the good life, a life worth recounting, by examining it: by reading it" (McKernan & Kosmala MacLulich, 2004, p. 339). The emphasis on reading lives as narrative journeys forces one to see life as an entanglement with the identities of others. Narratives, however, are lacking in financial accounting. As accounting is positioned as a "problem solving technology" (McKernan & Kosmala MacLulich, 2004, p. 342), there is little scope for the constitution of identities due to the privileging of quantification and the domination by neoclassical economics. Consequently, narrative language is needed in the construction of responsible corporate identities.

⁴ Interestingly for this thesis, Paul Ricoeur studied and engaged with the writings of Dietrich Bonhoeffer. Refer to Ricoeur's (2009) reflection on Bonhoeffer entitled *The Non-religious Interpretation of Christianity in Bonhoeffer*.

Ricoeur provides a vital place for narratives at the core of the re-conceptualisation of ethics, as humans draw heavily from narratives and are transformed by them. Crucial among these narratives, for Ricoeur, are “the religious narratives and in particular those of biblical faith” (McKernan & Kosmala MacLulich, 2004, p. 329). In the Sermon of the Mount, Ricoeur finds a striking contrast between the logic of humanity, which is “the logic of equality, of equivalence”, and the logic of God, which is the logic “of excess, of superabundance” (Ricoeur, 1991, p. 279 as cited in McKernan and Kosmala MacLulich, 2004, p. 352). For Ricoeur, Jesus’ extreme commandments show a distinct pattern of excessiveness, of “giving more” than is reasonable. Ricoeur sees the same logic of superabundance in Jesus himself, as he is the “divine excess of generosity, the “abundant free gift” [and] the “how much more of God” (McKernan & Kosmala MacLulich, 2004, p. 353). The logic of superabundance is not meant to be construed as an opposition to the rule of justice. Rather, it negates perverse forms of justice, where justice is “a competitive attempt to secure advantage within the security of an accepted rule or framework” (McKernan & Kosmala MacLulich, 2004, p. 353). In applying this logic of superabundance to accounting, McKernan and Kosmala MacLulich (2004) suggest that imagination, morality and narrative should be given a place in accounting practice and regulation in order to challenge some of the logics in mainstream accounting.

3.2.2.3 Radical Orthodoxy

While a variety of theologies have been adopted in accounting research, McPhail (2011) contends that there is little critical engagement with orthodox Christian theologies and the radical possibilities that they bring. Presented as a critique of Molisa (2011), where Christian Scriptures are interpreted through Tolle’s teachings, McPhail (2011) introduces Radical Orthodoxy as a means to provoke further discussions on the limited types of spiritual and religious perspectives that critical and interdisciplinary accounting engages with.

Radical Orthodoxy is a movement that is critical of the way in which theological narratives are being used within the broader religious turn, and as such, is committed to revitalise orthodox Christian beliefs. The unique feature of this movement is its commitment to combine postmodernism and orthodox Christian beliefs into some form of reconciled position (McPhail, 2011). Radical Orthodoxy seeks to “reclaim the world by situating its concerns and activities within a theological framework” (Jacobs, 2006 as cited in McPhail, 2011, p. 525), and claims the exclusivity of the Christian tradition as *the* approach in overcoming the “eternal deferral of postmodernity” (McPhail, 2011, p. 525). While this approach stands in

contrast to more liberal and pluralistic approaches to religious traditions, this exclusivity also demands for Christianity to be understood “in the uniqueness of its own story” (Shakespeare, 2007, p. 60 as cited in McPhail, 2011, p. 525).

While Radical Orthodoxy accepts that Christianity is no more founded than other narratives, it does not mean that there is no space for theological voices to be heard. Rather, “it is theology’s assignment now to convince us that the Christian story (as a story) is a better one than all other stories; moreover that it is the best one” (Jacobs, 2006 as cited in McPhail, 2011, p. 525). Thus, it is possible for many worldviews, including Christianity, to tell its story without embarrassment. While McPhail (2011) does not discuss how the principles upheld by Radical Orthodoxy can be applied specifically in accounting, it challenges the manner in which accounting and religious perspectives research is currently conducted.

3.3 RESEARCH GAPS

The previous sub-sections provided an overview of: two existing critical approaches in conceptualising the economic entity and the implications of these conceptualisations; and existing research in accounting and Judeo-Christian religious perspectives. Notwithstanding the exceptional contribution to knowledge that the cited literature has made, several research gaps are identified as below.

Section 3.1.1 discussed the conceptualisation of the entity as a moral agent through the discourse of “giving accounts” as formulated in Schweiker (1993), extended in Shearer (2002), and employed in Macintosh et al (2009). While this conceptualisation directly addresses the issue of ethics and morality, there are aspects that remain problematic. The approach adopted in Schweiker (1993) and Shearer (2002) affirms a “narrativist view of the origin and nature of identity and responsibility” (McKernan, 2012, p. 265), in that the moral identity of the entity originates from the discourse of rendering accounts. The moral standards by which these accounts are evaluated are then dependent on the norms of the moral community in which the entity operates. A significant problem with grounding moral and ethical standards via the norms of a given community is that this approach has failed in contexts where violence is normalised. An extreme but real example is Nazi Germany – a context where “the huge masquerade of evil has thrown all ethical concepts into confusion”; where “evil [...] appear[s] in the form of light, good deeds [and] historical necessity; where

resistances on the basis of reason, principles, conscience, freedom and private virtue have all but failed” (Bonhoeffer, 2010, p. 38). This then leaves open the question as to *what* are the norms for moral and ethical justification, and whether these norms can withstand extreme and extraordinary contexts where violence is normalised.

Section 3.1.2 discussed the conceptualisation of the entity as community of persons. While this conceptualisation is closely aligned with the intended objectives of this thesis, it contains several problems. To begin, Melé’s (2012) approach to arriving at this conceptualisation via an amalgamation of different sources, such as managerial and business ethics literature, ethics from the Aristotelian tradition, Catholic Social Teaching and phenomenology, pays little attention to the basic ontological and epistemological differences between these knowledge bases. In addition, Melé (2012) does not explicitly address why and how should a community be construed as a moral or ethical community. Unlike Schweiker (1993) and Shearer (2002), who ground the entity as a moral and ethical agent in the discourse of giving accounts, no such discussions are made in Melé (2012). In fact, Melé (2012) seems to accept the goal of profit-making as a given. Melé (2012) also does not adequately address the broader contexts in which economic entities operate. Many of the ethical conundrums that economic entities face can be traced to the fact that they do not exist in isolation, but in interaction with many spheres of human existence, leading to clashes in ideals and ideologies. The moral and ethical implications of these interactions are not discussed.

Section 3.2 gave an overview of interdisciplinary engagements between accounting and Judeo-Christian religious perspectives. There seems to be a greater preference for theologies that may be employed in promoting “secular and irreligious views of spirituality” (McPhail, 2011, p. 524), rather than more orthodox approaches – a move which may limit the radical potential of religious beliefs. As noted by Žižek, “it may be easier to engage with the religious through some “new paradigm” whether liberalism, postmodernism or spiritual psychology, however this may in the end, remove its radical potential to provide a basis for human emancipation” (McPhail, 2011, p. 527). However, an appeal to orthodoxy must be cautioned against an overzealous, “evangelical” drive that degrades the value of “secular” knowledge and respectful dialogues with other worldviews. To this end, there is a need for theological approaches that can embrace the multi-faceted and multi-dimensional aspects of human existence, where those who abide by the Christian faith are encouraged to live

responsibly in the “real currents of life” (Bethge, 1981, p. 6), rather than in dogmatic isolation.

Despite these critiques, the literature mentioned above has contributed significantly to existing knowledge. As previously mentioned in Chapter 1, there are few research efforts in critical accounting that engage with the conceptualisation of the economic entity and its ethical imperative, notwithstanding the fact that it is the *entity* that accounting reports on. This lack of engagement can be construed as a research gap. To address this gap, it is necessary to critically examine the dominant conceptualisation of the entity, its ethical limitations, and to provide an alternative conceptualisation. These issues are taken up in Chapters 4 and 7.

Any conceptualisation of the entity has significant implications on a variety of issues and a multitude of stakeholders. As can be seen in this review, Schweiker’s (1993) analyses have significant implications for the construal of economic entities as ethical agents. In Shearer (2002), the adoption of Levinasian ethics has significant implications for economic accountability. Macintosh et al (2009) extends Shearer’s (2002) analyses to management and control systems. In this thesis, the focus is on labour, as they constitute a significant but neglected stakeholder group. The linkages between conceptualisations of the entity and accounting for labour are explored in Chapters 5 and 8.

Many of the proposals made in this thesis are inspired by the theology and ethics of Dietrich Bonhoeffer (1906 – 1945). In choosing a theological lens, this thesis seeks to contribute towards engagements between accounting and Judeo-Christian theologies. This field of research remains relatively small when compared to atheistic approaches to critical and alternative accountings, the sacred-secular divide, and the remarkable progress that has been made in Islamic scholarship. The choice to engage with Bonhoeffer in particular can perhaps be construed as a risky one, as this thesis is the very first engagement between accounting and the theology and ethics of Bonhoeffer. However, this choice is made in response to the call to demonstrate the emancipatory potential that orthodox Christian theologies might hold for critical accounting (McPhail, 2011). It is my position that the theology and ethics of Bonhoeffer is suitable and fruitful for this task. The life and legacy of Bonhoeffer, and the fundamental presuppositions of his theology and ethics are explored in Chapter 6.

3.4 SUMMARY

This chapter discussed my pre-understandings as a researcher in this study. The discussions included an overview of two critical approaches to conceptualising the economic entity and its implications. The approaches discussed are: the economic entity as a moral agent through the discourse of giving accounts; and the economic entity as a community of persons. Subsequently, an overview of existing research in accounting and Judeo-Christian religious perspectives is provided. The overview included a brief summary of the sacred- secular divide and three examples of engagements with theology. The examples are: Liberation Theology, Paul Ricoeur's Narrative Identity and Radical Orthodoxy. The research gaps are then identified, followed by a brief outline on how subsequent chapters seek to contribute towards these gaps.

This chapter marks the end of Part 1. The next chapter – the beginning of Part 2 – explores the dominant conceptualisation of the entity in conventional accounting: the nexus-of-contract approach.

PART TWO:

THE NEXUS-OF-CONTRACT APPROACH

CHAPTER 4: THE ECONOMIC ENTITY AS “NEXUS-OF-CONTRACTS”

Firms are bundles of unruly phenomena. [...] Given this, it would seem unlikely that any new school of firm theorists – even a new school armed with the methodological tools of modern social science – could advance a radically altered theory of the firm simultaneously possessing the virtues of accuracy and political neutrality. Nevertheless, [the] theory of the firm [...] makes this claim. [This theory] has achieved wide currency, showing up even in contexts in which the rest of the theory has little or no influence. Some have accorded this notion the weight of scientific truth (Bratton, 1989, p. 407).

The economic entity as a “nexus-of-contracts”, also known as “the theory of the firm”, is the dominant and most widely accepted conceptualisation of the firm in economics, corporate law and accounting (Bratton, 1989; M. A. Eisenberg, 1999). The purpose of this chapter is to provide a critique of the nexus-of-contract conceptualisation, focusing on its ethical limitations.

Section 4.1 traces the intellectual developments of the nexus-of-contract conceptualisation, reviewing landmark papers such as Coase (1937), Alchian and Demsetz (1972) and Jensen and Meckling (1976b). It also discusses the role of neoliberalism in perpetuating the dominance of the nexus-of-contract conceptualisation. The ethical limitations of the nexus-of-contract approach are then discussed. They are: the constitution of the entity as an atomistic, ahistorical and artificial creation; the simplification of social complexities within the entity; and the misconstrued conception of adequate and politically neutral legal and governance mechanisms.

Section 4.2 discusses the involvement of conventional accounting in representing and reporting the nexus-of-contract entity to broader audiences. Conventional accounting represents and reports on the entity using two inter-related approaches. Firstly, the notion of control delineates the boundary of the “reporting entity”. Secondly, financial statement elements and the principles on recognition and measurement are used to determine the events or transactions to be reported in financial statements. These concepts effectively decide which items are to be included or excluded in the reporting process. The IASB Conceptual Framework for Financial Reporting is a significant document in understanding both inter-related approaches. Two ethical limitations are identified. They are: the failure of the notion

of control to capture the extent of the entity's influences; and the restrictive range of events and transactions that are reported in the financial statements.

Section 4.3 discusses the normative behaviour of the nexus-of-contract entity, which is profit and shareholder wealth maximisation. Conventional accounting is culpable in promoting this norm, as exemplified by the conceptual framework's emphasis on the information needs of finance capital providers and a balance-sheet approach to reporting. The limitations of this norm include: a misconstrued conception of the ultimate end of economic life; the conflicts between private interests and societal well-being; and the limitations of the behavioural assumptions of *homo economicus*.

4.1 INTELLECTUAL DEVELOPMENT OF THE NEXUS-OF-CONTRACTS CONCEPTUALISATION

While the advent of the nexus-of-contract conceptualisation is usually associated with Alchian and Demsetz (1972) and Jensen and Meckling (1976b), the intellectual history of this conceptualisation began with Ronald Coase's landmark paper entitled *The Nature of the Firm* (Bratton, 1989). The core issue of the paper is to explore why certain economic activity takes place within firms, where activity is directed by *authority*, while other economic activity takes place across markets, where activity is determined by *contract* and the price mechanism. For Coase (1937), the entity consists of economic activities that are directed by the entrepreneur, who in turn is defined as the person(s) who take the place of the price mechanism in the allocation of resources. As such, the entity is an instrument for economic efficiency, where the price of resource allocation and organising production is significantly reduced under the authority of the entrepreneur. While contracts are not eliminated with the establishment of an economic entity, the costs associated with contracts are greatly reduced. Using labour as an example, the entrepreneur does not need to negotiate a series of contracts with those that are co-operating with him / her in the entity, as multiple contracts are substituted with one employment contract that contains clauses on agreed-upon remuneration (Coase, 1937; M. A. Eisenberg, 1999). Coase (1937) was seminal in the attempt to theoretically link the economic entity in relation to the market. The analyses in this paper formed the rudimentary understandings of what is now known as "transactional cost theory". The basic notion of this theory is that "properties of the transaction determine what constitute the efficient governance structure" (Reve, 2000, p. 311).

Alchian & Demsetz (1972) object to the Coasian conception of the entity. According to Alchian & Demsetz (1972), to view the entity as an instrument that can “settle issues” in ways that are more superior to the conventional market is delusional (Alchian & Demsetz, 1972; M. A. Eisenberg, 1999). Instead, the role of team production within the firm, and the use of agreements and monitoring mechanisms within team production are emphasised:

It is common to see the firm characterised by the power to settle issues by fiat, by authority, or by disciplinary action superior to that available in the conventional market. This is delusion. [...] [The firm] has no power of fiat, no authority, no disciplinary action any different in the slightest degree from ordinary market contracting between any two people. [...] To speak of managing, directing or assigning workers to various tasks is a deceptive way of noting that the employer continually is involved in renegotiation of contracts on terms that must be acceptable to both parties. [...] It is in a *team* use of inputs and a centralised position of some party in the contractual arrangements of *all* other inputs. It is the *centralised contractual agent in a team productive process* – not some superior authoritarian directive or disciplinary power” (Alchian & Demsetz, 1972, pp. 777-778, emphasis in original).

Jensen & Meckling (1976b), while agreeing with Alchain & Demsetz (1972) in rejecting the Coasian view of the entity, argue that the rejection did not go far enough (M. A. Eisenberg, 1999):

Alchian and Demsetz [...] object to the notion that activities within the firm are governed by authority, and correctly emphasise the role of contracts as a vehicle for voluntary exchange. They emphasise the role of monitoring in situations in which there is joint input or team production. We sympathise with the importance they attach to monitoring, but we believe the emphasis which Alchian-Demsetz place on joint input production is too narrow and therefore misleading. *Contractual relations are the essence of the firm, not only with employees but with suppliers, customers, creditors etc* (Jensen & Meckling, 1976b, pp. 310-311, emphasis added).

Consequently, Jensen & Meckling (1976b) propose, in substitution for Coase's theorisation of the entity, that the entity is a nexus of contracts: "[...] Most organisations are simply *legal fictions which serve as a nexus for a set of contracting relationships among individuals*" (Jensen & Meckling, 1976b, p. 310, emphasis in original). The word "contracts" denotes a specifically economic understanding, in that contracts are viewed as connections that are characterised by reciprocal expectations and behaviour (M. A. Eisenberg, 1999; Gordon, 1989; Hart, 1989), thus differing from law, where contracts denote legally enforceable promises. Importantly, the term "contracts", in mainstream economics, usually connotes markets. By conceiving the economic entity as a nexus of contracts, it implies that the entity is "simply the product of market forces" (M. A. Eisenberg, 1999, p. 823). As such, the personalisation of an economic entity, evident through questions such as "what should be the objective function of the firm?" or "does the firm have a social responsibility?" are argued as misleading and irrelevant, because the firm, unlike human beings, cannot be construed as having ethical obligations (Jensen & Meckling, 1976b).

According to Jensen & Meckling (1976b), relationships in economic entities are articulated through explicit and implicit contracts between two groups, namely the principal and the agent. In situations where the principal and the agent are one and the same, the principal will make operating decisions that maximises his or her utility. In situations where the equity claim to the firm is sold to others, as is the case in limited liability companies, a separation between the owners of the firm (the principals) and the managers of the firm (the agents) occurs. The divergent interests between principals and agents lead to agency costs. This agency conflict between owners and managers stems from managers' tendency to "appropriate perquisites out of the firm's resources for his own consumption" (Jensen & Meckling, 1976b, p. 313). The main problem is the problem of incentive, as decision-making is within the province of managers, not the owners of the entity (Fama, 1980). As such, there is a need for incentive systems that would align the self-interested goals of principals and agents with minimal losses in efficiency. Contracts⁵ become even more essential in identifying mutual duties and obligations, and in aligning the interests of principals and

⁵ In Reve (2000), contracts are differentiated between "internal contracts" and "external contracts". "Internal contracts" refer to the internal or hierarchical governance systems within the entity, while "external contracts" refer to external governance systems, such as the price mechanism (Reve, 2000). The price mechanism is viewed as a form of governance or a disciplinary tool, in that pressures exerted by the external, managerial labour market would compensate managers in accordance to their performances (Fama, 1980).

agents. The analyses in Jensen & Meckling (1976b) form the rudimentary principles of what is now commonly known as “agency theory” (Reve, 2000).

Since the publication of these papers, further developments have occurred in both transactional cost theory and agency theory. The conceptualisation of the entity as a nexus-of-contracts, as understood in modern financial economics, utilises both transaction cost economics and agency theory (Alchian & Demsetz, 1972; Boatright, 2002; Demsetz, 1983; Fama, 1980; Jensen & Meckling, 1976b; B. Klein et al., 1978; Williamson, 1985). According to the current nexus-of-contracts approach, each party, including employees, customers, suppliers and investors, provides assets in return for some gain. Contracts are used in bargaining with these corporate constituents over the terms of their compensation, as well as the institutional and legal arrangements that would protect their compensation from post-contractual expropriation. The entity becomes the common signatory of these contracts, connecting them to form a nexus (Boatright, 2002; Easterbrook & Fischel, 1991; Hansmann, 1996). The nexus itself exists as a “standard form” contract. The term “standard form” refers to available business and organisational designs that contractual parties can adopt in furthering their corporate ventures, such as limited liability companies, partnerships or sole proprietorships. As it is difficult to imagine the complex scenario where various parties of a business venture will create new contracts that establish the core features of their venture (for example: limited liability; legal personhood; indefinite life; transferable shares), “standard form” contracts, with in-built allowances for exceptions, incur lower transaction costs and are far more convenient (Hart, 1989; Macey, 1999). These parties then contract for their share of monetary compensation from the entity:

[...] Each side expresses its own priorities and preferences and bargains to its best advantage. In the end, both sides benefit from making the deal – otherwise it would not have been made. The fact that both benefit provides a justification for the terms of the deal and a powerful reason to reject all public intervention into terms (van Wezel Stone, 1993, p. 356).

One of the major reasons for the wide acceptance of the nexus-of-contract conceptualisation is the “neoliberal revolution” (Beverungen et al., 2014). There is an emphatic turn to neoliberalism in political-economic practices globally, led by the Thatcher / Reagan revolutions in Britain and the United States in the 1970s. The “neoliberal mind-set” is

influential in academic circles, mainstream media, corporate boardrooms and financial institutions. Neoliberalism has considerable impact on ways of thought and political-economic practices, so much so that it “has become incorporated into the common sense way in which we interpret, live in, and understand the world” (D. Harvey, 2007, p. 23). While the term “neoliberalism” is often used to describe the state-economy reorganisation that has occurred in the last three decades in capitalist worlds, neoliberalism, as a political-economic ideology is not coherent or unified (Eskelinen, 2011). Additionally, there are key differences between normative neoliberal theories and the application of these theories in public policy. Neoliberal policies also differ from one geographical location to another and are highly dependent on the political, economic and social climates of the varying contexts⁶.

Despite these differences, there are several common characteristics that identify a particular ideology as neoliberal, such as the acceptance of *laissez faire*, the privatisation of public services, and the deregulation of labour and financial markets. One of the most prominent features of neoliberalism is the rhetoric of minimal government powers, particularly in the regulation of the economy (Cahill, 2010). It is argued that self-regulating and efficient markets – without the intervention of governments – are able to regulate, reduce and potentially eliminate most conceivable problems and inefficiencies (Zhang & Andrew, 2014). Despite promoting the retreat of government powers, neoliberal policies have not necessarily translated to a reduction in the sizes of governments. Rather, what is occurring is a *redefinition* of the role of governments, in that the role of the state is redefined to support and manage markets, and to assist its constituents and communities mainly through efficient markets (Andrew & Cortese, 2013). The form of government promoted is a government that creates the best possible conditions for an efficient and self-regulating market (Freedan, 1996; Gamble, 2006; D. Harvey, 2005; MacEwan, 2005; Palley, 2005; Zhang & Andrew, 2014). Various governments that have implemented neoliberal policies have played an increasingly “active, indeed *activist* role in the introduction, implementation and reproduction of neoliberalism⁷” (Cahill, 2010, p. 301, emphasis in original).

⁶ Refer to D. Harvey (2007), Cahill (2010) and Weiler (1984) for historical accounts of the development of neoliberal policies in different geographical areas and nation-states.

⁷ For example, neo-liberal policies were advocated and implemented in Chile under the Pinochet dictatorship (N. Klein, 2007), who used military powers to engage in privatisation, the dismantling of protectionist barriers, cuts to social expenditure and the suppression of organised labour and dissenters through imprisonment, torture and murder. Neoliberalism was enforced using state coercion. Neo-liberal policies were widely implemented in the United States under President Ronald Reagan, who confronted various union bodies and activists (Cahill, 2010). The Thatcher government in the 1980s in United Kingdom also used coercive powers of the state to undermine

One of the perceived strengths of the neo-liberal ideology is its alignment with the public interest and democratic values. Positioned as an ideology that supports the maximisation of public interest, neoliberalism proposes that “human well-being can be best advanced by the maximisation of entrepreneurial freedoms within an institutional framework characterised by private property rights, individual liberty, unencumbered markets, and free trade” (D. Harvey, 2007, p. 22). It is only through a free market that the best possible social and economic conditions can be secured for all (Zhang & Andrew, 2014). In areas where a market does not exist or is not established, such as environmental pollution or social security, markets should be created by state intervention (D. Harvey, 2007). Drawing from economic utilitarianism, the market is positioned as the fundamental mechanism for the adjudication of economic and social welfare, with economic prosperity being the teleological end goal. It is argued that a market, with no or minimal government intervention, will lead to optimal price mechanisms that will react to individuals’ real preferences, allowing for increased economic growth, thereby leading to an increase in societal well-being. Trade liberalisation across nation-state borders is argued as beneficial and will lead to increased economic benefits, as countries will reap comparative advantages of production. Inflation control and floating currencies are also encouraged (Eskelinen, 2011).

While acknowledging that many of these policies often result in increased inequalities, the inequalities are justified via utilitarian understandings of society, in that the overall gains are great enough to justify these inequalities. Economic utilitarianism does not take into account the fairness or equality of the *distribution* of economic wealth, but only its *overall* gain. In addition, the ideals of individual liberty and freedom are viewed as “sacrosanct” in neoliberalism. These ideals are threatened not only by fascism, dictatorships and communism, but by all forms of state intervention that subsume the individual’s right to choose. For the proponents of neoliberalism, it is difficult to imagine a society in which individual liberty and freedom are effectively preserved without the power of the competitive market and the protection of private property (D. Harvey, 2007; Eskelinen, 2011). Consequently, opposition against neoliberalism is usually misconstrued as an opposition against democracy itself (Grant, 1991).

powerful unions such as the National Union of Miners (NUM), paving the way for neo-liberal policies (Cahill, 2010; Harvey, 2007).

Due to the dominance of neo-liberal ideology, the nexus-of-contracts conceptualisation has become accepted as a given, so much so that even public sector institutions, such as government departments, universities and hospitals, are being re-organised to fit this conceptualisation (Beverungen et al., 2014). Agency theorists have long argued that minimal distinctions should be made between private firms and public institutions (Jensen & Meckling, 1976b). Consequently, public sector institutions have taken on the “language of finance” (Beverungen et al., 2014, p. 62) in representing their performance and entrenching financial accountability, transforming the public sector to behave like the private sector (Beverungen et al., 2014; R. Gray & Haslam, 1990; Newfield, 2008; Readings, 1996; Saravanamuthu & Tinker, 2002). In addition, roles that were traditionally within the public sector are increasingly being delegated to for-profit economic entities, encouraging the transfer of many services to the private sector (Agnew & Corbridge, 1995; Cahill, 2010; Mansfield, 2004; Overbeck, 1993; Peck, 2001). This is because “corporate power [is] not to be feared but prized as an asset in the quest for economic prosperity” (Weiler, 1984, p. 365). As for-profit economic entities gain more prominence in society, economic logics are increasingly being employed as *the* solution to various problems such as poverty and environmental degradation, thus becoming the dominant approach in political and economic practices today (Mansfield, 2004). As a result, the divide between the public and private sector is becoming increasingly blurred, as corporations and businesses engage in areas that were traditionally within the domain of public services (Cahill, 2010; Fairbrother et al., 1997; D. Harvey, 2005; Saad-Filho & Johnston, 2005).

4.1.1 Theoretical Assumptions of Nexus-of-Contract: Ethical Limitations

The nexus-of-contract conceptualisation views the economic entity as a creation that acts as a nexus for contracting relationships. According to this approach, it is misleading to view the entity as having ethical obligations or social responsibility, as the entity is merely a complex nexus where various sets of objectives are brought into equilibrium through contracts. Unlike individuals, it cannot be perceived as having a “moral conscience”:

The firm is not an individual. It is a legal fiction which serves as a focus for a complex process in which the conflicting objectives of individuals (some of whom may “represent” other organisations) are brought into equilibrium within a framework of contractual relations. In this sense the “behaviour” of the firm is like the behaviour of a market: i.e., the outcome of a complex

equilibrium process. We seldom fall into the trap of characterising the wheat or stock market as an individual, but we often make this error by thinking about organisations as if they were persons with motivations and intentions (Jensen & Meckling, 1976b, p. 311, emphasis in original).

To view the entity purely as a nexus for contracting relationships is limiting in three ways. Firstly, it treats the entity as an atomistic, ahistorical and artificial creation, ignoring the empirical fact that the entity exists as a genuine non-market institution in specific political, historical, cultural, social and temporal contexts (M. A. Eisenberg, 1999). As the entity operates in empirical contexts, its activities have empirical and significant effects. Its activities impact, for example, the wealth and sovereignty of nation-states, the financial and social well-being of individuals and communities, the well-being of the ecological environment and the conditions which future generations will inherit (Shearer, 2002). The influences of economic entities continue to increase with the dominance of neoliberalism, as for-profit economic entities are now engaging in various roles that used be within the jurisdiction of the state (Fairbrother et al., 1997). As such, it is extremely contradictory to conceptualise the economic entity as an artificial creation, and to negate critical analyses of its social and ethical responsibility, when this “fiction” has “real”, significant and material impacts on “real” people.

Secondly, in viewing the entity as a nexus-of-contract, the complexities of social relations that are involved in the creation of a social collective like the economic entity are simplified or redefined to suit a contractual approach in perceiving social relationships. The nexus-of-contract approach, while commonly accepted, does not substantially account for the particularities of what is essentially a social phenomenon. In the purposeful gathering of separate individuals to form collectives, such as political organisations, social clubs and economic enterprises, many complex sociological forces are involved – forces which continue to be the topics for study by sociologists, philosophers and theologians since Plato. There is a rich body of knowledge in sociology, science, philosophy and theology which critically analyse the formation of social collectives, ranging from small collective units, such as the family, to large collective units, such as nation-states (Stewart, 2001). This body of knowledge, however, is bracketed out in the nexus-of-contract conceptualisation. Indeed, the economic entity, as a social collective, is much more than a nexus for contracting relationships, as each entity has its own complex blend of ideologies, myths, rituals,

ceremonies, cultures, symbolism, hierarchies and contestations (Morgan, 1988). The social phenomena that occur within economic entities are far too complex to fit within the neat and tidy assumptions of the nexus-of-contract approach. In addition, the construal of relationships as primarily contractual is inherently limiting. It not only reduces the complexities of social relations within the entity, and between the entity and others, it also denies the ethical implications that this theorisation carries. Any theorisation of the relation between persons, between institutions and between persons and institutions (Ricoeur, 1992) is always an ethical and moral task. The construal of relationships as primarily contractual, as promoted by the nexus-of-contract approach, assumes that contractual terms are adequate in discharging responsibilities. However, it is questionable as to whether the use of contracts alone is adequate in responding to the ethical dilemmas that economic entities find themselves in (R. Gray & S. Gray, 2011). As will be explored in Chapters 7 and 8, contracts are inadequate in addressing significant labour issues such as caste discrimination and the use of child and forced labour. As such, an alternative approach in conceptualising relationships is needed – one that can better position the entity as a genuine social collective with ethical responsibilities.

Thirdly, the nexus-of-contract conceptualisation assumes the existence of adequate legal and governance mechanisms that can fairly execute the terms of the contract. Examples include: legislations governing business entities (such as legal statutes on companies, financial reporting and the issuance of shares); government ministries (such as ministries governing business and employment); and the judiciary (such as judicial rulings on contracts, tort and property). All parties, including stakeholders, can seek protection and remedies through contracts and the legal system (Sundaram & Inpekn, 2004). Stakeholders are able to enter into contractual relationships with the entity to ensure that their interests are taken into account. The rights of both parties can be determined through bargaining (Boatright, 2002; Donaldson & Preston, 1995; Evan & Freeman, 1993; Freeman, 1984; Freeman & Evan, 1991). However, there are various problems associated with this assumption. Despite the rhetoric of minimal government interferences, businesses frequently interfere in both the legislative and judicial dimensions of law through their lobbying activities, challenging the apparent neutrality of legislative and juridical avenues. Coupled with various loopholes and imperfections within the legal system (J. A. Eisenberg, 1992; Parker & Braithwaite, 2003; Scherer & Palazzo, 2011; Stone, 1975), it is problematic to assume that legal and governance

mechanisms alone are adequate in managing the proper enforcement of contracts, and to do so in a manner that is fair and equal to all parties.

The problem of governance becomes more acute with the advent of globalisation.

Globalisation has led to the erosion of the regulatory power of nation-states, as economic and social interactions expand beyond the reach of any one national jurisdiction (Beck, 2000; Doh, 2005; Palan, 2003; Strange, 1996; Zürn, 2002). The involvement of multiple sites and complex value chains in the global production network mean that economic entities are able to pick and choose among various legal and governance systems that would benefit their own interests. Multinational corporations, in particular, are able to: design the optimal context of labour, social and environmental regulations for their operations (Roach, 2005; Scherer & Palazzo, 2007; 2011, p. 905; Scherer et al., 2006); take advantage of the variety of legal and regulatory systems and play them against each other; and move production sites and financial investments to areas that are more hospitable to them (Avi-Yonah, 2000; Roach, 2005; Scherer & Palazzo, 2011; Scherer & Smid, 2000; Shamir, 2004). The erosion of the power of nation-states to control the activities of economic entities has led to governance gaps across the world. The task of “filling in” these gaps has fallen to international organisations such as the United Nations and International Labour Organisation, and various non-governmental organisations and social activist groups. However, they can only do so with great difficulty and limited effectiveness (den Hond & de Bakker, 2007; Doh & Guay, 2006; Risse, 2002; Ruggie, 2004; Scherer & Palazzo, 2011).

4.2 REPORTING ON THE NEXUS-OF-CONTRACT ENTITY

The previous section discussed intellectual development of the nexus-of-contract conceptualisation and the ethical limitations of its theoretical assumptions. The discussion now turns to the manner in which the nexus-of-contract entity is represented and reported to wider audiences. Accounting is central in this exercise because accounting communicates a particular reality of the entity that is widely accepted. Notwithstanding the fact that an economic entity is “many things at once”, and that any form of representation “always falls short in representing the full texture of reality” (Morgan, 1988, pp. 479-480), the representation provided by accounting remains one of the most ubiquitous and powerful representations available.

The nexus-of-contract conceptualisation is accepted as a given in conventional accounting and it forms the theoretical underpinning of the reporting entity (Chambers, 1993). Conventional accounting constructs and represents the nexus-of-contract entity using two inter-related approaches. Firstly, conventional accounting delineates the boundary of the entity through the notion of control. Secondly, conventional accounting determines the types of events that should and should not be disclosed by the entity, effectively deciding the events that are important enough to deserve recognition and the manner at which this recognition takes place. These two inter-related approaches are powerful in that they offer a narrative about the world and the organisations within it. They impact what we regard as valuable or important in society, and how we construct and understand the responsibility of economic entities. As argued by D. Cooper & Morgan (2013):

If we account for and report physical assets or financial liabilities, then these likely will be managed and be a focus of attention. If we account for product quality, employee safety, human capital or child labour, then these are likely to be a focus of attention and be actively and thoughtfully managed. Conversely, if we choose not to provide reports of corporate behaviour in relation to employee conditions or environmental performance, [it is possible that] we believe these aspects of corporate behaviour are unimportant and do not need to be accounted for (D. Cooper & Morgan, 2013, p. 419).

The principles for the delineation of the boundary of the entity, and the recognition of events and transactions are outlined in the IASB Conceptual Framework for Financial Reporting. This framework is an important regulatory mechanism in the current global market. Emerging from the perceived need for universal international accounting standards, the framework seeks to provide “a basis for deciding which options [for reporting] should be removed or retained, and for developing new standards” (Camfferman and Zeff, 2007, p. 253 as cited in Zhang and Andrew, 2014). The framework is intended as a body of clear and coherent principles that can be used to guide standard-setters in formulating new accounting standards and to provide guidance to accounting practitioners in resolving issues that are not addressed by specific standards or pronouncements.

The conceptual framework is examined in order to understand how the boundary of the nexus-of-contract entity is determined, and how the events and transactions of the nexus-of-contract entity are recognised and reported. The New Zealand equivalent to the latest IASB Conceptual Framework, published by the New Zealand External Reporting Board (NZXRB), is used in this thesis. The current IASB framework was jointly developed by the IASB and the US-based FASB (Zhang & Andrew, 2014), and is currently going through several processes of updates and changes. Notably, Chapter 2 of the Framework, which deals with the reporting entity, remains unfinished at this stage. However, the IASB published an exposure draft on the reporting entity in February 2010 (IASB 2010). Critical analyses of the reporting entity are supplemented with analyses of the New Zealand Equivalent to the Financial Reporting Standard on Consolidated Financial Statements (NZ IFRS 10). NZ IFRS10 is analysed as it provides specific guidance on how the boundary of the reporting entity should be determined.

Section 4.2.1 explores how the boundary of the reporting entity is circumscribed via the notion of control. Section 4.2.2 discusses the financial statement elements and the principles of recognition and measurement, as they, together with the reporting standards, define the events that the entity should disclose, and how the events are to be reported. Section 4.2.3 discusses the ethical limitations associated with the reporting on the nexus-of-contract entity.

4.2.1 The Notion of Control

As discussed, the chapter on the reporting entity in the current conceptual framework is yet to be finalised. An exposure draft on the reporting entity concept was published by the IASB on February 2010 for comments and responses. In the exposure draft, the summary definitions for a reporting entity as highlighted in Figure 4 were proposed:

Summary: The Reporting Entity

S1: A reporting entity is a circumscribed area of economic activities whose financial information has the potential to be useful to existing and potential equity investors, lenders and other creditors who cannot directly obtain the information they need in making decisions about providing resources to the entity and in assessing whether the management and governing board of that entity have made efficient and effective use of the resources provided.

S2: An entity controls another entity when it has the power to direct the activities of that other entity to generate benefits for (or limit losses to) itself. If an entity that controls one or more entities prepares financial reports, it should present consolidated financial statements.

S3: A portion of an entity could qualify as a reporting entity if the economic activities of that portion can be distinguished objectively from the rest of the entity and financial information about that portion of the entity has the potential to be useful in making decisions about providing resources to that portion of the entity.

Figure 4: The Reporting Entity

The exposure draft further states that a reporting entity has three specific features as summarised in Figure 5, with a caveat that “these features are necessary but not always sufficient to identify a reporting entity” (IASB, 2010, RE 3):

Features of a Reporting Entity

RE 3: A reporting entity has three features:

- (a) Economic activities of an entity are being conducted, have been conducted or will be conducted;
- (b) Those economic activities can be objectively distinguished from those of other entities and from the economic environment in which the entity exists; and
- (c) Financial information about the economic activities of that entity has the potential to be useful in making decisions about providing resources to the entity and in assessing whether the management and the governing board have made efficient and effective use of the resources provided.

Figure 5: Features of a Reporting Entity

In addition, the identification of a reporting entity requires consideration of the *boundary* of economic activities being conducted or will be conducted. The existence of a legal entity is not necessary or sufficient in identifying a reporting entity, even though under most circumstances, a legal entity would qualify as a reporting entity (IASB, 2010, RE4 – RE5; BC 10). As stated in Figure 6:

A Reporting Entity is not necessarily a Legal Entity

BC 10: The Board affirmed its preliminary view that a reporting entity need not be a legal entity. Although many economic activities are conducted within a legal structure, such as a

corporation, trust, partnership or incorporated society, not all are conducted that way. Some economic activities might be conducted by a sole proprietorship that is not legally separate from its owner, but there may be a need for a general purpose financial report relating to those activities, for example, to seek funding from a bank or to provide information to prospective purchasers of the set of economic activities. In some jurisdictions, an unincorporated branch of an overseas corporation might be required to provide financial information to existing and potential lenders or other creditors of that branch.

Figure 6: A Reporting Entity need not be a Legal Entity.

The delineation of the boundary of a reporting entity is determined by the notion of *control*. From the exposure draft on the reporting entity (IASB, 2010) and the reporting standard on consolidated financial statements (NZ IFRS 10), two characteristics of control are identified: *power* and *returns*. Power relates to the ability of an entity to direct the operations and activities of another entity, so as to generate benefits or limit losses to itself. The definition of power as provided in NZ IFRS 10 is summarised in Figure 7:

The Definition of Power

NZ IFRS 10 – Consolidated Financial Statements

10. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the *relevant activities*, ie the activities that significantly affect the investee's returns.

11. Power arises from rights. Sometimes assessing power is straightforward, such as when power over an investee is obtained directly and solely from the voting rights granted by equity instruments such as shares, and can be assessed by considering the voting rights from these shareholdings. In other cases, the assessment will be more complex and require more than one factor to be considered, for example when power results from one or more contractual arrangements.

12. An investor with the current ability to direct the relevant activities has power even if its rights to direct have yet to be exercised. Evidence that the investor has been directing relevant activities can help determine whether the investor has power, but such evidence is not, in itself, conclusive in determining whether the investor has power over an investee.

Figure 7: The Definition of Power

The application guidance section of NZ IFRS 10 provides further examples of how the existence of power, as defined in the main section of the standard, can be determined. As stated in Figure 7, an entity has power when it has the ability to direct *relevant activities* of another entity. Examples of such activities include: selling and purchasing of goods and services; asset management; development of new products and services; obtaining funding; making operating and capital decisions; and appointment and remuneration of key management personnel. The power to direct these relevant activities can be derived from substantive rights, contractual arrangements, or a combination of both. The key test of power is the entity's ability to use its power, as derived from substantive rights or contractual arrangements, to direct another entity's relevant activities in such a way as to generate financial rewards or limit financial losses to its own self (NZ IFRS 10, B9 – B54).

Power is linked to the second characteristic of control: returns. Returns are financial risks and rewards. An entity, by having control over another entity, can potentially have the power to receive the rewards generated and bears the risks associated with control. Examples of returns include: dividends; interests from debt securities issued by the investee; changes in the value of investment; remuneration for servicing assets or liabilities; fees and exposure to loss from the provision of credit or liquidity support; and tax benefits (NZ IFRS 10, B57). NZ IFRS 10 also emphasises the necessity for continuous assessment in determining whether there is a relationship of control between entities. If it is determined that a relationship of control exists, the entity that controls (the *parent*) one or more other entities (*subsidiaries*) must present consolidated financial statements. Consolidated financial statements signify that the entities that are reported in these statements, regardless of their legal forms, are to be considered as *one* reporting entity (NZ IFRS 10, B86 – B101).

4.2.2 Financial Statement Elements and Qualitative Characteristics

The previous sub-section discussed the boundary of the reporting entity. The conceptual framework establishes the notion of control as the basis for deciding the boundary of the entity. The discussion now turns to the principles that determine the events and transactions that should be included within the boundary of the reporting entity. The principles include: the definitions of the financial statement elements; and measurement and recognition principles. The conceptual framework provides a general overview of the financial statement elements. This is summarised in Figure 8:

Definition of Assets, Liabilities and Equity

4.4 The elements directly related to the measurement of financial position are assets, liabilities and equity. These are defined as follows:

- (a) An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.
- (b) A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.
- (c) Equity is the residual interest in the assets of the entity after deducting all its liabilities.

Definition of Income and Expenses:

4.25 The elements of income and expenses are defined as follows:

- (a) Income is increases in economic benefits during the accounting period in the form of inflows or enhancement of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.
- (b) Expenses are decreases in economic benefit during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Figure 8: Definition of Financial Statement Elements

Assets, liabilities and equity are the financial statement elements involved in determining the financial position of the entity in a given point in time. In regards to assets, the “future economic benefit” embedded in assets is the potential to contribute, either directly or indirectly, to the financial inflows of the entity. This potential may be associated with the productive operating activities of the entity, or the convertibility into cash, or a capability to reduce cash outflows (NZXRB, 2010, paragraph 4.8). Assets may include: items that are used in the production of goods and services; patents and copyrights controlled by the entity; or relevant legal rights to ownership such as receivables. Importantly, the assets of an entity must be the result of past transactions or events. In regards to liabilities, the most essential characteristic is the presence of existing obligations, which normally arises from contractual

relationships, statutory requirements or the entity's business policies. The settlement of liabilities usually involves the giving up of economic benefits in order to satisfy the claim of another party. This may include: the payment of cash; the transfer of assets; or the provision of services. Similar to assets, liabilities must be the result of past transactions or events (NZXRB, 2010, paragraphs 4.8 – 4.19).

The primary proxy for the financial performance of an entity is the profit figure, which is determined by the recognition and measurement of income and expenses. In the current conceptual framework, the definition of income encompasses both revenue and gains. The distinction between revenue and gains lies in the manner in which income is generated. Revenue is income that is generated from the productive operating activities of the entity, while gains normally represent income that is generated through indirect avenues such as the disposal of assets. Importantly, unrealised gains are included in the definition of income, meaning that upward revaluation of marketable securities or increases in the carrying amount of long-term assets are considered as income, even though this income may never be realised. In regards to expenses, a distinction is also made between expenses that arise in the course of the productive operating activities of the entity, and losses, which usually represent expenses that arise through events unrelated to the operating activities of the entity. Similar to gains, unrealised losses are also included in the definition of expenses. The move towards recognising unrealised gains and losses is part and parcel of the growing influence of financialisation – “a systematic transition of profit-making from the traditional production to the financial sector” (Zhang & Andrew, 2004, p. 19). Due to the process of financialisation, profit of the economic entity is no longer determined by the surplus value from the productive capacity of the entity, but includes gains (both realised and unrealised) from marketable securities and complex financial instruments. This provides great incentive for risky investments and financial speculation (Zhang & Andrew, 2014). An implication of the process of financialisation on accounting is a preference for the “asset and liability” view over the “revenue and expense” view of earnings (Zeff, 1999). As will be discussed in Chapter 5, financialisation is one of the leading causes of employment and financial insecurity of labour (Batt & Appelbaum, 2013; Cushen, 2013).

In order to qualify for inclusion in the financial statements, an event or transaction must not only meet the definitions of the financial statement elements, it must fulfil the principles of recognition and measurement. These principles decide when an item, a transaction or an

event should be included in the elements of the financial statements, and hence, become “recognised” as part of the entity. As outlined in Figure 9:

Recognition and Measurement

4.38 An item that meets the definition of an element should be recognised if:

- (a) It is probable that any future economic benefit associated with the item will flow to or from the entity; and
- (b) The item has a cost or value that can be measured with reliability.

Figure 9: Recognition and Measurement

The principles reveal the emphasis on *economic* benefits, and *the financial value or cost* that is associated with this benefit. Hence, the events recorded are primarily *financial* and *measurable* in nature. Reliability of information is associated with monetisation, in that the events reported should ideally have a cost or a value that can be captured in *monetary* amounts. Various bases for monetary measurement include: historical cost; current cost realisable (settlement) value; and present value.

The elements of financial statements, when seen in light of the qualitative characteristics and rules for recognition and measurement, become much narrower. Only a limited range of events and transactions are included in the financial statements. Upon application of the qualitative characteristics, and the recognition and measurement rules, the elements are re-defined as outlined in Figure 10:

Definition of the Elements of Financial Statements – After Recognition Rules

Recognition of assets

4.44 An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Recognition of liabilities

4.46 A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

Recognition of income

4.47 Income is recognised in the income statement when an increase in future economic benefits related to an increase in assets or a decrease of a liability has arisen that can be measured reliably. This means, in effect, that recognition of income occurs simultaneously with the recognition of increases in assets or decreases in liabilities.

Recognition of expenses

4.49 Expenses are recognised in the income statement when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets.

Figure 10: Elements of Financial Statements with Principles of Recognition and Measurement

As will be discussed in Chapter 5, the principles for recognition and measurement play a significant role in constraining efforts that seek to recognising labour as assets to the reporting entity. Strong adherence towards these principles mean that labour, as of yet, is recognised as costs to the entity, rather than as assets, as the classification of labour as cost fulfils the principles of recognition and measurement.

4.2.3 Reporting on the Nexus-of-Contract Entity: Ethical Limitations

Two ethical limitations in the manner in which the nexus-of-contract entity is reported via conventional financial accounting are discussed, namely: the limitations associated with the notion of control; and the limited number of events and transactions that are recognised in the financial statements.

As discussed in the above sub-sections, the boundary of the reporting entity is established through the notion of control. Control, which arises from contractual or statutory rights, is defined as the power to direct the business and operating activities of another entity in order to generate financial benefits or limit financial losses to itself (refer to Figure 7). The delineation of the boundary of the entity through the notion of control, however, does not capture the extent of the entity's influence. Because the entity operates in empirical, temporal and historical contexts (such as: the economy; the natural / ecological environment; the social environment; governance; and religious life), and interacts with various stakeholders and institutions (such as: regulatory and political bodies; community groups; activist groups; non-

governmental organisations; and religious institutions), the entity inevitably engages in a range of relationships that are non-contractual and non-statutory in nature. In many of these relationships, the entity is able to exert their influence without necessarily fulfilling the notion of control as set out in the conceptual framework. To exemplify, the current definition of control usually excludes suppliers from the boundary of the reporting entity. However, economic entities are increasingly being criticised for the practices of their suppliers, such as the use of forced and child labour. Additionally, corporations are also criticised for their complicity in inhumane government actions, such as the killing of Ken Saro Wiwa by the Nigerian Junta after his protests against Shell, and Yahoo's involvement in transferring information on dissenters' activities to the Chinese government (Dann & Haddow, 2008; R. Gray & S. Gray, 2011; Islam & McPhail, 2011; Kolk & van Tulder, 2002; Scherer & Palazzo, 2011; Zadek, 2004). These examples show the inadequacy of the notion of control in addressing situations where economic entities, in conjunction with various parties, financially benefit from social and environmental injustices.

The reporting of the nexus-of-contract entity is also ethically limiting, in that a restricted range of events and transactions are reported in the financial statements. There is a wide range of activities – economic and otherwise – that are carried out by the economic entity, the impacts of which cannot be, and perhaps, *should not* be, monetised or financially valued. Examples include: environmental degradation; harmful occupational health and safety practices; and mental and psychological well-being of employees. While it is possible to monetise certain costs such as the amount spent on land restoration, health and safety equipment or counselling sessions, it is impossible, and for some, morally reprehensible, to monetise the impacts of the economic activities on political, social and environmental issues, such as health, quality of life, personal identity and meaningful relationships⁸. As conventional accounting gives visibility primarily to events that can be monetised and financially measured, many of the negative and damaging impacts of economic activities remain invisible in the financial statements. It becomes necessary to make these events visible through other channels and avenues, beyond that of conventional accounting. One of the most prominent examples of these alternative channels is silent and shadow accounting by non-governmental organisations and activists (C. Cooper et al., 2011; C. Cooper et al., 2005; Dey, 2003, 2007a, 2007b). The central issue here – one that is eluded by conventional

⁸ This is beautifully exemplified in Hines (1991b) – a creative piece about the Rubber Tree and the inadequacy of accounting in capturing the author's friendship with this tree.

accounting – is the many ways in which the activities of an economic entity can be depicted, and the multiple ways in which accounting elements can be conceptualised, perceived, calculated and narrated. The approach taken by conventional accounting – the approach of measurement and monetisation – is but one of many approaches available.

4.3 THE NORMATIVE BEHAVIOUR OF THE NEXUS-OF-CONTRACT ENTITY

The previous sections discussed the intellectual development of the nexus-of-contract conceptualisation and the involvement of conventional accounting in reporting on the nexus-of-contract entity. The discussion now turns to the normative behaviour of the nexus-of-contract entity. Under the nexus-of-contract conceptualisation, the entity is oriented towards the maximisation of financial profits and shareholder wealth. The concept of profit maximisation can be traced back to individualistic interpretations of human behaviour, culminating in the idea of the “economic man” (Copeland, 1988; Shearer, 2002). Interpretations on individual behaviour are then generalised to social collectives such as the economic entity (Fogarty, 1995).

The rationale for profit-maximisation is based on the assumption that the pursuit of self-interest will lead to an increase in societal utility. Stakeholders who are interested in the entity are free to engage in bargaining and contractual relationships with the entity in order to ensure that their interests are taken into account and maximise their utility (Boatright, 2002). Additionally, it is assumed that the interests of society are accounted for in the free market. Consequently, there are no obligations or accountability that would *not* be discharged under the pursuit of shareholder wealth maximisation, *if* markets were perfect. Thus, “the collective good is defined and achieved by the pursuit of private interest” (Shearer, 2002, p. 561).

Profit maximisation can be defined via two perspectives: technical and behavioural. From the technical perspective, profit maximisation is defined as the set of conditions where the marginal revenue of the entity equals its marginal cost ($MC=MR$). At this point, it is argued that the entity will be operating at a level of output where the maximum amount of goods and services for the community are produced, given its set of resources. Thus, profit maximisation leads to efficient use and allocation of resources (Primeaux & Stieber, 1994). From the behavioural perspective, profit maximisation is the “*act of producing the right kind and the right amount of goods and services the consumer wants at the lowest possible cost*”

(within the legal and ethical mores of the community)” (Primeaux & Stieber, 1994, p. 290, emphasis in original). This implies that economic entities should produce goods and services where demand for them exists, and they should be produced at the lowest possible cost (Primeaux & Stieber, 1994). Profit-maximisation and cost-minimisation strategies should also uphold economic efficiency, leading to efficient allocation of resources. In privileging the private, financial interests of the economic entities and shareholders (McPhail & Walters, 2009), it is assumed that there will be a corresponding increase in social well-being.

Profit maximisation is also intricately linked to shareholder wealth maximisation. The association of an entity’s performance with shareholder wealth stems from a financial utilitarian understanding of economic entities. Similar to shareholder value theory (Cahill, 2010), financial utilitarianism positions existing and potential debt and equity holders as having primary interests in economic entities. Consequently, the primary obligation of economic entities is to uphold the financial interests of its capital providers: “If investors provide capital to a firm, then they can expect that their money will be used efficiently” (McPhail & Walters, 2009, p. 126). Economic entities should then function with the financial interests of their capital providers in mind. While it is recognised that there are other interests that may conflict with the goal of shareholder wealth, it is assumed that these interests can be managed, reduced or modified to be aligned with the profit motive (Benston, 1982, 1984; D. Harvey, 2005; Jensen, 1982; Jensen & Meckling, 1976a, 1976b; Saad-Filho & Johnston, 2005). This perspective on utilitarianism is explicitly or implicitly built into most accounting theories and practices (Preuss, 1998). Neoliberalism’s emphasis on financial capital and capital accumulation further entrenches the idea of shareholder wealth maximisation at the expense of other forms of capital and other stakeholders (Dore, 2008; Dumenil & Levy, 2005; Epstein, 2005; Foster, 2008; Gamble, 2006; D. Harvey, 2007; Helleiner, 1994; Krippner, 2005; Mishel et al., 2007; Palley, 2007; van Treeck, 2009; Zhang & Andrew, 2014).

The complicity of conventional accounting in promoting shareholder-oriented profit maximisation is also reflected in the conceptual framework. In particular, the conceptual framework emphasises investors and creditors as the primary users of financial statements and promotes a balance sheet approach towards financial reporting. These are discussed in the following sub-sections.

4.3.1 Investors and Creditors as Primary Users

According to the conceptual framework, financial reports are prepared for existing and potential investors and creditors in order to provide them with useful information that can assist them in making decisions about providing resources to the entity (NZXRB, 2010, paragraph OB2). The decisions include: assessing the returns involved in buying, selling or holding equity or debt instruments; assessing the principal, interest payments or other returns expected from the provision and settling of loans or other forms of credit; and to assess the amount, timing, uncertainty of and prospects for future net cash inflows to the entity (NZXRB, 2010, paragraph OB3). In order to assess prospects for future net cash inflows, it is stated that financial information on “the resources of the entity, claims against the entity, and how efficiently and effectively the entity’s management and governing board have discharged their responsibilities” is needed (NZXRB, 2010, paragraph OB4). This is particularly pertinent for shareholders or creditors who have the right to vote on or influence management’s actions. While acknowledging that there are other users of general purpose financial reports, as they are various parties, groups and communities who are interested in the economic activities of the entity (NZXRB, 2010, paragraph OB10), the conceptual framework states that the financial reports are not directed to these groups. The financial reports are geared to “primary users” of the financial statements – existing and potential investors, creditors and lenders (NZXRB, 2010, paragraph OB8).

While shareholders and creditors have been promulgated as primary users of financial reports for a long time (D. Cooper & Sherer, 1984), it has never been as overtly stated as it is in the current IASB conceptual framework. For example, a previous IASB conceptual framework, published in 1989, defined the primary users of financial reports as “present and potential investors, employees, lenders, suppliers and other trade creditors, customers, governments and their agencies and the public” (IASB, 1989 Framework, paragraph 9 as cited in Zhang and Andrew, 2014). The reason for a broad conceptualisation of users was to further establish a conceptual appreciation for the public interest function that accounting plays. However, the current conceptual framework has a narrower definition of users, where investors and creditors are positioned as users who “have the most critical and immediate need for the information in financial reports” (Zhang & Andrew, 2014, p. 20). In explicitly naming investors and creditors as the primary users of financial reports, the conceptual framework places investors and creditors at the centre of the economic entity and the reporting process (Zhang & Andrew, 2014). As financial reports are to be useful in assisting investors and

creditors in making economic decisions, the focus of the reporting process is thus on decision-usefulness⁹. The financial reports are to provide information on the entity's economic resources, financial performance, strengths and weaknesses.

4.3.2 The Balance Sheet Approach

The current conceptual framework is largely informed by the “balance sheet approach”, in that movements in profit are interpreted as movements in the values of assets and liabilities. In order to provide some background to this approach, two accounting theories are discussed – the proprietary theory and the entity theory. The proprietary theory states that the entity is the agent or representative through which the individual entrepreneurs or shareholders operate. The proprietors of the entity – the shareholders – are in the centre of the entity's interests. The primary objective of proprietary theory is to determine and analyse the shareholders' net worth in the accounting entity (Riahi-Belkaoui & Jones, 2000). Under this theory, assets belong to the owners of the entity, while liabilities are the owners' obligations (Wolk et al., 2004). The accounting equation is thus stated as:

$$\text{ASSETS} - \text{LIABILITIES} = \text{OWNERS' EQUITY}$$

As the focus of proprietary theory is on assets and liabilities of the entity, construed to be the assets and liabilities of the owners, accounting under proprietary theory takes on a balance-sheet orientation. This means that income and expenses are represented by an increase or a decrease in net assets (assets minus liabilities) arising from the accounting entity's operations (Riahi-Belkaoui & Jones, 2000; Wolk et al., 2004).

The entity theory, on the other hand, views the accounting entity as something that is separate and distinct from its capital providers. The centre of accounting entity is not the capital providers, but the accounting entity itself. Under the entity theory, the entity itself owns the resources, while remaining liable to the claims of shareholders and the creditors (Riahi-Belkaoui & Jones, 2000). As a result, the accounting equation is:

⁹ The emphasis on decision-usefulness and assessment of net cash inflows is controversial (Wagenhofer, 2009; Whittington, 2008a), as the assessment of stewardship has been eliminated. In its decision to eliminate the term “stewardship”, the Board argued that there would be difficulties in translating this concept into other languages, and that the assessment of the stewardship of management is part and parcel of the assessment of net cash inflows. This decision is heavily contested, even within the mainstream perspective. It was argued that by sidelining the stewardship function, the conceptual framework has failed to consider the diverse objectives of financial reporting. As the stewardship function includes both monitoring of past performance and future prediction, stewardship is closely linked to the integrity of management – a significant issue in the public interest (Puxty, 1986; Whittington, 2008b; Zhang & Andrew, 2014).

ASSETS = LIABILITIES + OWNER'S EQUITY

Under the entity theory, both shareholders and creditors are considered to be equity holders, even though they have different rights and claims to income, risk control and liquidation. The income earned by the entity belongs to the entity until distribution to the capital providers. As the entity is held to be responsible for meeting the claims of the equity holders, accounting takes on an income-statement orientation, which measures the operating and financial performances of the entity. Accordingly, income is defined as an increase in shareholder's equity only after the claims of other equity holders (such as interest on long-term debt and income taxes) have been met (Wolk et al., 2004).

While there are certain concepts in conventional accounting that can be traced to the entity theory, the current IASB conceptual framework is arguably more in line with the proprietary theory, which promotes a balance-sheet approach to reporting. In particular, the financial performance of an entity is defined in terms of increment and decline in the value of assets and liabilities (NZXRB, 2010, paragraphs 4.24 – 4.35). In addition, the adoption of fair value measurement for assets and liabilities, leading to the statement “Presentation of Items of Other Comprehensive Income”, means that unrealised gains and losses from market value changes in assets and liabilities are recognised in the calculation of income and expenses. Preparers are given the option to either present one statement of comprehensive income or two separate statements – one for profit or loss and another for other comprehensive income. This approach departs from the performance concept of income or the matching concept, where “through matching relevant expenses with revenues generated from operating activities, the [traditional concept of] income measures firms' real operating performance” (Zhang & Andrew, 2014, p. 23). While the income-statement approach has its own limitations, the benefit of this approach over the balance-sheet approach is the ability to match specific revenue streams to specific expense categories. This “matching” exercise gives more visibility to the various factors of production involved in the generation of revenue, including labour. This visibility, however, is lost in the balance-sheet approach. As will be discussed in Chapter 5, this approach to recognising income reflects the growing process of financialisation, thus giving prominence to gains from financial speculation rather than real operating performance, further exposing labour to the unpredictable changes of the market (Cushen, 2013; Zhang & Andrew, 2014).

4.3.3 The Normative Behaviour of the Nexus-of-Contract Entity: Ethical Limitations

The norm of profit and shareholder wealth maximisation is limited in three ways. Firstly, the focus on profit and wealth maximisation as the teleological end goal has led to a relentless and intense pursuit of profits without regard to the costs – monetary and non-monetary – on human lives, the environment and future generations. It is argued that this focus is misplaced. By positioning economic prosperity as the teleological goal, it is often forgotten that the ultimate end should not be profit maximisation per se, but the development, enhancement and sustainability of human lives and the world we live in (McNeill, 2007). The obsession with profits and economic growth has led to situations where “human lives were shrivelling even as economic production was expanding” (Haw, 1995, p. 24 as cited in McNeill, 2007, p. 6). The dominance of the profit motive has led many to forget that the welfare and well-being of human beings and the world at large should be at the very centre of economic life, and that human beings, rather than the free market, are the agents of change and of development.

Secondly and relatedly, empirical evidences are very much contested as to whether profit and shareholder wealth maximisation has led to an actual overall increase in well-being, despite the pervasiveness of its rhetoric. While there is expanding material production, technological advancements and an increase in life-expectancy, these policies have also increased inequalities of wealth, environmental degradation, the weakening of workers’ rights and the increase of anti-democratic policies (MacEwan, 1999): “The gap between rhetoric (for the benefit of all) and realisation (for the benefit of a small ruling class) increases over space and time” (D. Harvey, 2007, p. 42). Many opponents against the status quo have argued that the norm of profit maximisation, together with neo-liberal policies, has:

entailed much destruction, not only of prior institutional frameworks and powers (such as the supposed prior state sovereignty over political-economic affairs), but also of divisions of labour, social relations, welfare provisions, technological mixes, ways of life, attachments to the land, habits of the heart, ways of thought, and the like (D. Harvey, 2007, p. 23).

As the norm of profit and shareholder wealth maximisation considers only the overall gain in wealth, it is not concerned with issues of distribution, fairness and equitability. These issues, however, are significant, as it is becoming increasingly clear that the utilitarian approach of profit and shareholder wealth maximisation has benefited only a small minority of the

world's people and contributed greatly to the bifurcation of the world's rich and poor. The income gap is growing to such an extent that it is "grotesque" in its proportions (Jaggar, 2002; C. Lehman, 2013). As such, it is questionable as to whether the pursuit of private interests – namely, capital interests – and broader societal interests are actually in alignment. It is becoming increasingly clear that the benefits reaped through profit maximisation and neoliberalism are heavily lopsided in favour of the finance capital providers (D. Cooper & Morgan, 2013; Dore et al., 1999; Hall & Gingerich, 2009; Hall & Soskice, 2001). There remains very little room for consideration of the welfare of other social constituents such as labour and employees (Sikka, forthcoming).

Thirdly, the behavioural assumptions of *homo economicus*, as embedded in profit and shareholder wealth maximisation, are inherently limiting. It is simplistic to subsume the complexities of human behaviour, intentions and motives into utility maximisation. Human beings, as economic agents who are involved in economic decision-making, are also engaged with multiple dimensions of humanity, such as social and cultural values, political ideologies and religious beliefs. To have such broad complexities minimised into notions such as "self-interested behaviour" and "utility-maximisation" is not only simplistic, but an abstraction that does not conform to empirical reality. Furthermore, the inscription of human behaviour as self-interested is significant and should not be taken lightly, as the idea of self-interest is capable of permeating all of human existence to such an extent that all forms of human behaviour and emotion, such as love and altruism, can be inscribed as "self-interest". Additionally, the assumptions of *homo economicus* are limited in inscribing economic entities with broader notions of responsibility. As such, it is necessary to import knowledge from other traditions in order to formulate approaches that can better position economic entities as ethical agents (R. Gray, 2002; Hosseini, 1990; Keller, 2007; Shearer, 2002).

4.4 SUMMARY

In sum, this chapter discussed the nexus-of-contract conceptualisation of the economic entity. It traced the intellectual development of this conceptualisation, and the involvement of neoliberalism in perpetuating this perspective to the point that it is taken for granted and accepted as a given. The ethical limitations of the theoretical assumptions in the nexus-of-contract conceptualisation were also explored.

The chapter then discussed the role of conventional accounting in representing and reporting on the nexus-of-contract entity. It was argued that conventional accounting represents the entity using two inter-related approaches: the delineation of the boundary of the entity through the notion of control; and the inclusion and exclusion of events and transactions in the reporting process. The ethical limitations in representing and reporting on the nexus-of-contract entity were then examined.

The chapter then discussed the normative behaviour of the nexus-of-contract entity, which is profit and shareholder wealth maximisation. The behavioural assumptions, rhetoric and rationales for this norm were explored. Accounting is complicit in promoting shareholder-orientated profit maximisation via its emphasis on finance capital providers as primary users of the financial statements, and the movement towards a balance-sheet approach to reporting. The limitations of this normative behaviour were explored.

In the next chapter, the implications of the nexus-of-contract conceptualisation of the entity on approaches to accounting for labour are explored.

CHAPTER 5: THE ECONOMIC ENTITY AS “NEXUS-OF-CONTRACTS”: IMPLICATIONS FOR ACCOUNTING FOR LABOUR

*Your blood asks, how were the wealthy
and the law interwoven? With what
sulphurous iron fabric? How did the
poor keep falling into the tribunals?*

*How did the land become so bitter
for poor children, harshly
nourished on stone and grief?*

So it was, and so I leave it written.

Their lives wrote it on my brow.

- Pablo Neruda; The Judges (2000, p. 185)

As discussed in Chapter 4, the nexus-of-contract approach views the economic entity as a complex nexus of explicit and implicit contracts, enabled by legal and governance mechanisms that enforce these contracts. Participants are welcomed to select the optimal arrangements for the many different sets of risks and opportunities that are available in a given economy. As such, the economic entity is construed as “nothing more than a set of contractual arrangements among the various claimants to the products and earnings generated by the business” (Macey, 1999, p. 1266). Additionally, the nexus-of-contract entity is driven by the norm of profit and shareholder wealth maximisation (Hosseini, 1990; McPhail & Walters, 2009; Primeaux & Stieber, 1994; Shearer, 2002). This norm is based on the perceived harmony of private and societal interests (D. Cooper & Morgan, 2013), and a faith in the ability of free markets to efficiently allocate scarce resources in such a way as to increase the overall wealth of a given society (Benston, 1982, 1984; D. Harvey, 2005; Jensen, 1982; Jensen & Meckling, 1976a; Primeaux & Stieber, 1994; Saad-Filho & Johnston, 2005; Shearer, 2002).

The purpose of this chapter is to explore the implications of the nexus-of-contract conceptualisation, and its profit and shareholder maximisation norm on accounting for labour. As discussed in the introductory chapter, labour is a unique stakeholder group due to its position as an internal stakeholder (Johansen, 2008). The manner in which an economic

entity is conceptualised determines: the position of labour in relation to the entity; the manner in which they are treated; and how they are represented and accounted for in accounting (CICA, 2008; Gallhofer & Haslam, 2003; R. Gray & S. Gray, 2011).

Section 5.1 examines current approaches of accounting for labour in conventional accounting. Two broad sets of approaches are identified. The first set of approaches is the recognition, representation and inclusion of labour in financial statements. The second set of approaches is employee-related reporting, which is based on the rights of workers to receive information about the entity and the rights of others to receive information on labour.

Section 5.2 connects conventional accounting's approaches to accounting for labour to its nexus-of-contract underpinnings. The nexus-of-contract approach conceptualises labour as an equal, contracting partner and a "fixed claimant". It is assumed that the relationship between labour and the employer is one of equality, co-operation and a harmony of interest, where negotiations and bargaining act as the primary mechanisms for conflict resolutions.

In light of these discussions, Section 5.3 highlights the ethical limitations of current accountings for labour. The limitations include: the commodification and alienation of human beings in the pursuit of cost minimisation and profit maximisation strategies; the drawbacks of the "hard" and calculative nature of conventional accounting; and the dominance of the employers' perspectives in accounting for labour. Ultimately, how we account for labour *matters*, because it has consequences for how human beings are portrayed and treated by economic entities. It must not be forgotten that any accounting for labour is an accounting for humanity, because the "labourer" cannot be isolated from the "human".

5.1 CURRENT ACCOUNTINGS FOR LABOUR

Accounting for the worth of labour, or to take humans into account in some way, has been one of the major challenges for accounting scholars and practitioners in the last 30 to 40 years (Roslender, 1997). Indeed, the difficulties of accounting for the human factor in economic entities have long been discussed by academics. As mentioned, there are two sets of approaches in accounting for labour in conventional accounting. The first set relates to how labour is recognised, represented and accounted for in financial statements. Traditionally, labour is recognised, represented and accounted for as a cost or an expense to the economic

entity. There have also been concerted attempts to recognise labour as an asset to the entity, coalescing around the issue of accounting for intellectual capital. However, accounting for intellectual capital is wrought with difficulties and contestations. In short, the first approach seeks to measure and quantify labour, and to include them in financial statements. While this is the most commonly accepted approach in accounting for labour, its underlying theoretical assumptions usually remain unquestioned (C. Cooper et al., 2011; Mouritsen & Roslender, 2009).

The second set relates to employee-related reporting, where information and reports on labour – separate from general purpose financial statements – are prepared for wider audiences. Employee reporting rose to prominence during the late 1960s and 1970s (Mäkelä, 2013) and was adopted into legislation in several countries. Two distinctions can be drawn: the rights of workers to receive information about economic entities (reporting *to* employees); and the more inclusive rights of others to receive information about workers (reporting *on* employees). Traditional approaches in reporting *to* and reporting *on* labour and employees generally utilise financial and management reporting frameworks in hierarchical and functional forms in order to hold managers and owners socially accountable to stakeholders (C. Cooper et al., 2011; J. Everett, 2003; O'Dwyer & Unerman, 2007; Spence & R. Gray, 2007).

The following sub-sections discuss both approaches to accounting for labour, including the conflicts and disagreements associated with these approaches. Section 5.1.1 discusses the categorisation of labour as a cost or an expense to the economic entity. This is followed by a discussion on accounting for intellectual capital in Section 5.1.2. Section 5.1.3 discusses employee-related reporting.

5.1.1 Labour as Cost or Expense

Labour has long been included in financial statements as a cost or an expense to be set against revenue. As discussed in Chapter 4, an expense is defined as a decrease in economic benefit in the form of financial outflows, a depletion of assets or an incurrence of liabilities that results in a decrease in equity (NZXRB, 2010, paragraph 4.25). Remuneration to labour is generally considered to be an expense that arises in the course of the entity's production activities (NZXRB, 2010, paragraph, 4.33), and payments made to labour are considered to be decreases in economic benefits. These decreases lead to the reduction of profits. Following

the nexus-of-contract's norm of profit maximisation as discussed in Chapter 4, cost, including labour cost, reduces profits. To maximise profits, labour cost needs to be minimised. The easiest way to achieve this is to force labour to work harder and increase their input into the entity for the same amount of remuneration (Hopper & Armstrong, 1991). An alternative would be to replace labour with machineries that can deliver results with more efficiency and with less cost (Braverman, 1974). Another approach is to export jobs to low cost economies (Yuthas & Tinker, 1994). Similar to the treatment of remuneration as cost, items that are designed to enhance the skills, qualifications and well-being of labour are also treated as discretionary costs, meaning that these items are susceptible to reduction in times of declining financial profits. Examples of such items include: training; skill upgrade; educational courses; redeployment expenses; occupational health and safety; and health coverage (Roslender & Stevenson, 2009).

The categorisation of labour as a cost or expense to the entity has significant implications. This categorisation relegates labour to negative spaces, as cost is antithetical to profits, with profits being the entity's primary measure of performance (NZXRB, 2010, paragraph 4.24). What occurs is the commodification of labour via an "extraction of surplus value" (Armstrong, 1987, p. 417), in that labour is viewed as a resource whose efficiency must be maximised at minimal cost. Accounting techniques such as standard costs, budgets and variance analysis are used to extract surpluses from labour in order to enable management to "improve operations, increase efficiency, utilise resources more effectively and reduce costs" (Lucey, 2009, p. 461). In representing labour as financial outflows, the lived experiences of people are also silenced (Funnell, 1998; Hines, 1988; Sikka, forthcoming). The categorisation of labour as cost reduces living, breathing human beings to anonymous and quantifiable objects that can be hired, fired and manipulated in the pursuit of profits. There is very little "talk" in conventional accounting on the human consequences of downsizing, income reduction and corporate restructurings. As conventional accounting is aligned with the profit motive, anything that reduces profit is signified as a cost or a burden, which must then be reduced and eliminated (Sikka, forthcoming). However, the portrayal of employees as a decrease in economic benefits is paradoxical, as it is the skills, expertise and livelihoods of labour that create economic surpluses in organisations. While labour is considered to be sufficiently compensated in the form of wages and salaries, shareholders, who invest resources that are financial in nature, are able to receive the benefits from the enhancements in wealth – wealth that is generated by labour (Gowthorpe, 2009).

There are many examples of the negative consequences of categorising labour as cost. A conventional example is worker exploitation in developing and Third World countries, where the “hidden cost of capitalist development has been human lives” (C. Cooper et al., 2011, p. 739). The clothing and retail industry, for example, is one of the most extensive worldwide production networks, driven by production cost minimisation and shareholder value maximisation (Islam & Deegan, 2008; Islam & McPhail, 2011; Wilkins, 2000). Countries with minimal employment regulation and low wages have gained significant global market shares in the production and export of garments. However, this has led to many developing nations becoming structurally dependent on large businesses from multinational corporations, resulting in the preoccupation to retain these businesses through cheap labour (Islam & McPhail, 2011; Shelton & Wachter, 2005). While the global *mobility of capital* has allowed large multinational corporates to shift operations to countries with low wages and low cost production, the general *immobility of labour* and their dependence on multinational corporations for survival, on the other hand, mean that “the overwhelming majority of people are forced to sell their lives as commodity labour-power to survive and gain access to wealth in society” (Abeysekera, 2008, p. 37). Their well-being and rights are often side-lined in this process (Banerjee, 2007; Chandler, 2003; R. Gray & S. Gray, 2011; Sullivan, 2003).

The impacts of labour cost minimisation are not limited to developing countries. Both theoretical and empirical research in critical accounting suggest that in most developed countries that maintain capitalist systems, the interests of labour are still neglected (C. Cooper, 1995; Dey, 2007b; Dey et al., 1994; Owen, 2008). Consistent with the profit motive, many “unconsciously “accept” worker exploitation alongside disagreeing with laws that cost companies money” (C. Cooper et al., 2011, p. 744). Cost minimisation strategies also reduce the unique existences of human beings to “mere cog[s] in enormous organisations”, subjugated under “powers which tear from [their] hand[s] all progress, spirituality and value” (C. Lehman, 2013, p. 140). It is arguably an act of alienation and of objectification. Labour, as human beings, face a variety of issues and problems – most of which cannot be separated from the workplace. Examples include: mental and psychological well-being, particularly of those facing issues such as stress, burnout and depression; the needs of parents; the promotion of women’s rights and well-being; and cultural sensitivities. However, current approaches to the well-being of labour tend to be mechanistic and “tick-box” oriented, with

an emphasis on physical health and safety of labour (Mäkelä, 2013)¹⁰. Holistic understandings of human well-being are not developed, or they are seen as unnecessary.

5.1.2 Labour as Assets – Accounting for Intellectual Capital

Despite the continuing dominance of the conceptualisation of labour as costs and expenses to economic entities, there is recognition that it may be desirable to view labour as assets. As early as 1922, Paton made the observation that “a well-organised and loyal personnel may be a more important ‘asset’ than a stock of merchandise” (Paton, 1922, p. 486 as cited in Roslender and Stevenson, 2009, p. 856). This has been one of the major challenges for accounting scholars and practitioners (Roslender, 1997).

There are at least two approaches to conceptualising labour as assets. The first is *human asset accounting*. Developed by Hermanson (1963, 1964), the issue of accounting for labour as assets is positioned as a financial reporting problem. Due to the increasing importance of labour, it is necessary to take this “asset” into account. To this end, *human asset accounting* is a means by which to account for people as assets in the balance sheet and as costs in the income statement. However, the problem remains as to how this type of accounting could be accomplished. The principle proposed was seemingly straightforward – a robust valuation methodology must be employed. Two possible options were suggested: the unpurchased goodwill method or the adjusted present value method. From this point forward, the history of accounting for labour as assets is about the merits of various valuation methodologies (Hermanson, 1963, 1964; Roslender, 1997; Roslender & Stevenson, 2009). In linking human asset accounting with “putting people on the balance sheet”, accounting for labour as assets is established as a financial accounting issue (Hekimian & Jones, 1967; Roslender, 1997; Roslender & Stevenson, 2009).

The second approach is *human resource accounting*. Developed by Flamholtz (Flamholtz, 1974a, 1985), it is argued that accounting for labour as assets should remain within the traditions of managerial accounting, rather than financial accounting (Brummet et al., 1968; Roslender, 1997; Roslender & Stevenson, 2009). There are three primary objectives to *human resource accounting*: the development of methods that measure human resource cost and value in order to provide a quantitative basis for decision-making; the development of methods that can measure human resource cost and value in such a way as to monitor the

¹⁰ Refer to Section 5.2.2 “Theoretical Underpinnings – Labour as Fixed Claimant” for further discussions on mechanistic approaches to occupational health and safety.

effectiveness of management's utilisation of human resource; and the formulation of theories that can explain the nature and determinants of the value of human beings to economic entities. The last objective is considered to be the most important, as Flamholtz was firmly attached to the axiom that people are scarce resources that required efficient and effective styles of management (Flamholtz, 1974a, 1974b, 1985, 1999; Roslender & Stevenson, 2009). Despite Flamholtz's arguments, the association with financial accounting remains dominant to this day.

The mid-1970s is considered to be the heyday of human asset accounting. However, the failure to deliver a credible means of "putting people on the balance sheet" meant that human asset accounting was not taken up by practitioners. In the 1980s and 1990s, accounting for labour as assets attracted very little attention, although it did not disappear entirely from accounting research (ICAS, 1988; Roslender & Dyson, 1992; Roslender & Stevenson, 2009; Sackmann et al., 1989; Scarpallo & Theeke, 1989). For example, Roslender and Dyson (1992) propose an alternative approach to accounting for labour as assets – *human worth accounting*. It is argued that *human worth accounting* is distinctively different from *human asset accounting* and *human resource accounting* in four areas. Firstly, it is argued that *human worth accounting* is underpinned by a paradigm shift away from a narrow economic-accounting perspective to a broader social scientific perspective. Secondly, *human worth accounting* is strategic, in that it identifies scenarios where information on employee "worth" would be beneficial to managers. Thirdly, *human worth accounting* provides a "unified, integrated perspective" (Roslender, 1997, p. 13) by transcending what is perceived to be a damaging distinction between *human asset accounting*, which has a financial accounting orientation, and *human resource accounting*, which has evolved as a managerial accounting development. However, this "unified, integrated perspective" has largely failed, in that it left the dominance of financial accounting unchallenged (Roslender, 1995, 1996). The fourth claim of *human worth accounting* is the inclusion of soft accounting numbers. However, little progress was made in exploring what this notion means, thus resulting in a wasted opportunity to progress accounting for the worth of labour (Roslender, 1997).

Accounting for labour as assets has re-emerged in the past decade as an increasingly popular research topic due to growing interests in intellectual capital. Intellectual capital is a popular issue in accounting because it is considered to be a source of value for the modern business enterprise. Intellectual capital is linked to intangibles, knowledge and innovation, all of which

are portrayed as increasingly valuable “assets” within the knowledge-based economy – “assets” that accounting must now take into account as part of sound financial management (Abeysekera, 2008; Roslender & Fincham, 2001). Intellectual capital can be broadly divided into three generic components: human capital; customer or relational capital; and structural or organisational capital (Brooking, 1996; Lynn, 1998; Roslender & Stevenson, 2009; Sveiby, 1997). These elements are important as they are perceived to be capable of value creation (Roslender & Fincham, 2001). Debates in intellectual capital are often associated with the failure of traditional historical cost accounting to capture a wide range of intangible assets, including the “human factor” (Roslender & Fincham, 2001, p. 384) in intellectual capital (McPhail, 2009; Mouritsen et al., 2001; Power, 2001; Seetharaman et al., 2002). As intellectual capital is seen as an increasingly important source of wealth for enterprises in “an *information age*, a *networked society* [and] a *knowledge economy*” (McPhail, 2009, p. 804, emphasis in original), accounting is consistently being challenged to develop new approaches of recording and measuring in order to better facilitate the management and development of intellectual capital (Abeysekera, 2008; Buckley & Carter, 2000; Guthrie & Petty, 2000; Roslender & Fincham, 2001, 2004; Thorne & A. Smith, 2000; Volberda et al., 2001).

On the surface, it seems that the debates on intellectual capital signal attempts at broadening the financial reporting boundary to recognise the “human factor” as a legitimate source of capital that creates value. However, efforts in accounting for intellectual capital are plagued with difficulties because “the information it provides, the models that underpin it and the time frames it embraces are all commensurate with the prevailing financial mind-set of periodic reporting, short termism and a “hard” accounting calculus” (Roslender & Fincham, 2001, p. 389). Items such as corporate values, employee qualifications, organisational culture, skills and expertise are fundamentally “soft” and subjective in nature, thus largely incommensurable with a philosophy of reliable calculation and monetisation (Roslender & Fincham, 2001).

As discussed in Chapter 4, the principles of recognition and measurement must be fulfilled if an item is to be classified as an asset. The recognition principle is met only when it is *probable* that any future economic benefit associated with the item in consideration will flow to the entity. While a degree of uncertainty is allowed (hence the use of the word “*probable*”), this degree is very low, in that it requires the *absence* of evidences that may put into question the inflow of future economic benefits (NZXRB, 2010, paragraph 4.40). The

measurement principle also requires that the asset has a cost or a value that can be measured reliably (NZXRB, 2010, paragraphs 4.41 – 4.43). In regards to the categorisation of labour as assets, the principles of recognition and measurement are not fulfilled, in that there are disputes as to whether the linkages between labour and future economic benefits are strong enough to allow for the recognition of labour as assets. While the value of the entity is created via the utilisation of labour's skills, knowledge and intellectual capital, the entity does not "own" its labourers, as the entity does not have sufficient control to ensure that labour would work only for the entity's economic benefit. As such, labour, in the strictest sense, cannot be classified as an asset (Vergauwen & van Alem, 2005). Additionally, the contestations surrounding the "right" valuation methodology in measuring the "worth" of labour in financial statements show a lack of reliability in measurement. This is not only exemplified in previous discussions on conceptualising labour as assets (human asset accounting, human resource accounting and human worth accounting), but also in the numerous approaches to defining, valuing and reporting on intellectual capital (Abeysekera, 2008). Examples include: the Skandia's model of intellectual capital (Edvinsson & Sullivan, 1996); intellectual capital as "competence multiplied by commitment" (Ulrich, 1988); the intangible asset monitor (Sveiby; 1997), the three-component model (Lynn; 1998) and many more (Brennan & Connell, 2000; Sveiby, 2001). These efforts involve numerous practical and conceptual problems in recognition and measurement because of the intangible nature of intellectual capital (Gowthorpe, 2009). On the other hand, the categorisation of labour as cost or expense, as discussed in Section 5.1.1, fulfils the recognition and measurement principles of conventional accounting.

In light of the inadequacies of "hard" accounting calculus, there have been efforts to account for intellectual capital using both financial and non-financial (or "soft") metrics. The Danish Agency for Trade and Industry (DATI) funded a research project that commended a generic Intellectual Capital Statement approach that is heavily reliant on a narrative reporting format (DATI, 1999, 2000; Mouritsen, 2002; Mouritsen et al., 2001; Roslender & Fincham, 2004). However, the managerialist agenda underpins the narrative approach to accounting for intellectual capital. Empirical evidences show that narrative intellectual capital reporting is informed by the ethos of managing and controlling labour (Mouritsen, 1998; Roslender & Fincham, 2004; Thorbjornsen & Mouritsen, 2003) in order to reduce dependence on labour as the possessor of knowledge (a form that capital that *cannot be owned* by the entity), and to encourage the transfer of knowledge into structural capital (a form of capital that *can be*

owned and controlled by the entity). As such, the problem lies not only in the form which accounting takes, but the *reasons* for accounting in the first place. What is often forgotten in these efforts is that labour is *not* just another factor to be taken into account for better management and control of resources. To view labour in this manner would be, at its worst, a commodification and exploitation of human beings, and at its best, an enlightened managerialism with pseudo empowerment initiatives (Abeysekera, 2008).

5.1.3 Employee-Related Reporting

The discussion now turns to the second set of approaches in accounting for labour – employee-related reporting. Aforementioned, employee-related reporting refers to reports and disclosures on labour and labour-related issues. These reports and disclosures are meant for wider audiences (including labour themselves), and are usually separate from general purpose financial reports (which are specifically directed to finance capital providers as discussed in Chapter 4). There are two approaches in employee-related reporting: reporting *to* labour and reporting *on* labour. These are discussed as below.

Reporting *to* labour emanates from the rights of labour to receive information about economic entities. It is frequently used in collective wage bargaining situations, which typically include unions. While accounting information is considered to be necessary in employment contract negotiations, there are divergent perspectives as to the extent of accounting information that unions should be entitled to. For some, collective wage bargaining is primarily concerned with the technicalities of dealing with the constraints of organisational resources. Accounting information, in this case, should be shared freely in order to assist both parties to achieve “optimal decisions” (J. Brown, 2000, p. 215): “Once the labour negotiation is viewed as a joint decision-making process between the agents of capital and labour, it becomes axiomatic that the optimal decision should be based on the best available data” (Palmer, 1977, p. 2 as cited in S. Ogden & Bougen, 1985, p. 215). For others, the collective bargaining is a process filled with conflicts. As such, the entity should limit its dealings with unions and accounting information disclosures should be minimised, unless there are tactical advantages for doing so (J. Brown, 2000; Craft, 1981; S. Ogden & Bougen, 1985; Strauss, 1996). In both viewpoints, however, the underlying motive is still centred on the financial interests of the entity.

In light of these conflicts, unionists have raised concerns regarding the extent of accounting information received, the actual financial status of the employee and the accuracy of the accounting figures on profits and productivity (J. Brown, 2000; Jain, 1981). Union leaders have observed that “employers are often prepared to ‘open the books’ when they are making losses, but close them tight once profits are restored” (J. Brown, 2000, p. 53). Additionally, many cost minimisation strategies that affect labour and employees are legitimised using accounting numbers, where profit figures are often presented as objective, factual and neutral. However, accounting concepts such as profits and costs are inherently subjective and subjected to processes of politicisation (Bougen & J. J. Young, 2012; Hines, 1988, 1989; Morgan, 1988; J. J. Young, 2003). In these collective bargaining situations, it is often forgotten that “accounting is a social institution that is created, shaped and operated by people” (J. Brown, 2000, p. 44). Thus, it is possible to arrive at different profit and cost figures. However, conventional reporting to labour often presents accounting numbers as hard and factual, enabling justifications for limiting and decreasing employee benefits, particularly during retrenchments or firm restructuring.

In the event of non-disclosure by an entity, it is possible for union leaders to obtain publicly available financial information such as general purpose financial reports. However, these reports often lack adequate detail and segmentation for wage bargaining situations. This situation is compounded by the orientation of corporate reporting towards investors, neglecting the needs of other users, including labour and unions. The ‘value’ relevance of accounting information is judged predominantly in terms of capital market reactions, thus implying that the needs of other users are less important or less legitimate (D. Cooper & Morgan, 2013; Farjaudon & Morales, 2013). Furthermore, the possibility of using general purpose financial reports does not apply to “private” companies, as they are not required to disclose their financial statements publicly. In order for unionists and employers to bargain at an equal level, “nothing less than an unambiguous, general and unrestricted access to all commercial secrets is required” (J. Brown, 2000, p. 59). However, this is unlikely to happen. Additionally, there are unionists and labour commentators that view accounting information with great scepticism, with a fear that union leaders and employees may be “socialised” into accepting managerial prerogatives (Gospel, 1976; Knights & Collison, 1987). The power imbalances between economic entities and labour become more acute when labour is ill-equipped to understand financial numbers, thus disabling peer-to-peer discussions on the financial situation of the entity:

Where bargaining resources [expert skills, information, ability to confer rewards and sanctions] are equal, participation produces real influence on who gets what. When they are strikingly unequal [...] participation becomes a *symbol* of influence that encourages quiescence, rather than substantive gains, for the powerless. (It) produces predictable outcomes by reflecting existing inequalities in the resources of participants, especially their resources for influencing others to define the political world as they do (Edelman, 1977, p. 121 as cited in J. Brown, 2000, p. 58, emphasis in original).

Due to the tensions between labour and the entity, and the role that accounting plays in disregarding the well-being of labour, accountants are often viewed with distrust:

Accounting systems [...] seem to set out to [...] confuse (rather than) clarify [...] hide rather than expose. [...] To whom is an accountant responsible when accounts are drawn up and checked? Is it to the management which pays the accountant (a very plausible theory)? Is it to the shareholders, is it to the employees in that company, or is it to the public in general? To put it another way, is there a wider social responsibility? Is there a *real* ethic? (Jenkins, 1974, p. 42 as cited in J. Brown, 2000, p. 59, emphasis in original).

Reporting *on* labour relates to the rights of wider audiences to receive information about labour. It became prominent in the late 1960s and 1970s in the form of corporate social reports, which included sections on employee-related disclosures. The political agenda was to explicitly redefine the employee-employer relationship by reducing the influence of unions and to encourage labour participation in the entity. To this end, various forms of reporting on labour were encouraged. This included disclosing information on the employment of the disabled, consultations with employees, training, gender-equal opportunities and community involvement. Additionally, employee ownership schemes were encouraged so that employees were incentivised to switch allegiance from their union to management. However, further analyses reveal that these were subjected to minimal levels of compulsory disclosures. Entities could therefore extend voluntary disclosures when such disclosures would benefit

them. These disclosures were also often made without consultations with employees. These factors indicate that reporting on labour was used more as a mechanism to spearhead the interests of the entity, rather than the interests of the employees (R. Gray et al., 1995).

Unsurprisingly, the reports were mostly from the employers' perspectives, rather than labour. Retrenchments and restructuring programs were mostly reported with the rhetoric of increasing profitability via cost-cutting measures, with very limited disclosures on the "human side" of the employees and the impacts of the retrenchments on the well-being of labour. The rhetoric used frequently portrayed the companies in a positive light (Mäkelä, 2013):

The companies were weak amid the "storms" of the global market environment; however, they were strong in operational performance. They were passive when "forced" to lay-off people, while they were active when taking measures to support them. With such rhetorical devices, the companies were able to present themselves in a positive light whatever happened. [...] Employees were not mentioned in the CEO letters as human beings or persons, but mainly as employees, contributing to the continuous growth and maximizing shareholder value (Mäkelä, 2013, p. 369).

Much empirical research confirms similar findings (Amernic & Craig, 1992; J. Brown, 1997; 2000; D. Cooper & Essex, 1977; D. Cooper & Sherer, 1984; Gowthorpe, 2009; Tinker, 1980). Employee-related disclosures are usually minimal and lacking in comprehensive accounts *from* the employees. Most reports are silent on the negativities of restructuring and redundancies. Conflicting issues are either omitted or played-down and a "smooth employee discourse" is presented in the reports (Archel et al., 2009). In sum, rather than representations of "complex beings with various kinds of qualities" (Gallhofer & Haslam, 1997, p. 81), "employees and their well-being [are] presented in a narrow, mechanistic manner [where] employees and their well-being [are] shown to have only instrumental value for the companies" (Mäkelä, 2013, p. 372). These approaches to reporting on labour further highlight the hegemonic discourse of neoliberalism, where the financial interests of economic entities are placed at the centre of societies, as explored in Chapter 4. Using the rhetoric of unification in employee reports, entities are able to "create an illusion of a "homogeneous" group of individuals and stakeholders with common interests", where the financial interests

of the shareholders are equated as applicable to all other stakeholders (Mäkelä, 2013, p. 372). In this manner, neoliberalism is presented as “common sense” and universally beneficial. However, the orientation towards shareholders and capital interests has significantly reduced the responsibilities of economic entities towards social and environmental concerns – including that of labour welfare and rights.

Another increasingly popular form of reporting *on* labour is the Global Reporting Initiative’s (GRI) sustainability reporting. GRI is a non-profit Amsterdam-based organisation that provides global standards in sustainability reporting. The reporting framework, first released in the 1990s and is now in its third version, has become the *de facto* standard for sustainability reporting across many industrial sectors (Fonseca et al., 2012; Skouloudis et al., 2009). While the motive behind GRI is the development of a framework and associated reporting guidelines that can assist economic entities in reporting on environmental, social and economic performances (Moneva et al., 2006), many scholars have contested the effectiveness of the framework. Critics argue that the GRI framework overlooks the fundamental tenets of sustainable development (Azapagic, 2004; Bebbington, 2001; Fonseca et al., 2012; R. Gray, 2010; Moneva et al., 2006) by promoting social and environmental indicators that are in isolation from each other. The promotion of isolated indicators ignores the “essential conflict between financial and other bottom lines, which, for the foreseeable future, at least, the financial will always win” (R. Gray & Milne, 2002, p. 4). These problems reflect the overall thrust of the GRI reporting framework, which explicitly advocates for a business-centric approach to sustainability. While stakeholder consultations are recommended in order to ascertain stakeholder perceptions and expectations, the GRI framework approaches sustainability reporting in terms of the value they may bring to reporting organisations (O’Dwyer & Owen., 2005). In addition, the GRI framework draws heavily on conventional accounting, which, as discussed above, is problematic in terms of its inability to capture the nature of sustainability and the interconnections between the entity and its broader environment. Such conditions cannot be adequately accounted for by the “hard” calculus of conventional accounting.

These discussions show that while employee-related reporting is supposedly based on broader notions of users and rights to information, and is positioned as a mechanism that can hold economic entities accountable to various stakeholders, there is perhaps little difference between the orientation of employee-related reporting and the purpose of financial statements

as examined in Chapter 4. As discussed in Chapter 4, the IASB conceptual framework positions finance capital providers at the centre of the corporate reporting process (Zhang & Andrew, 2014). In employee-related reporting, the approaches are framed in such a way that economic entities are required only to take account of and report on concerns that are material to finance capital providers (Frankental, 2011). In both reports, what ultimately counts is the financial interest of the entity and of its finance capital providers. Furthermore, it is doubtful as to whether the practice of employee-related and sustainability reporting will immediately translate to labour-friendly and sustainable business practices. Empirical evidences show that organisations that are singled out as preparers of high quality employee-related and sustainability reports frequently engage with unsustainable and unethical practices in relation to environmental, labour and human rights (Edwards & Gaventa, 2001; Manheim, 2004; Moneva et al., 2006).

5.2 THEORETICAL UNDERPINNINGS OF ACCOUNTING FOR LABOUR

The approaches to accounting for labour as discussed above are underpinned by assumptions as to the position of labour in relation to the entity and the manner in which labour should be treated by the entity. However, conventional accounting, in maintaining its stance as a neutral discourse of recording and representation, does not directly engage with these assumptions and the disagreements launched at them. Conventional accounting merely “records” wages, salaries and labour-related expenses, and discloses employee-related information as required in legislation. Even so, accounting is ideological and “never neutral in issues of social justice” (C. Lehman, 2013, p. 137). As such, it is necessary to explicate the assumptions that underpin conventional accounting’s approaches to accounting for labour.

Several themes can be derived from the above discussions on accounting for labour. Firstly, the categorisation of labour as a cost or an expense to the entity assumes that the amount assigned to labour is adequate compensation for their services. Upon the exchange of services and remuneration between the entity and labour, there are no further obligations owed between both parties. While there have been concerted efforts to recognise labour as assets, the lack of uniformity in the definition of intellectual capital, disagreements on the “right” valuation model and the intangibility associated with labour challenge the recognition and measurement principles in relation to assets, as set out in the conceptual framework. Consequently, labour, as of yet, cannot be recognised as assets. Secondly, there is a

consistent drive by economic entities to harmonise the interests of capital providers with the interests of labour. Accounting information plays a central role in this process. Employee-related disclosures are used to encourage labour participation in the entity, with the assumption that what is good for the entity and capital providers is also good for labour. Thirdly, there is a perception that labour has adequate bargaining power. When entering into a contractual relationship with the entity, it is assumed that labour is able to negotiate contractual terms that are beneficial for them. In other words, the relationship between labour and the entity is assumed to be equal and mutually beneficial. Fourthly, it is assumed that the relationship between the entity and labour is primarily contractual in nature, in that the responsibilities of both parties are determined by the terms in the employment contract.

These themes can be traced back to a nexus-of-contract understanding of labour. Following the nexus-of-contract conceptualisation, labour is a “fixed claimant” that engages in a contractual relationship with the entity, the terms of which are decided through processes of negotiation and bargaining. This conceptualisation of labour is further discussed in the subsections below. Section 5.2.1 discusses the nexus-of-contract assumption of labour as an equal, contracting partner. Section 5.2.2 discusses the nexus-of-contract assumption of labour as a “fixed claimant”.

5.2.1 Theoretical Underpinning and its Contestations: Labour as an Equal, Contracting Partner

As explored in Chapter 4, the nexus-of-contract approach views the entity as a “metaphor for the contractual relations between a set of constituent parts” (van Wezel Stone, 1993, p. 355). The constituent parts include: capital (which is then sub-divided into equity, capital and debt), labour (which is subdivided by skill level and hierarchy), suppliers of raw materials, customers for output, and the community in which the entity operates. Following the nexus-of-contract conceptualisation, labour is one of the many contracting parties that participate in the “standard form” contracts. Labour and the entity engage in a contractual relationship where both sides bargain and negotiate the terms of the contract:

The nexus-of-contracts view of the firm provides a vantage point to evaluate employees’ position in the firm. It says that employees’ relationship to the firm, like that of any other parts, is defined by private contract and by the legal regulations that constrain or delimit those contracts (van Wezel Stone, 1993, p. 356).

Termed as the “unitarist” perspective in the industrial relations literature (J. Brown, 2000), it is assumed that the relationship between labour and the employer is essentially one of equality, co-operation and harmony, with negotiations and bargaining being the primary mechanisms for conflict resolutions. As such, it is within the prerogative and power of labour to bargain for contractual agreements that they are happy with. For example: they can unionise and engage in collective bargaining to ensure that their interests are protected; they can further invest in human capital and learning in order to enhance their skills, thereby enhancing their labour power; or they can choose to terminate their contracts with the entity if better opportunities from other entities present themselves. The “unitarist” perspective argues that the primary sources of conflict between labour and the entity have been removed due to various improvements in democratic societies, including: “the rights of workers to a living wage and fringe-benefits such as insurance, pensions, holidays and proper working conditions” (S. Ogden & Bougen, 1985, p. 215). What remains is the level at which these benefits should be set. In defining the parameters for negotiation, the “unitarist” perspective argues for the need to allow room profit and economic viability (S. Ogden & Boudgen, 1985). Profit is seen as beneficial for labour as it increases employment security and financial rewards. By viewing the labour-entity relation as a “partnership” or a relationship of “mutual gains” (Collins, 2001, 2002, 2003; P. Smith & Morton, 2006), labour is encouraged to “enhance competitiveness through improvements in quality and efficiency” (Collins, 2002, pp. 458-459). Labour and the entity are perceived as existing in a “symbiotic contract” (P. Smith & Morton, 2006, p. 403), where the maximisation of self-interest by both parties will lead to extensive co-operation with each other. Consequently, the interests of capital providers are seen to be coherent with the interests of labour in a win-win situation (J. Brown, 2000; Mäkelä, 2013), as “all participants have the same basic aim and all will share in the rewards which will accrue from the attainment of this aim” (M. Jackson, 1977, p. 19).

However, the dominant representation of the relation between the entity and labour as equal and harmonious is ethically limiting and needs to be critiqued and challenged (J. Brown, 2000; Fox, 2011, 1974; M. Jackson, 1977; S. Ogden & Bougen, 1985; Tinker, 1980, 1984; Williams & Adams, 2013). In particular, it is argued that the relation is significantly tilted *against* the interests of labour, and in favour of the interests of finance capital providers. The lopsided nature of the relationship, hidden behind the rhetoric of equal bargaining power, becomes most obvious in the mass termination of employment during financial crises,

takeovers, buyouts, mergers and restructurings that have characterised the global economy in the last few years (J. Brown, 2000; Mäkelä, 2013; Shleifer & Summers, 1985; van Wezel Stone, 1993). Citing termination clauses in employment contracts, the nexus-of-contract perspective argues that the loss of employment is a consequence of a contract to which labour has knowingly and willingly agreed. As labour “chose” not to include job security in the terms of the contract, they risk just such a consequence: “They bought a ticket and lost the lottery” (van Wezel Stone, 1993, p. 356). However, employment contracts must be viewed in light of various economic, legal and governance structures related to employment – structures which have significant distributive consequences in regards to economic wealth. Depending on how these regulations are determined and the associated political-economic ideology in a given context, the rules governing labour relations uphold normative choices concerning the distribution of power and advantage (Klare, 1988; S. Ogden & Bougen, 1985; van Wezel Stone, 1993): “Each choice of rule enhances the power of one side at the expense of the other. There is no neutral ground, no legal state of nature, upon which contracting can take place” (van Wezel Stone, 1993, p. 359).

Rather than a relationship of equality, co-operation and harmony of interests, critics argue that the profit and shareholder wealth maximisation norm of the nexus-of-contract entity privileges the financial interests of finance capital providers over the welfare and interests of labour. It is a coercive situation of dominance by capital over labour, where the know-how, expertise and even the human nature of labour are often used to enhance the capital wealth of shareholders and creditors (Abeysekera, 2008; Anderson, 1961; Cleaver, 1979; Hansmann, 1990; Jones, 1978; Moore, 1979). Shareholder wealth maximisation comes “at the expense of and through the exploitation of the subordinate class, the *property-less* working class” (S. Ogden & Bougen, 1985, p. 212). Labour becomes “nothing more than a factor of production, a commodity, which is exploited in the processes of accumulation of wealth for those who control the means of production – the capitalists” (Williams & Adams, 2013, p. 458). Strategies of unification and the illusion of a “homogeneous” group of stakeholders with common interests further entrenches the privileged status of capital providers (J. Brown, 2000). It assumes that the interests of one stakeholder group – the finance capital providers – can be applied to all other stakeholders (Mäkelä, 2013). As such, labour is often encouraged to adopt the economic orientation of advancing profit, rationality and efficiency (S. Ogden & Bougen, 1985), emphasizing the importance of commitment and dedication to work for the benefit of the economic entity in order to enhance their own benefits as labourers. These

arguments are presented as universally beneficial, common sense, natural and self-evident. Thus, stakeholders, including labour, are persuaded to act accordingly, discouraging questions, concerns or alternatives (D. Cooper & Morgan, 2013; Gramsci, 1971; Illich, 1971; Mäkelä, 2013; Thomson & Bebbington, 2005).

The exercise of power by finance capital providers over labour is also legitimized in social and political settings through neoliberalism, where the financial interest of economic entities and finance capital providers are positioned at the centre of democratic societies as discussed in Chapter 4 (Cahill, 2010; Habermas, 1976; D. Harvey, 2007; C. Lehman, 2013; Offe, 1984; Sikka, forthcoming). However, neo-liberal states must also be seen as even-handed and responsive to demands for employment, improved material conditions and enhanced social welfare. The extent to which neo-liberal states are willing to make concessions to these demand is dependent upon how various protagonists use political and ideological resources to advance their own interests. Depending on the ideological orientation of the elected government, these concessions may be diluted, withdrawn or enhanced. While the neoliberal rhetoric argues that the interests of economic entities and capital providers are in harmony with the interests of labour, existing legal and regulatory mechanisms, in which employment contracts are enforced, cannot be regarded as politically neutral (van Wezel Stone, 1993). In contrast, what occurs is a continuous struggle over economic surpluses in neoliberal institutional structures that are characterised by “rationalisation, efficiency, calculation, control and predictability” (Sikka, forthcoming, p. 4). As neoliberal institutions disseminate discourses that attach positive signs to profits, cost reduction, competition and efficiency, remuneration to labour is seen as a threat to these positive signs. These discourses have been circulating in education, media and policy to such an extent that they are taken for granted. Accounting practices are central in these discourses as they legitimise notions cost-savings and efficiency, thus advancing sectional (capital) interests (Hopwood, 1984; Sikka, forthcoming).

These labour-related conflicts are further deepened with the process of financialisation. As discussed in Chapter 4, financialisation is a process where financial markets, financial actors and financial motives are gaining more significance (Cushen, 2013; Epstein, 2005; Lapavistas, 2011), thus leading to the growing importance of financial activities, rather than production, as a source of profits (D. Cooper & Morgan, 2013; Krippner, 2005, 2011). This process is resulting in further losses for labour and leading to job and financial insecurity (Batt &

Appelbaum, 2013; Cushen, 2013; Thompson, 2013; Zhang & Andrew, 2014). Empirical evidences show that entities that have traditionally engaged in the production of goods and services are shifting towards financial activities in generating profits (Froud et al., 2006). The turn towards profits from financial activities, rather than productive activities, means that economic entities and their divisions are being managed more like portfolios rather than organisations. As entities are being judged based on share price and prospective financial returns, top management are driven to boost investor returns by pursuing short-term and financially myopic strategies (Aglietta & Breton, 2001; Appelbaum et al., 2013; Carr & Tomkins, 1998; Cushen, 2013; Dobbin, 2005; Zorn et al., 2005). The decisions that are made in the private boardrooms of corporations and financial institutions, while often treated as economic choices, are also social choices that involve economic, social, moral and political concerns (D. Cooper & Morgan, 2013). In regards to labour, economic choices such as extreme cost minimisation, downsizing and continuous restructuring are likely to leave labour exposed to unpredictable changes in the economy, causing job and financial insecurities, less secure remuneration and benefits, work intensification and increased hierarchical command (Batt & Appelbaum, 2013; B. Burchell et al., 2002; Cushen, 2013; Froud et al., 2006; G. Jackson, 2005; Kalleberg, 2010; Langley, 2004; Milberg & Winkler, 2010; Mintzberg et al., 2002; Thompson, 2013). Thus, labour becomes increasingly vulnerable, their welfare ignored (Barsky et al., 1999; D. Cooper & Morgan, 2013; Mäkelä, 2013; Mäkelä & Näsi, 2010).

In addition to power inequalities between labour and the entity, the perception that the relationship between labour and the entity is primarily contractual is contested. Similar to the limitations of contract, discussed in Chapter 4, the assumption of contracts assumes that existing legal and governance mechanisms can and will uphold the terms of the employment contract, and will treat both parties fairly. However, the employment contract does not exist as a stand-alone agreement. Rather, this contract is enforced with various underlying legal and political rules in the background – rules which also have significant distributive consequences that privilege one party over the other:

For example, without knowing whether or not workers can legally combine and strike, we do not know whether they have enough economic power to achieve their bargaining goals. Similarly, even if workers have a right to combine and strike, we still cannot judge the effectiveness of the strike weapon without knowing whether they also have the right to picket, to

engage in a partial strike, to call for consumer boycotts, to engage in secondary labour boycotts, and so forth. Further, to judge the power of the strike weapon, we have to know whether the employer can lawfully carry on operations during the strike, whether the strikers are ensured their jobs back at the end of the strike, or whether, instead, the employer can permanently replace them. We would also have to know whether those strikers entitled to reinstatement are also entitled to full seniority or merely to reinstatement as new hires, and whether the employer is permitted to use other extraordinary means to procure replacements, such as to offer them premium wage rates or superseniority. [...] If workers can organise freely, without fear of discharge by their employer or criminal prosecution by the state, then they can more easily collectivise and enhance their bargaining power. If their ability to organise is subject to legal constraint, then they lose that advantage (van Wezel Stone, 1993, pp. 358-359).

If the legal and governance mechanisms related to the employment contract occur in institutions that uphold neoliberal principles, it is more likely that the foundation upon which the employment contract is signed and enforced will be more beneficial to the entity and its finance capital providers.

Additionally, it is doubtful as to whether the existence of an employment contract is necessary for one to be recognised as a labourer for a particular entity. It is noted that despite the mounting global criticisms launched at high-profile corporations regarding worker exploitation, poor working environments and the use of child and forced labour (Islam & McPhail, 2011), these labourers are several layers removed from the high-profile corporations through their suppliers. As discussed in Chapter 4, the notion of control – which is used in delineating the boundary of the reporting entity - usually excludes suppliers from the reporting entity. This exclusion has significant implications in regards to the use of child and forced labour, in that economic entities can benefit from worker exploitation and the use of child and forced labour in the form of cheaper goods and services from their suppliers without owing any legal obligation or responsibility to the labourers. For example, empirical research produced by NGOs and labour activist groups show the prevalent use of subcontracting schemes in sectors that are heavily reliant on cheap and unskilled labour. In agricultural sectors, for example, subcontractors are paid by entities to rent out unregulated

plantations and to hire workers to work in them. Under this arrangement, the plantations and the workers are technically not under the jurisdiction of the entity, but under the jurisdiction of the subcontractor. Consequently, the workers have no direct connection to the entity, and the entity has no obligation to them. Yet in delving deeper, it is often discovered that the entity has ultimate control over the subcontractors, the plantations and the workers. This situation shows the failure of conventional accounting's notion of control in recognising informal and non-contractual relationships where the entity is ultimately in control. Additionally, it also demonstrates that the lack of employment contracts does not necessarily construe the lack of an employment relationship. In this example of subcontracting schemes, the workers of the plantations are ultimately working for the interests of the entity, despite the non-existence of employment contracts (ILRF, 2009).

5.2.2 Theoretical Underpinning: Labour as a “fixed claimant”

The categorisation of labour as a cost and expense to the entity, and the difficulties surrounding recognising labour as assets can also be traced back to the nexus-of-contract conceptualisation of labour and the neoclassical model of wage determination. Alongside the assumption that labour is an equal, contracting party with the entity, labour is also considered to be a “fixed claimant”. In theory, labour is indifferent to corporate decisions, as compensation to labour in the form of agreed-upon remuneration will be met, regardless of the consequences of corporate decisions. The only exception to the “fixed claimant” principle is finance capital providers. Finance capital providers, and in particular, shareholders, hold the unique status of “residual claimants”, as they receive the benefits and incur the costs associated with marginal or discretionary corporate decisions (Easterbrook & Fischel, 1989; Macey, 1999). Consequently, the nexus-of-contract perspective views labour as a contracting party that has a “fixed claim” from the economic entity in the form of agreed-upon remuneration, such as salaries or wages.

Following the neoclassical economic model of wage determination, remuneration, like other terms in the contract, is determined by negotiation and bargaining. The labour contract is viewed as a consensual transaction, where the terms are set by external and inexorable market forces (van Wezel Stone, 1993). The primary reference point for negotiation and bargaining is the prevailing competitive market wage for the level of skills and expertise of the labourer (Jovanovic, 1979; Reynolds et al., 1991; van Wezel Stone, 1993):

[...] The price at which a worker is paid is equal to the value of her marginal product. The value of the worker's marginal product will tend to equalise across firms, each of which are earning the exact same normal rate of profit. Thus there develops a single prevailing competitive wage rate for each type of labour. [...] Labour-capital exchange is paid the competitive rate at each moment, and is therefore fully executed on both sides as it goes along (van Wezel Stone, 1993, p. 360).

The amount that can be claimed by labour is what is stated in the employment contract, as this amount reflects the agreed-upon remuneration and the competitive rate for labour's services. All aspects of this approach have been challenged on many occasions and on many grounds. This perspective on labour and the labour contract ignores the power inequalities between the entity and labour, and the existence of duress and coercion in employment work – conditions which have been noted in discussions above. This perspective also disregards: employment discrimination based on characteristics such as gender, ethnicity, religious beliefs and sexual orientation; information asymmetry; and various other market and non-market imperfections that are not included in wage rates (Bowles & Gintis, 1990; Kaufman, 1988; Segal, 1986; van Wezel Stone, 1993). Furthermore, this neoclassical economic approach to wage determination forgets that labour is not just another commodity. As such, labour cannot be conformed to economic laws of commodity exchange:

First, unlike genuine commodities, [labour] is not created for the purpose of sale in a market. [...] The decision to produce the fictive commodity labour is not reached in market-oriented enterprises but, rather, in families and other agencies of socialisation where motivations are largely distinct from marketability. [...] Second, labour power differs from conventional commodities because of its market variability and plasticity. [...] The employment contract is clearly determined only with respect to pay, whereas the specifications for concrete work tasks – the circumstances of labour exertion, work intensity, etc. – remain relatively underdefined. This gap of indeterminacy is closed in the firm through managerial authority ('command of labour') (Offe, 1985, p. 65-67 as cited in van Wezel Stone, 1993, p. 362).

In addition, the perception that labour is a “fixed claimant” is based on the argument that the employment relationship is a “pay-as-you-go exchange”, in that remuneration is given in exchange for skills and expertise provided. The worker’s right to receive payments is settled or “vested” upon receipt of the agreed-upon salary or wages. Upon fulfilment of other contractual terms such as leave provisions, redundancy pays and pension payments, no further obligations linger on the part of the entity or labour (van Wezel Stone, 1993). Labour’s status as a “fixed claimant” is distinguished from finance capital providers, who are “residual claimants” by virtue of the financial risks and rewards that they bear. While finance capital providers bear financial risks and rewards that are associated with the economic performance of the entity, it does not immediately follow that labour does not also bear risks and rewards. The “investment” of labour into the entity is an investment of livelihood. The “risks” that are borne by labour are not only financial, but emotional and physical.

Labour bears “financial risks”, in that they and their families are dependent on the entity as their source of livelihood. However, the neoclassical economic approach to wage determination does not view employment losses as problematic. It assumes that the labourer who loses her job will be able to obtain another one at a wage equal to the value of her marginal productivity. Accordingly, all parties will be better off because overall production in the economy has been made more efficient. The costs that labour has to bear in transitional employment are considered to be short-lived, and outweighed by net economic gains from capital mobility and corporate restructurings. However, empirical research shows that this approach lacks credibility (C. Cooper et al., 2011; C. Cooper et al., 2005; Mäkelä, 2013; Spence & Carter, 2011; van Wezel Stone, 1993): “the evidence of extensive and lengthy job loss is too convincing, and the stories of human suffering too poignant, to gainsay the fact that corporate transformations and restructurings have imposed serious costs on employees” (van Wezel Stone, 1993, pp. 354-355). Labour bears substantive “emotional risks”, in that they often become “faceless” individuals within economic entities or mere “cogs” within the free-market wheel (C. Lehman, 2013, p. 140). Emotional risks further deepen as issues such as stress levels, mental health, and work-life balance are usually not given enough importance due to mechanistic approaches to occupational health and safety. More emphasis is given to the physical health of labour, rather than their mental health (Mäkelä, 2013). Even so, labour also bears significant and at times, unreasonable “physical risks”. The International Labour Organisation reports that in 2005, 2.2 million workers were killed by occupational accidents and work-related diseases, 270 million suffered non-fatal accidents and 160 million suffered

from occupational diseases. This occurs in not only developing and Third World countries. While the right to a safe working environment forms part of the Charter for Fundamental Rights of the European Union Article 31 “Fair and Just Working Conditions”, the International Labour Organisation reports that substantial amounts of occupational accidents and work-related diseases occur in developed nations. In addition, official statistics may not include many work-related accidents and deaths either because they were not accepted as such, or they resulted from diseases not yet recognised as having roots in the workplace (C. Cooper et al., 2011). The financial, emotional and physical “risks” discussed are not all-inclusive. Considering the extent of “risks” that labour is subjected to, and their lack of power in bargaining, negotiation and mobility, it is questionable as to whether monetary remuneration alone can adequately compensate them for the risks that they bear.

5.3 ETHICAL LIMITATIONS OF CURRENT ACCOUNTING FOR LABOUR

In light of the above discussions on how conventional accounting recognises, represents and accounts for labour, and the associated nexus-of-contract theoretical underpinnings, several ethical limitations in current accounting for labour can be seen. These are discussed below.

Firstly, it is ethically limiting to categorise labour as a cost or an expense to the entity based on the assumption that they are “fixed claimants” to the entity. The neoclassical model of wage determination which acts as the primary reference point for negotiations on remuneration is also limited. As discussed above, the categorisation of labour as cost has led to the commodification and alienation of human beings in the pursuit of profits. Labour also bears substantial physical, emotional and financial risks from their participation in the entity. This lends significant doubt as to the assumption that they are “fixed claimants”, and that the fixed remuneration given to labour is adequate to compensate them for the physical, emotional and financial risks that they bear. What is sorely needed are accounting approaches, categorisations and reports that can strike at the very heart of this conception of labour as cost. For accounting to be involved in the promotion of human development and societal empowerment initiatives, it must begin with the human beings that it already accounts for – labour. Indeed, the power of accounting in any reform and empowerment initiatives lies in its ability to create visibilities and meanings. While problems associated with the commodification, abuse and exploitation of labour also lie in broader structural and institutionalised inequalities, accounting can play an important and positive role in the

emancipation of labour by representing and accounting for labour as a significant contributor to the entity. In doing so, labour can be entitled to greater shares of the entity's economic surpluses.

Indeed, there is recognition, even in conventional accounting, that the categorisation of labour as cost is limiting, in that the survival and wealth of any economic entity is dependent on the skills, expertise and personality of its labourers. However, the strong adherence towards the principles of conventional accounting means that the goal to include labour as assets cannot come to fruition. This brings us to the second ethical limitation, which is the “hard” and calculative nature of conventional accounting, and its emphasis on measurement, monetisation and uniformity. It is often forgotten that labour are human beings. The very nature of being human defies the majority of the principles that conventional accounting holds dear:

There are some clear ethical problems here and it is apparent that they have been largely overlooked in the IC [Intellectual Capital] literature. The fact that intellectual capital is in large part about employees, i.e. human beings, tends to be lost or at least overlooked in the rhetoric of the typical IC discourse. [...] Knowledge processes? Intangible activities? These bloodless formulations summarise a huge range of activities by the living, sensate individuals who are at the heart of all activity in business enterprises” (Gowthorpe, 2009, p. 830).

Consequently, questions arise as to whether there are alternative accounting approaches that can take into account labour-related and societal interests, rather than financial interests, and whether these approaches can, at least to some degree, bridge the practice of accounting and the humanity of labour. As explored in Section 5.2, current approaches in accounting for labour – the categorisation of labour as cost, the failure to recognise labour as assets, the contestations surrounding accounting for intellectual capital, and the business- and shareholder-centric approaches to employee-related reporting – can be traced back to the conceptualisation of the entity as a nexus-of-contract as discussed in Chapter 4. As such, it is also necessary to question as to whether an alternative conceptualisation of the economic entity can address some of the ethical limitations as to how labour is conceptualised and

accounted for in conventional accounting, and the implications of this alternative for the labour-entity relation and accounting for labour.

Thirdly, current approaches in accounting for labour are mostly prepared from the perspective of the entity. As discussed, labour, due to their nature as human beings, is not *just* another transaction or commodity to be accounted for. Rather, they exist in families and communal structures that have significant influences on them, and in turn, their surrounding communities are impacted by workers' lives in the workplace. After all, one must not forget that "the labourer" cannot be separated from "the human", and that any debate on labour necessarily entails a debate on humanity. Such a debate should involve participation from a wide variety of voices, perspectives and worldviews in on-going discussions on the welfare of labour. Broad participation would then necessitate multiple accountings for labour from labour themselves and from a variety of parties, rather than a sole reliance on corporate reporting (Roslender, 1997; Roslender & Stevenson, 2009).

5.4 SUMMARY

In sum, this chapter discussed current approaches in accounting for labour and traced them to its nexus-of-contract and neoclassical-economic theoretical underpinnings. The traditional categorisation of labour as a cost or expense to the economic entity and the ethical conflicts surrounding it were explored. While there is recognition that labour should be viewed as assets to the entity, this approach is wrought with significant difficulties due to an obsession with finding the "right" valuation methodology and the continuing need to adhere to the "hard" calculus of conventional financial accounting principles. The chapter also explored the contestations surrounding employee-related reporting, which includes reporting *to* labour and reporting *on* labour.

Current approaches in accounting for labour were then traced to the nexus-of-contract understanding of labour, which is derived from the nexus-of-contract conceptualisation of the entity as explored in Chapter 4. According to the nexus-of-contract conceptualisation, labour is one of the many contracting parties that engage in contractual relationships with the entity. It is assumed that the relationship between labour and the entity is one of equality, co-operation and harmony, where negotiations and bargaining are the primary mechanisms to determine the terms of the contractual agreement. This representation of the relation between

labour and the entity as equal is challenged. It is argued that the nexus-of-contract approach privileges the financial interests of finance capital interests over the welfare and interest of labour.

The nexus-of-contract conceptualisation also construes labour as a “fixed claimant”, in that labour, in theory, is indifferent to corporate decisions, as they will receive compensation regardless of the consequences of corporate decisions. The conception of labour as “fixed claimant” is challenged, in that labour, in investing their livelihoods into the entity, bears significant financial, physical and emotional risks. In addition, the neoclassical model of wage determination is also challenged, as it ignores various factors such as power inequalities, duress and coercion in employment work, employment discrimination and various other market and non-market imperfections.

In light of the discussions on current approaches to accounting for labour and its nexus-of-contract assumptions, several ethical limitations can be seen. Firstly, the categorisation of labour as cost or expense is directly connected to the commodification of human beings in the pursuit of profits. Secondly, the adherence to the “hard” calculus of conventional accounting, and the emphasis on measurement, monetisation and uniformity, are inadequate in accounting for the nature of the human person. Thirdly, current accounting for labour is predominantly from the perspective of the entity, thus lacking in participation from labour and other stakeholders.

The next chapter breaks away from discussions on conventional accounting and the nexus-of-contract perspective by introducing the German Lutheran theologian Dietrich Bonhoeffer (1906-1945). The life and person of Bonhoeffer and the fundamental presuppositions to his theology and ethics are explored. It is proposed that the works of Bonhoeffer have the potential to address the limitations of the nexus-of-contract conceptualisation (as raised in Chapter 4) and conventional accounting’s approaches to accounting for labour (as raised in this chapter). The theology and ethics of Bonhoeffer form the theoretical underpinnings of an alternative conceptualisation of the economic entity (Chapter 7) and alternative approaches to accounting for labour (Chapter 8).

PART THREE:

DIETRICH BONHOEFFER'S "RESPONSIBLE COLLECTIVE PERSON"

CHAPTER 6: AN INTRODUCTION TO DIETRICH BONHOEFFER (1906 – 1945)

Who am I? They mock me, these lonely questions of mine.

Whoever I am, thou knowest, O God, I am thine.

Bonhoeffer; Who Am I? (1971, p. 348)

Part Two explored the nexus-of-contract conceptualisation of the entity, the implications of this conceptualisation on accounting for labour and their ethical limitations. Due to the ethical limitations discussed in Chapters 4 and 5, there is a dire need for an alternative conceptualisation that can better ground the entity as an ethical and responsible agent. It is proposed that such an alternative can be derived from the work of the German Lutheran theologian Dietrich Bonhoeffer (1906 – 1945).

The purpose of this chapter is to introduce the life and legacy of the person Dietrich Bonhoeffer (1906 – 1945), and to explore the central presuppositions of his theology and ethics. Explorations into the life, theology and ethics of Bonhoeffer are undertaken by engaging with Bonhoeffer's writings, and the academic and interdisciplinary scholarship on Bonhoeffer's theology and ethics. As discussed in Chapter 2, engagements with these texts are framed by the principles of philosophical hermeneutics. Section 6.1 provides a brief biography of Bonhoeffer in order to introduce the theologian and to situate his writings amidst his own political and historical contexts. This is followed by a review of existing literature that utilised Bonhoeffer's writings for interdisciplinary research. The disciplines in focus are law and business. Section 6.3 explores the foundational presuppositions of Bonhoeffer's theology and ethics. The themes explored are: Revelation as Person; Reality as Reconciliation; Christianity as Non-Religious; and Sociality as the Meaning of Being.

6.1 THE LIFE AND LEGACY OF DIETRICH BONHOEFFER (1906 – 1945)

Dietrich Bonhoeffer (1906-1945) is considered to be an important figure in Christian theology in the 20th century and one of the most prominent resisters against Nazism. A German Lutheran theologian, he was heavily involved in the local political resistance efforts against Adolf Hitler and the Third Reich. Since his death, his theological and ethical writings have been heavily studied, debated and critiqued.

The political climate of Germany in Bonhoeffer's lifetime underwent radical historical and constitutional changes. In the span of roughly 40 years, Germany experienced the end of the Wilhelmine Empire (*Kaiserreich*), the failure of the Weimar Republic, which was Germany's first experiment with parliamentary democracy, and the rise of National Socialism under the dictatorship of Adolf Hitler. Due to a range of factors, the most significant being the world economic crisis in 1930, the Nazis secured sufficient votes to win 112 seats in the Reichstag, compared to their previous 12. This gave the possibility for the Nazis to combine forces with other extreme-right parties in forming a government. Hitler became Chancellor in January 1933 and was widely regarded as the leader (*Führer*) that would: eliminate the chaotic politics of the Weimar Republic and the threat of communism; restore Germany's international prestige; reject the provisions of Versailles *Diktat*, thus setting Germany towards a path of glorious times as promised by Kaiser Wilhelm early in his reign. Hitler ruthlessly eliminated all opposition towards the Nazi Party, both inside and out. The consequences of his power seizure were, firstly, economic recovery through rearmament and massive public works, and secondly, the implementation of extreme anti-Jewish policy in accordance with Nazi ideology (*Nationalsozialismus*). By the end of summer 1939, The Second World War began and steps towards "the final solution of the Jewish question" were taken. Perhaps one of the greatest tragedies of this time was weak opposition against these catastrophic policies from the Germans themselves. The army, the church and political representatives from other parties, with few exceptions, failed to mount sustained critiques and resistance against Hitler and Nazism. Dietrich Bonhoeffer, however, must be counted among the most outstanding of these exceptions (Moses, 1999).

Prior to 1963, Bonhoeffer was largely known in the English-speaking world as a martyr of the Church Struggle (*Kirchenkampf*) in Germany, and the author of *The Cost of Discipleship*. This perception altered significantly with the publication of Bishop John Robinson's *Honest to God* in 1963, in which he interpreted Bonhoeffer's theology on the basis of his fragmentary writings in prison (later collated and published as *Letters and Papers from Prison*). With the publication of *Honest to God*, Bonhoeffer became the emblem of "secular Christianity" and was portrayed as the founder of the "theology of the death of God". This particular interpretation was critiqued by Bonhoeffer's friend and biographer Eberhard Bethge as "fascinatingly one-sided" (de Gruchy, 1999, p. 93). This interpretation, firstly, failed to take into account the synergies and continuities between all of Bonhoeffer's writings, and secondly, failed to consider the significance of Bonhoeffer's personal life and historical

context to his theology. The controversies surrounding this one-sided interpretation sparked fruitful periods of study, translation and publication of all of Bonhoeffer’s works in theological and secular circles. Further research into Bonhoeffer’s writings showed that his personal life was a necessary key to understanding his theology, in that Bonhoeffer’s life “inevitably sheds light on the foundational themes of his theology and is an interpretive key in reaching the depths of meaning in his writings” (Nelson, 1999, p. 22). While his writings were heavily grounded in philosophical and theological reflections, they were sharply focused on the issues of his day (de Gruchy, 1999). Figure 11 provides a brief outline of significant events in Bonhoeffer’s life and times.

A Brief Outline of Bonhoeffer’s Life and Times	
1906	4 February, Dietrich Bonhoeffer born in Breslau, Germany
1923	Begins theological studies at Tübingen
1927	Qualifies for licentiate with his doctoral dissertation, <i>Sanctorum Communio</i>
1928	Curate in Barcelona
1929	Summer lectures in systematic theology, Berlin
1930	Completes second dissertation, later published as <i>Act and Being</i> Sloane Fellow at Union Theological Seminary, New York
1931	Lecturer in theological faculty, Berlin
1932	Winter lecture course on <i>Creation and Sin</i> , later published as <i>Creation and Fall</i>
1933	Summer lectures in Berlin, later compiled by his students and published as <i>Christology</i> <u><i>Events in Germany:</i></u> Hitler becomes Chancellor The Reichstag is burnt Aryan civil-service legislation is passed, dismissing Jews from public office
1934	Participated in the first synod of the Nazi-resisting Confessing Church in Barmen
1935	<u><i>Events in Germany:</i></u> Nuremberg Laws are passed Confessing Church seminaries declared illegal
1936	Authorisation to teach at University of Berlin is withdrawn
1937	<i>The Cost of Discipleship</i> is published

1938	<p>Expulsion from University of Berlin</p> <p>Makes first contact with the leaders of the resistance movement</p> <p><u>Events in Germany:</u></p> <p>All pastors were required to take the oath of allegiance to Hitler</p> <p>Crystal Night (<i>Kristallnacht</i>)</p>
1939	<p>Travels to America, but decides to return to Germany</p> <p>Becomes a civilian agent of the <i>Abwehr</i> (military intelligence)</p> <p><u>Events in Germany:</u></p> <p>German troops invaded Poland</p> <p>Formal Allied Declaration of War</p>
1940	<p>Begins to write <i>Ethics</i></p> <p>Becomes member of <i>Abwehr</i> staff in Munich</p>
1941	<p><u>Events in Germany:</u></p> <p>Jews are deported from Berlin</p>
1943	<p>Arrested and placed in Tegel Prison, Berlin</p>
1944	<p>Writes the first of the “theological letters” from prison, later published in <i>Letters and Papers from Prison</i></p> <p>Incriminating evidence on the <i>Abwehr</i> is uncovered by the Gestapo</p> <p><u>Events in Germany:</u></p> <p>Failed assassination attempt on Hitler</p>
1945	<p>Moved to Buchenwald concentration camp, to Regensburg, to Schönberg and finally to Flossenbürg</p> <p>Court-martialled and executed at Flossenbürg on 9 April 1945</p> <p><u>Events in Germany:</u></p> <p>Hitler committed suicide by gunshot on 30 April 1945 in Berlin</p> <p>The Allies received Germany’s unconditional surrender of its armed forces on 8 May 1945.</p>

Figure 11: The life and times of Dietrich Bonhoeffer (adapted from de Gruchy, 1999, pp. xxiv – xxvi).

Much of the impetus behind Bonhoeffer's theological and political contributions can be traced back to his early years. From a very young age, he was heavily influenced by academia and intellectualism. His family settled in a part of Berlin that was home to many who belonged in the academic community, including the famous physicist Max Planck and the historians Adolf von Harnack and Hans Dellbrück (Rumscheidt, 1999). Bonhoeffer was raised to know the biblical stories and the hymns, and was also baptised and confirmed into the Lutheran church. However, his family viewed the church as a feeble, bourgeois institution. As such, Bonhoeffer's decision to engage in the study of theology was opposed by his family. Some biographers have argued that his decision to study theology partly stemmed from the death of Walter Bonhoeffer in World War I – the eldest of the Bonhoeffer children – as the death left a significant mark on him. In 1924, Bonhoeffer started his formal education in the University of Berlin. He was exposed to renowned scholars such as Karl Holl, Hans Lietzmann and Reinhold Seeberg. It was under Seeberg that Bonhoeffer wrote his doctoral dissertation *Sanctorum Communio*. After a short stint of pastoral ministry with a German-language United Protestant congregation in Barcelona, he returned to the University of Berlin to continue his formal education, and wrote his post-doctoral thesis *Act and Being*. This paved the way for his appointment as a university lecturer. Bonhoeffer then went to New York's Union Theological Seminary in the United States for a year of post-doctoral study. Upon returning to Germany in 1931, Bonhoeffer began his academic career in the University of Berlin as a lecturer in systematic theology. His academic career would last only until the summer of 1936 (Nelson, 1999).

When Hitler came into power in January 1933, the Bonhoeffer family received this news as a bad sign for the future of Germany. Bonhoeffer was involved with the early stages of church opposition against Nazism. Notably, he was involved in the separatist church movement known as the Confessing Church¹¹, which upheld the Barmen Declaration¹². The Confessing Church and the Barmen Declaration expressly opposed the adoption of the “Aryan Paragraph” in churches. The “Aryan Paragraph” required: the removal of all pastoral and congregational members who are not sympathetic to Nazism; the expulsion of members who have Jewish ancestry; the promotion of a more pro-Aryan figure of Jesus; the removal of the Old Testament from the Bible; and the eradication of all “non-German” elements in liturgy and

¹¹The Confessing Church (*Bekennende Kirche*) rose in opposition to the Nazi government's attempts to infiltrate the national Lutheran German church with Aryan and Nazi philosophies.

¹² The Barmen Declaration (*die Barmen Theologische Erklärung*) was written as a statement for the Confessing Church, opposing Nazi infiltration into church teaching.

service. Bonhoeffer also participated in various ecumenical conferences and movements, exhorting churches to accept their responsibility as peace makers and informing them of the resistance movement against Nazism in Germany (Nelson, 1999).

Shortly after the passing of anti-Jewish laws in April 1933, Bonhoeffer gave an address entitled “The Church and the Jewish Question” (Bonhoeffer, 2009c, pp. 361-370), challenging this immoral legislation and called churches to aid of the victims of injustice. Bonhoeffer argued that churches must “not just bandage the victims under the wheel, but to jam a spoke in the wheel itself” (Bonhoeffer, 2009c, p. 365). Bonhoeffer was almost alone in his opinions. He was among the few who considered solidarity with the Jews to be a matter of such importance as to obligate the churches to risk a massive conflict with the Third Reich. For Bonhoeffer himself, the Jewish question was also a very personal one, as his twin sister, Sabine, was married to Gerhard Leibholz, a German Jew. In light of the increasing anti-Semitism fervour in Germany, his sister, her husband and their two daughters were forced to leave their home in Göttingen and flee to England. Bonhoeffer and Bethge drove them to the Swiss border in 1938, helping them escape (Nelson, 1999).

Despite Bonhoeffer’s resistance effort, he grew increasingly disillusioned with the efforts of the Confessing Church, or rather, the lack of. The Confessing Church lacked internal unity and was weak in its opposition against National Socialism. The persecution and imprisonment of Lutheran pastors who were in opposition against Nazism further polarised the different church factions. Some pastors declared themselves as “neutral” in the Church Struggle, urging greater caution in the public sphere and avoidance of open conflict against the Nazi state. Within the Confessing Church, there were sharp divisions between those who agreed with the “neutrals” and those who urged more proactive political opposition against the persecution of the Jews (V. J. Barnett, 2012). The year 1938 was singled out by Bethge as one of the lowest points for the resistance movement. This coincided with “Crystal Night” (*Kristallnacht*) on 9 November, where 7000 Jewish shops and synagogues were destroyed, Torahs burnt, over 90 Jews murdered and more than 20,000 sent to concentration camps. Psalm 74:8 “Let us plunder them! They burn all the houses of God in the land” was marked in Bonhoeffer’s personal Bible, with “9. Nov 1938” written in the margin (Kelly, 1999). The Confessing Church remained largely quiescent. Bonhoeffer’s disenchantment, coupled with the possibility of being drafted for military service, led to his acceptance to an invitation to go to the United States for a second time. He was invited for teaching and pastoral service. After

only a few days in the States, he made what was perhaps the most important decision of his life – he decided to return to Germany (V. J. Barnett, 2012). In his farewell letter to Reinhold Niebuhr – an American theologian, he wrote:

I have come to the conclusion that I have made a mistake in coming to America. I must live through this difficult period of our national history with the Christian people of Germany. I will have no right to participate in the reconstruction of Christian life in Germany after the war if I do not share the trials of this time with my people. [...] Christians in Germany will face the terrible alternative of either willing the defeat of their nation in order that Christian civilisation may survive, or willing the victory of their nation and thereby destroying our civilisation. I know which of these alternatives I must choose; but I cannot make that choice in security (Bonhoeffer, 2012a, p. 210).

Upon returning from his short visit to America, Bonhoeffer's brother-in-law, Hans von Dohnanyi, invited Bonhoeffer to participate in the resistance. Von Dohnanyi was a leading member of the *Abwehr* – the counterintelligence agency of Nazi Germany. Despite its origin within the German Ministry of Defence, the *Abwehr* and its operatives were involved in the wartime activities of the resistance, including various assassination attempts on Hitler. Bonhoeffer became a civilian member of the *Abwehr* until his capture on 9 April 1943. Exemption from military draft for Bonhoeffer was obtained, with von Dohnanyi and General Hans Oster convincing the Gestapo that Bonhoeffer's ecumenical contacts were extremely useful for information gathering and could be manipulated for the Nazi war effort. Instead, his guise as a 'double agent' was used to create closer connections between the resistance movement in Germany and the Allies. Bonhoeffer was instrumental in the implementation of 'Operation 7', where he assisted in the smuggling of Jews out of Germany. He crossed the border to Switzerland 3 times, connecting the resistance movement with key ecumenical figures, including Karl Barth and W. A. Visser't Hoof. The most important journey, however, would be the journey to Sweden where he met George Bell, his British ecumenical friend. Bonhoeffer relayed important information about the resistance to Bell, asking him to pass on an urgent message from the resistance to the British Foreign Secretary Anthony Eden, thence to Winston Churchill and Franklin Roosevelt. The informants were requesting for support for the local German resistance movement, and more importantly, for peace after the war. No replies came. Due to suspicion of his involvement in the Nazi resistance movement,

Bonhoeffer was arrested and imprisoned in Tegel. From prison, encoded letters were smuggled between Bonhoeffer and his family, enabling him to be effective in covering for the resistance movement during interrogations (Nelson, 1999).

Throughout his academic, pastoral, ecumenical and political resistance journeys, Bonhoeffer never stopped his writings and reflections on theology and ethics. *The Cost of Discipleship* and *Life Together* were culminations of his theological and pastoral work. *Ethics*, unfinished, was written during his years of political resistance. He frequently requested various books from his family when he was in prison, so that he could continue his work. The letters that he wrote to his family and friends, posthumously published as *Letters and Papers from Prison*, also unexpectedly contained many major theological themes. From his theological writings, one can often see glimpses, traces and influences of the philosophers, theologians, scientists and scholars that he exposed himself to. The time spent in prison was filled with the reading of literature and of the Bible, of deep reflection and self-searching, which then gave rise to productive theologising (Floyd, 1999; Nelson, 1999).

After 18 months in Tegel, Bonhoeffer was transferred to the Gestapo prison in Prinz-Albrecht-Straße in October 1944. By this time, evidences damning enough to incriminate important members of the resistance, including von Dohnanyi and Bonhoeffer himself, had surfaced. Other members of the Bonhoeffer family were also captured and imprisoned – Klaus Bonhoeffer, Rüdiger Schleicher and eventually, Eberhard Bethge¹³. From February to April 1945, Bonhoeffer was an inmate in the Buchenwald concentration camp. He was then sent to an extermination camp in Flossenbürg. In a brief drumhead trial without any witnesses by the SS court, a verdict of high treason was pronounced on the figures involved in the resistance movement, Bonhoeffer included. His execution took place on 9 April 1945 – two weeks shy of the liberation of the camp and one month before the official surrender of Germany (Nelson, 1999).

Thirteen years before the end of his life, perhaps ironically, Bonhoeffer said in a sermon preached at the Kaiser Wilhelm Memorial Church in Berlin, on 19 June 1932:

¹³ Klaus Bonhoeffer was Dietrich Bonhoeffer's older brother. Rüdiger Schleicher was married to Dietrich Bonhoeffer's sister, Ursula. Eberhard Bethge was married to Dietrich Bonhoeffer's niece, Renate.

Today, immensely important things will be decided by whether we Christians have strength enough to show the world that we are not dreamers and are not those who walk with their heads in the clouds, that we don't just let things come and go as they are, that our faith is really not the opium that lets us stay content in the midst of an unjust world, but that we, especially because we set our minds on things that are above, only protest all the more tenaciously and resolutely on this earth. Protest with words and action, in order to lead the way forward at any price. [...] We must not be surprised if once again times return for our Church when the blood of martyrs will be required. But even if we have the courage and faith to spill it, this blood will not be as innocent or as clear as that of the first martyrs. Much of our own guilt will lie in our blood (Bonhoeffer, 2012b, pp. 49-58).

In the seventy years since his death, Bonhoeffer's writings and his personal life continue to garner interest and widespread appeal. His personal life continues to attract biographers, novelists, dramatists and film-makers, while his writings continue to receive diverse interpretations and applications from scholars and academics (de Gruchy, 1999). This is reflected by the numerous academic and theological books on Bonhoeffer's writings and various academic conferences focussing on Bonhoeffer's theology. Perhaps the most obvious expression of the significance of his life and legacy is a statue of Bonhoeffer in Westminster Abbey's Gallery of 20th Century Martyrs.

6.2 INTERDISCIPLINARY RESEARCH USING BONHOEFFER'S THEOLOGY AND ETHICS

While Bonhoeffer's writings continue to be studied in the theological discipline, there are increasing interests in applying Bonhoeffer's theological and ethical concepts in various disciplines outside theology. As Bonhoeffer's writings show deep engagements between the Christian faith and the issues of the world, this allows for fruitful intellectual and interdisciplinary dialogues, and interesting applications of Bonhoeffer's concepts to issues from other disciplines. As examples of how some of these interdisciplinary studies are undertaken, specific applications in two disciplines – law and business – are briefly reviewed. This review of interdisciplinary research using Bonhoeffer's theology and ethics, alongside the literature review in Chapter 3, are part of my “pre-understanding” as a researcher in this study.

6.2.1 Bonhoeffer and Law

There is a long and established history of interdisciplinary studies between theology and law. Considering the unique historical context of Bonhoeffer's writings, it is not surprising that Bonhoeffer's theology has been incorporated into various aspects of law, including human rights (Westmoreland-White, 1997), environmental law (Barlow, 1996) and immigration reforms (Romero, 2010). Examples of interdisciplinary research between Bonhoeffer and law are discussed as below.

In Ball (1985), it is argued that our understanding of law is influenced by conceptual metaphors, with the dominant metaphor, from a North American context, being "the law is the bulwark of freedom". It is argued that this metaphor is aggressive and masking injustices. Thus, an alternative conceptual metaphor for law is needed. Bonhoeffer's theological writings prove to be insightful in this pursuit. The dominant metaphor of "law as bulwark" propagates law as a fundamental force which holds chaos at bay. However, it forgets that without justice, law is degenerative and brute. "Law as bulwark" is a closed, defensive mentality of saving "us" from "them" or "it". It condones practices such as conquests over land, seas and people, commodification of nature, primacy of ownership and the dominance of the economic market. The related metaphors tend to "the individualistic and competitive, life as struggle, society as contract, politics as battlefield or marketplace, and nature as resource" (Ball, 1985, p. 154). The alternative conceptual metaphor proposed is "law as medium". The proposed metaphor attempts to reconceptualise law as a dialogical praxis that enhances solidarity between members of society. In explicating the alternative metaphor, Ball (1985) draws from Bonhoeffer's Christocentric concepts of the penultimate (*das Vorletzte*) and the ultimate (*das Letzte*), and Bonhoeffer's concept of "concrete reality" alongside other metaphorical concepts to strengthen his thesis. For Ball (1985), law exists in the midst of an inevitably complex reality, just as we exist in institutional, ecological, aesthetic, economic and social nets. As such, this present reality is "an expectant political life, one lived in a nexus of responsibility for others and with others" (Ball, 1985, p. 160). Consequently, a life with and for others cannot be lived in ethical vacuums, but in this complex reality. For Ball (1985), "a life for others [includes] practicing, making, and participating in law" (Ball, 1985, p. 161), where law is conceptualised as a medium for solidarity.

In Chapters 7 and 8, Bonhoeffer's ideas on the complexities of reality, solidarity between various members of society, and responsibility with and for others are also explored, albeit

using different approaches to that of Ball (1985). While Ball (1985) uses Bonhoeffer's concept of the penultimate and the ultimate, the approaches taken in Chapters 7 and 8 are based on Bonhoeffer's concept of mandates and his ethic of responsible action. This is notwithstanding the interrelations between all of these concepts. As will be subsequently discussed in this chapter, the concepts of the penultimate and the ultimate are integral in Bonhoeffer's conception of reality (Section 6.3.2 – Reality as Reconciliation), forming the basis from which to understand his concept of mandates and the ethic of responsible action. However, the usage of Bonhoeffer's concept of mandates and ethic of responsible action lead to slightly different (but not mutually exclusive) conclusions. For example, in Ball (1985), Bonhoeffer's concepts of the penultimate and ultimate orient the discipline of law towards the teleological end of responsibility for others. As will be discussed in Chapter 7, an application of Bonhoeffer's concept of mandates on the conceptualisation of the economic entity positions the entity as existing in ethical relations with various spheres of existence (known as "mandates"). Similar to Ball (1985), these spheres are oriented towards the teleological ends of human development, environmental sustainability and the well-being of future generations – ends which are embedded with responsibility for others.

In another example of interdisciplinary research between Bonhoeffer's theology and law, Lovin (2003) examines the relation between law and religion, and how processes of globalisation are changing understandings of religion and its relationship to law and other forms of authority. The paper explores specific features of globalisation that led to new problematisations on the nature of the church, the state, religion and law. The key argument is that the effects of globalisation have reduced the importance of the state in relation to other social forces and powers. Ever since the formation of sovereign states, the law of the state has provided the authoritative framework within which persons and institutions can pursue their aims and purposes. A result of this has been the privatisation of religion, religious claims, personal values and individual choices. Globalisation brings about significant changes, in that the actions of multinational corporations can no longer be held accountable to a single framework. Furthermore, the choices of multinational corporations are not private, as they have the power to impose their own goals on individuals and the state. Accordingly, the rise of economic powers makes it increasingly difficult for nation-states to treat ideas and goals as simply the private preferences of individuals.

In light of the reduced sovereignty of the state, models that can assess the pluralistic relationships between the various forms of authority are needed. There is a long history in theology that sought to develop normative ideas on resolving the problem of multiple authorities. Bonhoeffer's contribution to this area is his concept of "divine mandates". "Mandates" are spheres of life where God's commandment calls for specific ways of responsible living. His concept of mandates includes areas such as government, family, work and religion. Each mandate has its own centre of authority, and yet, they require other mandates in order to function properly. The general problem that this concept sought to address is "how can these relatively autonomous mandates, or spheres of life, mutually limit each other so the social system as a whole functions well" (Lovin, 2003, p. 10). For Bonhoeffer, the boundaries between these mandates are particularly important, especially in light of what was happening in Nazi Germany. In his historical context, the government placed itself in the centre of all life, displacing the church, the family and the economy from their roles. Applying Bonhoeffer's concept of mandates to globalisation, Lovin (2003) interprets globalisation not as a global regime, but as living in relatively independent but necessarily interrelated spheres of activities or "mandates". In the context of law, the advent of globalisation requires that law is practiced in a variety of ways, such as global laws on environmental controls, trade policy and human rights, rather than relying solely on traditional, enacted legislation.

Several issues examined by Lovin (2003) will also be explored in Chapter 7, such as the impacts of globalisation and the concept of mandates. As discussed above, the primary concern of Lovin (2003) is the impacts of globalisation on the authority of the law of nation-states. Bonhoeffer's concept of mandates, as employed in Lovin (2003), is utilised as an approach to theorise pluralism in authority. In this thesis, the issue of globalisation is explored in relation to the position of economic entities in a globalised economy. This issue was briefly discussed in Chapters 1 and 4, and will be further examined in Chapter 7 (Section 7.2). As will be subsequently argued, the regulation of economic entities through national laws is no longer adequate, due to the wide reach of the global network of production and consumption. As such, new forms of global governance such as the enforcement of international laws and conventions on corporate actors are necessary. In addition, Bonhoeffer's concept of mandates, as employed in Chapter 7, positions the entity as existing amidst various "mandates" – all of which have their own authoritative frameworks and laws.

This means that the entity is subjected to multiple and contesting forms of law and governance.

6.2.2 Bonhoeffer and Business

Interdisciplinary research between Bonhoeffer's theology and business disciplines, in contrast to law, is relatively new and emerging. As such, the literature in this area remains limited. However, existing research points towards the potential for productive engagements between Bonhoeffer and business disciplines. Some examples are discussed as below.

Dietz (2010) examines possible implications that Bonhoeffer's theology has for economics. Dietz (2010) argues that *homo economicus* is a key assumption in human behaviour in neoclassical economic theory, defined with characteristics such as individualism, egotism, rationality, calculability and utility-maximisation. The assumptions are critiqued as being fragmented and inadequate in defining the full complexities of human nature, and thus, insufficient as a normative model for human behaviour. Dietz (2010) examines Bonhoeffer's conceptions of the nature of humanity as a comparison to *homo economicus*. Firstly, Bonhoeffer's theology rejects individualism, emphasizing that human identities are invariably intertwined with each other. This understanding is based on Bonhoeffer's Christology, in that the normative human condition (*Menschsein*) is reflected in God's dwelling in love, community and relationship with humanity. Secondly, neoclassical economics stresses notions of individual freedom and individual rights. However, it is argued that neoclassical economics lacks the perspectives required to understand the sociological and psychological conditions under which freedom is preserved (Etzioni, 1988). In Bonhoeffer's theology, freedom is understood, first and foremost, as responsibility towards others. Freedom is the allowance to live in response to others (*Freisein heißt "frei-sein-für-den-anderen"*). This concept of freedom is central in Christian evangelism: God, in His freedom, tied himself to the world through grace in Jesus Christ – God is free, not for himself, but for others. Dietz (2010) links Bonhoeffer's conception of humanity and freedom to economics by narrating how consumer and business decisions often have complicated and far-reaching effects. For example, business decisions primarily made on cost-benefit analyses are inadequate in their considerations of non-monetary impacts, such as working conditions and quality of life. An application of Bonhoeffer's theology to economics would consider these non-monetary impacts as essential in ethical decision-making. In addition, Bonhoeffer's conceptualisations

of freedom and responsibility call for emancipatory actions to assist in the alleviation of environmental and social degradations.

The analyses in Chapters 7 and 8 deal with some of the issues raised in Dietz (2010). For example, Chapter 7 proposes Bonhoeffer's ethic of responsible action as the ethical norm for the economic entity. This ethic rejects the characteristics of *homo economicus* and advocates for responsible actions that not only consider the complexities of reality, but has love as its content. Bonhoeffer's ethic of responsible action also calls for emancipatory action, and this will be examined in Chapter 8 in relation to accounting for labour. The accounting approaches that will be suggested consider that non-monetary information and impacts are essential in promoting the welfare and well-being of labour.

Paeth (2013) examines the moral complexity of whistleblowing in the context of corporate corruption. While whistleblowers are often portrayed as heroic figures in the media, the decision to engage in whistleblowing should not be construed as an act of pure moral righteousness. Rather, "whistleblowing is an ethically complex act that involves several different overlapping understandings of obligation, honesty, loyalty and duty" (Paeth, 2013, p. 559). Ethical analyses of whistleblowing, when done in abstract (such as courses on ethics), are often approached either by consequentialist appeals to the greatest good, or by attempts to rank moral obligations on according to their relative weight on a moral scale. These approaches, however, fail to give due recognition to the tensions and conflicts between binding sets of obligations, neither of which the whistleblower can let go without some moral sacrifice: "It is not that, in blowing the whistle, one chooses between an ethical path and an unethical path, but rather one chooses between two different ethical paths, both of which one experiences as binding, and in choosing, one *must* act unethically according to one of those paths" (Paeth, 2013, p. 560, emphasis in original). The paper then examines two prominent examples of whistleblowing: The first case is that of Jeffrey Wigand – the former Brown & Williamson tobacco researcher who blew the whistle on the tobacco industry's cover-up on the harmfulness of tobacco smoke. The second case is Mark Whitacre – the former executive of Archer Daniels Midland who acted as a double agent for the FBI in order to build the government's case against the company. In the process, however, he also embezzled and lied to the FBI.

After discussing these cases in detail, Paeth (2013) then examines Bonhoeffer's fragmentary essay "*What Does It Mean to Tell the Truth?*" for potential applications to whistleblowing. The essay paints a complex picture of the nature of truth telling and deception. For Bonhoeffer, to lie is not simply to say something untrue, because one can only know this by knowing the contextual nature of the act. Consequently, it is not possible to know in advance whether a particular untrue statement should be considered as a genuine lie, unless one is aware of the context surrounding that statement. There are circumstances where deceptions are wholly appropriate, so as to protect a deeper moral imperative. This approach to truth telling and deception should be understood in light of Bonhoeffer's own historical context. As Bonhoeffer was involved in the resistance, truth telling under interrogation would not only have cost him his own life, but also the lives of other members of the resistance, which included many of his family members. For Bonhoeffer, one must speak of genuine truth – and one can only do so in a world that is complex and multifarious, and through honest perception and serious consideration of the circumstances. To know and speak genuine truth is to be "mercilessly honest with oneself regarding one's responsibilities, and the consequences of one's actions" (Paeth, 2013, p. 564). This is similar for those who engage in whistleblowing, as there is no one "simple truth" that they can consider. Rather, they are required to discern the "larger truth" of their responsibility in the context in which they find themselves.

One of the underlying thrusts of this thesis is to argue for a much deeper understanding of ethics, beyond that of ethical systems and codes of conduct. Similar as to how the act of whistleblowing cannot be confined to abstract ethical systems, Chapters 7 and 8 will argue that the ethical status of economic entities, the ethical orientation of accounting as a discourse, and the treatment of and accounting for labour cannot be subjected to abstract, timeless and universal principles, ethical systems or codes of conduct. Rather, ethics requires a deep and informed understanding of the context of action, critical evaluation of the status quo, and a call to love and action for the "suffering others". Such an approach to ethics cannot be easily discharged through contracts, regulatory frameworks or ethical systems.

The examples reviewed above are by no means exhaustive. Bonhoeffer's theology and ethics is attractive for interdisciplinary research in that much of Bonhoeffer's work is about bringing popular and taken-for-granted contrasts in dialogue with each other. Seemingly opposing concepts such as rationalism versus revelation, faith versus logic, and secular versus

sacred are brought into dialogue, while still remaining true to the Christian worldview. This sense of “bridging” is fundamental in Bonhoeffer’s thought, thus allowing for interesting interdisciplinary research.

6.3 FOUNDATIONAL PRESUPPOSITIONS IN BONHOEFFER’S THEOLOGY AND ETHICS

In order to better understand the uniqueness of Bonhoeffer’s theology and ethics, it is necessary to explore the intellectual presuppositions in Bonhoeffer’s theology and ethics. One does justice to specific concepts in Bonhoeffer’s theology and ethics only when they are viewed in light of the fundamentals of his theology and ethics. Existing scholarship on Bonhoeffer’s intellectual formations shows that his theology and ethics were influenced by a wide range of theological and philosophical traditions, (Frick, 2008a). Even so, Bonhoeffer did not haphazardly amalgamate different philosophical and theological themes. Rather, he frequently critiqued what he thought to be the inadequacies of the intellectual traditions he inherited, and sought to use existing concepts in formulating his own unique understandings. Four fundamental and interrelated presuppositions in Bonhoeffer’s theology and ethics are discussed: Revelation as Person, Reality as Reconciliation, Christianity as Non-Religious and Sociality as the Meaning of Being.

6.3.1 Revelation as Person

One of the key presuppositions in Bonhoeffer’s thought is a premise that is central to most Christian theologies; namely, “the premise of the reality of God, before and beyond all thinking” (Bonhoeffer, 1932, p. 177). This premise is accepted as an act of faith. As stated by Bonhoeffer: “Only in the act of faith as a direct act, God is recognised as the reality which is beyond and outside of our thinking, of our whole existence. Theology, then, is the attempt to set forth what is already possessed in the act of faith” (Bonhoeffer, 1932, p. 179). This premise is particular to theology and religious worldviews generally, and it is from this stance that reality is interpreted and understood.

Understandings of the concept of revelation differ significantly within Christian traditions, leading to substantial differences in the conceptualisation of ethics. This issue was taken up by Bonhoeffer in his postdoctoral thesis entitled *Act and Being*. In *Act and Being*, Bonhoeffer framed the debate on the issue of revelation as a growing tension between those who understood revelation as an “act” concept, and those who understood revelation as a “being” concept. Proponents of the “being” concept relate revelation to human epistemologies and

existing objects of knowledge, such as Scripture or human processes of knowing. In this manner, the transcendental is delivered into the power of human understanding. In contrast, proponents of the “act” concept promote revelation as a momentary, sheer act of God (DeJonge, 2012b). For Bonhoeffer, a proper understanding of revelation can be achieved only when “act” and “being” characteristics are held together and understood in unity (Plant, 2008). Drawing from classical Lutheran Christology¹⁴, the Definition of Chalcedon¹⁵, and borrowing from Martin Heidegger’s philosophical concept of *Dasein*, Bonhoeffer suggests the concept of “person” as a potential solution to the problem of revelation (DeJonge, 2012b).

Bonhoeffer argues that the concept of “person” manifests the coordination of act- and being-characteristics, because in person, act grounds being *and* being grounds act such that a person is “never in being without act, and never in act without being” (Bonhoeffer, 2009a, p. 159). This is borrowed from Heidegger’s *Dasein*, where the conflict between act and being is resolved by the ontological presupposition that being presupposes act and act presupposes being: “Being is given in the thinking act, only when thinking is understood as the thinking of existing beings” (DeJonge, 2012b, p. 29). For Bonhoeffer, the theological prototype of *Dasein* is Jesus Christ, in that *the person called Jesus Christ is the revelation of God to humanity*. In his lectures on Christology, Bonhoeffer aligns himself with the Chalcedonian definition of Christology – Christ as one person with two natures: the God-human. In the Definition of Chalcedon, the two natures are defined to occur without confusion and change, and without separation or division. By interpreting the Chalcedonian definition through the concept of “person”, Bonhoeffer situates “the union of divine and human natures in the *historical* God-man of Jesus Christ”, thus following the Lutheran tradition in affirming that “this human *is* God, and this God *is* human” (DeJonge, 2012b, pp. 90-92).

By interpreting the Chalcedonian Definition and Christology in this manner, Bonhoeffer rejects the traditional concept of transcendence. The traditional concept of transcendence is influenced by the Aristotelian and Thomistic metaphysics of being and the mythology of classical antiquity, where God is depicted as the supreme and infinite being. For Bonhoeffer, the inquiry of transcendence is an inquiry into existence. In particular, it is a question

¹⁴ Christology is a field of study within Christian theology that examines the nature and person of Jesus Christ (DeJonge, 2012b).

¹⁵ The Definition of Chalcedon, written by the Council of Chalcedon, defines the two natures of Christ. It is accepted by most Christian denominations as doctrinal truth, including Roman Catholic, Eastern Orthodox, Lutheran and various other Protestant traditions.

regarding the existence and being of a specific person – the historical God-man Jesus Christ. In his lectures on Christology, Bonhoeffer frames this inquiry as a question of “Who?” instead of “How?” Bonhoeffer asserts that the Chalcedonian Definition, in paradoxically and contradictorily naming Jesus as both God and man, affirms that the inquiry into transcendence cannot be confined within any theory of knowledge. Rather, it is a question of existence, of asking “Who” Christ is (Mayer, 1981).

The influence of Heidegger on Bonhoeffer’s Christology is evident here (Plant, 2008). For Heidegger, the starting point for all philosophical inquiry should not begin with epistemology. Epistemology is not only a secondary problem; it is derived from *ontology* – the question of the meaning of being (*Sein*):

The real starting point for philosophical enquiry is to learn to ask the right questions, and the right questions are not “how” questions, such as “*how* may I know a thing in the world?”; the right question is the “is” question: “*the question of the meaning of Being*”. All other forms of human enquiry, all sciences, natural or human, interesting as they are, beg the truly fundamental question, of what being means (Plant, 2008, pp. 307-308, emphasis in original).

Similarly, Bonhoeffer argues that the question of transcendence should not begin with an investigation into “how” the two natures of the God-man Jesus Christ can be systematically conceptualised and categorised. Rather, the question of transcendence is an inquiry into the being of Jesus Christ – “the ethical and personal transcendence of the Christ-person” (Mayer, 1981, p. 186), whom, for Bonhoeffer, is the source of revelation and the centre of the Christian faith. In further explicating the ontological structure of the person of Christ, Bonhoeffer argues that Christ’s existence and being is always “being-for-me”. The ontology of Christ is always “pro-me”:

Christ is Christ not as Christ in himself, but in his relation to me. His being Christ is his being *pro me*. This being *pro me* is in turn not meant to be understood as an effect which emanates from him, or as an accident; it is meant to be understood as the essence, as the being of the person himself. This personal nucleus itself is the *pro me*. That Christ is *pro me* is not an

historical or an ontical¹⁶ statement, but an ontological one. That is, Christ can never be thought of in his being in himself, but only in his relationship to me (Bonhoeffer, 1966, pp. 47-49).

Following the Lutheran interpretation of Christology and emphasising on the historicity of the God-man Jesus Christ, Bonhoeffer hermeneutically interprets the meaning and purpose of human existence via the life, death and resurrection of Christ. Specifically, Bonhoeffer stresses the *humility* of Christ, in that Christ, in becoming human and in existing within human history, identifies himself *fully* with the struggles of humanity. Consequently, the pursuit of faith and the practice of ethics cannot be disengaged from the world:

Solely because God became a poor, suffering, unknown, unsuccessful human being, and because God wants to found from now on solely in this poverty, in the cross, it is for this reason that we cannot get away from the human being and from the world, for this reason that we love our neighbours. Because the Christian faith is such that indeed the unconditional is included in the conditional, the “hereafter” has entered “this-worldliness” out of a sovereign freedom of grace, for that reason the believer is not torn apart, but rather finds in this single place in this world God and human being in one, and from now on the love of God and love for one’s human neighbour are indissolubly united (Bonhoeffer, 2012a, pp. 111-112).

A direct result of Bonhoeffer’s Christology is an understanding of freedom that is “substantial” in nature, in that freedom is understood as God being *free for* humanity rather than being *free from* humanity (DeJonge, 2012b):

In revelation it is not so much a question of the freedom of God. [...] It is a matter of God’s *given* Word, the covenant in which God is bound by God’s

¹⁶ Following Heidegger, *ontic* knowledge is knowledge pertaining to the distinctive nature of particular types of entities or phenomena. However, the generation of such knowledge is dependent upon the basic ways in which a given worldview demarcates and structures its own area of study. Such conceptual enquiries do not seek to conform to the worldview in question, but they explore the very basis or a priori conditions of the worldview – conditions upon which ontic theories about an entity or a phenomenon are constructed. These enquiries seek to reveal *ontological* presuppositions of *ontic* enquiry. The capability of *Dasein* to raise such enquiries – to comprehend the properties and the very fact of its own existence – separates *ontological* beings from the mere “thinghood” of *ontic* beings (Mulhall, 2005).

own action. It is a question of the freedom of God, which finds its strongest evidence precisely in that God freely chose to be bound to historical human beings and to be placed at the disposal of human beings. God is free not from human beings but for them (Bonhoeffer, 2009a, pp. 90-91, emphasis in original).

God, in his freedom, binds himself to humanity in revelation in the person of Jesus Christ. This particular understanding of freedom is a manifestation of Bonhoeffer's ontological understanding of the person of Christ as "pro-me". Revelation is not understood in the traditional transcendental sense, where the deity is considered to be unattainable. Rather, Bonhoeffer argues that revelation consists of "an encounter with the God who establishes an active relationship to me personally in this world" (Pfeifer, 1981, p. 21).

6.3.2 Reality as Reconciliation

As discussed in the previous sub-section, the centre of Bonhoeffer's theology and ethics is revelation understood as the "person" Jesus Christ: "For him (Bonhoeffer) Jesus Christ formed the centre around which all thought of God, humankind and the world must revolve" (Godsey, 1981, p. 162). A significant implication of Bonhoeffer's person-theology is that interpretations of all concepts and discourses proceed hermeneutically. Bonhoeffer's approach can be termed as hermeneutical in that his theology is permeated with a sense of moving between the "whole" and the "parts", and the interconnectedness of the "whole" and the "parts" (DeJonge, 2012b). To put it differently, the worldview in Bonhoeffer's theology and ethics is his Christology. All concepts, motifs and themes developed by Bonhoeffer proceed from this centre, and are hermeneutically informed by his person-theology.

The hermeneutical approach is particularly significant in how Bonhoeffer defines and conceptualises reality. Understandings of reality and the world have immediate implications for political, social and economic responsibilities. This is particularly significant for Bonhoeffer's own personal political history under the Third Reich, where the usage and definition of the seemingly apolitical "orders of creation"¹⁷ were used by some church leaders to justify the non-involvement of the German church in the persecution of the Jews by the

¹⁷ The doctrine of the orders of creation originates from early Lutheranism, which conceptualises certain social domains, such as the family and the state, to be divinely established. During Nazi Germany, this doctrine was co-opted in the National Socialism agenda, as it was used to justify practices of the state (Green, 1999).

Nazis (Feil, 1981). Bonhoeffer's concept of reality (*Wirklichkeit*) is encapsulated in the term "Christ-reality" (*Christuswirklichkeit*) (Frick, 2012). Reality is conceptualised in a Christocentric manner, where "ontological coherence" (Rasmussen, 2005, p. 16) is established between the reality of God and the reality of the world:

In Jesus Christ the reality of God has entered into the reality of this world. The place where the questions about the reality of God and about the reality of the world are answered at the same time is characterized solely by the name: Jesus Christ. God and the world are enclosed in this name. In Christ all things exist (Col. 1:17). From now on we cannot speak rightly of either God or the world without speaking of Jesus Christ (Bonhoeffer, 2009d, p. 54).

There are no two realities, but *only one reality*, and that is God's reality revealed in Christ in the reality of the world. Partaking in Christ, we stand at the same time in the reality of God and in the reality of the world. The reality of Christ embraces the reality of the world in itself. The world has no reality of its own independent of God's revelation in Christ. It is a denial of God's revelation in Jesus Christ to wish to be "Christian" without being "worldly" or [to] wish to be worldly without seeing and recognising the world in Christ. Hence there are not two realms, but only *the one real of the Christ-reality*, in which the reality of God and the reality of the world are united (Bonhoeffer, 2009d, p. 58, emphasis in original).

Bonhoeffer's ontological presuppositions on the reality of God and the reality of the world are hermeneutically interpreted from his understanding of Christology. It is hermeneutical, in that "it treats the 'whole' (Jesus Christ) as prior to its 'parts' (God and humanity)" (DeJonge, 2012b, p. 10), and any conception of the reality of the 'parts' cannot be separated from the 'whole'. The 'parts' – the reality of God and the reality of the world – are hermeneutically interpreted from the ontological structure of the historical God-man Jesus Christ. As such, both realities are understood to have coherence and unity in Christ:

Bonhoeffer's person-concept of revelation describes God so fully entering humanity in the person of Christ that God's being is pulled into history.

God's reconciliation with humanity is not something on the other side of eternity which merely manifests itself in history; rather, it *is* in history in the person of Jesus Christ. Bonhoeffer's understanding of revelation and incarnation in terms of person emphasises the already accomplished reconciliation of God and humanity. This emphasis on the reconciliation of God and humanity requires a form of thinking that is hermeneutical, a term which here signals not theories of interpretation but rather the understanding of parts and wholes that stands behind such theories. [...] It treats the 'whole' (Jesus Christ) as prior to its parts (God and humanity). [...] To think properly of revelation conceived as person is to think hermeneutically, beginning with the unity of God and humanity in the person of Christ (DeJonge, 2012b, p. 9).

Bonhoeffer's articulation of Christ-reality is to be understood as a "differentiated unity of the reality of God and the reality of the world" (Nissen, 2011, p. 326). Both realities are not understood separately from each other, nor are they identified as the same with each other. Rather, the reality of God and the reality of the world are held together in "polemical unity" (Bonhoeffer, 2009d, p. 45), and neither assumes static independence in relation to the other (Kelly, 1981). In other words, the reality of God and the reality of the world are held *in reconciliation* in the historical God-man Jesus Christ. As the historical God-man Jesus Christ has already concretely entered the world of humanity, and reconciled this world to God, one cannot speak of the world without God or God without the world (Godsey, 1981).

Due to Bonhoeffer's conception of reality as reconciliation, he is in opposition towards any conception of reality that is divisive. For example, conceptualisations of reality in terms of static or autonomous spheres such as the sacred versus the secular¹⁸, the supernatural versus the natural and the revelational versus the rational (Godsey, 1981) are rejected by Bonhoeffer, as these spheres are set in competitive isolation. Against this, Bonhoeffer advocates for a shift in perspective (Kelly, 1981):

¹⁸ In regards to the sacred-secular approach in accounting and religious perspectives research, as discussed in Chapter 3 (Section 3.2.1), Bonhoeffer's theology as a whole, and his analyses on the sociology of the church in *Sanctorum Communio*, strongly reject this divide.

There are not two competing realms (*Räume*) standing side by side and battling over the borderline, as if this question of boundaries was always the decisive one. Rather, the whole reality of the world has already been drawn into and is held together in Christ. History moves only from this centre and toward this centre (Bonhoeffer, 2009d, p. 58).

From the position of Christ-reality, Bonhoeffer seeks to “speak of God not at the boundaries but in the centre, not in weakness but in strength, thus not in death and guilt but in human life and human goodness” (Bonhoeffer, 2010, pp. 366-367, emphasis in original). While Christianity is often regarded as a religion of redemption, Bonhoeffer insists that redemption is always “redemption *within history*, that is, *this side* of the bounds of death” (Bonhoeffer, 2010, p. 447, emphasis in original), the “realization (*Wirklichwerden*) of the Christ-reality in the contemporary world that it already embraces, owns, inhabits” (Bonhoeffer, 2009d, p. 58). To split reality into the “religious” and the “worldly” or to divide the human being between “inward” and “outward” is to interpret redemption as “being redeemed out of sorrows, hardships, anxieties, and longings, out of sin and death, in a better life beyond”. Reality as reconciled, in contrast, “refers people [back] to their life on earth” (Bonhoeffer, 2010, p. 447).

Bonhoeffer’s understanding of reality is further nuanced in his distinction between the penultimate (*das Vorletzte*) and the ultimate (*das Letzte*). Fundamental in his conceptualisation of ethics, these concepts are used as the means to articulate an ethics that is Christocentric in nature, but nonetheless “worldly” and responsible to the contingencies in history and the complexities in nature (Muers, 2003). In this framework, the ‘ultimate’ refers to, on one level, the moment of faith for the individual and community of believers (Bonhoeffer, 2009d), and on an ontological level, the Christian eschatological hope of a reality that is *fully* reconciled with God – the fullness of reconciliation which is not yet attained (Kelly, 1981). The penultimate refer to, on an individual level, the history of believers, and on an ontological level, the reality of the world as is – the reality in which Christ has entered the history of humanity, and continues to be present in the *Geist* of the communities of faith (Green, 1999a).

According to Bonhoeffer, there are two extreme ways in which the tension between the ultimate and the penultimate can be resolved: the first is ‘radical’ and the other is ‘compromise’ (Bonhoeffer, 2009d). The radical solution is to concentrate only on the

ultimate at the expense of a complete break with the penultimate. This approach exaggerates the longing for a world beyond, and disregards the world that humanity currently exists in. Radicalism emphasises private virtue and inwardness as the approach for ethical living. The compromising solution, on the other hand, seeks to maintain the autonomy of the penultimate and rejects its relation to the ultimate (Nissen, 2011). For Bonhoeffer, the tension between the ultimate and the penultimate is held in unity in the reality of Christ: Christ upholds the ultimate because he is the revelation of the reality of God, and Christ affirms the penultimate because he is the revelation of God *in history*. Thus, the ultimate and the penultimate are not mutually exclusive concepts. Rather, the penultimate receives its validation and importance by being directed towards the ultimate (Kelly, 1981). In theological terms, the penultimate is where the call of John the Baptist is heeded: “Prepare the way for the Lord” (Bonhoeffer, 2009d, p. 161) – a call that is always “indeed a matter of concrete intervention in the visible world, as concrete and visible as hunger and nourishment” (Bonhoeffer, 2009d, p. 164). Because of the polemical tension between the penultimate and the ultimate, reality reconciled is the reality lived between the penultimate and the ultimate – “a life between the times” (Kelly, 1981, p. 100).

The tension between the penultimate and the ultimate is also similar to the model of history and historical interpretation of Wilhelm Dilthey. Dilthey argues that meaning in an individual’s history is dependent on the interrelationship of parts to whole, where the individual’s experiences are comprehended in the interconnectedness of a lifetime (*Zusammenhang des Lebens*). As for the history of the world, “one would have to wait for the end of history to have all the material necessary to determine its meaning” (Dilthey, 1961, p. 106 as cited in Kelly, 1981, p. 118). This particular aspect of Dilthey’s hermeneutics can be seen in Bonhoeffer’s tension between the penultimate and ultimate, where Bonhoeffer argues that the on-going history (*geschichtlich*) in the penultimate can be understood only in relation to the final ultimate act of reconciliation.

Due to his particular approach to reality, Bonhoeffer is against ethical systems that promote abstract, timeless principles without regard to historical contexts. For Bonhoeffer, these approaches “violate” reality, as they do not take reality seriously in ethical decisions. Bonhoeffer is also against the interpretation of ethics via the “salvation myth” – a myth which emphasises private virtuousness and the waiting for deliverance from the current world into a better world beyond. Rather, the character of the Christ-reality shows a concern for

human betterment in the current historical contexts, leading to concern for and participation in the issues of humanity – issues within the penultimate (Kelly, 1981).

6.3.3 Christianity as Non-Religious

A later but significant development in Bonhoeffer's theology and ethics is the concept of "religionless Christianity" or "non-religious interpretation of Christianity". During the early seminal research into Bonhoeffer's writings, these concepts were received both with great enthusiasm and with great criticisms. Bonhoeffer's concept of non-religious interpretation found fervent reception among the "death-of-God" theologians, who were seeking helpful understandings of the Christian narratives in the post-Enlightenment and postmodern era, without necessarily having to accept the core doctrinal teachings of the Church. However, these interpretations generated mistrust among other theologians, who saw these concepts as an attack to biblical witness (Bethge, 1981).

Since then, there is a substantial amount of research that critiques the usage of Bonhoeffer's "religionless Christianity" as a platform for minimising the voices of religious perspectives in public discourses. The misinterpretation of "nonreligious interpretation of Christianity" arose from the excessive concentration on Bonhoeffer's *Letters and Papers from Prison*. The theological content from this collection was studied without any contextualisation from other Bonhoeffer's works. The controversies surrounding this topic led scholars to further study other Bonhoeffer writings, largely negating much of the early research into Bonhoeffer's concept of "non-religious interpretation of Christianity" (Selby, 1999). Bonhoeffer's "non-religious interpretation of Christianity", when examined within the context of his revelation-as-person theology and his ontological concept of Christ-reality (*Christuswirklichkeit*), shows deep engagements with how Christ-reality can be taken seriously in the reality of the world. In his "non-religious interpretation of Christianity", Bonhoeffer is asking the question "Who is Christ for us today?" He sought to bring a concretisation of Christ-reality into the modern and postmodern world, where religion is continuously losing its role (Bethge, 1981).

Bonhoeffer poses the question "Who is Christ for us today?" in light of an era that he considers to be non-religious or post-religious – an era that celebrates human autonomy (*Mündigkeit*). Bonhoeffer terms this era of human autonomy, at least in the West, as "the world come of age". For Bonhoeffer, the history of the West needs to be viewed in light of the Enlightenment, the Reformation and secularisation. Borrowing from Dilthey and

Weizsäcker, Bonhoeffer describes human autonomy as “the discovery of the laws by which the world lives and manages its affairs in science, in society and government, in art, ethics, and religion” without the recourse to “God” as a working hypothesis (Bonhoeffer, 2010, pp. 425-426). Developments in scientific inquiry and human affairs have been made without frequent references and appeals to the concept of “God”. For Bonhoeffer, “it’s becoming evident that everything gets along without “God” and does so just as well as before” (Bonhoeffer, 2010, p. 426). Even in “ultimate” questions such as death and guilt, Bonhoeffer points towards developments in existential philosophy and psychotherapy, where these “ultimate” questions are also being addressed without references to “God” (Bonhoeffer, 2010, p. 427). Thus, “the “God hypothesis” was no longer needed to explain reality and meet human need” (de Gruchy, 2010, p. 24). In the world come of age, increasing human knowledge, power and control has now come to pervade the posture of life. More importantly, human autonomy points towards an attitude of self-responsibility and accountability for our own actions, rather than depending upon God to act as a “stop-gap” measure (*Lückenbüßer*) or a “working hypothesis” (Green, 1999a, p. 252).

Following Dilthey’s historical analysis, Bonhoeffer mentions specific examples of the development of human autonomy: Lord Herbert of Cherbury first asserted that reason is sufficient for religious understanding; Bodin substituted the (religious) commandments with rules for life; Bonhoeffer mentions Machiavelli as the one who separated politics from general morality and founded the doctrine of reason of state; H. Grotius, in following the same trend towards human autonomy in society, set up natural law as valid *etsi deus non daretur* – “as if there were no God” (Bonhoeffer, 2010). Bonhoeffer also discusses the Reformation and how it led to the development of Enlightenment secularity. In particular, Bonhoeffer sees the Reformation as a justified celebration of “the emancipation of man in his conscience, his reason and his culture and as the justification of the secular as such” (Rasmussen, 1999, p. 209), which then prepared the way for the Enlightenment.

Bonhoeffer is both an advocate and a sharp critic of the Enlightenment, particularly its French expression, where “the cult of reason, the deification of nature, faith in progress and a critical approach to civilisation, the revolt of the bourgeoisie and the revolt of the masses, nationalism and anti-clericalism, the rights of man and dictatorial terror” (Bonhoeffer, 2009d, p. 115) all erupted in a chaotic fashion at the hands of “unshackled human beings” (Rasmussen, 1999, p. 209). Bonhoeffer also critiques the ethics based on European

Enlightenment to be insensitive to time, place, culture, ethnicity and class due to its vaunted universalism and transcendence over contingencies. For Bonhoeffer, ethics based on “the formal, the universally valid and the rational” carries “no elements of concretion”, and as such, leads to total atomisation of the individual and human society (Rasmussen, 1999, p. 210). At the same time, Bonhoeffer strongly affirms “the revolt of reason against the chaperonage of church and state, and against their complicity in social and economic oppression” (Rasmussen, 1999, p. 210) – a revolt that was brought by the Enlightenment. After extensively tracing the development of the epoch of human autonomy, which Bonhoeffer sees as coming into fruition in the 20th century, he made the observation that “this coming of age of humanity meant that human beings have learned to live and manage their affairs without any reference to God” (de Gruchy, 2010, p. 24). Despite and because of this historical development, the church has tried to create a space in order to validate its legitimacy by resorting to “ultimate questions” – a move which Bonhoeffer strongly disagrees with, as it pushes the concept of God to a “*deus ex machina*” or a stopgap, called only when everything else has failed. This move has pushed the notion of “God” to exist only in the realm of “the “personal”, the “inner life” [and] the “private” sphere” (Bonhoeffer, 2010, p. 455).

The most important implication of human autonomy, for Bonhoeffer, is that *moral responsibility now must lie in the hands of human beings*: “There is no depositing the responsibility for what happens somewhere else, including with God” (Rasmussen, 1999, p. 211). Similar as to how humanity can no longer relegate to God as a working hypothesis in discourses of science, politics and law (de Gruchy, 2010), humanity can no longer push moral responsibility to the concept of God. Human autonomy means that human beings must now take moral and ethical responsibility for what has happened, is happening and will happen in the course of human history, and to be responsible for the sustenance of the world. However, Bonhoeffer finds moral and ethical responsibility to be in serious lack. The spirit of mastery, rather than responsibility, has taken dominance. “Emancipated reason” has been used to trumpet expansionist journeys and conquests across the world under the umbrella of “sharing a superior civilisation” (Rasmussen, 1999, p. 210). In addition, this spirit of mastery is evident in the “forcible subjugation of nature beneath the rule of the thinking and experimenting man” through technology, the symbol of which is “the machine, the embodiment of the violation and exploitation of nature” (Bonhoeffer, 2009d, p. 116). For Bonhoeffer, the violent mastery and exploitation of nature pales in comparison to the manner

in which totalising ideologies have sought to control the destiny of humanity: “Human beings – some humans far more than others, in a racist theology of “*das Volk*” – take on the stature of those larger-than-life, dynamic human beings who fashion history with the power of their own charisma and self-assertion. The strong, virile and industrious lead the way” (Rasmussen, 1999, p. 212). Under the spirit of mastery, “anxiety is called responsibility; greed is called industriousness; lack of independence becomes solidarity; brutality becomes masterfulness” (Bonhoeffer, 2009d, p. 86). Totalising ideologies reflect a “mastery that knows no limits” (Rasmussen, 1999, p. 213) with a spirit of freedom that does not recognise constraints. In doing so, totalitarianism creates havoc on life.

Bonhoeffer’s counter to this spirit of mastery, exploitation and totalitarianism is to inextricably link human autonomy to moral responsibility, where responsibility is understood and modelled after the person of Christ. From this background, Bonhoeffer questions the position of Christianity in a world that has “come of age” and its relation to responsibility (Green, 1999a):

What keeps gnawing at me is the question, what is Christianity, or who is Christ actually for us today? The age when we could tell people that with words – whether with theological or with pious words – is past, as is the age of inwardness and of conscience, and that means the age of religion altogether. We are approaching a completely religionless age. [...] What does that then mean for “Christianity”? [...] How do we talk about God – without religion, that is, without the temporally conditioned presupposition of metaphysics, the inner life, and so on? How do we speak [...] in a “worldly” way about “God”? [...] How can we be those who are called out, without understanding ourselves religiously as privileged, but instead seeing ourselves as belonging wholly to the world? (Bonhoeffer, 2010, pp. 362-364)

Following his historical analyses, Bonhoeffer designates “religion” as “*a historically conditioned and transient form of human self-expression*” that is dependent upon “*temporally conditioned presuppositions*”; it is “one particular *stage*” in human history (Bonhoeffer, 1998, pp. 476, 530; Green, 1999a, p. 249, emphasis in original). This means that “religion”, as Bonhoeffer understands it, is a particular form of psychic posture which is

becoming increasingly irrelevant to the modern and postmodern mind. “Religion” is characterised by medieval metaphysics (Bethge, 1981), which calls upon a God of power during moments of human weakness and failures. In this manner, God is treated as a “working hypothesis” in areas where the strength of human intellect has failed, such as death, sickness and fear. God is constantly being pushed to the boundaries, where human knowledge meets its limits. Religion is thus peripheral, existing at the shadowy corners of human existence (Green, 1999a):

Religious people speak of God at a point where human knowledge is at an end (or sometimes when they’re too lazy to think further), or when human strength fails. Actually, it’s a *deus ex machina* that they’re always bringing to the scene, either to appear to solve insoluble problems or to provide strength when human powers fail, thus always exploiting human weakness or human limitations. Inevitably that lasts only until human beings become powerful enough to push the boundaries a bit further and God is no longer needed as *deus ex machina* (Bonhoeffer, 2010, p. 366).

In addition, “religion” is also pure inwardness – a sense of detachment and isolation from the world and a religious climb towards salvation. Above all, religion, for Bonhoeffer, is *unreality (Irrealität)* (Dumas, 1981):

It is a flight out of the confines of earth to a place where there is neither God nor man, a desertion of the earth [to a place] where God is located along with man. It is a longing for the ideal in a renunciation of reality. It hopes to get something better than what it already has. [...] Religious man searches and lives elsewhere. He is fundamentally unfaithful to the earth, and at the same time to God, the Lord of the earth. He is, as Feuerbach said ironically, the “student of the beyond”, the “beggar after eternity”. [...] Thus, the religious man, in Bonhoeffer’s eyes, detests reality; he wants either to embellish it or to evacuate it. The good boundaries of the concrete become insupportable barriers to desire. He leaps, he crosses them, and he finds himself alone with himself, having deserted his reality and his neighbour, God and the world (Dumas, 1981, pp. 262-263).

Against this particular form of “religion”, and with the goal of taking seriously the Christ-reality (*Christuswirklichkeit*) in the modern and postmodern era, Bonhoeffer insists that the Christian faith can be expressed only in the world, “taking in all its problems and involvements, its joys and its sorrows” (Godsey, 1981, p. 166). Christ-reality (*Christuswirklichkeit*) includes participation in the problems of the world and its public discourses. In this manner, the context for responsibility and ethical decisions is significantly broadened, far beyond the confines of private inwardness and virtue. For Bonhoeffer, “what matters is not the beyond but *this world*, how it is created and preserved, is given laws, reconciled and renewed” (Bonhoeffer, 2010, p. 373, emphasis added). What is sought after is “not a reduction of the gospel but a recovery of its meaning in a new historical context” (de Gruchy, 2010, p. 25). As Bonhoeffer puts it: “What matters is participating in the reality of God and the world in Jesus Christ today (*hier und heute*)” (Bonhoeffer, 2009d, p. 55). Thus, nonreligious interpretations of Christianity must then “speak of God at the centre of life and address men and women in their strength, that is, their maturity and autonomy as responsible human beings” (de Gruchy, 2010, p. 24), desiring to be “coresponsible for the shaping of history” and to allow “nothing that happens to deprive him of his coresponsibility for the course of history” (Bonhoeffer, 2010, p. 42). In affirming reality as reconciled in Jesus Christ (*Christuswirklichkeit*), the nonreligious interpretations of the gospel and the autonomy of human beings, Bonhoeffer conceptualises spaces for ethical responsibility in a double sense: ethical responsibility occurs in a *theological* context, namely in affirming reality as reconciled; simultaneously, ethical responsibility also occurs in particular *historical* contexts, which are continuously changing. Thus, reality is “one” and “reconciled”, while simultaneously being dynamic and filled with contingencies (Rasmussen, 1999).

6.3.4 Sociality as the Meaning of Being

Bonhoeffer’s notion of revelation as person has significant implications for how the meaning of being for humanity can be construed. Bonhoeffer, through his person-theology and the notion of Christ as “pro-me”, binds transcendence to sociality. Rather than situating transcendence within the realm of metaphysics, Bonhoeffer understands transcendence in personal terms – as encounters with fellow human beings. Bonhoeffer draws from his understanding of Christ as “being-there-for-others” to assert that “the transcendental is not infinitely remote but is immediately at hand” (Pfeiffer, 1981, p. 19). Ethical and personal transcendence is bound to historical God-man Jesus Christ (Mayer, 1981):

Jesus's "being there for others" is the experience of the transcendence!
Only through this liberation from self, through this "being-for-others" unto death, do omnipotence, omniscience, and omnipresence come into being. Faith is the participating in this being of Jesus. [...] Our relationship to God is no "religious" relationship to some highest, most powerful and best being imaginable – that is no genuine transcendence. Instead, our relationship to God is a new life in "being there for others" through participation in the being of Jesus. The transcendent is not the infinite, unattainable tasks, but the neighbour within reach in any given situation (Bonhoeffer, 2010, p. 501).

Drawing from this stance on transcendence, Bonhoeffer proposes that "the social basic category is the I-You¹⁹ relation. The You of the other person is the divine You" (Bonhoeffer, 1998, p. 55). Sociality is proposed as the fundamental theme in understand the meaning of being and the structure of communities. There are various competing worldviews on human persons and social life. Social contract theories, civil rights, utilitarianism and Marxism are but a few worldviews that have powerfully shaped structures of human existence. However, Bonhoeffer, explicitly in his doctoral dissertation *Sanctorum Communio*, and implicitly in his other works, consistently argued for the concept of sociality in understanding the meaning of being and communities (Green, 1999b).

For Bonhoeffer, the meaning of being and of human existence is fundamentally relational. The person is not an isolated, atomised individual, but receives the meaning of being in the ethical encounter of the other. This encounter is the source of meaning because God's claim (the divine You) is encountered in the claim of the other (the human You) (Mottu, 2012). Thus, the relationships between individuals, the nature of communities and the relationship between communities have, as their fundamental core, the ontological "pro-me" of the historical God-man Christ. In locating the meaning of being in sociality, Bonhoeffer offers an alternative to the Kantian and post-Kantian models of selfhood, which are based on the subject-object divide. Bonhoeffer presents a "Christological description of life with others" (Marsh, 1994, p. vii), critiquing the subject-object model of epistemology as limited in

¹⁹ The German language has both formal and intimate forms of personal pronouns, the formal form being "Sie" and the intimate form being "Du". In the original German, Bonhoeffer uses "Ich-Du", and "Du" is translated, in this translation, as "You". In previous translations, "Ich-Du" was translated as "I-Thou".

describing the social and ethical nature of human relationships (Green, 1999b). In essence, Bonhoeffer hermeneutically interprets the meaning of being for humanity from the ontological “pro-me” structure of Christ. Rather than situating the meaning of being in the self, Bonhoeffer situates the meaning of being in the relation between self and other in order to avoid the instrumentalisation of the other by the self (Mottu, 2012). This is similar to Martin Buber’s statement: “In the beginning is the relation” (Buber, 1970, p. 69 as cited in Mottu, 2012, p. 82).

Bonhoeffer’s exegesis on the Genesis narrative in *Creation and Fall* further explicates Bonhoeffer’s concept of sociality, particularly in his interpretation of “the image of God” (*Latin: imago Dei*). Traditionally, the concept of the image of God has been interpreted to mean that humanity as a whole has inherited specific divine features, qualities or properties, such as free-will, reason, intellect, the desire for immortality and so forth. In contrast to these individualistic interpretations, Bonhoeffer argues that this image or likeness should be understood in a relational sense. In particular, the likeness that humanity received is found in the nature of God’s freedom: God in Christ is free for humankind, because God does not keep God’s freedom to God’s self. Consequently, freedom is conceptualised as “being-free-for”. Thus, the likeness to the Creator is an analogy of relationship (*Latin: analogia relationis*). As the being of God is being-for-humanity, human relationships mirror this likeness in “being-free-for-the-other” in love (Green, 1999b, p. 117):

To say that in humankind God creates God’s own image on earth means that humankind is like the Creator in that it is free. [...] In the language of the Bible freedom is not something that people have for themselves but something they have for others. No one is free ‘in herself’ or ‘in himself’ (*an sich*) – free as it were in a vacuum or free in the same way that a person may be musical, intelligent, or blind in himself or herself. Freedom is not a quality a human being has; it is not an ability, a capacity, an attribute of being that may be deeply hidden in a person but can somehow be uncovered. [...] Freedom is not a quality that can be uncovered; it is not a possession, something to hand, an object; nor is it a form of something to hand; instead it is a relation and nothing else. To be more precise, freedom is a relation between two persons. Being free means ‘being-free-for-the-

other', because I am bound to the other. Only by being in relation with the other am I free (Bonhoeffer, 2004, pp. 62-63).

Likewise, in interpreting Leviticus 19:18b – “You shall love your neighbour as yourself²⁰” – Bonhoeffer proposes an interpretation based on sociality. The phrase “as yourself” can, and has been, interpreted in various ways. One interpretation is via modern psychology, which presupposes self-esteem: “You shall love your neighbour as (you shall also love) yourself”. Another interpretation presupposes evident self-love, moving from egoism to altruism: “You shall love your neighbour in the same way you (naturally love) yourself”. However, the interpretation chosen by Bonhoeffer is to interpret “as yourself” as pointing to the *worth of the one who is to be loved*: “The neighbour is [a person] like you. The other is another, but is not *different* from you” (Mottu, 2012, p. 86, emphasis in original). For Bonhoeffer, an individual can only exist in relation to an other. The other is not unreachable, but met in ethical encounters. In particular, the “other” is the boundary (*Grenze*) or the limit (*Schranke*) that must be respected, thus impinging on the dominating and manipulating will of the self (Mottu, 2012). The “other” constitutes a barrier or a boundary to the desires of the self. In the encounter between the self and “other”, the self is thereby obliged to respond, to answer and to be responsible (Green, 1999b).

The concept the “other” or the “neighbour” takes concrete seriousness with the rise of concentration camps in 1931 that were built for racial extermination and for eradicating those who are in opposition to the National Socialist regime: Jews; Communists; Socialists; and Nazi resisters. With the introduction and the implementation of the Aryan Paragraph in Nazi Germany, which upheld the policy of exclusion of Jews, the issue of the “stranger” (*Fremdling*) became acute for the German church. Bonhoeffer energetically defended the unity of the human race over and above any modern concept of race or nation. For Bonhoeffer, the question of the stranger must be constituted biblically rather than racially, and he concluded his arguments by quoting Leviticus 19:34: “This migrant who is living among you, you shall treat him as one of you; *you shall love him as yourself*” (Bonhoeffer, 2009b, p. 388, emphasis in original).

²⁰ The verse in German reads as: “liebe deinen Genossen dir *gleich*”, which translates as “You shall love your neighbour *who is like you*” (Mottu, 2012, p. 84).

6.5 SUMMARY

To summarise, this chapter sought to introduce the German Lutheran theologian Dietrich Bonhoeffer (1906 – 1945) by: providing a brief biography; reviewing specific examples of how his theology and ethics have been incorporated into other disciplines; and discussing in detail some of the central presuppositions that underpin his theology and ethics. Broadly, this chapter acts as the overarching frame in which specific concepts from Bonhoeffer’s theology and ethics are to be understood. The intellectual presuppositions discussed were: Revelation as Person; Reality as Reconciliation; Christianity as Non-Religious; and Sociality as the Meaning of Being.

The explorations into the life and legacy of Bonhoeffer, and the intellectual presuppositions of his theology and ethics in this chapter form the theoretical framing from which to understand the specific concepts that will be employed in providing an alternative conceptualisation of the economic entity. The next chapter draws on Bonhoeffer’s concept of mandates and the concept of the collective person (*Gesamtperson*) to formulate an alternative conceptualisation of the economic entity. The alternative proposed is “Responsible Collective Person”.

CHAPTER 7: AN ALTERNATIVE CONCEPTUALISATION OF THE ECONOMIC ENTITY – “RESPONSIBLE COLLECTIVE PERSON”

To confront the need for a broader economic accountability is [...] to confront questions of the origin and extent of collective moral agency (Shearer, 2002, p. 543).

The previous chapter introduced Dietrich Bonhoeffer (1906 – 1945) and the foundational presuppositions of his theology and ethics. The purpose of this chapter is to introduce a conceptualisation of the economic entity that is inspired by Bonhoeffer’s theology and ethics, alternative to that of the nexus-of-contract approach as explored in Chapter 4. The alternative conceptualisation proposed is the economic entity as “responsible collective person”.

Section 7.1 introduces the theoretical underpinnings of “responsible collective person”, namely Bonhoeffer’s concept of mandates and the concept of the collective person (*Gesamtperson*). These concepts should be understood in light of the foundational presuppositions as discussed in Chapter 6. Section 7.2 discusses the application of the concept of mandates and the concept of the collective person in formulating an alternative conceptualisation of the economic entity. The conceptualisation offered is “responsible collective person”. Section 7.3 proposes an alternative ethic for the economic entity, which is Bonhoeffer’s ethic of responsible action. This ethic conceptualises responsible action as “vicarious representative action” (*Stellvertretung*), in that responsibility entails, at all times, responsibility *for* others. Possible suggestions as to how this ethic can be upheld by the economic entity are also explored.

7.1 THEORETICAL UNDERPINNINGS

The theoretical underpinnings of the “responsible collective person” conceptualisation are the concept of mandates and the concept of the collective person (*Gesamtperson*). These concepts are employed as they have significant potential in positioning the economic entity as a genuine sociological collective with ethical responsibility. In light of the limitations of the nexus-of-contract entity as discussed in Chapter 4, the “responsible collective person” is proposed as an alternative to counter the ethical drawbacks of the nexus-of-contract entity. The concept of mandates and the concept of the collective person are discussed as below.

7.1.1 Bonhoeffer's Concept of Mandates

As discussed in Chapter 6, Bonhoeffer views reality as reconciled in Christ (Section 6.3.2 – Reality as Reconciliation), but also historically dynamic, relational, and most importantly, concretely “in” this world. The concept of mandates is formulated to exemplify this intertwining of theological and historical contexts, thus linking a theological worldview of reality with the institutions of the world. It is an attempt to systematically explicate how the reconciliation between the reality of the world and the reality of God concretely takes place within the human existence. It is within these “mandates” that responsible action is carried out. This approach to responsibility is very much in line with Bonhoeffer’s understanding of Christianity as Non-Religious as discussed in Chapter 6 (Section 6.3.3), in that human beings, in an age of human autonomy, must take moral and ethical responsibility for the world. Rather than relegating responsibility to the sphere of private virtuousness or to a religious notion of God as “stop-gap”, responsible action takes place in “mandates”. Bonhoeffer’s manuscripts on the concept of mandates are published posthumously in *Ethics*, and its development remains unfinished at the time of his death.

Bonhoeffer’s concept of mandates is a response towards his dissatisfactions with the doctrine of orders of creation and the doctrine of “two kingdoms” in Lutheran theology. In brief, the doctrine of orders of creation theorises various institutions such as the family and the state as divinely established in creation. This doctrine was used by conservative confessional theologians to defend the feudal and monarchical orders as divinely and eternally established, thus defending them against the people’s revolutions. During National Socialism, this doctrine was exploited by the Third Reich, where the concept of race (*Volk*) and nation were construed as orders of creation, leading to discriminatory practices against the Jews, and ultimately, their mass annihilation. In rejecting the doctrine of orders of creation, Bonhoeffer sought to deny the status of ideological categories such as race, blood and nation as divinely and eternally established. While Bonhoeffer did attempt to position himself against this doctrine via “orders of preservation”, a concept prior to his concept of mandates, Bonhoeffer soon dropped any talk of “orders”, as it was too susceptible to co-option (Green, 2009).

For Bonhoeffer, what is theologically termed as “the commandment of God” – referring to a Christian understanding of ethical action and reflection – is not to be found in “theoretical speculation or private enlightenment, not in historical forces or compelling ideals”, but it is to be found concretely in “mandates” (Bonhoeffer, 2009d, p. 388). Mandates are structures or

formations of life that exist in the reality of the world, where the reality of God can be encountered. Mandates are where “the reality of God’s love for the world and for human beings that has been revealed in Jesus Christ” (Bonhoeffer, 2009d, p. 390) can be experienced, in concrete, historical and dynamic structures. In *Ethics*, four particular mandates were formulated: the church; marriage and family; culture; and government.

Academic scholars and theologians have been careful to note that the mandates, as conceived by Bonhoeffer, do not have permanent ontological status (Lovin, 1984). To take the mandates as having permanency would be against the overall thrust of Bonhoeffer’s theology and ethics, where ontological permanency is given only to Christ as the source of revelation, as discussed in Chapter 6 (Section 6.3.1 – Revelation as Person). As such, Bonhoeffer does not give ontological permanency to historical institutions or ideologies. Additionally, the formulation of mandates is specific to Bonhoeffer’s historical and political context, similar as to how Luther’s formulation of the three estates – the church, the household and the state – was also specific to Luther’s background. Mandates, as an approach to “structured and communal ordering of reality is not static” (Rasmussen, 1999, p. 221), but contingent on historical, political and social contexts. What needs to be retained is Bonhoeffer’s conceptualisation of these mandates as *contexts of responsibility*. The mandates are “dynamic historical forms, structures of time and place that give form to on-going responsibilities and act as the media of moral formation itself” (Rasmussen, 1999, p. 222). However, the task of delineating and differentiating various contexts or spheres of human existence is inherently difficult as they are dynamic, changing over the course of history. While there is no mechanical rule in delineating “mandates” for current contexts, a suggestion could be: the economy; the natural / ecological environment; the social environment; governance systems; and religious life. The most significant feature of Bonhoeffer’s concept of mandates is the ethical relation between the mandates:

Only in their being-with-one-another (*Miteinander*), for-one-another (*Füreinander*), and over-against-one-another (*Gegeneinander*) do the divine mandates of church, marriage and family, culture and government communicate the commandment of God as it is revealed in Jesus Christ. *None of these mandates exists self-sufficiently, nor can one of them claim to replace all others* (Bonhoeffer, 2009d, p. 393, emphasis added).

For Bonhoeffer, the mandates or contexts of responsibility exist in *relations of responsibility*. The mandates exist in being with-one-another (*Miteinander*), in that they do not exist in isolation or separation as “autonomous realms governed by independent principles” (Green, 2009, p. 21). Rather, they exist in relations of interdependence, and they influence and orient themselves toward each other. The mandates exist for-one-another (*Füreinander*), in that the mandates are responsible for and supported by each other. As such, there exist opportunities for claims and values that are embedded within one mandate (for example: environmental sustainability as a claim from the mandate of the ecological environment) to be brought in dialogue other mandates (for example: environmental regulation via the mandate of governance). This encourages dialogues and debates at the boundaries of the mandates (Guth, 2013). However, any one mandate is also limited by the other, and this barrier is essentially experienced as being-over-against-each-other (*Gegeneinander*). This safeguard exists in order to ensure that none of the mandates transgress their boundaries (Bonhoeffer, 2009d). In Bonhoeffer’s own historical background, the National Socialist regime forced everything to be in line with its totalitarian philosophy, where the myths of the Third Reich sought for the “fantastic hope for a final unification of the governmental and religious spheres” (Helbing, 1932, p. 18 as cited in Bonhoeffer, 2009, p. 393, footnote 18). Bonhoeffer’s concept of mandates is insistent on allowing expressions of contestations between various contexts, over and against any form of institutional or ideological totalitarianism. Within these mandates, a collective life filled with obligations, opportunities and responsibilities is lived and ethical encounters are experienced. These experiences push us to “be-there-with-and-for others”. In this manner, responsibility is learnt and exercised (Rasmussen, 1999). These relations of “being-with”, “being-for” and “being-against” stem from Bonhoeffer’s understanding of sociality as discussed in Chapter 6 (Section 6.3.4 – Sociality as the Meaning of Being), in that these mandates do not exist as autonomous spheres, but only in sociality with other mandates. To participate in these mandates is also to live in sociality with others, and to encounter them as ethical barriers that impinge upon the will of the self.

7.1.2 Bonhoeffer’s Concept of the Collective Person (Gesamtperson)

As discussed in Chapter 6, Bonhoeffer gives ontological significance to sociality (Section 6.3.4 – Sociality as the Meaning of Being), concretised via the concept of “person” (Section 6.3.1 – Revelation as Person). For Bonhoeffer, “every concept of community is essentially related to a concept of person: “It is impossible to say what constitutes community without asking what constitutes a person” (Bonhoeffer, 1998, p. 34). However, a distinction between

the individuality of the self and the collective nature of communities must be maintained. To do so, Bonhoeffer argues that the model of “person” can be construed individually and collectively:

If the equal weight of social and personal being is to be maintained, what is the meaning of community as a metaphysical unit in relation to the individual person? *We maintain that community can be interpreted as a collective person with the same structure as the individual person.* Since Plato, the tradition has been to think of community as a large-scale human being, somewhat in the manner of modern organology, with the aim of completely subordinating the individual to the whole. This subordination must be rejected as contrary to the equal weight of personal and social being. But the question remains whether, besides the single individual person, there might not be an *individual* collective person in which the individual participates – one that transcends all individuals but would be incomprehensible without the correlate of personal, individual being (Bonhoeffer, 1998, p. 77, emphasis in original).

Bonhoeffer holds that the community is more than the sum of persons, and yet, a person only comes into being within community: “It is not as if many persons, gathered together, now add up to a collective person. Rather the person comes into being only when embedded in sociality, and the collective person comes into being together with the individual person” (Bonhoeffer, 1998, p. 78). Equal significance is given to both the individual person and the collective person, where “community and individual exist in the same moment and rest in one another” (Bonhoeffer, 1998, p. 80).

For Bonhoeffer, a sociological perspective entails that a collective person is formed when a community rests upon purposeful acts of will. In clarifying his position on the concept of will, Bonhoeffer positions himself against Rousseau, who construes will as purely contractual. Bonhoeffer argues that the construal of will as contractual is sociologically untenable, as “a contract is obviously unthinkable without the underlying communal ethos that treats contracts as binding” (Bonhoeffer, 1998, p. 81). In communities, Bonhoeffer argues that the direction of personal wills is similar, in that “one person must in some way intend and will the other, and be intended and willed by the other, whether for a pure union of persons, or for some

specific purpose beyond the intended person” (Bonhoeffer, 1998, p. 83). It is the existence of will that distinguishes a social collective from a purposeless mass of individuals. However, Bonhoeffer immediately cautions that this “unity of will” in the formation of a community rests upon the “*separateness of persons*” (Bonhoeffer, 1998, p. 83, emphasis in original):

Whatever kind of unity of will exists, one must never conclude any kind of unity of the willing persons in the sense of fusion. [...] Community of will and unity of will only build upon the inner separateness of I and You. [...] The person who is united with me in common intention is structurally just as separate from me as the one who is not so united” (Bonhoeffer, 1998, p. 84).

Due to the uniqueness of each person within a community, it must be accepted that strife (*Kampf*) or contestations necessarily exist in any community, affirming “the necessity and the justification of partisanship in every community relation. Genuine life arises only in the conflict of wills; strength only unfolds in strife” (Bonhoeffer, 1998, pp. 84-85). The existence of conflict is significant and must be recognised, because in recognising antagonism, alterity is brought forward: “In conflict, the other will is not ignored and negated” (Bonhoeffer, 1998, p. 86). In short: “*Community is a community of wills, built upon the separateness and differences of persons, constituted by reciprocal acts of will, finding its unity in what is willed, and counting among its basic laws the inner conflict of individual wills*” (Bonhoeffer, 1998, p. 86, emphasis in original).

Bonhoeffer furthers his analyses on communities by appropriating from Hegel the notion of *Geist*. Bonhoeffer argues that in communities, “where wills unite, a ‘structure’ is created – that is, a third entity, previously unknown” (Bonhoeffer, 1998, p. 98). This third entity – the *Geist* of the community – is found when individual wills encounter each other in the formation of a community. However, it has a distinctively different character and identity which are not identical to any individual within the community: “It is trans-individual, a reality *sui generis*, and not simply reducible to the aggregate of the individual wills from which it arises. The willing of every individual contributes to the character of the objective *Geist*; reciprocally, individual willing is itself affected by the objective *Geist* of the particular social structure” (Green, 1999a, p. 40).

Upon appropriating the Hegelian notion of *Geist*, Bonhoeffer construes that the community and its *Geist* should be interpreted as a collective person (*Gesamtperson*) (Green, 1999a), with sociality as its intrinsic ethical underpinning. In applying the concept of “person” to collectives, Bonhoeffer sought to:

[...] guarantee that [communities] have the same ethical-historical character as the individual person. The ethical sphere is not confined to the private moral questions of individuals. Corporate communities as such [...] are not ethically neutral; they are ethical ‘bodies’ as much as the individual person (Green, 1999a, p. 42).

Accordingly, Bonhoeffer’s application of the concept of person to collective entities maintains that organisations and institutions are not ethically neutral. Rather, the *Geists* of organisations and institutions are ethical persons because they exist in relations of responsibility, such as responsibility to the individual persons within their collectives, and to individual and corporate persons outside their collectives.

7.2 “RESPONSIBLE COLLECTIVE PERSON”: AN ALTERNATIVE CONCEPTUALISATION

The previous section discussed two specific concepts from Bonhoeffer’s theology and ethics, namely his concept of mandates and his concept of collective person (*Gesamtperson*).

Inspired by these specific concepts, an alternative conceptualisation of the economic entity is proposed, namely: *the economic entity as a “responsible collective person”*. The conceptualisation is characterised by two features. Firstly, the economic entity exists amidst various spheres of life, which include: the economy; natural / ecological environment; the social environment; governance; and religious life. Secondly, the boundary of the economic entity is delineated via the notion of influence. Figure 12 shows a pictorial representation of this conceptualisation.

7.2.1 An Entity Existing Amidst Various Mandates

The economic entity exists in ethical responsibility within various spheres of life. This characteristic is an application of Bonhoeffer’s concept of mandates. As previously discussed, the concept of mandates is Bonhoeffer’s approach in elucidating how the ontological understanding of reality as reconciled in Christ takes social and historical form (Holmes, 2010). For Bonhoeffer, ethical action and responsibility takes place within “mandates”. These

mandates “attend to the world’s diverse arenas of vocation while affirming the fundamental unity of reality, delineating how societal structures and human relations relate to God and Christian ethical action” (Guth, 2013, p. 133).

The concept of mandates reflects the variety of “goods” and teleological ends, and the diversity of contexts in which they are pursued (Guth, 2013). There are competing claims as to what ends a society should aim for, the pursuit of which takes place in multiple, diverse and interdependent contexts. These “mandates” or spheres of life can thus be construed as “genuine communities of argument”, where contestations about “the good life” (Ricoeur, 1992) can be better surfaced, encouraging a variety of perspectives and discourses to participate in the pursuit of teleological ends. The interdependence and mutual limitation of the spheres, where the spheres exist in relations of “being-with-one-another” (*Miteinander*), for-one-another (*Füreinander*) and over-against-one-another (*Gegeneinander*) encourage a system of checks and balances (Guth, 2013), guarding against ideological totalitarianism and extremism. As the economic entity exists within and amidst these spheres, it is necessary for the entity to recognise the variety of human goods pursued in economic activity, and the diverse contexts in which economic life takes place. For example, “the good life” as posited by neoliberalism, which promotes the maximisation of economic wealth via efficient markets and minimal regulation, is but one teleological end among other competing ends. By situating the economic entity amidst competing teleological ends, neoliberalism can also be juxtaposed against other competing worldviews.

Additionally, the concept of mandates highlights the multidimensional and polyphonic nature of ethical action and reflection. For Bonhoeffer, moral discernment requires much more than rational reasoning, as ethics cannot be disassociated from the emotional, the spiritual or the aesthetic. Rather, moral discernment employs the entire array of human abilities, including: emotions; intellectual knowledge; rational thinking; skills; and experiences (Bonhoeffer, 2009d; Guth, 2013). The concept of mandates, in arguing for the diversity of ethical sites, views responsible action as occurring and impacting all dimensions of life: “Responsibility is the whole response of the whole person to reality as a whole. This is precisely why a myopic self-limitation to one’s vocational obligations in the narrowest sense is out of the question; such a limitation would be irresponsibility” (Bonhoeffer, 2009d, p. 293). The polyphonic aspects of life need to be understood in multidimensional relationships with each other (Bonhoeffer, 2010). For Bonhoeffer, to view reality in its multi-faceted nature is to live in

“the full this-worldliness of life” (Bonhoeffer, 2010, p. 486). It is in this polyphonic, multi-faceted and multi-dimensional background of reality – dynamic and yet reconciled in Christ – that ethical and responsible action is carried out.

As discussed in Chapter 4, the nexus-of-contract conceptualisation views the economic entity as an atomistic, ahistorical and artificial creation, ignoring the empirical fact that the entity is a genuine social collective that exists in specific political, historical, cultural, social and temporal contexts. Additionally, the activities of the entity have significant and empirical effects on many lives. This feature of the “responsible collective person” conceptualisation – the entity as existing in mandates – seeks to challenge this view by situating the entity as existing in ethical responsibility within various spheres of life. The mandates reflect competing goods and teleological ends that can be pursued, and the multidimensional and polyphonic nature of ethical action and reflection. As pictured in Figure 12, the suggested mandates are: the economy; the natural or ecological environment; the social environment; governance; and religious life. These mandates are not meant to be exhaustive, but they show the multiplicity of contexts in which the economic entity operates. The nexus-of-contract conceptualisation also assumes the political neutrality and adequacy of legal and governance mechanisms for the enforcement of contractual relationships. In contrast, this feature of the “responsible collective person” conceptualisation situates the entity amidst various mandates that contain their own intrinsic laws, regulations and governance systems. By positioning the entity as such, the entity is not only regulated by national laws (as assumed in the nexus-of-contract approach), but by contestations from a variety of spheres of life. The following subsections provide an overview of the suggested mandates.

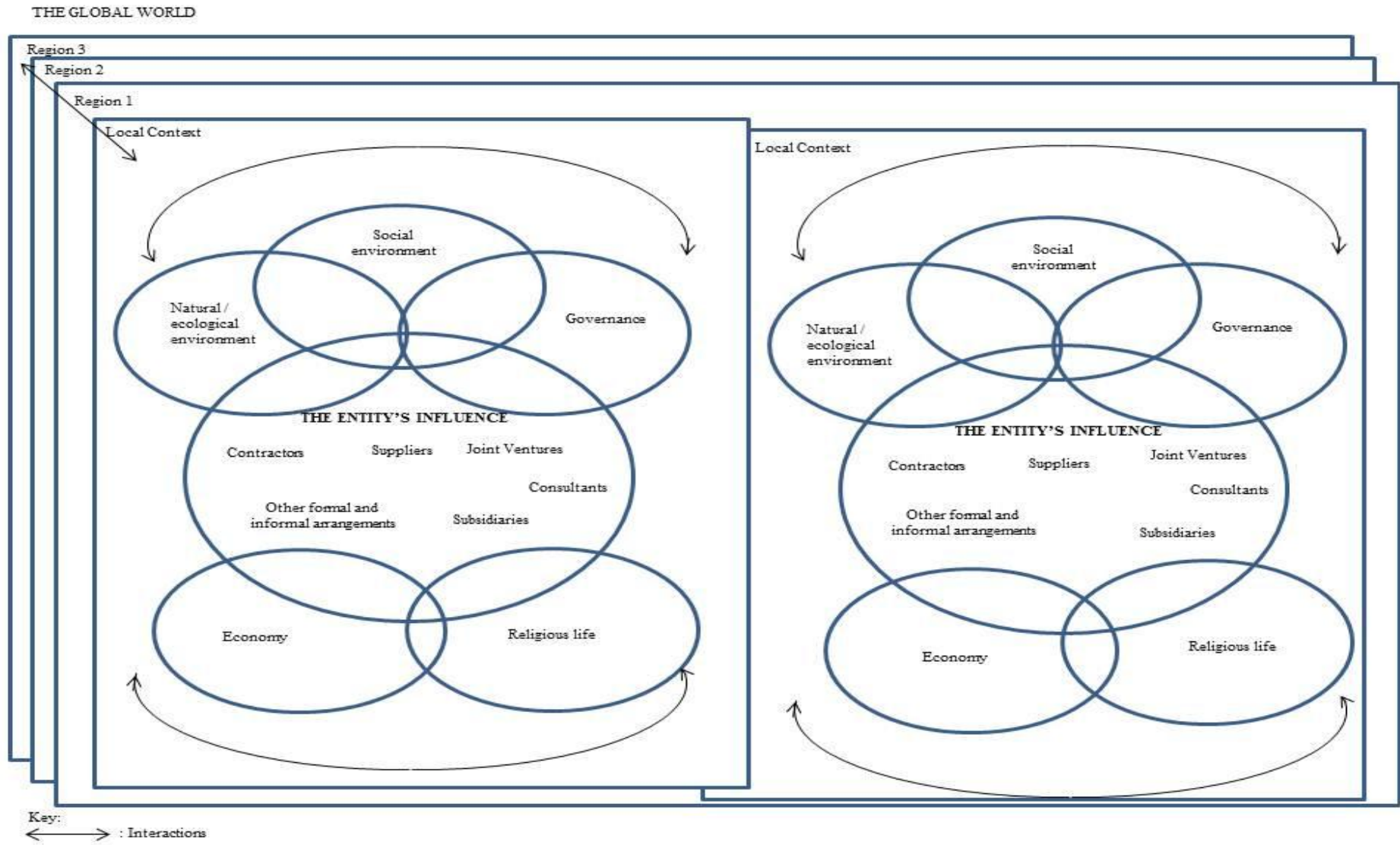


Figure 12: The Economic Entity as Responsible Collective Person

7.2.1.1 The Economy

As discussed in the introductory chapters, the economy is a major sphere of life in the current context, permeated with themes such as globalisation, cross-cultural issues, the knowledge economy and information technology (McPhail & Walters, 2009). As such, the economy, as a significant context of responsibility in today's world, can be construed as a mandate, as shown in Figure 12. Economics is the primary discipline that examines the nature of the economy, notwithstanding intersections with sociology, law, anthropology, ecology, geography, and of course, accounting. Despite the significance of the economy as a mandate, there is a general tendency for interpretive and critical accounting research to eschew the entire field of economics. Critical accounting researchers are encouraged to move away from economics, and focus instead on psychological, sociological or philosophical-oriented approaches in accounting research (Lavoie, 1987). While this scenario can largely be attributed to the dominance of neoclassical economics, it can also be construed as a failure on the part of critical accounting to engage with alternative economic theories. Indeed, there are a growing number of economists who are disillusioned with the potential of neoclassical economics to bring about equitable increases in societal well-being, and as such, are working towards providing alternative economic theories that can better enable the economy to function for the teleological ends of human development and environmental sustainability. This is very much in line with Bonhoeffer's theology and ethics, in that he consistently argues for an understanding of revelation, ontology, faith and sociality that is oriented towards "being there for others" (Bonhoeffer, 2010). It would be disadvantageous for critical accounting researchers to not engage with this research strand in economics.

The capability approach is one of the strongest contenders against neoclassical economics. Pioneered by Amartya Sen and further developed by political philosophers and other economists, the capability approach argues that "human beings and their flourishing, rather than an increase in economic growth, should be the "end" or objective of development" (Alkire, 2005, p. 117). The capability approach moves beyond the human capital lens, in that it not only acknowledges the importance of human input into development in the form of skills, talents and efforts, but that the end result of development should also benefit human beings in ways that are equitable, fair and just. Development and economic growth should be concentrated on the enhancement of human lives and freedoms, whether such enhancements are, or are not, mediated through economic production and the market (Anand & Sen, 2000):

The view of human beings as the ‘primary ends’ of the process of development calls for emphasis to be placed on what people get from development, not only what they put into it. To see the importance of human qualities in the promotion and sustaining of economic growth, momentous as it is, tells us nothing about the reasons for seeking economic growth in the first place, nor about the fact that the quality of life can vary greatly between different countries with much the same level of per-capita Gross National Product (Anand & Sen, 2000, p. 84).

The capability approach is now part of the standard curriculum in development studies and political philosophy. Its principles are also being applied in education, disability studies, public health and gender studies. One of the most prominent applications of the capability approach is the United Nations Human Development Report and the Human Development Index. The idea of human development and the Human Development Reports have been very successful in increasing global policy dialogue (McNeill, 2007).

The concept of human development was formulated as an alternative against the Bretton Woods orthodoxy²¹. The Bretton Woods Institutions, which included bodies such as the General Agreement on Tariffs and Trade (GATT), World Trade Organisation (WTO), the World Bank and the International Monetary Fund (IMF), were responsible for a transnational neoliberal movement in the 1980s via the implementation of free market policies, structural adjustments and fiscal austerity programs in Third World countries. Bretton Woods thus became associated with the global imposition of neoliberalism (Brenner & Theodore, 2002). During this period of neoliberal expansion, the concept of human development – deeply influenced by the capability approach – was seen as a reaction against the predominance of economic growth. It was considered necessary to generate “a similar intellectual ferment around the concerns of adjustment and growth with human development”, framed by the overarching question of “increased productivity *of whom* and *for whom*” (Haq, 1995, p. 8 as cited in McNeill, 2007, pp. 10-11, emphasis in original). With institutional backing from the likes of the United Nations, and with improved academic vigour, the idea of human development became more established.

²¹ The term “Bretton Woods orthodoxy” was coined during the United Nations Monetary and Financial Conference in July 1944. The purpose of the conference was to reconstruct international finance and trade after the end of World War II. The conference took place in Mount Washington Hotel, situated in Bretton Woods, New Hampshire, USA (Mason & Asher, 1973).

The successful diffusion of the idea of human development points to another significant strength of the capability approach, which is its focus on human beings. There have been various concepts that sought to intellectually link economic life to environmental issues and social justice. Terms such as “sustainable development” and “social capital”, while flexible in their content and widely accepted, have lost much of their edge due to a lack of clarity and focus (McNeill, 2007). In contrast, the idea of the “human” is much less susceptible to distortion: “The fact that the word ‘human’ cannot be regarded as a neologism is an asset” (McNeill, 2007, p. 13). The teleological end of the “human” in economic activity syncs well with Bonhoeffer’s theology and ethics. This synchronisation can be seen in Bonhoeffer’s understanding of revelation as the person Christ, who, in becoming *human*, identifies himself fully with the struggles of humanity. It can also be seen in Bonhoeffer’s understanding of sociality, in that the meaning of being (and of ontology) must be derived from a relational understanding of existence – the ontology of the self cannot be understood autonomously, but always in sociality with *other human beings*. Due to this orientation towards the “human”, the capability approach and the concept of human development are better positioned to explicitly oppose the neoliberal paradigm. This focus on the “human” also enables the capability approach to be openly and tightly linked to various aspects of human development, including political freedom, gender issues, education and health.

Applying Bonhoeffer’s concept of mandates in the conceptualisation of the economic entity, in relation to the mandate of the economy, the entity is positioned as participating, influencing and being influenced by this mandate. In order for the mandate of the economy to function as a context of responsibility and to exist in relations of “being-with”, “being-for” and “being-against” other mandates, it needs to uphold the teleological ends of human development, environmental sustainability and the well-being of future generations. To this end, the capability approach is well-suited for this task. Following Bonhoeffer’s concept of mandates, the entity is thus conceptualised as a significant participant in the mandate of the economy, oriented towards serving the teleological ends as mentioned above. Importantly, the mandate of the economy works interdependently with other mandates in achieving these ends. This stands in contrast with neoliberalism as discussed in Chapter 4, which positions economic prosperity as the teleological goal, achievable only through free and unencumbered markets.

7.2.1.2 Natural / Ecological Environment

Extending Bonhoeffer's concept of mandates, the natural / ecological environment is positioned as a significant mandate in the current context. As mentioned in Chapter 6, the spirit of mastery and domination can most clearly be seen in the irresponsible treatment of nature. The ecological environment is forcibly subjugated to and violently exploited by the dominant will of human beings (Bonhoeffer, 2009d). By construing the ecological environment as a mandate, nature is established as a context of responsibility and as an ethical boundary that must be respected by other mandates. In regards to the economic entity, the entity is conceptualised as a participant that influences and is influenced by the mandate of the natural / ecological environment, as shown in Figure 12. As such, the entity encounters the natural environment as a genuine ethical boundary that impinges upon its will.

The interrelations between the ecological world and economic entities are well established in academic literature, particularly on the devastating environmental impacts that are brought about by relentless pursuit of financial wealth (Bebbington & R. Gray, 1993; Davis & Blomstrom, 1975; Deegan, 2013; R. Gray, 1990, 1992, 2013; Luthans & Hodgetts, 1976; Mintzberg, 1983; Spence et al., 2013). Despite concerted efforts in bringing environmental issues to the forefront of economic activity, “they have not resulted in any fundamental alteration in the orientation of business – when the chips are down, the pursuit of traditional business goals (of which profit is the most ubiquitous) will dominate other social, ethical or environmental concerns” (Bebbington & R. Gray, 1993, p. 1). There are several reasons as to why the survival and sustainability of the ecological environment continues to be on the periphery of economic activities. Following Bonhoeffer's concept of mandates, it can be argued that one of the reasons is the failure of economic entities to recognise their interdependencies and their influences on the mandate of the ecological environment. This lack of recognition leads to the instrumentalisation of the ecological environment, demonstrating a lack of respect for the boundaries imposed by the laws of nature. The mandate of the ecological environment functions in interacting systems that support life. Commodification and abuse of nature in the pursuit of profits are causing substantial disruptions to this delicate balance:

There are various subsystems of rain, cloud and water; of birth, growth, death and decay; of creatures and species interdependence; and so on.

Removal or interference with one of these elements will influence many, if

not all others. [...] Such a break in the ecological chain can happen for many reasons – loss of habitat, use of insecticide, etc., but it takes little imagination to see that once started, the process is irreversible and will, potentially, accelerate. Mankind apparently does not have the wherewithal to stop it nor the knowledge to assess whether any ecological harmony will ever be possible again without man’s constant interference to deal with excess manifestations [...] or to artificially preserve habitats and species (R. Gray, 1992, p. 406).

This lack of recognition of the intrinsic workings of the mandate of the natural environment – the most important being that the laws of nature are, in many ways, antithetical to monetary and profit-oriented logics – has led to “free market environmentalism” (Andrew & Cortese, 2013; R. Gray, 1990). The ecological environment is forced to enter the free-market system via the establishment of markets for externalities (Thornton, 2013). Solutions provided to the ecological crisis tend to be privatised, self-regulated and market-based in order to demonstrate the possibility of a “win-win” situation (Andrew & Cortese, 2013). Examples of these solutions include: marginal social cost pricing; the polluter pays principle; pollution taxes such as taxes on carbon fuels; tradable pollution licences; and environmental cost-benefit analysis (R. Gray, 1990). These approaches tend to ignore the inherent tensions between environmental sustainability and traditional business success (Bebbington & R. Gray, 1993).

Following Bonhoeffer’s concept of mandates, ecological sustainability requires recognition of and respect for the ethical barriers imposed by the ecological environment on the activities of the economic entity. It is necessary to understand, with multiple and diverse perspectives, the workings of nature and the disruptions caused by economic activities. The sacrosanct goal of profit maximisation at the cost of the decline in bio-diversity must be challenged and brought into dispute (R. Gray, 1990). By recognising the encounter between the economic entity and the mandate of the ecological environment as an ethical encounter, various perspectives and solutions, beyond that of neoliberalism and neoclassical economics can begin to influence the activities of the economic entity (Bebbington, J. Brown, Frame, et al., 2007; Frame & J. Brown, 2008; R. Gray, 2002; O’Dwyer, 2005; Thomson & Bebbington, 2004, 2005; Welford, 1998).

7.2.1.3 *The Social Environment*

Figure 12 shows the economic entity as existing in interaction and interdependence with the social environment. The social environment broadly refers to the sociocultural and historical contexts in which economic entities operate. While a clear and comprehensive definition of “social environment” remains elusive, it encompasses:

the immediate physical surroundings, social relationships, and cultural milieus within which defined groups of people function and interact. [...] Embedded within contemporary social environments are historical, social and power relations that have become institutionalised over time. Social environments can be experienced at multiple scales, often simultaneously, including households, kin networks, neighbourhoods, towns and cities, and regions. Social environments are dynamic and change over time as the result of both internal and external forces. There are relationships of dependency among the social environments of different local areas, because these areas are connected through larger regional, national and international social and economic processes and power relations (E. Barnett & Casper, 2001, p. 465).

Extending Bonhoeffer’s concept of mandates, the social environment is construed as an important mandate, as it is a concrete and dynamic structure where ethical actions and reflections are carried out. As discussed in Chapter 6, revelation (Section 6.3.1), reality (Section 6.3.2), faith (Section 6.3.3) and ontology (Section 6.3.4) must be understood *relationally with others* and *concretely “in” this world*. The social environment, as per the definition above, encapsulates both of these dimensions. Interestingly, “culture” is one of the mandates in Bonhoeffer’s original formulation. As the concept of mandates remains unfinished at the time of his death, it is uncertain as to what Bonhoeffer sought to achieve in his positioning of “culture” as a mandate. The social environment, as defined here, naturally includes culture.

Accordingly, the entity is conceptualised as existing in sociality and interdependence with the mandate of the social environment. Issues that are part of the mandate of the social environment, such as gender identities, familial structures, ethnic identities and local cultures, are significantly impacted by the activities of economic entities. In the current globalised

world, the impacts are not only localised to particular specific areas, but have overflowing effects on broader regional, national and trans-national contexts. The use of women and child labour is an example of the influence of economic activities on the mandate of the social environment. Existing empirical research shows that women, particularly in poorer and Third World countries, are systematically denied: regular and equal pay; permanent contracts; safe and non-hazardous work environment; and freedom from sexual harassment and violence (ILRF, 2014b). The treatment of women labour has important implications on the position of these women in their social environment. A majority of these women are particularly vulnerable to structural discrimination and abuse by virtue of their gender, ethnicities or cultural identities (Pearson, 2007). By exploiting existing gender discrimination in the local contexts, the use of women labour further deepens existing structural inequalities against women (Barrientos, 2007; Elias, 2007; Franck, 2008; Prieto-Carrón, 2006; Voskos, 2002). Child labour is often used in extreme and harsh conditions, posing significant dangers to their physical and mental well-being. The use of child labour in economic activity negatively impacts any existing social environment, as the youngest and the most vulnerable members of society are denied opportunities and capabilities very early in life. The children involved are usually denied freedom, access to education and basic healthcare. This encourages and perpetuates illiteracy, human exploitation and health epidemics in these social environments (ILO, 1973; ILRF, 2014a).

In certain contexts, the issues of women labour and child labour are also associated with cultural and ethnic identities, such as caste discrimination. In general, those at the bottom of the caste system suffer many forms of social and economic exclusion such as: segregation in housing; restricted access to public and private services; and lack of education and employment opportunities (IDSN, 2013). Those outside the caste system altogether are considered to be “lesser human beings”, “impure” and “pollution” to other caste groups. Those who belong to these groups, particularly when they are women or children, become even more vulnerable to economic exploitation. They are assigned the most menial, dirty, hazardous and dangerous work, and are forced to do so out of desperation and economic poverty (IDSN, 2013; Venkateswarlu, 2010a, 2010b).

In recognising the influences of economic entities on the mandate of the social environment, it becomes necessary for economic entities to understand the social contexts in which they exist. This entails, for example: an understanding of unique ethnic and cultural features;

gender ideologies, focusing especially on the role of women in society; worldviews on children; existing structural inequalities; levels of education and literacy; the nature of business relationships; local histories; and traditions. To do so, economic entities can enter into constructive dialogues with advocacy groups and social movements who are working in the particular social environment in order to gain better understandings of the context in which the entities exist (den Hond & de Bakker, 2007). These “cross-borders” engagements (J. Brown, 2009) can enable economic entities to: recognise the social environment as a genuine ethical barrier; better assess the impacts and implications that they have on a particular social environment – whether good or bad; and design multi-perspectival, multi-dimensional and holistic approaches to economic activity that enhance the life, capabilities and opportunities of all members in the community.

7.2.1.4 Governance

Governance is about various forms and processes of governing. It includes, for example: the regulatory power of nation-states; international laws and conventions; and pressures from various lobbying and activist groups. In Bonhoeffer’s original formulation of the concept, “government” is proposed as a mandate, perhaps in reference to nation-state governments. The term “governance”, rather than “government”, is employed in order to reflect the varying approaches to governing that have come into existence since Bonhoeffer’s lifetime, the most prominent being the formulation of international laws and conventions, and the formation of international non-governmental bodies such as the United Nations and the International Labour Organisation.

Extending Bonhoeffer’s concept of mandates, the entity is conceptualised as existing amidst, influencing and being influenced by the mandate of governance, which contains multiple forms of national and international regulation. As discussed in Chapter 4, it is no longer viable for economic entities to be subjected only to national laws. Economic entities interfere heavily with national legislative and judicial dimensions of law through their lobbying activities, raising suspicions as to the political neutrality of these mechanisms. The global network of production and consumption is also beyond the territorial jurisdiction of any one nation-state, making it difficult to hold transnational enterprises accountable for their actions. The situation is further compounded by increasing power imbalances between nation-states and investing economic entities (Doh, 2005; Frankental, 2011; Fukuyama, 2004; Koenig-Archibugi, 2005; Palan, 2003; Scherer & Palazzo, 2011; Scherer & Smid, 2000).

The decline in the governance capabilities of nation-states means that international and global forms of governance are becoming increasingly important. International institutions such as the United Nations and the International Labour Organisation, civil society groups, non-governmental organisations and unions are contributing their expertise in this area. There is an increasing appreciation for decentralised processes of deliberation that involves NGOs, international institutions, companies, workers and consumers in addressing the impacts of economic activities. Many of these groups and stakeholders, often in collaboration with one another, are focused on pressuring governments to target economic entities in order to make them more responsive to social and environmental concerns (den Hond & de Bakker, 2007; Doh & Guay, 2006; Scherer & Palazzo, 2011). Some have also proposed the extension of international laws and conventions such as the Universal Declaration of Human Rights to economic entities (Clapham, 2006; Dine, 2005; Kinley & Tadaki, 2004; Vagts, 2003; Weissbrodt & Kruger, 2003; Zerk, 2006).

In encountering the mandate of governance, it is necessary for economic entities to carefully examine the standards imposed by national and international laws and conventions. Forms of governance that are oriented towards the teleological ends of human development, environmental sustainability and the well-being of future generations should be upheld. As discussed above, these teleological ends are very much in line with Bonhoeffer's theology and ethics. Such an approach to the mandate of governance entails stakeholder inclusiveness, rather than a sole focus on finance capital providers. Importantly, economic entities, as part of their adherence towards national and international laws on social and environmental issues, should have meaningful processes of consultation with stakeholders who are most affected by their operations, particularly the poor and marginalised communities (Scherer & Palazzo, 2011; Frankental, 2011; R. Gray et al., 1997).

7.2.1.5 Religious Life

For Bonhoeffer, religious life – as concretised and represented by the church – is an important mandate, because it is within this mandate that “the commandment of God” is encountered²². The church exists as a genuine historical community and a distinct corporate entity where the proclamation of Christ takes place (Bonhoeffer, 2009d). For Bonhoeffer, the proclamation of faith is both private and public, in that faith should be concerned with the

²² “The church” was the only “mandate” that Bonhoeffer managed to systematically compose prior to his death.

experiences and private confessions of the individual human being, and the public proclamation of ideals, values and beliefs that the church stands for. Public proclamations of faith also need to speak directly to the issues of the day.

Importantly, religious life fulfils its mandate if and only if the church “lives before God [...] in genuine worldliness (*Weltlichkeit*)” and answers the call to “single-minded action and life in faith in the already accomplished reconciliation of the world with God” (Bonhoeffer, 2009d, p. 400). The church, within the *delimited* domain of its own cultural and material resources, needs to proclaim the *unlimited* message of Christ. This message is always an existence of simultaneously being-with, being-for and being-against various other spheres of life, such as the economy, the natural / ecological environment, the social environment and governance. Consequently, the church must participate in the issues of the world, lest it risks negating its own existence: “In short, the church is supposed to offer *solutions* for the world’s unsolved problems, thus fulfilling its commission and restoring its authority” (Bonhoeffer, 2009d, p. 353, emphasis in original). The interrelations between religious life and other spheres do not stem from an idealised longing for the political church. Rather, the participation of the church in the issues of the world is to provoke further reflection on the differences, contestations and contributions that religious worldviews may bring to the dialogue (Bell Jr., 2012).

In regards to the conceptualisation of the economic entity, the entity is positioned as influencing and being influenced by the mandate of religious life, as shown in Figure 12. Following Bonhoeffer, the conceptualisation of the economic entity, in particular, and economic life, in general, are important issues that must be taken up by the mandate of religious life. The church, as a representative of this mandate, must raise questions as to whether current conditions of economic life enhance or destroy the welfare and well-being of human beings and the world at large; and what conceptualisations of the economic entity can position the entity as a responsible and ethical collective agent: “There are, for example, certain economic or social attitudes and conditions that hinder faith in Jesus Christ, which means that they also destroy the essence of human beings in the world. The church [...] must declare as reprehensible [...] such economic attitudes or systems that clearly hinder faith in Christ, thereby drawing a negative boundary” (Bonhoeffer, 2009d, p. 361).

7.2.2 An Entity Defined by the Notion of Influence

The second characteristic of the “responsible collective person” conceptualisation is the delineation of the boundary of the entity via the notion of influence. As discussed in Chapter 4, the boundary of the nexus-of-contract entity is delineated via the notion of control, as set out in the IASB exposure draft on the Reporting Entity and NZ IFRS 10. Importantly, the notion of control not only influences the financial reporting process, it also partially determines the extent of the entity’s responsibility, in that what is reported is also managed (D. Cooper & Morgan, 2013). As previously discussed, the notion of control is ethically limiting because it does not capture the extent of the entity’s influences. There are many instances where the entity, either by itself or in conjunction with other parties, exerts influence over other parties without necessarily fulfilling NZ IFRS 10’s criteria for control. This is most obvious in the area of human rights (Frankental, 2011; Scherer & Palazzo, 2011). In order to provide more visibility on the extent of the entity’s sphere of responsibility, the notion of influence, rather than the notion of control, is suggested in delineating the boundary of the “responsible collective person” for the purposes of corporate reporting.

The notion of influence is an application of Bonhoeffer’s concept of collective person (*Gesamtperson*). Collectives are integral to the ontology of human beings, in that a person’s existence must be understood in relation to his or her involvement in collectives. An economic entity is a collective in this sense, and in the current context, it is a rather powerful one. In the gathering of individuals that are oriented towards common purposes or wills, a ‘structure’ or a ‘third entity’ is created – the *Geist* of the collective. In this manner, a collective becomes a “concrete unity” (Bonhoeffer, 1998, p. 78). The *Geist* of the collective, once created, also takes a life on its own – a life that has the possibility of continuity even after the death of its individual members. Following Bonhoeffer, the economic entity is “concrete” or “real” not only because of its culture, politics, systems and mechanisms, but because it exists in ethical sociality with various individuals and collectives. The entity exists in I-You relations with others: “[...] I-You relations are also possible between a collective person and an individual person; only when collective persons are included in social intercourse can its richness be fully grasped” (Bonhoeffer, 1998, p. 78). Because of the I-You relation, the entity exists in a continuous state of responsibility in its continuous encounters with others. These encounters entail an “absoluteness of the ethical demand”, where “the [collective] person enters a state of *responsibility* or, in other words, of decision” (Bonhoeffer, 1998, p. 48, emphasis in original). Encounters of the economic entity with others entail a

complex and intricate web of sociality with various individuals, collectives and institutions. The encounters with these barriers constitute the entity as an ethical subject: “Only in experiencing the barrier does the awareness of oneself as ethical person arise. The more clearly the barrier is perceived, the more deeply the person enters into the situation of responsibility” (Bonhoeffer, 1998, p. 49).

The notion of influence, underpinned by Bonhoeffer’s approach to sociality, is provided as an alternative to the notion of control in corporate reporting. This is represented in Figure 12 as the circumscribed area “the entity’s influence”. This depiction shows that the entity’s sphere of influence is beyond conventional accounting’s definition of control. Arrangements that may fall within the entity’s influence include, but are not limited to: suppliers; joint ventures; consultants; subsidiaries; contractors; and other formal or informal arrangements. Following Bonhoeffer, the entity’s encounters with these parties place the entity in a continuous position of responsibility. Because the entity exists in sociality and in history – in specific historical, political and social localities – the impacts of the entity’s decisions may have rippling effects that extend beyond its sphere of influence. In Figure 12, this is shown by the interactions between local contexts in which the entities have operations (for example, branches or headquarters within the same nation-state), interactions between the local contexts and related regions (for example, branches or headquarters within the same region), and interactions between regions and the global world. From the micro-local context to the macro-global context, the entity interacts with various collectives and institutions such as government departments, political groups, non-governmental organisations, and environmental and / or social activist groups.

Consequently, the ethical challenge for economic entities is to understand these linkages that they have formed through their activities and to discern the responsibilities that the entities have to these individuals and collectives. In situations where the entity has direct influence over other entities and individuals through its own operations, they should be considered as part of the entity’s boundary and responsibility. In situations where the entity has the capacity to exert influence in conjunction with other entities, particularly in supply chain relationships, the entity should contribute towards practices that are fair, equal and just, thus enabling a positive environment for the development of humanity (Sullivan, 2003). By carefully weighing the available information, knowledge and evidences in constructing its boundary, the area and scope of the entity’s responsibility can be made visible. A possible application of

the notion of influence is a comprehensive disclosure statement on the formal and informal arrangements that the entity is engaged in. Chapter 8 provides suggestions on relationships that should be disclosed in regards to accounting for labour.

7.3 THE ETHIC OF THE “RESPONSIBLE COLLECTIVE PERSON”

As discussed in Chapter 4, the norm of the nexus-of-contract entity is profit and shareholder wealth maximisation, which has several limitations. Firstly, the relentless pursuit of profits without regard to the impacts on human lives, environmental sustainability and future generations has led to growing social and environmental crises. Secondly and relatedly, the synthesis between private and social interests is significantly contested by empirical evidences. As profit maximisation only considers the overall gain in wealth, it does not consider the fairness or equality of its distribution. This has led to grotesque structural inequalities where human lives are shrivelling with the expansion of economic production (McNeill, 2007). Thirdly, profit and shareholder maximisation is underpinned by the behavioural assumptions of *homo economicus*, which are inherently limiting and simplistic. In light of the limitations of the norm of profit and shareholder wealth maximisation, the discussion now turns to the ethic of the “responsible collective person” – Bonhoeffer’s ethic of responsible action. This ethic is proposed to counter the limitations of profit and shareholder wealth maximisation.

Bonhoeffer’s ethic of responsible action is the result of a powerful culmination of his theological knowledge and reflections on his involvement in the Nazi resistance. For Bonhoeffer, to inquire “what is responsibility” is to inquire into the nature of Christ, and how this determines the nature of the world (Rasmussen, 1999). The nature of Christ, as discussed in Chapter 6, is the one who “is there for others” (Bonhoeffer, 2010, p. 501), and it is in “being there for others” that genuine transcendence is encountered. Only then does responsibility in a reconciled reality become meaningful (de Gruchy, 2010). As such, responsibility in the first instance is always the “basic answering” (*Verantwortung*)²³, “the fundamental response of one’s own life to life as constituted in and by relationships” (Rasmussen, 1999, p. 219).

²³ “Responsibility” is translated from the German original “*Verantwortung*” – an abstraction of the verb “*antwort*”, which means “to answer” or “to respond”.

In *Ethics*, Bonhoeffer further develops his ethic of responsible action as an ethic of “vicarious representative action” (*Stellvertretung*) (Bonhoeffer, 2009d, p. 231), where responsibility entails, at all times, responsibility *for* others – *for* other human beings and communities. As human beings live in encounter with and in responsibility for each other, “individuals do not merely act for themselves alone; each individual incorporates the selves of several other people”²⁴ (Bonhoeffer, 2009d, pp. 220-221), implying that at any given moment and any given ethical situation, a person is in a position of responsibility for others. It is only when this responsibility is acknowledged and accepted, that one can begin to take ethics seriously: “The moment a person accepts responsibility for other people – and only in doing so does the person live in reality – the genuine ethical situation arises” (Bonhoeffer, 2009d, p. 221). There are two inter-related themes which further illustrates “vicarious representative action”. The themes are: accordance with reality (*Wirklichkeitsgemäß*) and love (*Liebe*). These are discussed in the following sub-sections.

7.3.1 Accordance with Reality (*Wirklichkeitsgemäß*)

Vicarious representative action is an ethic that is in accordance with reality. Bonhoeffer’s conception of reality as reconciled and dynamic rejects “the abstract notion, largely dominant in ethical thought, of an isolated individual who has available an absolute criterion by which to choose continually and exclusively between a clearly recognised good and a clearly recognised evil” (Bonhoeffer, 2009d, p. 219). We do not have at our disposal “an absolute criterion of what is good in and of itself, nor do good and evil manifest themselves in history in their pure form” (Bonhoeffer, 2009d, p. 247). To ask for this sense of finality is a misunderstanding of the ethical problem. In contrast, responsibility is always “concrete” and “tied to definite times and places” (Rasmussen, 1999, p. 219) and cannot be relegated to timeless constructs and generalised universalism.

For Bonhoeffer, the main flaw of abstract and universal ethical systems, such as codes of conduct, is the attempt to reduce ethics (*das Ethische*) to a static formula. This approach causes “individuals [to] pull back from the living responsibility of their historical existence into a private realisation of ethical ideals by which they see their own personal goodness

²⁴ Bonhoeffer uses various examples for illustration, such as a parent of a family, a statesman or a politician. Individuals in such a position can no longer act as if he or she were merely an individual. Rather, they are responsible *for* others, and any attempt to live as an isolated individual would only undermine this sense of responsibility (Bonhoeffer, 2009d). Bonhoeffer does not limit responsibility in terms of “vicarious representative action” to those in positions of power and privilege alone. Rather, “vicarious representative action” is the genuine ethical posture for *all*.

guaranteed”, thus neglecting the fact that ethical actions cannot be performed in a vacuum, but in “the *historicity (Geschichlichkeit) of human history*” (Bonhoeffer, 2009d, p. 220, emphasis in original) and “within the ambiguity of a historical situation” (Bonhoeffer, 2009d, p. 248). Bonhoeffer argues that “a human being necessarily lives in encounter with other human beings and that this encounter entails, in ever so many ways, responsibility (*Verantwortung*) for the other human being” (Bonhoeffer, 2009d, p. 220). Drawing from his Christological stance as discussed in Chapter 6, Bonhoeffer states that:

Christ is not a principle according to which the whole world must be formed. Christ does not proclaim a system of that which would be good today, here, and at all times. Christ does not teach an abstract ethic that must be carried out, cost what it may. Christ was not essentially a teacher, a lawgiver, but a human being, a real human being like us. Accordingly, Christ does not want us to be first of all pupils, representatives and advocates of a particular doctrine, but human beings, real human beings before God. Christ did not, like an ethicist, love a theory about the good; he loved real people. Christ was not interested, like a philosopher, in what is “generally valid”, but in that which serves real concrete human beings. Christ was not concerned about whether “the maxim of an action” could become “a principle of universal law”, but whether my action now helps my neighbour to be a human being before God. God did not become an idea, a principle, a program, a universally valid belief, or a law; God became human (Bonhoeffer, 2009d, p. 99).

As such, responsible actions must involve deep and informed understandings of the ever-changing situations at hand, requiring knowledgeable and sensitive perceptions to the historical contexts of responsible action. It is necessary to engage with the world in its present state (Rasmussen, 1999), thus “[turning] away from any abstract ethic and toward a concrete ethic”, “beyond formalism and casuistry” (Bonhoeffer, 2009d, p. 99). Responsible actions do not involve a servile and resigned acceptance of the status quo. That ultimately leads to a total abandonment of the situation and a retreat away from reality. But neither does it involve ideological dogma in the name of an ideal reality. In this instance, the ideological good and the purity of subjective intentions (*Gesinnung*) are prized more highly than reality itself, which ultimately leads to a rejection of reality at hand. Rather, actions in accordance with

reality see *acknowledgement* and *negation* of the status quo as inextricably linked, in that both the existence of the status quo and its problematic nature are held together and taken into serious consideration (Bonhoeffer, 2009d).

Consequently, to be in accordance with reality, responsible actions should “weigh, judge and evaluate” the status quo, and to “seriously consider the consequences of action[s] and dare to look at what lies ahead in the immediate future. Responsible action must not want to be blind” (Bonhoeffer, 2009d, p. 225). However, this does not imply infinite responsibility: “Action in accord with reality is *limited by our creatureliness*” (Bonhoeffer, 2009d, p. 267, emphasis in original), in that we are placed within the historical situations in which we find ourselves, and thus, are bounded by certain limitations from the past and the future. As such, “our responsibility is not infinite but limited” (Bonhoeffer, 2009d, p. 267). Nevertheless, it is within these limits of human understanding that responsible action is undertaken.

Additionally, accordance with reality also means a renunciation of any form of ultimate justification. For Bonhoeffer, ultimate justification is characteristic of those who act on the basis of ideology alone (for example: the ideology of the free market), giving their actions a sense of certainty and legitimacy:

Those who act on the basis of ideology refuse on principle to ask the question about the consequences of their action. This allows them to be more certain about their own goodness. [...] Those who act on the basis of ideology consider themselves justified by their idea. [...] For ideologues, the correspondence between action and idea provides the unambiguous standard by which to judge good and evil (Bonhoeffer, 2009d, pp. 225-226).

However, those who act in accordance with reality do not have the comfort of certainty. Rather, they have to “console themselves with faith in the forgiving and healing grace of God”, because “they cannot prove that they are right, because living reality does not provide them with an unambiguous standard” (Bonhoeffer, 2009d, p. 227). It is not within the power of humanity to grasp with certainty what is ultimately good or evil²⁵. However, this does not

²⁵ Bonhoeffer brings this concept to its most extreme form – an “even deeper and more mysterious abyss” – by citing Judas Iscariot as an example: “It is through Judas Iscariot that Christ becomes the redeemer of the world. Paradoxically speaking, Judas, for a moment, holds the salvation of the world in his hands” (Bonhoeffer, 2009d,

negate the distinction between good and evil. The distinctions must be maintained, discussed, evaluated and critiqued. The lack of ultimate justification means, for Bonhoeffer, that “human beings cannot justify themselves by doing good since it is God alone who does the good” (Bonhoeffer, 2009d, p. 227).

7.3.2 Love (Liebe)

If responsible actions are actions in accordance with reality, then the norm of an ethical action is no longer a universal principle or an ideology, but the concrete “neighbour(s)”, the “other(s)” for whom we are responsible. If responsible action is “vicarious representative action”, what is the nature of the “vicarious representative relationship”? To answer this, Bonhoeffer once again draws from his Christological orientation as discussed in Chapter 6 and points towards Jesus Christ:

Jesus Christ is the very embodiment of the person who lives responsibly. [...] He lives and bears the selves of all human beings. His entire life, action and suffering is vicarious representative action (*Stellvertretung*). As the one who has become human he indeed stands in the place of all human beings. All that human beings were supposed to live, do and suffer falls on him. In this real vicarious representative action in which his human existence consists, he is the responsible human being par excellence (Bonhoeffer, 2009d, pp. 231-232).

For Bonhoeffer, the responsibility of Christ – his vicarious representative action – has *love* as its content. Vicarious representative action is “concrete, responsible action of love for all human beings” (Bonhoeffer, 2009d, p. 232) and a complete devotion of one’s life to another (Bonhoeffer, 2009d, p. 259). What, then, is love? For Bonhoeffer, love is modelled after the love of Jesus Christ for humanity, and from this posture, love is directed towards others. Consequently, a relationship of responsibility that is characterised by any other notion such as statutory rights or contractual duties is not enough. For Bonhoeffer, nothing other than the concrete and responsible love for the neighbour, which demands the entire dedication of a person, can be characterised as responsible:

p. 227). Bonhoeffer uses this extreme example to emphasise the point that what is ultimately “good” and “evil” escapes human judgment and justification, so much so that at times, the “good” causes harm and the “evil” brings benefits” (Bonhoeffer, 2009d).

Love – as understood by the gospel in contrast to all philosophy – is not a method for dealing with people. Instead, it is the reality of being drawn and drawing others into an event, namely, into God’s community with the world, which has already been accomplished in Jesus Christ. “Love” does not exist as an abstract attribute of God but only in God’s actual loving of human beings and the world. Again “love” does not exist as a human attribute but only as a real belonging-together and being-together of people with other human beings and with the world, based on God’s love that is extended to me and to them. [...] God’s love liberates human perception, which has been clouded and led astray by love of self, for the clear recognition of reality, the neighbour, and the world; thus, and only thus, is one readied to perceive and undertake genuine responsibility (Bonhoeffer, 2009d, pp. 241-242).

If vicarious representative action is love for the neighbour, who is / are my neighbour(s)? Following his understanding of sociality as the meaning of being (Section 6.3.4), Bonhoeffer often specifically names the other(s) as those who are “oppressed and suffering” (de Gruchy, 2010, p. 26), bearing in mind that the oppressed and suffering neighbour “can be met precisely in the one who is farthest away” (Bonhoeffer, 2009d, p. 295), and *not* restricted only those with whom we share the same space. In following Bonhoeffer’s vicarious representative action, to be there for others is to be in solidarity with those who *suffer*, whether they are near or far from us, and “to see the great events of world history from below, from the perspective of the outcasts, the suspects, the maltreated, the powerless, the oppressed and reviled, in short from the perspective of the suffering” (Bonhoeffer, 2010, p. 52). This is because “in Jesus Christ God comes down into the very depths of the human fall, of guilt, and of need, that the justice and grace of God is especially close to the very people who are deprived of rights, humiliated and exploited” (Bonhoeffer, 2009d, p. 163). While the spirit of mastery and dominance values the world in terms of what it can offer and do, Bonhoeffer vehemently criticises this spirit as devaluation of life. Rather:

We must learn to regard human beings less in terms of what they do and neglect to do and more in terms of what they suffer. The only fruitful relation to human beings – particularly to the weak among them – is love, that is, the will to enter into and keep community with them. God did not

hold human beings in contempt but became human for their sake
(Bonhoeffer, 2010, p. 45).

As such, responsible action is a call to action and sympathy in response to the immediate experiences of the oppressed, in recognition of the strength, agency and power of human beings to act and bring change. However, central to this call is the notion of the suffering God: “[Christ] consents to be pushed out of the world and onto the cross. God is weak and powerless in the world and in precisely this way, and only so, is at our side and helps us” (Bonhoeffer, 2010, p. 480). The suffering God signals to an understanding of solidarity and love that “does not withdraw from reality into noble souls detached from the world, but experiences and suffers the reality of the world at its worst” (Bonhoeffer, 2009d, p. 83). As the suffering God became human (*Menschwerdung*)²⁶, “our living as real human beings, and loving the real people next to us is [...] grounded only in God’s becoming human, in the unfathomable love of God for us human beings” (Bonhoeffer, 2009d, p. 87). It is by viewing the world through the perspective of the suffering God that suffering in the world becomes evident to us, because “what happens to him (Jesus Christ) happens to human beings. It happens to all and therefore to us” (Bonhoeffer, 2009d, p. 85). Additionally, responsible action should be oriented not only towards the present, but also towards the future. As argued by Bonhoeffer: “the ultimate responsible question is not how I extricate myself heroically from a situation but [how] a coming generation is to go on living. Only from such a historically responsible question will fruitful solutions arise, however humiliating they may be for the moment” (Bonhoeffer, 2010, p. 42).

Bonhoeffer’s understanding of love is also intimately tied to the notion of guilt (*Schuld*). Guilt refers not only to the recognition of a person’s involvements (or the lack of) in injustices and suffering of others, but also to a sense of “being burdened” with the guilt of humanity. Bonhoeffer refers to Jesus Christ again as the origin of bearing guilt:

Jesus does not want to be considered the only perfect one at the expense of human beings, nor, as the only guiltless one, to look down on a humanity perishing under its guilt. [...] Love for real human beings leads into the

²⁶ Bonhoeffer consistently uses the German word “*Menschwerdung*”, meaning “becoming human”. This is a striking feature, in that he, perhaps purposefully, did not use the more readily available and commonly accepted theological word “*Inkarnation*”, meaning “Incarnation” (Green, 2009, p. 6).

solidarity of human guilt. Because he loves them, he does not acquit himself of the guilt in which human beings live. A love that abandoned human beings to their guilt would not be a love for real human beings. In vicariously taking responsibility for human beings and in his love for the real human being, Jesus becomes burdened with guilt (Bonhoeffer, 2009d, p. 233).

Those who, in acting responsibly, seek to avoid becoming guilty, divorce themselves from the ultimate reality of history [...] place their personal innocence (*Unschuld*) above their responsibility for other human beings and are blind to the fact that precisely in doing so they become even more egregiously guilty (Bonhoeffer, 2009d, p. 234).

Informed by Christology and also by his orientation towards the suffering others, the notion of being burdened by guilt is important in Bonhoeffer's ethic of vicarious representative action, in that one can be vicariously responsible for another only when one recognises guilt. Rather than seeking to be responsible from a position of power and privilege, the notion of guilt places the responsible person in a position of humility – an acknowledgement that one can never be guiltless. The acknowledgement of one's guilt and culpability in the suffering and injustice of the world, inextricably linked together with the radical and dedicated love for the concrete, suffering other(s), form the underlying basis of vicarious representative relationship, from which vicarious representative action is exercised and performed.

7.3.3 “Responsible Collective Person” and the Ethic of Responsible Action

The discussion now turns to how economic entities as “responsible collective persons” can uphold the ethic of responsible action. Three possible approaches are suggested. Firstly, there needs to be a re-orientation away from profit and shareholder wealth maximisation and towards human development. Secondly, economic entities need to engage in deeper understandings of the contexts in which they are situated. Thirdly, economic entities need to identify the “suffering other(s)” within their spheres of influence. These approaches are discussed as below.

Firstly, the ethic of responsible action requires a re-orientation away from the teleological end of profit and shareholder wealth maximisation. In contrast, economic life should be

recognised as an integral part of “the penultimate” as discussed in Chapter 6 (Section 6.3.2 – Reality as Reconciliation) – a significant locus of action and responsibility. Instead of positioning the pursuit of profits as the ultimate end of economic activity, human development, environmental sustainability and the well-being of future generations should be positioned as teleological ends. The profits gained from economic activity should be but one of the many means by which the ultimate end is achieved, not the ultimate end itself. It is interesting to note that in the 1930s and 1940s, years before the prominence of neoliberalism, the so-called “Bonhoeffer Circle” in Freiburg, Germany discussed the teleology of economic life. This circle consisted of economists, lawyers and theologians who were seeking to make proposals for the reconstruction of political and economic life for a Germany after Hitler. The Bonhoeffer Circle made a conclusion that we are only just beginning to discover: that economic life should serve the current and future development of humanity, so that human beings are able to achieve their highest potential²⁷ (Ulshöfer, 2012). As discussed in Section 7.2.1, the capability approach – one of the strongest alternative contenders against mainstream, neoclassical economics – infuses well with Bonhoeffer’s ethic of responsible action.

Secondly, the ethic of responsible action requires deeper understanding of and engagements with the historical, political and social contexts in which economic entities operate. The norm of profit and shareholder wealth maximisation promotes a fragile and abstract harmony between the private interest of finance capital providers and social welfare and well-being. Many empirical evidences have been provided to counter this abstraction. To continue to apply this ethic, despite its damaging effects, is to hold on to ideological dogma and an idealised reality. In contrast, economic entities must undertake the difficult but necessary task of weighing, judging and evaluating the ever-changing political, social and historical contexts in which they exist. This task is already being undertaken to a certain degree, as demonstrated by research that assesses the economic success of non-Western nations – a success which defies many of the assumptions of mainstream economics and the profit maximisation ethos (Sen, 1997). However, the orientation here is still towards discovering factors, social norms or values that can lead to economic success. In contrast, the goal of understanding, following Bonhoeffer’s ethic of responsible action, is not to discover variables that can lead to more

²⁷ The original German as stated in the circle’s formal memorandum (*Denkschrift*) reads as: “*Die Wirtschaft hat den lebenden und künftigen Menschen zu dienen, ihnen zur Erfüllung ihrer höchsten Bestimmung zu helfen*“ (Thielicke, 1979, p. 345 as cited in Ulshöfer, 2012, p. 119).

profits, but to: comprehend and appreciate the unique historical, social and political factors that make up that particular landscape; to recognise the impacts of the entities' existence and activities on its contexts; and to use the knowledge gained for ethical action, reflection and responsibility to others.

Thirdly, the ethic of responsible action requires economic entities to identify the “suffering other(s)” within their sphere of influence. Following Bonhoeffer, an entity becomes ethical only when it acknowledges that it stands in vicarious representative *for* others, both near and far – *for* the individuals within its organisation, *for* its involvement in various mandates, *for* its participation in its own local context and the world. The ethical norm of the entity is no longer an ideology, but the concrete neighbour(s). As such, it is necessary for the entity to recognise the faces of its neighbour(s). It needs to undergo the challenging task of “looking” at the faces of the individuals, institutions and parties that it vicariously represents – whether they are near or far, in the present or in the future – and to understand their perspectives, desires, longings and sufferings. Importantly, the entity needs to direct its attention and efforts to those who are suffering. This approach reinforces the need to re-orient the entity away from the “monologic” (J. Brown, 2009) focus on finance capital providers, and instead to acknowledge the entity as a site with multiple and contesting voices, some of which are from the powerless “suffering other(s)”. Following Bonhoeffer, the entity needs to acknowledge the “outcasts, the suspects, the maltreated, the powerless, the oppressed and reviled [and] the suffering” (Bonhoeffer, 2010, p. 52) in its sphere of influence, and begin undertaking actions that will demonstrate love and responsibility towards them.

7.5 SUMMARY

In sum, this chapter sought to provide a conceptualisation of the economic entity as an alternative to the nexus-of-contract conceptualisation. The economic entity is conceptualised as a “responsible collective person” – a conceptualisation that is inspired by the theology and ethics of Dietrich Bonhoeffer (1906 – 1945). The specific concepts used in the formulation of “responsible collective person” are: the concept of mandates and the concept of the collective person (*Gesamtperson*). Subsequently, Bonhoeffer’s ethic of responsible action is proposed as the ethical norm of the “responsible collective person”.

The concept of mandates, when applied to the conceptualisation of the economic entity, situates the entity amidst various mandates that exist in ethical relations of “being-with”, “being-for” and “being-against” each other. The mandates proposed were: the economy; the natural / ecological environment; the social environment; governance; and religious life. In regards to regulating the economic entity, the positioning of the entity amidst multiple mandates implies that the entity is subjected to various laws that are intrinsic to these mandates. Additionally, the mandate of governance takes a broad approach to conceptualising governance, in that the entity is not only subjected to nation-state laws, but also to international laws and conventions. The conceptualisation of the entity as existing amidst various mandates stands in stark contrast to the nexus-of-contract approach. As discussed in Chapter 4, the nexus-of-contract approach conceptualises the entity as an atomistic, ahistorical and artificial creation, ignoring its existence within specific empirical and temporal settings. Additionally, the nexus-of-contract approach ignores the real and empirical effects of its activities on the lives of many. The nexus-of-contract approach also assumes the adequacy and political-neutrality of nation-state legal frameworks in regulating the entity – an assumption that does not conform to empirical reality. The “responsible collective person”, a conceptualisation which derives its theoretical basis from Bonhoeffer’s concept of mandates, addresses these limitations of the nexus-of-contract approach.

Bonhoeffer’s concept of the collective person, when applied to the economic entity, conceptualises the entity as a genuine social collective with its own unique *Geist* that ontologically exists in ethical relation and in sociality with others. Importantly, it is proposed that the boundary of the entity should be delineated through the notion of influence, rather than the notion of control as stated in the IASB exposure draft on the Reporting Entity and NZ IFRS 10, as examined in Chapter 4. It is argued that the notion of influence, in contrast to the notion of control, can better account for the extent of the entity’s responsibility to others. The ethical encounters of the entity with the various mandates, and with various individuals and social collectives position the entity as an influential “responsible collective person” that exists in a state of continuous responsibility.

Bonhoeffer’s ethic of responsible action is proposed as an ethic for the “responsible collective person”. Bonhoeffer’s approach to responsibility is “vicarious representative action”, meaning that responsibility should be understood as responsibility *for* others. Responsible action entails, firstly, a deep and informed understanding of the context of action,

and secondly, a call to love, action and sympathy for the suffering other(s). Responsibility arises whenever one encounters another as an ethical barrier. In regards as to how economic entities can uphold the ethic of responsible action, three possible approaches were suggested: a re-orientation away from profit and shareholder wealth maximisation and towards human development, environmental sustainability and the well-being of future generations; deeper engagements with the contexts in which they operate; and identification of the suffering other(s) within their spheres of influence. Bonhoeffer's ethic of responsible action stands in stark contrast to the nexus-of-contract's norm of profit and shareholder wealth maximisation that was examined in Chapter 4. Derived from the behavioural assumptions of *homo economicus*, the norm of profit maximisation focuses on a relentless pursuit of profits without regard to the cost on human lives, the environment and future generations. Additionally, the maximisation of profits is also construed on a utilitarian basis, ignoring issues of distribution, fairness and equality. Bonhoeffer's ethic of responsible action heavily rejects this ethic as unreality – an ideological dogma that ignores the suffering other(s) and the complexities of reality.

The next chapter explores the implications of the “responsible collective person” conceptualisation on accounting, focussing particularly on accounting for labour.

CHAPTER 8: THE ECONOMIC ENTITY AS “RESPONSIBLE COLLECTIVE PERSON”: IMPLICATIONS FOR ACCOUNTING FOR LABOUR

Our lives shall not be sweated from birth until life closes;

Hearts starve as well as bodies; give us bread, but give us roses!

Oppenheim; Bread & Roses (1946)

The previous chapter provided an alternative conceptualisation of the economic entity – one that is based on the theology and ethics of Dietrich Bonhoeffer (1906 – 1945). The alternative proposed is the “responsible collective person”. The ethic proposed for the “responsible collective person” is Bonhoeffer’s ethic of responsible action. This chapter explores the implications of the “responsible collective person” conceptualisation of the entity and the ethic of responsible action on accounting for labour.

To begin, Section 8.1 discusses the implications of the “responsible collective person” conceptualisation and the ethic of responsible action on accounting in general. Section 8.2 focuses specifically on accounting for labour. Three forms of accounting for labour are explored. They are: The Statement of Redistribution of Income; Self-Accountings from Labour; and Accounting(s) for Labour from Others. Section 8.3 explores the inter-linkages between accounting and corporate action. A framework that can be employed by the entity in safeguarding labour welfare is suggested.

8.1 IMPLICATIONS FOR ACCOUNTING IN GENERAL

Following the “responsible collective person” conceptualisation of the entity and its corresponding ethic of responsible action, there are several implications for accounting in general, including the nature and purposes of accounting, and how it can potentially be practised. Indeed, there is no one “fixed” way of doing accounting, even though conventional accounting is the commonly accepted approach in which accounting is understood and practised (Arnold, 1999; Arrington & Francis, 1989; Chwastiak, 2001; Chwastiak & C. Lehman, 2008; Dillard, 2009; Hammond et al., 2012; C. Lehman, 2013).

As discussed in Chapter 7, the argument of this thesis is that the economic entity is a “responsible collective person” that exists in ethical responsibility amidst various mandates, including: the economy; the natural and ecological environment; the social environment;

governance; and religious life. These mandates exist in ethical relations of interdependence and mutual limitations – of “being-with”, “being-for” and “being-against” each other. The positioning of the entity amidst various mandates gives recognition to the polyphonic and multidimensional context in which the entity operates, and the complexities of ethical action and reflection. In addition, the economic entity as a “responsible collective person” has its own unique *Geist*, and it exists in sociality with the individuals within the entity, and with those outside its boundaries. The notion of influence is proposed in delineating the boundary of the “responsible collective person” for corporate reporting purposes.

These characteristics of the entity manifest the multiplicity and irreconcilability of the entity’s ethical responsibility to many individuals, parties and stakeholders. Accounting could potentially be employed to give visibility and some clarity to this multi-faceted context of ethical decision, and the inter-linkages between the entity and various stakeholders. Accordingly, it is proposed that accounting, via its communicative function, can act as a discourse that assists the entity in acting as a “responsible collective person”. To achieve this function, accounting, like the “responsible collective person”, needs to be oriented towards the teleological ends of human development, environmental sustainability and the well-being of future generations. The orientation of accounting towards these goals necessitates inclusiveness and broad participation by multiple parties and stakeholders, as these teleological ends cannot be achieved by the accounting discourse alone.

In light of these teleological ends of the “responsible collective person” and the accounting discourse – human development, environmental sustainability and the well-being of future generations – the question can be asked as to what forms of accounting are suited in contributing towards these ends. It is argued that the very nature of these ends, and the associated actions and policies that need to be undertaken in the pursuit of these ends, cannot be encapsulated by only *one* form of accounting. As explored in Chapter 4, conventional accounting privileges the reporting of the nexus-of-contract entity’s *economic* inflows and outflows. Importantly, the events reported must fulfil the principles of recognition and measurement, thus giving visibility primarily to events that can be financially and reliably valued. Due to a strong adherence to the principles of conventional accounting, a large majority of existing social or environmental reporting seeks to translate factors and events that are primarily non-calculable and non-monetary to fit the principles of conventional accounting (Bebbington, J. Brown, & Frame, 2007; Hines, 1991a), without recognition as to

the limits of these approaches, and the potentialities that other approaches might offer. This approach further entrenches social, environmental and sustainability issues – issues that are characteristically non-market and non-financial in essence (R. Gray, 1992; Hines, 1991b) – in the domain of economic and finance theories (D. Cooper & Morgan, 2013; Malsch, 2013; Mouck, 1995; Penalva-Icher, 2012), subsuming environmental and social concerns as financial concerns (Amir & Lev, 1996; D. Cooper & Morgan, 2013; Laine, 2010; Lev, 2004; Livesey, 2002; Livesey & Kearins, 2002; Tregidga et al., 2013). This attempt to integrate, in a more or less objective and standardised way, *all* aspects of organisational activity into the conventional accounting approach suffers from a false impression that complete representation of the entity is possible via conventional accounting (Cho et al., 2012; D. Cooper & Morgan, 2013; Milne et al., 2009).

In contrast, the very nature of the “responsible collective person” and the teleological ends that it seeks to achieve require accounting in a variety of ways, in a variety of settings and using a variety of platforms. Multiple forms of accountings are strongly recommended and advocated in order to offer diverse expressions of the entity’s ethical responsibilities, ranging from the “hard” financial and numerical representations to the “soft” narrative and visual approaches (J. Brown & Dillard, 2013a, 2013b; Kamuf, 2007; McKernan & McPhail, 2012). While there is a great disenchantment in critical accounting towards accountings that are numerical and calculative (Hines, 1991b), it is proposed that financial numbers and calculative approaches, while limited and partial in their representations, can have the ability to invoke powerful discussions, and as such, are useful for dialogues and debates. Importantly, accounting is the intertwining of *both* narration and calculation; numbers and narratives. They “each supply the conditions for, and being enabled, by the other” (Boland & Schultze, 1996, p. 63). However, accounting as we currently know it has been dominated by calculation and quantitative practices at the expense of narratives, even though there is just as much subjectivity and interpretation involved in financial and numerical approaches (Hoskin, 1996; Kamuf, 2007; McKernan & McPhail, 2012). Consequently, multiple accountings – even “hard” financial and numerical accountings – can enable the subjectivities of measurement and calculation to be exposed. “Soft” accountings, such as narratives and pictorial representations, can not only loosen the grip that numbers currently have, they can also be employed in making visible aspects of organisational impacts and influences that escape calculation. Additionally, the use of “soft” accountings can better enable participation and engagements from marginal groups who may utilise forms of communication that are non-

financial and non-calculable in nature (Bond, 2011; J. Brown, 2010; J. Brown & Dillard, 2013b; Davison & Warren, 2009; Matilal & Höpfl, 2009; Norval, 2007).

As mentioned, the teleological ends of human development, environmental sustainability and the well-being of future generations necessitate broad participation by a variety of stakeholders in the accounting process (J. Brown & Dillard, 2013a, 2013b; Chetty, 2011; D. Cooper & Morgan, 2013; Frankental, 2011). In light of the “responsible collective person’s” existence amidst various mandates, and the extent of its influence on various individuals and collectives, it is vital that the parties affected are able to voice what they regard as significant and deserve to be accounted for. While accounting is a form of representation and a tool for communication, it is much more than that, as accounting also impacts what is perceived to be valuable and important (D. Cooper & Morgan, 2013). The inclusion of multiple parties and stakeholders in the accounting process not only serves to widen the issues in which accounting can participate; it also broadens the “users” of accounting. As explored in Chapter 4, the conceptual framework delimits “users” to capital market participants – existing and potential investors and creditors. It problematically assumes that the needs of all other stakeholders will be met through the financial statements, reflecting the disputed assumption of harmony of interests between capital markets and societal well-being. This approach disregards the potentiality of accounting in serving other roles and other users. This lack of participation and inclusiveness also reflects a significant methodological deficiency, in that individuals, parties and stakeholders that are most affected by the operations of the entity could be left out of the reporting process (Frankental, 2011). In contrast, participatory approaches to accounting not only encourage inclusiveness in the reporting process (J. Brown & Dillard, 2013a, 2013b; Laughlin, 1987), they require a fundamental shift away from entity-centric and business risk mitigation approaches to accounting (Chetty, 2011) to accountings that put the “suffering other(s)” front and centre in the accounting process. A participatory and inclusive approach also implies that accounting should not be confined to a practice that is carried out by professional accountants alone (D. Cooper & Morgan, 2013; Schweiker, 1993). Indeed, existing empirical research shows that despite images of legitimacy and credibility that are attached to professional accountants, various forms of reporting that are *not* prepared by professional accountants are also viewed as valuable and desirable by various parties (Free et al., 2009; Jamal & Sunder, 2011; Jeacle & Carter, 2011). Prominent examples include: shadow reports; social audits; and assessments from journalists and activists (D. Cooper & Morgan, 2013; Dey, 2007a, 2007b).

It is explicitly acknowledged that a (re)orientation of accounting towards the “suffering other(s)” and towards the teleological ends of human development, environmental sustainability and the well-being of future generations is biased and value-laden. Conventional accounting, on the other hand, has long advocated for a neutralist view. The conceptual framework, for example, specifically cites neutrality as an important characteristic that financial reports should have. Financial reporting information that is *complete, free from material error* and *neutral* is said to be a faithful representation of an economic phenomenon (NZXRB, 2010, paragraphs QC12-QC16). In addition, neutrality is also treasured as *the* feature that gives accounting and the accounting profession its mark of credibility and worthiness:

If accounting is to retain any credibility – and without credibility it is worthless – its guiding light must be neutrality in financial reporting. [...] It is perhaps true that perfect neutrality of information can never be achieved. But it would be as foolish to stop *seeking* it on that account as it would be to stop trying to reduce air and water pollution because completely pure air and pure water can never be attained, or to stop seeking fair-minded judges on the ground that no human being is entirely free from bias, or [...] to stop esteeming journalists who know the difference between reporting and editorialising (Solomons, 1991, pp. 294-295, emphasis in original).

However, accounting rules and frameworks are inevitably the products of power, politics, history, traditions and belief systems (Botzem & Quack, 2009; Camfferman & Zeff, 2007; D. Cooper & Morgan, 2013; D. Cooper & Robson, 2006; Zeff, 1972) and as such, accounting cannot be isolated from the *values* that these discourses uphold. As argued in Chapter 4, a majority of accounting practices are focused on the needs of finance capital providers, excluding the needs of others in the pursuit of this one aim (Collison et al., 2012; D. Cooper, 1980; D. Cooper & Morgan, 2013; D. Cooper & Sherer, 1984; Flower, 2010; Sen, 2009; Tinker, 1980). This is indeed a political and value-laden choice. Furthermore, to maintain a stance of neutrality is itself value-laden, because it disregards the power of accounting in socially constructing what is valuable, important and should be accounted for (D. Cooper & Morgan, 2013; Hines, 1988, 1989, 1991a, 1991b). As a politically neutral and value-free position is impossible, it is argued that assumptions, values and beliefs upon which any

accounting is based on should be made explicit in order to enable better understanding of each other's positions.

8.2 APPROACHES TO ACCOUNTING FOR LABOUR

Theorisations on the nature and ethical imperative of the economic entity have implications on how various stakeholders are treated and accounted for. As examined in Chapter 5, labour is considered to be a stakeholder group that has been marginalised in conventional accounting, attributable to the position and treatment of labour under the nexus-of-contract conceptualisation and the neoclassical economic model of wage determination. The conventional categorisation of labour as cost, in light of the norm of profit maximisation, leads to the commodification of labour and the reduction of living human beings to quantifiable objects that need to be accounted for in the pursuit of profits. While there is recognition that labour can be accounted for as assets to the entity, the strong adherence towards the principles of conventional accounting means that labour, as of yet, cannot be recognised as such. Employee-related reporting is also underpinned by a profit-centric and managerialist agenda, and is prepared without any consultation with labour. These approaches to accounting for labour can be traced to the nexus-of-contract understanding of labour as an equal, contracting partner, with a fixed claim on the entity. The fixed claim is determined by the neoclassical model of wage determination, which conceptualises remuneration as the result of inexorable market forces. As the nexus-of-contract understanding of labour and conventional approaches to accounting for labour remain dominant, the sufferings borne by labour in the nexus-of-contract entity's relentless pursuit of profits remain hidden and invisible.

Following Bonhoeffer's ethic of responsible action, labour can thus be construed as the "suffering others" that the "responsible collective person" needs to be responsible for. The "responsible collective person" needs to encounter labour as a genuine ethical barrier by: orienting its activities towards upholding the welfare and well-being of labour (Section 7.2 – Responsible Collective Person – An Alternative Conceptualisation); weighing and evaluating the impacts of their activities on labour (Section 7.3.1 – Accordance with Reality); and responding to labour with love, action and sympathy (Section 7.3.2 – Love). Indeed, the "responsible collective person" cannot uphold the teleological ends of human development, environmental sustainability and the well-being of future generations without upholding the

welfare of its labourers, because the pursuit of these goals are highly dependent on the power and agency of human beings in bringing change. As consistently argued throughout this thesis, “the labourer” cannot be disassociated from “the human”, and as such, the emancipation of labour is central towards the achievement of these ends. As discussed in Section 8.1 above, accounting, when oriented towards these ends, is multi-perspectival and inclusive. To this end, three approaches to accounting for labour – approaches that are based on the “responsible collective person” conceptualisation of the entity and the ethic of responsible action (Chapter 7) – are explored. They are: the Statement of Redistribution of Income; Self-Accountings from Labour; and Accounting for Labour from Others. These approaches are explored in the following sub-sections.

8.2.1 Statement of Redistribution of Income

As discussed in Chapter 5, labour is negatively recognised as a cost to the entity in conventional financial statements. In order to counter this form of ascription to labour, labour should be disassociated from the label of “cost” or “expense”, and be recognised as a significant contributor to the entity. A possible approach for doing so is a form of corporate reporting that can show: how the income of the entity is generated; the various parties and stakeholders who are involved in the generation of the entity’s income; and how the income generated is redistributed to the various parties. Importantly, the purpose of this form of corporate reporting is not to report with an aura of certainty and objectivity, but to raise constructive dialogues on: the assumptions behind the proxies and the calculative methodologies employed; the signification of these assumptions and calculations; the possible neglect of other parties in the production and income generation process; and the “fairness” of the redistributions of income to various parties and the contestations surrounding it.

Following the teleological ends of human development, environmental sustainability and the well-being of future generations, the income generated by the “responsible collective person” is viewed as a *means* towards achieving these ends. By viewing income as a means, income per se is not the end goal. Income is but a means at which the “responsible collective person”, operating as a collective person amidst various mandates, can contribute towards the development of human capabilities and flourishing (Anand & Sen, 2000), the sustainability of the environment and the well-being of future generations. This report is proposed as a

mechanism that can assist the entity in achieving these teleological goals. A suggested title for this report is “Statement of Redistribution of Income”.

This approach to corporate reporting is not an entirely new conception. The UK *Corporate Report*, published in the 1970s by the then Accounting Standards Steering Committee, recommended, among other things, a “statement of value added, showing how the benefits of the efforts of an enterprise are shared between employees, providers of capital, the state and reinvestment” (ASSC, 1975, P. 48 as cited in S. Burchell et al., 1985, p. 386). As value-added statements were not subjected to regulation, there were diverse approaches to the preparation of value-added statements. For example, there were varieties in: the treatment of depreciation; discretions in the treatment of taxation; the use of different phrases to denote “value added”, such as “wealth created”, “where money goes” and more; and presentations in a variety of formats including tables, graphs, pie charts, pictures and so on (S. Burchell et al., 1985; McLeay, 1982; Morley, 1978; Rutherford, 1977). These diversities were viewed negatively, as the lack of standardisation and uniformity was considered to be misleading and confusing (Perks, 1996). In contrast, the Statement of Redistribution of Income explicitly acknowledges the inherent subjectivity of accounting, thus revealing the possibility of multiple statements, with varying assumptions and calculations of income and redistributions of income. By doing so, the façade of objectivity and factual representation – deeply attached to the image of accounting – can be altered. Indeed, the developments in critical accounting point not only to the impossibility of “one, true” representation of economic reality, but to the necessity of “multiple” representations in order that embedded assumptions can be surfaced, critiqued and debated (J. Brown & Dillard, 2013a, 2013b).

Value-added statements were also presented as having multiple uses, including: “payment systems, company reporting, information disclosure to employees and trade unions, economic analysis etc” (S. Burchell et al., 1985; G. Smith, 1978). Despite the perception of having multiple uses, the underlying ethos of value added statements is to harmonise the interests of labour with the interests of the entity. Value added statements not only paint a picture of production as “teamwork” and “co-operation”, but they also assist in constituting the entity as such. This picture of harmonisation, however, can also be viewed as a mechanism to mislead workers and to misrepresent reality (Hird, 1980): “It presents a picture of unity of interests in the financial performance of a given business organisation, whereas in fact there exists a basic conflict of interests” (S. Burchell et al., 1985, p. 389). Because of this drive towards

unity and harmonisation of interest, diversities to definitions, calculations and presentations as discussed above were viewed as threats to this goal. In contrast, the Statement of Redistribution of Income as suggested here seeks to make visible the various tensions and conflicts that the “responsible collective person” faces, due to its position amidst various interdependent but contesting mandates, and the separateness of individuals within the collective person. It seeks to raise questions as to the existence of conflicts in production and income generation processes and to identify parties that may have shrinking shares of the redistribution of income. In regards to labour, these questions may draw attention to the exploitation of workers (Sikka, forthcoming).

As implied in the title, The Statement of Redistribution of Income proposes two primary components: income and redistributions. In regards to income, there are various proxies and methodologies for valuing and calculating income. The most common proxy used is the profit figure. While profit is commonly construed as “revenue minus expenses”, they are diverse ways as to how revenue and expenses are conceptualised and calculated, even within conventional accounting. As discussed in Chapter 4, a predominantly balance-sheet approach to reporting would give recognition to revenue and expenses that are unrealised in nature, such as gains or losses related to securities, financial instruments and derivatives. In contrast, a predominantly income-statement approach to reporting gives more emphasis to revenue and expenses that are related to the productive activities of the entity, rather than gains and losses that are determined by the market. Value added is also another available proxy for the wealth of the entity. There are several definitions of value added (S. Gray & Maunders, 1980; Renshall et al., 1979; Stainbank, 1997; van Staden, 2003). Examples include: the “subtractive method” ($\text{Value Added} = \text{Output} - \text{Input}$); the “additive method” ($\text{Value Added} = \text{Sum of Remuneration to Productive Factors}$); Gross Value Added; and Net Value Added (Haller & Stolowy, 1998; van Staden, 2003). In the Statement of Redistribution of Income, it is necessary for the “responsible collective person” to make explicit the assumptions and reasoning behind the selection on a particular proxy for income. More importantly, the manner in which this income is generated must also be open to debate, as the teleological ends of the “responsible collective person” and the ethic of responsible action will not permit the relentless pursuit of profits without consideration of the means.

The second component of the Statement of Redistribution of Income is redistributions. Similar to the definition and calculation of income, the determination of who are recipients of the distributions, and how much should each party receive, are areas of subjectivity. Value added statements that were prepared by UK corporations in the past usually included employees, the government, and debt and equity providers as recipients of value added. However, following the “responsible collective person” conceptualisation of the entity as discussed in Chapter 7, the entity can be seen as influencing and being influenced by a variety of mandates, some of which are not included as recipients of distributions in value added statements. For example, the natural / ecological environment is a significant mandate that has been excluded in most value-added statements. Indeed, the determination of the recipients of redistributions from the entity and the amount that each party should receive is very much a complex and controversial task. Ideally, such subjective calls should be made in light of the mandates in which the entity operates. Furthermore, extensive engagements with stakeholders are crucial in exploring the identities and needs of these parties (Hazelton, 2013; O'Dwyer, 2005; Unerman et al., 2007).

In regards to redistributions to labour, one of the most important considerations is the influence of the “responsible collective person”, as explored in Chapter 7. The notion of influence requires that the entity undertake the difficult task of understanding the linkages that it has formed through its activities and operations, and to discern the identity of the labourers that the entity is ultimately responsible for. This means that the process of identifying who are the entity’s labourers must assess the total impact of the entity’s interactions with other parties on labour welfare and well-being, thus taking into account factors such as complicity, causation and control (Frankental, 2011). Particularly with cross-border transactions and the complexities of global production networks, the task of identifying labour requires deep and thorough examinations of the unique contexts at hand (Section 7.3.1 – Accordance with Reality), without relegating to formal contractual agreements that are devoid of substance. The determination of the amount that should be redistributed to labour is also highly subjective. It is not enough to use salaries and wages as the basis for redistributions to labour, due to the inadequacies of the nexus-of-contract assumptions and the neoclassical economic model of wage determination as discussed in Chapter 5. In contrast, it is necessary to engage in discussions and dialogues as to what constitutes as “fair” and “just” redistributions to labour. Importantly, monetary redistributions to labour are an important “means” which labour can use to achieve the “ends” that are

intrinsically important to them (Kuklys & Robeyns, 2005; Robeyns, 2006). When viewed from this perspective, the amount of redistribution must consider the labourers' personal identities and the unique contexts in which they live. Examples of factors that can be considered include: physical and mental heterogeneities among persons (for example: disabilities; prone to illnesses); variations in non-personal resources (for example: availability of public healthcare, social cohesion of local communities); and environmental diversities (for example: climate conditions, threats from epidemic diseases; level of local crimes) (Sen, 2005). Thus, there is no "hard" rule in determining what is "fair" and "just" to labour. Rather, it is a subjective and continuous process of judgment that should be carried out with love for labour at the heart of the process (Section 7.3.2 – Love).

Figure 13 illustrates an approach through which the "responsible collective person" can prepare the Statement of Redistribution of Income. The preparation of the statement can begin with participative dialogues with various stakeholders, including labour, over an existing form of corporate reporting, such as the value-added statement. The numbers in the value-added statements, and the assumptions used in preparing them, are subjected to questions and critical evaluation. In regards to the welfare and well-being of labour, examples of questions that can be raised include: the use of child or forced labour in the generation of sales; the influence of the entity in the supply and production network; the use of non-contractual and informal arrangements such as subcontracting schemes; the "fairness" of remuneration to labour; and so on. Depending on the outcome of the dialogues, the "responsible collective person" is then required to make adjustments, the outcome of which is the Statement of Redistribution of Income. Importantly, this statement should not be construed as an "end" to the participative process, as there naturally will be parties that disagree with the statement, even after adjustments. As such, the statement should be construed as a platform for continuous dialogue, rather than used as a "true" representation of the "responsible collective person".

VALUE ADDED STATEMENT	STAKEHOLDER DIALOGUE ON LABOUR - EXAMPLES OF QUESTIONS THAT CAN BE RAISED	PROPOSED ADJUSTMENTS	STATEMENT OF REDISTRIBUTION OF INCOME
Sales 200 Less: Bought in materials -30 VALUE ADDED 170 Redistributed to: Employees 170 Government 30 Suppliers of capital 30 Retained for reinvestment: Depreciation 30 Retained profit -90 170	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> SALES: <ul style="list-style-type: none"> • What are the activities of the entity that led to the generation of sales? • How was the figure for sales calculated? • Are there any ethical contestations surrounding the generation of sales, such as the use of child or forced labour? </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> BOUGHT IN MATERIALS: <ul style="list-style-type: none"> • Who are the entity's suppliers? • How are the labourers of the suppliers treated? • What is the nature of the arrangement between the entity and the suppliers? Is there a possibility that the entity is ultimately in control? • What is the extent of the entity's influence among its suppliers? • Do the labourers of the suppliers need to be accounted for as labourers of the entity? </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> VALUE ADDED: <ul style="list-style-type: none"> • What does "value added" mean in this statement? How is it calculated? • What are the reasons for using value-added as a proxy for the entity's performance? Are there other proxies that could potentially be more suitable? • Does the use of value added (rather than other proxies) affect the visibility that is given to labour? If so, how? </div> <div style="border: 1px solid black; padding: 5px;"> EMPLOYEES: <ul style="list-style-type: none"> • Who are the entity's labourers? • What is the scope of the entity's influence in its supply and production network? • What are the issues that the entity's labourers are facing? • What are the political, historical and social contexts of labour? Is the remuneration adequate in light of these contexts? • How is the redistribution to labour justified as "fair" and "just"? • What are the types of information that are considered when determining the redistribution amounts to labour? (For example: labour's personal identities; physical and mental heterogeneities; disabilities; local contexts of labourers) </div>	Sales 100 +/- Less: Bought in materials -30 +/- VALUE ADDED 70 +/- Redistributed to: Employees 70 +/- Government 30 +/- Suppliers of capital 30 +/- Retained for reinvestment: Depreciation 30 +/- Retained profit -90 +/- 70 +/-	INCOME Redistributed to: Employees Government Suppliers of capital (Other parties that have been excluded) Natural / Ecological environment Labourers in the supply chain Retained for reinvestment: Depreciation Retained profit



Figure 13: Statement of Redistribution of Income

Alongside the Statement of Redistribution of Income, disclosures of the entity’s formal and informal arrangements with other parties, and the due diligence work undertaken by the entity to address possible violations of labour and human rights and welfare should be prepared. These disclosures can potentially be useful in giving more visibility to the “responsible collective person’s” sphere of influence in regards to labour welfare and well-being (Section 7.2.2 – An Entity Defined by the Notion of Influence). Figure 14 below provides examples of items that can be disclosed:

Disclosures of the Entity’s Interactions with Business Associates in Relation to Labour and Human Rights and Welfare.

1. A list of all major suppliers, contractors, sub-suppliers, joint-venture partners and other formal and informal business arrangements.
2. Procedures used in selecting and evaluating business associates for labour and human welfare commitment.
3. The existence of clauses in all contractual agreements regarding the necessity to respect labour and human welfare and rights in all areas of operation.
4. On-going maintenance of records on commitments made by the entity’s business associates on upholding labour and human welfare and rights.
5. Written statements from all business associates regarding their associations with other suppliers, subcontractors, and formal and informal business arrangements.
6. Written agreements from all business associates that they will promptly address any instances of labour and human welfare violations.
7. Written agreements from all business associates that they will participate in any labour and human welfare compliance monitoring activities organised by the entity.
8. The monitoring of labour and human welfare compliance by business associates through regular questionnaires and spot-checks in the form of surprise audit visits.
9. Procedures undertaken by the entity when there are evidences showing non-compliance in relation to labour and human welfare and rights by the entity itself or by its business associates.
10. Engagements with various non-governmental organisations and social activist groups in screening and monitoring compliance by the entity and the entity’s business associates.

Adapted from Human Rights Compliance Assessment (HRCA): Supply Chain Management (Prepared by: DIHR, 2006)

Figure 14: The “Responsible Collective Person’s” Sphere of Influence – Disclosures in Relation to Labour and Human Rights and Welfare

The Statement of Redistribution of Income as proposed above is primarily a form of corporate reporting that is prepared by the entity. Despite its stance against the categorisation of labour as cost or expense, it still suffers the risk of being co-opted into promoting a discourse of “mutual gains” between the entity and labour. Indeed, an important lesson that

can be learned from the value-added statements advent was the usage of these statements in order to show the “greediness” of labour and the “poverty” of shareholders (S. Burchell et al., 1985). The Statement of Redistribution of Income as proposed here attempts to mitigate this criticism somewhat by: displaying the inherent subjectivities of accounting numbers; encouraging these numbers to be used as platforms for dialogues and debates; and promoting the disclosures of the entity’s sphere of influence in relation to labour and human welfare and rights.

Nevertheless, other accountings in other forms and by other stakeholders, including by labour themselves, are necessary in order to further stimulate discussions and debates on the welfare and well-being of labour. As discussed above, the teleological ends of human development, environmental sustainability and the well-being of future generations – ends which are inclusive of the welfare and well-being of labour – necessitates multi-perspectival approaches and broad participation by stakeholders. Self-accountings from labour themselves and accounting(s) on labour from other parties are discussed below.

8.2.2 Self-Accountings from Labour

Self-accountings from labour is a form of enabling accounting (Broadbent et al., 1997; Gallhofer & Haslam, 1997; Roslender & Dillard, 2003; Roslender & Fincham, 2004), as they seek to provide labour with the opportunity to formulate their own accounts and to narrate their own stories. Conscious of the imprisonment of labour in the accounts of economic entities and others, “self-accounting allows the “assets” to speak for themselves, forever distancing them from their designation as “costs”” (Roslender & Stevenson, 2009, p. 858). Self-accountings, particularly in the form of stories and narratives, can problematize the invisibilities created by the logics of conventional accounting (Sikka, forthcoming), thus enlarging the communicative capacity of accounting (McKernan & Kosmala MacLulich, 2004) and improving the position of accounting as a discourse that can encapsulate multiple voices and perspectives (J. Brown, 2009; J. Brown & Dillard, 2013a, 2013b).

Self-accountings from labour have been suggested in the form of intellectual capital self-accounts (Roslender & Fincham, 2001, 2004):

Intellectual capital, conceived of as the people who participate within the organisation and who, thereby, create value for the organisation, constitutes

another voice that should be encouraged to speak for (and to) itself, through the mechanisms of intellectual capital self-accounts. [...] Intellectual capital self-accounts provide a means of enabling (intellectual) *labour*, a voice that is sometimes overlooked when discussing enabling accounting, to speak for itself (Roslender & Fincham, 2004, p. 2, emphasis in original).

These self-accounts are underpinned by a much narrower understanding of the term “intellectual capital” by returning the term to the *people* who inhabit the entity. Rather than viewing intellectual capital in terms of “human capital”, “structural capital” and “relational capital”, intellectual capital is understood in terms of the labourers of the entity, whose ingenuity, skills and creativity led to the increase in the entity’s market value in the first place:

It is people who provide the intellect that underpins intellectual capital, the ingenuity that manifests itself in the collective capacity to create value, and the intercourse that sustains the organisation as a social entity. All of these are, of course, the most intangible of assets, and as such defy any meaningful attempt at objective quantification, let alone valuation. Human capital as the *primary* form of intellectual capital is vitally important to the organisation because of the value it creates for the organisation. It is human capital that generates both customer or relational and organisational or structural capital, the other two generic components of intellectual capital (Roslender & Fincham, 2004, p. 11, emphasis in original).

While intellectual capital self-accounts should be encouraged, it is argued that the term “intellectual capital” denotes a particularly narrow segment of the labour workforce, in that intellectual capital is biased towards what is commonly known as “knowledge workers”. Indeed, the importance of intellectual capital correlates with the rise of knowledge and technology as primary economic resources in the age of knowledge capitalism (McPhail, 2009). Following the “responsible collective person” conceptualisation and the ethic of responsible action, it is argued that self-accountings from labour should be underpinned by a broad understanding of the term “labour”, in that labour is anyone who “labours” for a living, and specific attention should be given those who “suffer” in the midst of “labouring”.

To exemplify, Nelkin and M. S. Brown (1984) compiled numerous self-accountings from 75 labourers from a variety of occupations who faced significant hazards and dangers due to their work with chemicals. The self-accountings were closely read, analysed and interpreted by the researchers, and categorised into five broad groupings: Jobs and Risks; Problems on the Job; Coping; Recourse; and Controlling Risks on the Job. Figure 15 below documents some examples of self-accountings from labour:

Category	Self-accountings from Labour
Jobs and Risks	<p><i>Jill, dialysis technician, health clinic (pp. 15-16)</i></p> <p>On Thursdays, after everybody leaves, I sterilise with formaldehyde. That's the biggie. Most of the staff doesn't come in contact with it. But I knew somebody who was sterilising every week for over a year, and developed a cough and a wheezing that would last for a day or two at a time. I work with it at least once a week, and have a problem with burning eyes. I put four gallons of formaldehyde, 37 percent concentration, in the MAX supply tank. Then I pump it out through the system. There are 31 canisters in this room, they're all lined up, and I fill each of those with formaldehyde and turn on the recirculating pump. It has to run for two hours. Meanwhile the formaldehyde is just everywhere. There's no tops on the containers, so it gets in your eyes and respiratory system. [...] But I like the job. It's necessary to someone, because our patients can't live without it. Yeah I like it. It's very responsible but it's not very difficult. One of the administrators a couple of years ago said they could train chimps to do our job. I don't think it's that easy. I was thinking of taking him to a bunch of little chimps from the zoo dressed in lab coats and saying, "Here's the staff you wanted".</p>
Problems on the Job	<p><u>Illnesses and Complaints</u></p> <p><i>Sheila, laboratory technician, research institute (p. 25)</i></p> <p>My work with fungicides has caused some destruction in my lungs so that I have trouble breathing every time I go out into the cold or whenever I'm exposed to strong odours or too much exercise. I had to go through a really conscientious program of redeveloping my lung capacity, and that's not easy. I mean, that's something that's never going to leave me. That's like going</p>

somewhere and all of a sudden developing asthma. It's a part of my life now, that didn't used to be a part of my life.

Anxieties and Fears

Laura, filter cleaner, pharmaceutical plant (pp. 46-47)

When they originally found out about methotrexate, nine women were removed from two or three different areas involved in the heavy weighing, coating and compression of the powders. These are predominantly higher-paying male jobs. [...] I don't think its right to ban women. Maybe the probability of damage to the cells is greater when I'm pregnant, but that's only nine months. I could have been working there for 10 years, and if you're going to tell me that hasn't affected me in some way, I think that's foolish. [...] I believe there's a hazard there for adult males as well as females. But they don't take a sperm count to see if you have dropped below fertility level or if you have abnormal sperm. [...] One of the biggest problems is with the men. They aren't going to say that they're impotent, or that they're sterile, or that they can't have another baby, or even that they're trying.

What's to Blame?

Rich, orchard worker (p. 56)

The head orchardman had a very cavalier attitude towards pesticides. One of his famous lines was: "I've been using this stuff for 15 years and it hasn't hurt me." Once I was handed a pesticide in a little bag. It was an experimental chemical, with just a number and no label. I was told to put it in a tank and stand underneath the trees and spray it up. I put a rainsuit on, but I was told I didn't need a respirator; it was harmless stuff and that wouldn't hurt me. So I started spraying. [...] Things change after we went through the Certification Program because people found out just how toxic some of these substances are. [...] The safety people told him (the orchardman) that there'd been a number of deaths attributed to paraquat, and the reason he couldn't smell it was that it was odourless. That shook him up!

Coping

Protection on the Job

	<p><i>Debbie, hair stylist, beauty salon (p. 77)</i></p> <p>You know, people have been putting dyes, bleaches, and all sorts of stuff on their heads for ages. But the customer isn't breathing it, we're the ones who are breathing it everyday. I never thought of it, really, until I got the lung problem. Well, for the first two years after I got sick, I wore a mask. But it turned customers off so bad. I mean, how can you get a perm put on your head when the person who's doing your hair won't even breathe the stuff? It's just not good for business. They also tell you to wear rubber gloves, which is totally impossible. To give a perm, to make the hair smooth, you have to be able to feel how the chemical is reacting on the hair so it doesn't get mushy.</p> <p><u>Adaptations</u></p> <p><i>James, computer assembler, manufacturing plant (p. 88)</i></p> <p>Only a few people care about the conditions here. Most tend to think, "It's not going to hurt you," or "What the hell, you could get hit by a car tomorrow," or "Well, if this doesn't get you, something else will." It's a fatalistic attitude. Those who are bothered are scared to death to say anything. In one area a lot of women came down with a rash. I think they were working with a degreaser, probably methyl chloroform. They were all afraid to even bring it up to their manager. They were afraid of being demoted to another job or being labelled as troublemakers.</p> <p><u>Activism</u></p> <p><i>Tom, print machine operator, university (pp. 102-103)</i></p> <p>I go along with the bumper sticker that says, "Question Authority." And that's essentially where I stand. I'm a radical thinker. I believe that no one should accept the final word on anything. I don't agree with Reagan that business is the backbone of the country. I don't believe that. I believe the average worker is the backbone of this country, and the more that could be done to educate and to protect that person, the better things will be. And it's got to be done now.</p>
Recourse	<p><u>If There's a Hazard...</u></p> <p><i>Lyle, painter, chemical plant (p. 114)</i></p>

When we complain, they have that “hide-all” attitude: “Engineering is working on it and when they come up with a solution we will take care of the problem as soon as possible.” But it seems like somewhere along the line problems are buried. Unless you keep complaining, you won’t get any satisfaction. There are times when they just plain say, “Look this is the best we can do. The company’s here to make money, and when we get around to it that’s when it’s going to be done”. We once had a safety coordinator who I felt was honestly trying to bring about good safety changes to the plant. He made some changes, but after a while I guess he got to be a pain. Word came from above to knock it off.

If I call OSHA...

John, maintenance worker, food processing plant (pp, 130-131)

I wouldn’t ever call OSHA (Occupational Safety and Health Administration). I mean, it’s a good way to make your job impossible. If you really think something’s wrong, better to figure out what it is yourself. I wish OSHA’d come in, but I wouldn’t want to be the one who flagged the place. It’s just that you wouldn’t be able to work here after you did a thing like that. [...] Even if it’s just for some routine matter, once you bring in the law, the owners are going to get pissed.

If I’m Sick...

Gene, pipe fitter, chemical plant (p. 145)

A friend of mine died on the job. I worked with his widow: I went down to help her do different things around the house because she was stuck. A compensation lawyer approached her and asked her to sign a release giving him permission to get the medical records and dig into the case. He said she should have gotten some kind of settlement because he died on the job. It didn’t cost her anything so she agreed to let him look into it. The union president at that time – he sold out to the company – he tried to bluff her by telling that, if she didn’t stop the investigation, the company would take back the life insurance and the other benefits she already received. She came to ask me about it, and I told her, “There’s only one thing you should tell them to do but it’s not nice. There’s no way they can take the insurance back. That’s a union-negotiated

	benefit. You've got it. If they hadn't already given it to you, they could play silly games to delay. But there's no way they can take it back."
Controlling Risks on the Job	<p><u>Knowing the Risks</u> <i>Jill, dialysis technician, health clinic (pp. 152-153)</i> I'd like to know some facts on the danger of formaldehyde; how widespread the problems are, what the symptoms are, and what can be done about it. Now I go complain, and they say, "What's the matter, you can't handle your job?" or, "You're too delicate," or, "Well, gee, nobody else had this problem." They laugh it off and blame me like it's my personal problem. If I got some information, first I'd study it myself and then I would get in touch with the people in the other seven units in this area who work with formaldehyde and urge them to read it. Then I'd make an effort to convince our chief techs, saying that these are the facts, this is what we need, and let's do something.</p> <p><u>Controlling the Risks</u> <i>Don, railroad conductor (p. 165)</i> Sometimes it seems that rights are so well-protected that it works against us. How many times do you hear about somebody who is guilty of a crime getting off on insanity? The company's rights are so protected that we can't go out and say, "Look what happened to my kid," because it can never be proven. Let's fight for <i>our</i> rights. It's actually easier to kill somebody in cold blood and get off on that charge for insanity than it is to prove that dioxin did anything to anyone.</p>

Figure 15: Self-Accountings from Labour (Source: Nelkin and M. S. Brown (1984) – Workers at Risks)

These self-accountings can then be analysed in reference to the mandates in which these economic entities participate. In regards to the mandate of governance, these self-accountings took place during the 1970s in the United States, where policy changes on occupational risks and hazards created greater awareness of the impacts of hazardous materials on workers' health. While most regulatory bodies prior to 1970 tended to emphasise the responsibility of labourers for the majority of health and safety problems, health advocates in the late 1960s

began attributing occupational illness to problems within management. Many labourers cited the failure of management to inform them about existing hazards and to train them in proper handling procedures. As such, they requested greater enforcement of rules and proper implementation of health and safety measures. Even so, there were great difficulties associated with making definitive casual connections between illness and work, which made regulation extremely problematic. Relatively few chemicals had undergone adequate testing in identifying exactly what problems were caused by what levels of exposure. In addition, individual variations such as varying responses to exposure, differences in lifestyle, diet and habits obscured the relation between work and health. Furthermore, epidemiological studies (the identification of disease patterns to determine causation) were thwarted by the lack of historical data (Nelkin & M. S. Brown, 1984).

In regards to the mandate of the economy, the workers argued that the corporate drive for profits was fundamentally at odds with their request for a safe and healthy work environment: “The question becomes whether to adapt the workplace to the worker or the worker to the job” (Nelkin & M. S. Brown, 1984, p. 70). However, for the majority of the labourers interviewed, their jobs were their primary sources of income. Troubled by family obligations and the turbulent economic and employment environment, few were willing to risk changing jobs or even risk being fired by speaking up about their workplace conditions: “You can never balance the wage against the risk; you balance the wage against the alternative. The alternative is starving” (Nelkin & M. S. Brown, 1984, p. 180). Despite their sense of powerlessness, most respondents viewed the issue of occupational hazards in an adversarial manner, in that they saw the profit motive as antithetical to the cost of protecting their health. Rather than discussing risks in an “objective” or “rational” fashion, they used personal and moral tones in communicating the dangers that they faced: “The government, those people who set the standards, they say so many parts per million and it’s perfectly safe. I can’t picture any exposure to phosgene or cyanide as safe” (Nelkin & M. S. Brown, 1984, p. 182).

In regards to the mandate of the social environment, health was the most significant issue that was raised by the labourers. While the labourers, as people experiencing illnesses, wanted to know the cause of their illnesses, they were unable to obtain access to the data necessary to evaluate the hazards that they faced. Thus, it became problematic to establish a cause-and-effect relationship, even though they suspected that the workplace was the source of their health problems. Consequently, their complaints were obstructed as they were not supported

by scientific literature. These conditions further restricted their ability to make informed decisions about the nature of their work, make claims for better working conditions and obtain compensation claims. There was “considerable distance between the personal experiences of workers and their ability to garner evidence that meets scientific standards of proof” (Nelkin & M. S. Brown, 1984, pp. 30-31). Beyond the biological reality, the illnesses also acted as metaphors for social injustice or repression and symbols of broader concern about the nature of their work. The inability to access necessary information regarding hazards and the lack of understanding on the illnesses that they faced further compounded the labourers’ anxieties and fears: “They are bewildered by conflicting information and unsure of whom to trust. [...] The labels they read, often as the only source of information, hardly help” (Nelkin & M. S. Brown, 1984, p. 42).

Nelkin & M. S. Brown’s (1984) compilation and analyses of self-accountings from labour were undertaken 30 years ago in the United States, with a focus on workers who worked with chemicals. In order to update and further enrich the findings of Nelkin & M. S. Brown (1984), similar studies can be undertaken in the current context order to obtain an updated understanding of issues facing labour today. Additionally, such a study can also be undertaken in different geographical contexts, focussing on different types of labourers (for example: white collar workers in New Zealand).

In addition to compilations of self-accountings such as Nelkin & M. S. Brown (1984), self-accountings from labour can also be documented in case studies oriented towards the welfare and well-being of labour (C. Cooper et al., 2011) or in social accounts (C. Cooper et al., 2005). For example, C. Cooper et al.’s (2011) in-depth analysis into the industrial disaster which occurred on 11 May 2004 at ICL Plastics plant in Maryhill, Glasgow collated, among other evidences, testimonies from workers, as they “constitute a powerful indictment of the general approach to health and safety management undertaken by management at ICL” (C. Cooper et al., 2011, p. 752). Below are some excerpts of self-accountings as documented by C. Cooper et al (2011):

But I was working with this stuff [gold paint supplied by Trimite] one day – I never had any gloves on – and all this paint was getting stuck to my fingers and up my nails and in my hair. I never thought of looking at the actual tin that [this fellow worker] was using and it was only when I seen a

skull and crossbow on the tin that I thought, “There’s something wrong with the stuff we are using”. So I took a closer look and I complained to Bill Masterton that I was getting a tingling feeling in my hands. I complained for weeks and weeks. Bill’s like this, “Och, it’s just work, go and wash your hands every time you are finished using it. I said “But I’m still getting the tingling sensation” [after I wash my hands]. So I read the actual thing on it and it says, “the downside effect of this paint is if it comes into contact with your skin is that you could get a tingling sensation, which is irreversible”. Irreversible on the tin! I’m like that “I’ve got this and it’s irreversible”. So I pointed that out to Bill. I said, “Look at the back of that tin, you should have told me before I started even touching that paint that I had to have gloves on, or special gloves, and see the smell of this stuff” (Beck et al., 2007, p. 10 as cited in C. Cooper et al., 2011, p. 752).

There was absolutely nothing [in the way of formal consultation between employer and employees] no health and safety committee. [...] If I remember right, there was a notice on the wall about Factory Acts or something, you know, but that was about it really. If the company had a policy regards safety or [specific hazards] in all the years I was there nobody ever said to me anything about it (Beck et al., 2007 as cited in C. Cooper et al., 2011, p. 752).

Despite its richness and powerful emancipatory potential, self-accountings from labour are relatively rare occurrences, as they are plagued with difficulties. As of yet, self-accountings are still considered as “ambitious” and “seemingly utopian” (Roslender & Fincham, 2004, p. 18), particularly in uncongenial settings such as hierarchical organisations. Additionally, labourers, out of fear and anxiety, may still find themselves trapped in conveying the “right” answers that are expected of them, rather than their personal struggles. There are also issues of who are the parties that can enable labour to take this step, and who bears the costs of such an endeavour (Roslender & Fincham, 2004). Nevertheless, self-accountings from labour remain one of the most potent forms of accounting that should be encouraged, in that they not only immediately dissociate labour from the category of “cost” or “expense”, they also defy any form of measurement and monetisation, thereby equating “the labourer” with “the human being”.

8.2.3 Accounting for Labour from Others

Accounting for labour from independent parties can significantly contribute towards debates, dialogues and deliberations on the welfare and well-being of labour. As explored in Chapter 7, the “responsible collective person” influences and is influenced by a variety of mandates. These mandates reflect the polyphonic nature of human existence and the myriad number of issues and concerns that plague our reality today. Due to the interdependent nature of these mandates, in that they exist in relations of “being-with”, “being-for” and “being-against” each other, the economic activities of the entity – as an important participant in these mandates – have rippling effects across all these mandates (Section 7.2 – Responsible Collective Person). As such, it becomes necessary to engage with the skills, experience and expertise of those who specialise in the functioning of these different mandates – many of whom are non-accountants who communicate their knowledge bases via a variety of approaches, such as rhetoric, storytelling, narrative and art (J. Brown & Dillard, 2013b). Furthermore, the complexities of the entity’s context of ethical action and the “fuzziness” of the entity’s boundary of influence necessitate deep and informed understandings of the context in which the entity operates. Such a task requires a variety of information from various sources.

To this end, it is important that various groups that are involved in labour-related issues participate in the development of accounting for labour (C. Cooper et al., 2005; D. Cooper & Morgan, 2013; Spence, 2009; Spence et al., 2010). Reports and third-party monitoring such as counter information reports, social audits, and silent and shadow accounts are current examples of activism that offer rich, but nevertheless, incomplete, pictures of the entity’s activities (C. Cooper & Catchpole, 2009; C. Cooper et al., 2011; C. Cooper et al., 2005; Dey, 2007a; Gallhofer et al., 2006; Matthew & Willem van Gelder, 2001). More significantly, accountings on labour from others can act as mouthpieces for those who cannot speak for themselves. Unlike the minority of labourers who can “self-account”, it is acknowledged that there are many labourers around the world whose sufferings remain hidden. While their own voices may not be heard due to various political, social or linguistic barriers, they can still tell their stories to those who are able to make visible and account for their struggles. Following Bonhoeffer’s ethic of responsible action (Section 7.3 – The Ethic of the “Responsible Collective Person”), those who engage in labour activism may find themselves in positions of “vicarious responsibility” for those who are silenced.

On the surface, it seems that there is perhaps “no limit to the number of possibilities that are available to scholars” who wish to engage in alternative accountings (R. Gray & S. Gray, 2011, p. 787). However, the problem of corporate capture of these initiatives is becoming more significant, in that “pro-business” approaches are increasingly becoming more acceptable (C. Cooper et al., 2005). A majority of the work in social audits, for example, retains the profit motive at the forefront. They are broadly based on the “New Economics philosophy of attempting to reform the market economy by reintroducing ethical and redistributive principles into company accounting and business decision making, and internalising social and environmental costs” (Seyfang, 1997, p. 2 as cited in C. Cooper et al., 2005, p. 953). In accounting research, the significance of labour-related issues in social and environmental accounting (SEA) is increasingly waning, in that the “social” in “social and environmental accounting” is being neglected in favour of the environmental. The presence of employee and employment related issues within both accounting and social accounting are significantly reduced (R. Gray & S. Gray, 2011; Owen, 2008). This is evidenced, for example, by the exclusion of accounting and industrial relations literature from SEA literature reviews, and the privileging of functionalist and orthodox SEA approaches over others (J. Brown & Dillard, 2013a; R. Gray, 2002; R. Gray et al., 2009). Consequently, there is an urgent need to (re)gain a sense of “distanciation” in order to better challenge and resist the dominant ideological narrative of “what is good for business is also good for labour”. Furthermore, labour and social accountings should no longer be the poor relation of environmental accountings (Frankental, 2011). In contrast, there needs to be greater recognition of the intimate interrelations between labour (and by extension, human) welfare and environmental sustainability: “Human rights are inter-woven with environmental, water and land rights issues as well. It is short stop to then recognise that human rights lie at the heart of wider issues such as sustainability development itself and global climate change” (R. Gray & S. Gray, 2011, p. 787).

As an example of a form of accounting for labour from others, the Collective Report on Business and Human Rights, prepared by the International Network for Economic, Social and Cultural Rights (ESCR-Net) – Corporate Accountability Working Group documents cases of labour and human rights abuses by economic entities. The report seeks to offer a space to record actual testimonies of violations against individuals, communities and indigenous peoples that are caused by businesses. Acknowledging that deliberations on labour and human welfare issues tend to be focused on abstract and theoretical concepts, particularly

among trans-national organisations such as the United Nations, this report sought to include the views and perspectives of those who are suffering abuse due to corporate activity. The report is structured around seven forms of rights, which are: Labour Rights; Environmental Rights; Life, Liberty and Security of Persons; Rights of Indigenous Peoples; Freedom of Expression, Information and Participation; Right to Adequate Housing, Forced Evictions and Displacements; and Right to an Effective Remedy (ESCR-Net, 2008). Figure 16 highlights specific excerpts relating to labour rights:

Labour Issues	Accountings: The Violation of Labour Rights by Economic Entities
Child Labour (pp. 4 – 5)	<p>“Children enjoy the right to live free from exploitation and free from employment which imperils their safety. In the cases under review, this prohibition of child labour has been reported to be directly and profoundly infringed by business activities, as well as by governments who either failed to protect children, or in one account actively forced children to work”.</p> <p>“Children in Bridgestone’s rubber plantations in Liberia were forced to work unpaid to help meet their parents’ daily production quotas”.</p> <p>“Société Minière du Katanga in southern Democratic Republic of Congo (DRC) employed children in unsafe mining operations. A 10-year-old boy was reportedly found buried under a mound of earth at an artisanal mine that supplies Société Minière du Katanga and others”.</p> <p>“Agricultural companies, Bayer, Advanta, Emergent Genetics, and Monsanto [benefit] from child labour in cottonseed production in India, which reportedly [involves] child trafficking, exposure to toxic pesticides, and abusive working conditions, leading to the deaths of some child workers. [It is also reported] that Bayer and Monsanto employed girl child bonded labour in India”.</p>
Slavery, Forced and Bonded	<p>“Forced or bonded labour is understood today as akin to modern slavery, and is thus considered an international crime. An examination</p>

<p>Labour (p. 5)</p>	<p>of cases exposes numerous situations in which companies have reportedly employed forced labour, either directly or through businesses in their supply chain”.</p> <p>“Women are particularly at risk of forced labour exploitations”.</p> <p>“The Amaggi Group in Brazil [is reported] to have used forced labour to clear fields for its soybean production”.</p> <p>“Migrant farmworkers in the US were held against their will by threats and the use of violence, as well as debt peonage”.</p>
<p>Trade Union Rights (p. 5-7)</p>	<p>“The rights of workers to organise politically and collectively bargain with their employers lies at the heart of ensuring most other labour rights protections. [...] Examples abound in which companies prevented or discouraged the establishment of trade unions and the free exercise of association in the workplace by threatening retribution against those organising. Intimidation of this sort occurred through different modalities, including the dismissal of employees for joining union activities, harassment and threats of violence, as well as complicity in the murder of trade union leaders”.</p> <p>“Wal-Mart pursued an “anti-union policy” of closing down profitable stores and departments that are unionised”.</p> <p>“In the Philippines, [...] Toyota openly opposed the formation of a trade union, firing workers in support of the union and forming its own pro-management union”.</p> <p>“Workers in sport shoe factories producing for Nike and Adidas Salomon in Indonesia feared that active union involvement could lead to dismissal, imprisonment or physical assault”.</p>

	<p>“[A case was brought] in US courts against Fresh Del Monte Produce on behalf of five trade union leaders in Guatemala who say they were kidnapped by armed men hired by the fruit corporation’s subsidiary and forced to quit their jobs at the banana farm”.</p> <p>“Coca-Cola faces accusations in another US lawsuit [...] for involvement in the intimidation and torture of trade unionists and their families by special branch police in Turkey”.</p> <p>“Unionists who have stood up against AngloGold Ashanti mining operations in Colombia were murdered by military units assigned to protect the company”.</p>
<p>Right to Adequate Remuneration (p. 7)</p>	<p>“Workers may be forced to endure long hours, with low wages and no overtime compensation, leading to abuses of the right to adequate remuneration, sometimes referred to as wage exploitation”.</p> <p>“Miners in Southern DRC were paid very low remuneration and benefits in return for extremely arduous work”.</p> <p>“Migrant farm workers in South Florida endured wages below the poverty level, no access to benefits, and no overtime pay”.</p> <p>“In Chile, workers protested against Coca-Cola for forcing them to work up to 16 hours a day and failing to adhere to national minimum wage requirements”.</p>
<p>Unsafe Working Conditions (p. 7)</p>	<p>“In addition to working long hours without adequate remuneration or benefits, the survey of cases discloses instances in which workers endured unsafe working conditions”.</p> <p>“Exposure to pesticides on hybrid cottonseed farms in India has led to the deaths of at least three child labourers”.</p>

	<p>“Artisanal miners as well as child labourers working in mines [...] in Southern DRC were subjected to extremely unsafe working conditions without any protective equipment or warnings of hazardous conditions, often resulting in fatal accidents”.</p> <p>“[There are reported] damaging effects on the health of workers and their families caused by excessive and unprotected exposure to toxic agrochemicals sold to farmers by British-American Tobacco subsidiary Souza Cruz through its supply and input contracts. Associated illnesses included depression, neurological disorders, muscle pain, vomiting and cancer”.</p>
<p>Gender Discrimination (pp. 7-8)</p>	<p>“Violations of labour rights in our survey of cases are often most acute for women workers, who face gender-based exploitations, discrimination, harassment and even violence. Cases highlight situations in which firms have reportedly subjected women to sexual harassment and assault, as well as discrimination in wage, hiring and pregnancy status”.</p> <p>“The largest class action lawsuit and sexual discrimination case in US history is against Wal-Mart, where more than 1.6 million current and former female employees of Wal-Mart retail stores in the US charge that the company discriminated against its female retail employees in pay, promotions and training”.</p> <p>“Women working with defence contractors in Iraq have reportedly been subjected to sexual harassment, as well as more serious instances of sexual assault”.</p>
<p>Race and Other Forms of Discrimination (p.</p>	<p>“Cases under consideration also point to instances of company discrimination on the basis of race”.</p>

8)	<p>“Racial discrimination against Bosniaks and Bosnian Serbs took place at Aluminij’s factor in Bosnia Herzegovina”.</p> <p>“Repsol YPF is responsible for having carried out discriminatory hiring and other practices against indigenous peoples in the Peruvian Amazon who were reported to have received lower wages than agreed, worked longer hours than their non-indigenous co-workers and faced other racially discriminatory practices”.</p>
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Figure 16: Excerpts from Collective Report on Business and Human Rights (June 2008)

Many participants who engage in alternative accountings for labour are not bounded by the constraints of conventional accounting, thus enabling them to be creative in their forms of communication. Visual images and photographs are also examples of accounting for labour by others. The emancipatory potential of “the visual” is also gaining recognition in critical accounting, as exemplified by the special issue “*Imag[in]ing accounting and accountability*” published in *Critical Perspectives on Accounting* (Davison & Warren, 2009). Indeed, the realm of the visual is often regarded with much suspicion (Mitchell, 1994) and is often dismissed as “trivial, constituting decoration, insubstantial rhetoric, illusion, or at best, partially reliable information” (Davison & Warren, 2009, p. 847). However, the visual also has the potential to resist quantification, perhaps more so than words and narratives. While words can be coded and assessed through indices, visual images defy such efforts at measurement (Davison & Warren, 2009). As an example, Matilal & Höpfl (2009) explored the Bhopal tragedy²⁸ by using the force of photography to contrast with the company’s financial statements: “[...] the statement of account and the photographic image are both

²⁸ The Bhopal plant was a pesticide formulation facility that was managed by UCIL (Union Carbide India Limited). The plant and the company were plagued with financial difficulties. Various reports documented how company directors tended to make decisions based solely on profitability. There were on-going attempts to reduce expenses, sacrificing the welfare of employees and their work conditions in the process. Expenditure on employee training was regarded as an alien concept. Labourers were also working in extremely dangerous conditions. At the time of the disaster, many operators of the Bhopal plant were under-qualified and under-trained. Many were forced to use English manuals even though very few grasped the language. On December 3, 1984, a large gas leak occurred, resulting in the release of methyl isocyanate gas and other toxic chemicals to the surrounding towns. Noted as the world’s worst industrial disaster, the estimated death toll of the Bhopal disaster ranged from 10,000 to 30,000 people. According to a former employee: “[t]he leak was a result of continuous negligence, unsafe handling and a poor warning system” (Varma, 1987, p. 154 as cited in Matilal and Höpfl, 2009, p. 960). Despite the out of court settlement of USD470 million between the parent company Union Carbide Corporation (UCC) and the Indian Government, it was considered to be relatively small given the underestimation of long-term health consequences of exposure to the lethal gas, and the considerable unrest and anxiety among the people of Bhopal (D’Silva, 2006; Matilal & Höpfl, 2009; Shrivastava, 1987).

representational and, in this context, both rhetorical” (Matilal & Höpfl, 2009, p. 954). However, the photographs and the financial statements operate on very separate ends of the continuum of representational capability. While the financial statements are rarely emotional, the photographic images are more empathetic. Following Bonhoeffer, ethical and responsible action requires the entire array of human abilities (Section 7.2.1 – An Entity Existing Amidst Various Mandates), including the emotive ability to love one another and empathise with the suffering of others (Section 7.3.2 – Love). Photographic images, such as those below, are able to draw us into such an emotive state:



Children awaiting cremation. A crowd watches as a man pastes identification labels on to dead children’s foreheads. So many thousands had died so suddenly that these sorts of drastic measures were necessary to identify and document as many bodies as possible.

Raghu Rai/Magnum Photos © 1984

Figure 17: Children waiting cremation - as cited in Matilal & Höpfl (2009), p. 964



Skulls discarded after research at the Hamidia Hospital in Bhopal. Medical experts believe that the gas inhaled by the people of Bhopal may have affected the brain.

Raghu Rai/Magnum Photos © 1984

Figure 18: Skulls discarded after research at Hamida Hospital - as cited in Matilal & Höpfl (2009), p. 967



Burial of an unknown child
This unknown child has become the icon of the Bhopal Gas Tragedy
Raghu Rai/Magnum Photos © 1984

Figure 19: Burial of an unknown child - as cited in Matilal & Höpfl (2009), p. 956

A survey of accounts and reports published by civil society organisations and activist groups show the extensive use of visual images to communicate the plight of labour around the world. Several examples are shown as below:



Figure 20: The use of child labour in the soccer ball stitching industry - ILRF (2010).



Figure 21: The daily grind of washing clothes - ILO (2009)

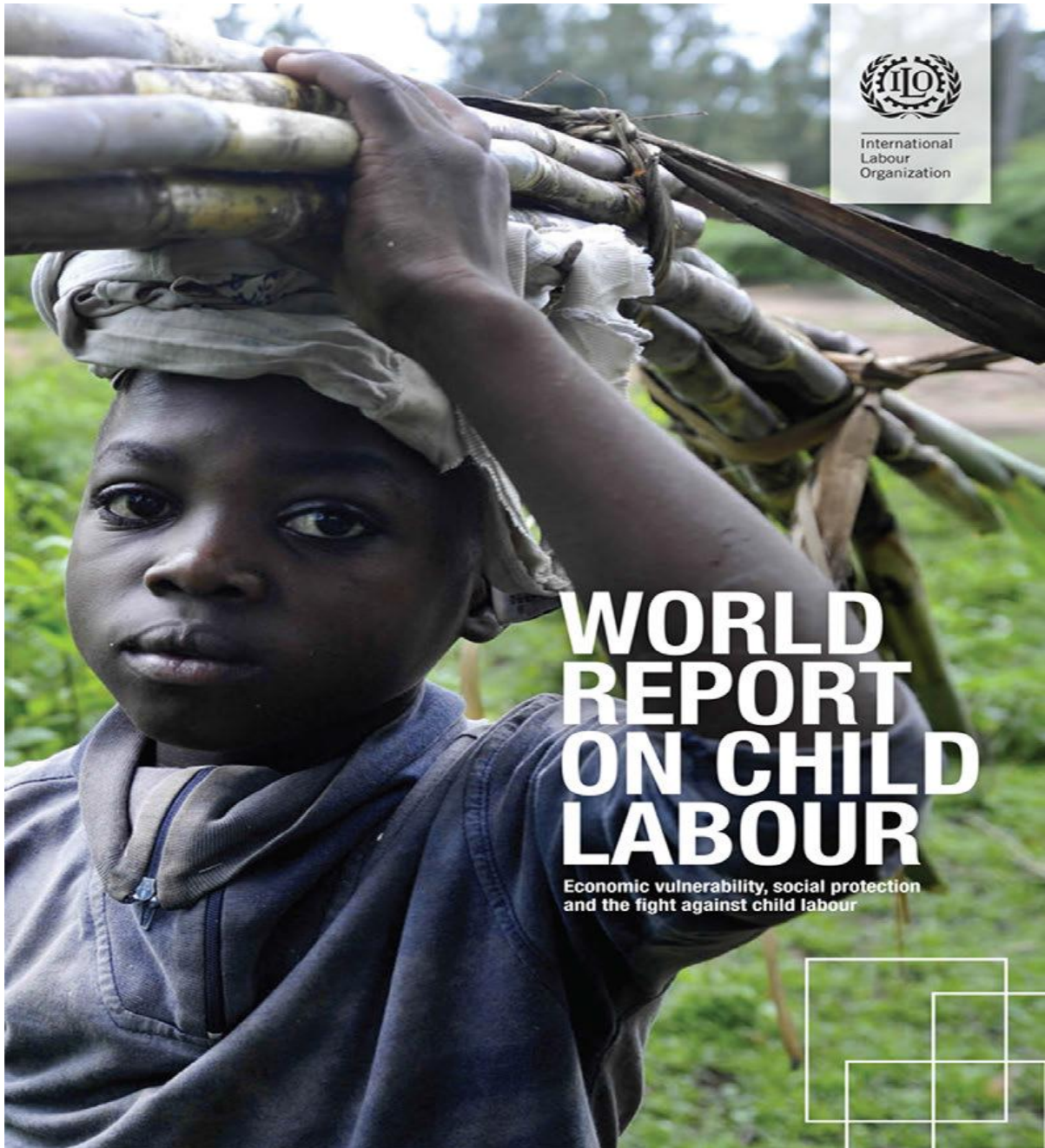


Figure 22: Front cover of the ILO's World Report on Child Labour - ILO (2013)

These examples show the richness of accountings on labour that are undertaken by “non-professional” accountants, and the significant potential that they have in giving visibility to labour. The potential of accounting on labour by others for deliberation and dialogue is further extended with the use of modern information technology. The increasing accessibility to various accountings and conflicting perspectives has increased due to the Internet. This is a powerful resource for debates on labour welfare and well-being, as it mitigates against

corporate capture (D. Cooper & Morgan, 2013; Gallhofer et al., 2006; Unerman et al., 2007; Unerman & Bennett, 2004).

8.3 THE INTER-LINKAGES BETWEEN ACCOUNTING(S) AND ACTION

Despite the potential for accounting to service the diverse, conflicting and repressed interests of labour (Gallhofer & Haslam, 2003; Gallhofer et al., 2011; C. Lehman & Tinker, 1987) in its orientation towards human development, environmental sustainability and the well-being of future generations, it does not immediately follow that that accounting will definitively lead to responsible action on the part of economic entities. The tension between accounting and responsible action is that if certain events, transactions or occurrences are not accounted for or reported on, they remain hidden, and thus, are left unmanaged or regarded as unimportant. However, the existence of accounts alone is not necessarily adequate in advancing ethical and responsible behaviour. At present, a majority of labour and human rights corporate reporting focuses on what economic entities *choose* to report, rather than their most significant impacts, systematically ignoring their most damaging and far-reaching effects (Edwards & Gaventa, 2001; Frankental, 2011; Manheim, 2004; Moneva et al., 2006).

As argued in Chapters 6 and 7, the “responsible collective person” conceptualisation of the economic entity positions the entity as a “person” in a state of continuous responsibility to others. Such a conceptualisation firmly establishes the entity as an ethical agent that must engage in responsible action. As such, this conceptualisation necessitates a commitment on the part of the economic entity to undertake actions that uphold the welfare and well-being of labour. Alongside multiple and diverse accountings for labour, the implementation of mechanisms and systems that contribute positively to labour welfare are necessary in enabling economic entities to act as “responsible collective persons”. Indeed, action and intervention on behalf of the suffering other(s) are central in Bonhoeffer’s ethic of responsible action²⁹.

A myriad of resources exist that can assist economic entities in implementing frameworks that uphold labour welfare, most of which were designed by non-governmental organisations and activist groups. Despite many labour-related issues that are yet to be resolved, significant

²⁹ For Bonhoeffer himself, he practiced this ethic by “vicariously representing” and speaking out on behalf of the Jews, who were the suffering other(s) in his own context of Nazi Germany, so much so that he, as a strong advocate for peace, undertook the difficult, complex, agonising and, importantly, *last resort* decision, to participate in the assassination of Hitler (Rasmussen, 2005).

progress has been made, on the normative level, in establishing key underpinnings that can enable economic entities to act responsibly. For example, the Business Leaders Initiative on Human Rights has developed sophisticated tools and methodologies for applying labour and human rights standards across a variety of business sectors, issues and geographical locations. The Danish Institute of Human Rights has developed a comprehensive Compliance Assessment Tool that covers all internationally recognised human rights and impacts on stakeholders, including labour, local communities, customers and host governments. The assessment tool incorporates a database that consists of approximately 350 questions and more than 1000 indicators, each measuring the implementation of human rights policies in organisations (Frankental, 2011).

To exemplify, Figure 23 shows a possible framework that the entity can employ for upholding labour welfare and rights. This framework consists of 10 points that the entity should consider. Taking child labour exploitation as an example of an important labour issue, the framework below also consists of examples of responsible actions that the entity can undertake in mitigating child labour exploitation:

Framework for upholding labour welfare and rights		Examples of actions against child labour exploitation
1. Making a Decision	Upon internal consultation and participation by individuals in the entity, and with strong support from highest levels of management, the entity should make public its commitment to uphold a policy that promotes the welfare, well-being and rights of labour. The declaration should also include a blueprint of planned actions, and how these actions will be implemented and monitored in order to encourage third- or independent- party monitoring and verification.	<ul style="list-style-type: none"> - Development of policies aimed at controlling, reducing and eliminating child labour in all areas where the entity, either by itself or in conjunction with other parties, exert influence. Upon completion, these policies should be made public. - Development of a corporate code of conduct that is based on ILO's conventions on child labour. - Development of an independent task force or consulting board that is responsible for child labour issues.
2. Incorporation	Labour-related policies should be incorporated into all decision-making processes of the entity, including thorough assessments	- Policies on child labour should be provided to all formal and informal business associates.

	<p>of its supply chain operations. While such a responsibility involves every individual in the entity, the driving force needs to stem from management, as they are capable of administering cultural and identity changes in the entity.</p>	<ul style="list-style-type: none"> - Any contractual agreements that the entity enters into should include guarantees regarding employment rights, decent salaries for adult workers and elimination of the use of child labour. - The entity can contribute in controlling the subcontracting of minors by working together with various stakeholders in improving the quality of life of women and mothers.
3. Mapping Out	<p>It is necessary to understand and “map out” regulations on labour welfare in any given local, regional or national context, and to compare them to existing trans-national conventions such as the ILO conventions on labour rights. The higher of the two standards should be upheld.</p>	<ul style="list-style-type: none"> - The entity should investigate as much as possible about the working minor in the context in which it operates, including, but not limited to: age, sex, ethnic groups, forms of work that employ child labour, and economic and social context on a local and national scale. -The entity, in consultation with NGOs, activist groups and unions, should investigate possible causes of child labour and feasible solutions. - Investigations should be undertaken with the aid of various sources of information, including: local and national statistics on child labour; school attendance rates; advocacy work by labour activist groups and so forth.
4. Identification	<p>Labour-related issues that the entity is facing, or may face, should be identified. The impacts of business and economic activities on these issues, and on the standards of labour welfare as “mapped out” in Section 3, need to be regularly evaluated and monitored.</p>	<ul style="list-style-type: none"> - The use of audits can assist in detecting the existence (or possibility) of child labour exploitation in the entity. Audits include: internal audits by the entity itself, external audits by organisations that specialise in social audits; and independent audits by NGOs, activist groups or academics.
5. Promotion	<p>Labour-related policies must be established in all areas that the</p>	<ul style="list-style-type: none"> - Upon discovery of the use of child labour by the entity’s business

	entity has direct influence. In addition, the entity should encourage its formal and informal business associates to incorporate labour-welfare policies in its operations.	<p>associates, the entity can engage in negotiations with the relevant business associate in offering education (formal, informal or technical training) to the working minors, on the requirement that child labour practices must be given up. In regards to suppliers, the entity can offer to increase payments so that the suppliers can hire adult workers.</p> <p>- The entity can work together with business associates in collating funds to provide for free education, study scholarships, technical training and healthcare to working minors so that they can obtain access to education.</p>
6. Intrinsic Action	The preservation and respect for labour and human dignity must be a core and intrinsic element in all of the entity's operations.	<p>- The entity should establish selective hiring methods that specifically avoid the hiring of child labourers.</p> <p>- Hiring policies should enforce decent wages and salaries to adult workers, giving special attention to the specific needs of women, mothers, migrants and other groups in situations of vulnerability.</p> <p>- Upon discovering the use of child labour, negotiations involving the child's family should be undertaken with the goal of substituting the minor for an adult family member. Negotiations should be mediated by independent NGOs or labour activist groups.</p> <p>- If the working minors are in debt bondage, the entity can offer to pay the debt in order to keep them debt-free.</p>
7. Dialogue	The entity should engage in establishing open dialogue spaces on labour issues, inviting participation from a broad range	- The entity should build alliances and partnerships with organisations that have an interest in child labour exploitation, including, but not

	<p>of internal and external stakeholders, including: labour themselves, non-governmental organisations, unions and activist groups. Labour policies of the entity, including any developments, shortfalls and on-going rectifications, should be openly, transparently and effectively communicated.</p>	<p>limited to: local social organisations, trade unions, schools, governments, chambers of commerce, women's organisations, NGOs and labour activist groups.</p> <p>- Extreme care must be used when engaging with dialogues with working minors and their family members. Together with specialist organisations, they must be informed of the risks and dangers of certain occupations towards minors, and the possibility of alternatives that might be useful for them. The most important alternative that must be offered to the working minors and their families is education.</p>
8. Training	<p>Rigorous and continuous training should be conducted to encourage all individuals within the entity to uphold labour rights, welfare and well-being.</p>	<p>- Policies on child labour should be widely disseminated within and outside the entity. Specific training for each department should be organised. Particular focus needs to be given to departments that work directly with the issue of child labour exploitation, such as procurement, human resources and supply management.</p>
9. Verification	<p>Third-party and independent verifications are essential in improving on the implementation of labour-related policies. This process should ideally be carried out by NGOs or independent parties that specialise in labour activism, rather than conventional auditing firms. In addition, labour policies should undergo consistent evaluation procedures, employing tools such as assessment checks and indicators.</p>	<p>- External and independent audits by specialist social auditing organisations should be consistent and made compulsory.</p> <p>- Child labour indicators should be continuously employed, tracked and monitored.</p>
10. Community Development	<p>The entity, as a member of a given community, should engage in community development in order to help alleviate and minimise some of the structural causes of labour exploitation in</p>	<p>- The entity can engage in the promotion of children's rights by encouraging the participation of leaders and influential members in the community.</p>

	the community.	<ul style="list-style-type: none"> - The entity can engage in income-generating activities that can assist in medium term self-sufficiency. An example is the provision of micro-credit. - The entity can contribute towards local social and educational programmes through independent local organisations. - The entity can ally themselves with the advocacy work of various NGOs and social organisations that promote the welfare and well-being of women, mothers and children.
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Figure 23: Framework for upholding labour welfare and rights (child labour exploitation) – adapted from Prandi & Lozano (2009)

In addition to the framework above, Figure 24 presents a list of indicators that can be used to track and monitor the entity’s progress towards eliminating child labour within its sphere of influence. These indicators are developed by the Danish Institute for Human Rights and the Human Rights & Business Project, and compiled in the *Human Rights Compliance Assessment (HRCA) Quick Check*:

Does the entity comply with minimum age standards?

1. The entity has a clear policy regarding the minimum age for employment, which complies with national law, but is no less than 15 years of age as stated in the ILO conventions.
2. The entity requires candidates to provide copies of birth certificates or other official forms of identification to verify their age before being hired by the entity.
3. Hiring managers are aware of the forms of identification forgery commonly used in the country of operation and they are able to spot such forgeries.
4. In countries where birth certificates are not common, or are frequently falsified, the entity has a procedure for estimating the age of employment of young candidates, such as average height or knowledge of historic events.
5. The entity researches when classes are held in local schools, ensuring that children who have not passed the age of compulsory schooling are not hired by the entity.
6. The entity does not hire any person under the age of 18 to perform work that interferes with their education.

7. Apprenticeships do not constitute the main portion of the entity's workforce, are limited in duration and are performed in conjunction with a school programme (or supervised by Labour Ministers or Labour Organisations), are educational to the student, and do not interfere with the child's compulsory education.

8. Employee records from the past year confirm that the entity does not employ child workers.

9. Local NGOs and schools verify that the entity is not employing child workers.

If the entity becomes aware that it is employing children of school age, does it ensure that the children are enrolled in a remediation / education programme, rather than being summarily terminated from employment?

1. The entity offers to hire the parents, guardians, elder siblings or other adult members of the extended family of any child found to be working for the company.

2. The entity establishes apprenticeship programs (or other such measures) that ensure the basic education of the child worker, while concurrently providing practical experience and financial support.

3. NGOs and local community representatives confirm that the entity has not summarily terminated the employment of any children found to be working for the entity.

Does the entity ensure that it does not hire minors (below 18 years of age) to perform work that is hazardous or harmful to their health, safety, or morals?

1. The entity has a policy or guidelines in place defining what tasks are considered to be harmful to the health, safety, or morals of workers under the age of 18.

2. The entity does not hire or contract workers under the age of 18 to perform work as listed below:

- Work that exposes them to psychological, emotional or sexual abuse.
- Working underground, under water, at dangerous heights or in confined spaces.
- Working with dangerous machinery, equipment and tools, or to manhandle or transport heavy loads.
- Work that exposes them to an environment of hazardous substances, agents or processes; or to temperatures, noise levels or vibrations that are damaging to their health.
- Work that consists of long hours, during the night, or in a position that requires them to be unreasonably confined to the premises.

3. Managers demonstrate awareness of the above limitations concerning the work tasks of workers below the age of 18.

- Worker representatives, NGOs or activist groups confirm that the entity does not hire workers under the age of 18 to perform work that may be hazardous or harmful to their health, safety, educational or moral development.

Figure 24: DIHR (2006) – Human Rights Compliance Assessment (HRCA) Quick Check

The implementation of frameworks and the monitoring of impact assessments as suggested above are considered to be fundamental in promoting the welfare and well-being of labour. Despite the increasing availability of such frameworks and indicators, empirical evidences show that relatively few economic entities employ them on a routine basis. Entities that do employ them tend to not publish any information that they have collated, thus limiting the usefulness and effectiveness of these frameworks and indicators. In addition, these frameworks and indicators are viewed negatively, in that they could potentially create significant liabilities for the entity, as these tools often use the notion of culpability in assessing violations. This means that knowledge of labour abuse and indirect benefitting from it are enough to put the entity at risk of violation. As such, it is suggested that third- and independent party verification, such as social auditing, perhaps performed in conjunction with critical accountants, can be useful in identifying and accounting for labour abuses (Chetty, 2011; Frankental, 2011; O'Dwyer & Owen, 2005).

8.4 SUMMARY

To sum, this chapter explored the implications of the “responsible collective person” conceptualisation of the entity and the ethic of responsible action on accounting, focussing particularly on accounting for labour. The approach to accounting as suggested in this chapter encourages broad participation by multiple stakeholders in the accounting process. This understanding of accounting is also underpinned by an orientation towards the teleological ends of human development, environmental sustainability and the well-being of future generations. The nature of these ends encourages multiple forms of accounting.

Three specific approaches to accounting for labour were explored: the Statement of Redistribution of Wealth; self-accountings from labour; and accounting for labour from others. The Statement of Redistribution of Income is a form of corporate reporting that encourages debates on: the generation of income by the entity; the various stakeholders who are involved in its generation; how this income is redistributed; and the assumptions underpinning these representations. In addition to the Statement of Redistribution of Income, the task of delineating the entity’s sphere of influence can be undertaken via disclosures on the entity’s formal and informal arrangements with other parties, and disclosures on the due diligence work undertaken by the entity to address possible violations of labour and human rights and welfare. Self-accountings from labour allow labour to speak for themselves, thus:

providing the suffering other(s) with a voice; highlighting the power of stories and narratives in problematizing the logics of conventional accounting; enlarging the communicative capacity of accounting; and establishing accounting as a discourse that can encapsulate multiple voices and perspectives. Accounting for labour from independent parties can greatly contribute towards deliberations on labour-related issues. This form of accounting offers rich information on the impacts of corporate activity on labour, challenging the dominant narrative of “what is good for business is also good for labour”. As the participants engaging in alternative accountings on labour are not confined to the principles of conventional accounting, creative forms of accounting are used, including narrative and visual approaches.

In addition to accounting for labour, it is important for economic entities to employ frameworks, indicators and impact assessments that can enable them to act responsibly towards labour. Taking child labour exploitation as an example of an important labour issue, a framework for upholding labour welfare and rights, and a list of indicators were highlighted.

This chapter marks the end of Part 3 – Dietrich Bonhoeffer’s “Responsible Collective Person”. Part 4 consists of Chapter 9, which concludes this thesis by summarising the themes that have been explored in foregoing chapters, the contributions and limitations of this thesis, and suggestions for future research.

PART FOUR:

CONCLUSIONS

CHAPTER 9: CONCLUDING REMARKS

“This is the end – for me, the beginning of life.” – Bonhoeffer’s last words.

This chapter concludes this thesis by summarising its findings, and discussing the contributions, limitations and future directions of this research.

9.1 SUMMARY OF MAIN FINDINGS

Aforementioned in Chapter 1, this thesis set out to address two research objectives and four research questions. The first research objective is to unpack, examine and critique the dominant conceptualisation of the entity that underpins conventional accounting, which is the nexus-of-contract approach. Research Questions 1 and 2 are formulated in line with this research objective, and they are addressed in Part 2 of this thesis (Chapters 4 and 5).

Specifically, the inter-linkages between the entity as socially constructed in conventional accounting and its nexus-of-contract underpinnings, and the ethical limitations of the nexus-of-contract approach, are explored. Additionally, the normative behaviour of the nexus-of-contract entity – which is profit and shareholder wealth maximisation – is subjected to critique. As previously argued, any conceptualisation of the entity has significant implications for how various stakeholders are understood and accounted to. To this end, the inter-linkages between the nexus-of-contract perspective and current approaches of accounting for labour, and the ethical limitations of these approaches, are examined.

The second research objective is to provide an alternative conceptualisation of the economic entity that can sufficiently address the limitations of the nexus-of-contract approach. This involves not only the proposal of an alternative conceptualisation, but an exploration of an alternative ethical norm and the implications that this conceptualisation may have on accounting for various stakeholders. Research Questions 3 and 4 are formulated in line with this research objective, and they are addressed in Part 3 of this thesis (Chapters 6, 7 and 8). Specifically, the alternative conceptualisation proposed is based on a theologically-informed perspective – one that is inspired by the theology and ethics of Dietrich Bonhoeffer (1906 – 1945). The alternative conceptualisation proposed is “responsible collective person”, and the ethical norm proposed is based on Bonhoeffer’s ethic of responsible action. The implications of the “responsible collective person” conceptualisation and the ethic of responsible action on accounting for labour are then explored, including an investigation as to how the proposed approaches can assist in addressing the limitations of current accounting for labour.

In the process of addressing these research objectives and research questions, this thesis dialogued with various existing research strands. In particular, this thesis is positioned as contributing towards critical examinations of the nature of the economic entity and its ethical imperative. As previously discussed, this is a significant research gap in the critical accounting literature. The question of “how” should economic entities be held accountable to various stakeholders – a question that is continuously addressed in social, environmental and critical accountings – should be asked alongside questions on “what” is the economic entity, and “why” should it have an ethical imperative. It is only by addressing the questions of “what” and “why” that alternative accountings can confront the notion of collective moral agency (Shearer, 2002). To this end, papers such as Shearer (2002), Schweiker (1993), Macintosh et al. (2009) and Melè (2012) are incredibly insightful. These papers, with the exception of Melè (2012), also explore the implications of their analyses on various issues and contexts (Shearer (2002) on economic accountability, Schweiker (1993) on ethics of accounting and Macintosh et al. (2009) on management and control systems).

Accounting for labour is the issue in focus in this thesis. Accordingly, this thesis also dialogued with existing approaches to accounting for labour. Research in accounting for labour can be construed as an existing research gap, in that labour, as a major stakeholder group, is often marginalised due to various reasons, including: the technical orientation that conventional accounting for labour has taken; the emphasis of current financial reporting on the needs of finance capital providers; and the bias in critical and alternative accountings towards environmental, rather than societal issues (Owen, 2008). As such, papers that have explicitly addressed the issue of accounting for labour have been incredibly insightful for addressing the research objectives and research questions of this thesis. They include: R. Gray and S. Gray (2011), C. Cooper et al. (2011); C. Cooper et al. (2005); Mäkelä (2013); Roslender (1997); Roslender and Fincham (2001); Roslender and Stevenson (2009); Abeysekera (2008) and others that have been cited throughout the thesis.

Aforementioned, the lens employed in contributing towards discussions on the conceptualisation of the entity and its implications for accounting for labour is a theological lens – the theology and ethics of Dietrich Bonhoeffer. To this end, the thesis dialogues with research that engages accounting with Judeo-Christian theological perspectives, such as Gallhofer and Haslam (2004); McKernan and Kosmala MacLulich (2004); McPhail (2011)

and Moerman (2006). The thesis argues, together with these papers, that theological perspectives, such as that of Dietrich Bonhoeffer, can significantly contribute towards the ideals that critical accounting holds dear, such as: emancipation from material and social oppression; social and environmental justice; explorations into the human identity; and the power of human agency and change (McPhail et al., 2004). While religious worldviews remain ontologically and epistemologically irreconcilable with many other universalisms, it does not immediately follow that solidarity across multiple perspectives is impossible. Rather, a respect for difference and an open approach to dialogue can allow different worldviews to reach similar conclusions on principles and praxis (An-Na'Im, 1992; Gallhofer et al., 2011; Rawls, 1993; Walzer, 1994), thereby further empowering the work of critical and interdisciplinary accounting.

The theoretical framework and research methodology employed in addressing the research objectives and research questions is philosophical hermeneutics (Arunachalam, 2010; Gadamer, 1975, 1976; Linge, 1976; R. E. Palmer, 1969; Prasad, 2002). As explored in Chapter 2, philosophical hermeneutics, as an inter-subjective approach to textual interpretation, allows for fruitful dialogues between the texts and the reader-interpreter. In this manner, new insights are generated. In the context of this thesis, the employment of philosophical hermeneutics allows for the application of Bonhoeffer's theology to accounting, thereby enriching existing scholarship on accounting. In addition, academic scholarship on Bonhoeffer's theology is also extended. The manner in which Bonhoeffer's writings needed to be interpreted for the purposes of this thesis meant that objectivistic and positivistic approaches to textual interpretation, such as classical hermeneutic theory, content analysis, verbal protocol analysis or script analysis, were not suitable (Lacity & Janson, 1994). The process of applying of Bonhoeffer's writings in proposing an alternative conceptualisation of the entity, an alternative ethical norm for the entity and alternative approaches to accounting for labour, requires that I, as the researcher, reader and interpreter, engage with his writings at a deep, philosophical level (*Verstehen*) – a level of interpretation which objectivistic and positivistic approaches to textual interpretation will not allow. To this end, the fundamentals of philosophical hermeneutics and the application of these concepts in this interpretive study were discussed in Chapter 2.

A detailed summary of the main findings of this thesis are documented as below:

Summary of Main Findings:

Issue	Conventional Approach: Nexus-of-Contract	Ethical Limitations	Alternative Approach: Responsible Collective Person
Theoretical Assumptions	<ul style="list-style-type: none"> - The entity is an artificial creation which serves as a nexus for contracting relationships. - Contracts are used in bargaining with corporate constituents over the terms of the contract, such as: compensation; legal arrangements for the enforcement of contracts; and post-contractual obligations. - The nexus-of-contract approach is supported by neoliberalism, particularly in its perceived alignment with the public interest and democratic values, and the superiority of the market in adjudicating social and economic welfare. - The nexus-of-contract approach is supported by economic utilitarianism, where <i>overall</i> economic prosperity is the teleological goal. 	<ul style="list-style-type: none"> - The entity is treated as an atomistic, ahistorical and artificial creation, ignoring the empirical fact that the entity exists in specific political, historical, cultural, social and temporal contexts. Additionally, the activities of the entity have empirical and significant effects on the lives of many. These effects are becoming more acute with the dominance of neoliberalism. - The complexities of social relations that are involved in the creation of a social collective like the economic entity are simplified and redefined to suit a contractual approach in perceiving relationships. The formulation of a collective like the economic entity, however, involves many complex sociological forces and factors, most of which are far too complex to fit into the assumptions of the nexus-of-contract approach. - It is problematically assumed that there are adequate and politically-neutral legal and governance mechanisms that can enforce the terms of contracts. This assumption does not hold due to the 	<ul style="list-style-type: none"> - The theoretical underpinnings of the “responsible collective person” are based on Bonhoeffer’s concept of mandates and the concept of the collective person (<i>Gesamtperson</i>). - The entity is positioned as existing amidst various mandates, including: the economy; the natural / ecological environment; the social environment; governance; and religious life. By positioning the entity as such, the empirical, historical, temporal and geographical and social natures of the entity, and the impacts of economic activities on these spheres, are duly recognised. - The entity is conceptualised as a collective and concrete ethical person with its own unique <i>Geist</i>. The entity is “concrete” or “real” not only because of the existence of unique cultures, politics, systems and mechanisms, but because of its existence in ethical sociality with various individuals and collectives. - Rather than assuming the adequacy and neutrality of legal and governance

		interference of economic entities in legislative and judicial dimensions of law, and the erosion of the regulatory power of nation-states in the advent of globalisation.	mechanisms, the existence of significant governance gaps is acknowledged. The positioning of the entity amidst various mandates also implies that the entity is subjected to various forms of governance. Ethical relations of interdependence and mutual limitations among these spheres – relations of “being-with”, “being-for” and “being-against” – ensure that no one ideological belief or governance system is totalising.
Implications for Accounting	<ul style="list-style-type: none"> - The boundary of the entity is delineated through the notion of control. Control is defined as the power of one entity to direct the relevant activities of another entity in such a way as to generate financial benefits or limit financial losses to itself. - The entity is socially constructed through the events that are disclosed by the entity. The disclosures are determined by: the definitions of financial statement elements; and measurement and recognition principles. - The notion of control and the principles associated with the social construction of the entity can be found in the Conceptual Framework for Financial Reporting. 	<ul style="list-style-type: none"> - The notion of control does not capture the extent of the entity’s influences. As the entity operates in empirical and temporal contexts that involve multiple spheres of life, stakeholders and institutions, the entity is exposed to many circumstances where it is able to exert its influence on various parties, without necessarily fulfilling the notion of control as set out in the conceptual framework. The culpability of economic entities in benefitting from child or forced labour through its supply chain is an example. - Only a restricted range of events and transactions are reported due to the emphasis on monetisation and measurement. As visibility is primarily given to events that can be monetised 	<ul style="list-style-type: none"> - The notion of influence is proposed for delineating the boundary of the entity. - As the entity exists in history and in sociality with various individuals, collectives, institutions and mandates, the entity may, through its activities and operations, have significant impacts on these parties. The entity, either by itself or in conjunction with others, may exert its influence on others without necessarily fulfilling the conditions for control as set out in the conceptual framework. The entity’s sphere of influence may have rippling effects that extend beyond its own local context. - The notion of influence necessitates the utilisation of a wide variety of information, so that the entity can be

		and financially measured, many of the negative and damaging impacts of economic entities remain invisible in the financial statements.	<p>better enabled to understand the impacts of its activities on various individuals, collectives and spheres of life. Consequently, it is necessary to: recognise the importance of participatory action; utilise knowledge gained by various groups outside the entity (for example: unions, social activist groups and NGOs); and employ a variety of communication strategies and platforms (for example: rhetoric, narratives, testimony).</p> <p>- Rather than just a practice of recording and representation, primarily for the informational needs of finance capital providers, it is argued that accounting has the potential to act as a discourse that can assist the entity in acting as a responsible agent and in upholding its responsibilities. To do so, multiple forms of accountings, performed in a variety of settings, with participation from multiple stakeholders, are encouraged. It is acknowledged that this is a biased and value-laden position.</p>
Ethical Norm	- The entity is oriented towards the maximisation of profits and shareholder wealth. This norm can be traced back to the behavioural assumptions of <i>homo economicus</i> .	- The focus on profit and shareholder wealth maximisation as the teleological goal has led to relentless pursuit of profits without regard to the cost on human lives, the environment and future	<p>- The ethic of responsible action is the ethical norm of the “responsible collective person”.</p> <p>- There needs to be a re-orientation away</p>

	<ul style="list-style-type: none"> - Profit maximisation assumes a harmony between the pursuit of private interests and societal, collective interests. - The link between profit and shareholder wealth stems from financial utilitarianism, where the primary obligation of the entity is construed to be the financial interests of its capital providers. - The culpability of conventional accounting in promoting this norm is reflected in the conceptual framework's emphasis on investors and creditors as the primary users of financial statements and the promotion of a balance-sheet approach to financial reporting. 	<p>generations. This can be construed as a confusion of means and ends.</p> <ul style="list-style-type: none"> - The normative behaviour of profit and shareholder wealth maximisation is not concerned with issues of distribution, fairness and equitability. These issues are significant in light of the increasing inequalities between the rich and the poor, and the fragile and disputed harmony between capital markets and societal well-being. - The behavioural assumptions of <i>homo economicus</i>, on which the normative behaviour of profit maximisation is based on, are inherently limiting. The assumptions subsume the complexities of human behaviour, intentions and motives under the simplistic rubric of "utility-maximisation". 	<p>from the teleological end of profit and shareholder wealth maximisation. Profits must be recognised as a <i>means</i> at which to achieve the ultimate <i>ends</i> of human development, environmental sustainability and the well-being of future generations.</p> <ul style="list-style-type: none"> - Rather than being concerned only with <i>overall</i> gains, the ethic of responsible action requires the entity to identify the "suffering other(s)" within its sphere of influence, and to undergo the challenging task of understanding their perspectives, longings and sufferings. This means that the entity should be questioning whether the economic distributions to the "suffering other(s)" are fair, equitable and just. - Instead of the behavioural assumptions of <i>homo economicus</i>, the entity is conceptualised as a responsible collective person that needs to undertake the difficult but necessary task of weighing, judging and evaluating its context, and to use the knowledge gained for ethical action, reflection and responsibility to others.
Implications for	- There are two sets of approaches in accounting for labour in conventional	- It is ethically limiting to categorise labour as a cost or an expense to the	- In order to counter the ascription of labour as cost, and to better surface the

<p>Accounting for Labour</p>	<p>accounting. The first set is on the recognition, representation and inclusion of labour in financial statements. The second set is employee-reporting.</p> <ul style="list-style-type: none"> - On the first set of approaches: Labour is conventionally categorised as a cost or expense to the entity. While there are concerted efforts in accounting for labour as assets, coalescing around the issue of accounting for intellectual capital, these efforts have been thwarted due to strong adherence towards the principles of conventional accounting. - On the set second of approaches: Disclosures of employee-related information are used to incentivise labour to switch allegiance from union to management. Employee-related reporting is also used to spearhead the financial interests of the entity, rather than the interest of labour. - Conventional accounting's approaches to accounting for labour are from the perspective from the employer, rather than the employees. - These approaches stem from a nexus-of-contract understanding of the labour-entity relationship. Labour is 	<p>entity, as this categorisation has led to the commodification of human beings in the pursuit of profits. This also brings into dispute the assumption of harmony between the financial interests of finance capital providers and the welfare of labour, and the assumption of co-operation between labour and the entity.</p> <ul style="list-style-type: none"> - The conflicts between labour and the entity are further deepened with the process of financialisation, where decisions such as extreme cost minimisation, downsizing and restructuring are likely to leave labour exposed to unpredictable changes in the market. - It is also problematic to assume that the relationship between labour and the entity is primarily contractual, as the employment contract is enforced with various legal and political rules in the background. These rules have distributive consequences. If the employment contract is enforced within neoliberal institutions, it is more likely that the contract will be more beneficial towards the entity and its finance capital providers. - It is doubtful as to whether the 	<p>inherent conflicts that exist in the entity, the Statement of Redistribution of Income is proposed as a form of corporate reporting. This statement seeks to encourage debates on: how the income of the entity is generated; the proxy for income; the calculation of income; the stakeholders involved in the creation of the entity's income; assumptions behind why these stakeholders were included (and not others); and the redistribution of this income to various participants. This approach encourages the entity to participate in dialogues on: the assumptions behind the proxies and calculative methodologies used; the possible neglect of other parties in the income generation process; and the fairness and equitability of the redistributions.</p> <ul style="list-style-type: none"> - Alongside the Statement of Redistribution of Income, disclosures on the entity's formal and informal arrangements with other parties, including the due diligence work undertaken by the entity to ensure labour welfare is upheld, are proposed. These disclosures can give more visibility on the entity's sphere of influence. This proposal also goes against the assumption that an employment contract
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	<p>conceptualised as an equal, contracting partner and a “fixed claimant”. Remuneration is based on the neoclassical model of wage determination.</p>	<p>existence of an employment contract is necessary for one to be recognised as a labourer for an entity, as demonstrated schemes such as by subcontracting.</p> <ul style="list-style-type: none"> - The assumption of “fixed claimant” is contested, in that labour bears significant physical, emotional and financial risks in their work. It is doubtful as to whether remuneration in the form of salaries and wages – calculated on the basis of the neoclassical model of wage determination – is adequate in compensating labour for the risks that they undertake. - Adherence to the “hard” calculus of conventional accounting, and the emphasis on measurement, monetisation and uniformity, are inadequate in accounting for the nature of the human person. - The primacy of the employer’s perspective in accounting for labour disregards the necessity of multiple perspectives. Any debate on accounting for labour necessarily entails a debate on accounting for humanity. This requires participation from a variety of perspectives. 	<p>is necessary for one to be recognised as a labourer for an entity.</p> <ul style="list-style-type: none"> - Self-accountings from labour are encouraged as a form of “enabling accounting” as they allow labour to formulate their own accounts and tell their own stories, forever distancing them from the designation of “cost”. In addition, their human nature can be brought forward. - Accounting for labour from independent parties can contribute towards debates and dialogues on the welfare and well-being of labour, thus offering resistance against corporate self-reporting and whitewashing. As these accountings are not bounded by the principles of conventional accounting, they can be creative in their forms of communication, such as the utilisation of narrative and visual approaches. - Self-accountings and accountings for labour from others reject the primacy of the employer’s perspective in accounting for labour.
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9.2 CONTRIBUTIONS TO THEORY AND PRACTICE

This thesis contributes to accounting theory and practice in several ways. Firstly, it contributes towards theorisations of the nature of the economic entity and its ethical imperative. It does so by: explicitly linking conventional accounting's "reporting entity" to the nexus-of-contract conceptualisation; critically examining the limitations of the nexus-of-contract approach; and critiquing the nexus-of-contract's norm of profit and shareholder wealth maximisation. While the reporting entity, the nexus-of-contract conceptualisation and profit maximisation have individually been subjected to extensive critique in the critical accounting literature, few research articles have explicitly demonstrated how these concepts are interwoven. The closest is Shearer (2002), who explicitly shows how conventional accounting is underpinned by neoclassical economic theories and its behavioural assumptions. Additionally, this thesis did not merely provide a critique of the dominant conceptualisation of the entity in conventional accounting; it also provided an alternative conceptualisation and an alternative ethical norm in order to address the drawbacks identified as summarised in Section 9.1 above. The conceptualisation of "responsible collective person" and the ethic of responsible action, as proposed in this thesis, are new contributions to accounting knowledge.

Secondly, the thesis contributes towards accounting for labour. It does so by explicitly tracing current approaches to accounting for labour back to its nexus-of-contract underpinnings and the neoclassical economic model of wage determination. While many aspects of conventional accounting's approaches to accounting for labour have been extensively critiqued, not many of these critiques have explored the underlying reasons as to why labour is accounted for as such. For example, a majority of these critiques begin with the premise that labour is categorised as cost, and all subsequent analyses are based on this premise. This thesis goes one step back by linking the categorisation of labour as cost to the nexus-of-contract assumption of labour as "fixed claimant", and the neoclassical economic assumption of remuneration as equal to the labourer's marginal productivity – a value that is based on external and inexorable market forces (van Wezel Stone, 1993). Similar to the approach taken in addressing the conceptualisation of the entity, this thesis did not just stop at critique, but explored a range of alternative approaches to accounting for labour – ranging from the "hard" calculative format to the "soft", narrative and visual approaches. The Statement of Redistribution of Income, in particular, is a new contribution to accounting knowledge and practice. Above and beyond accounting, the thesis also provided an example of an action-

oriented framework that the entity can employ in upholding the welfare and well-being of labour.

Thirdly, this thesis contributes towards engagements between accounting and religious perspectives. As previously discussed, interdisciplinary research between accounting and theology remains a small and emerging field, and as such, is in dire need of further stimulus. To this end, this thesis contributes to this field by incorporating the theology and ethics of Dietrich Bonhoeffer (1906 – 1945) into accounting research and practice. This is the first known piece of academic work in English that links accounting with the writings of Bonhoeffer. This incorporation is a significant contribution to accounting knowledge, as Bonhoeffer has much to offer to the ideals and goals of critical and interdisciplinary accounting, as demonstrated in Part 3 of the thesis.

Fourthly, this thesis contributes towards the employment of philosophical hermeneutics as a theoretical framework and methodology for accounting research. Drawing from Arunachalam (2010), this thesis demonstrated, in a systematic fashion, how the principles of philosophical hermeneutics can be employed for fruitful interdisciplinary accounting research. While hermeneutics is considered to be a legitimate theoretical framework for accounting research, and has been explicitly used in several accounting studies, it has been under-utilised in the last 10 years of interpretive and critical accounting research, the last prominent paper being Francis (1994).

9.3 LIMITATIONS OF THE STUDY

There are several limitations to this study. The first limitation is the under-utilisation of German academic scholarship on Bonhoeffer's theology and ethics. As previously mentioned in Chapter 2, this thesis gave primacy to scholarship that is published in English. A significant risk of this move is the possible exclusion of vital research that could have either further strengthened the findings of this thesis, or contradicted them. This risk is somewhat mitigated by dialogues with academic scholars who specialise in Bonhoeffer's theology. In particular, I discussed my approaches in employing Bonhoeffer's concepts and writings for the purposes of this study with Bonhoefferian scholars from: University of Vienna, Austria; University of Heidelberg and University of Mainz in Germany; and University of Aberdeen, Scotland. A majority of these scholars have publications in both German and English, and

have extensive involvement in the International Bonhoeffer Society and / or the German Bonhoeffer Society. Nonetheless, the risk still exists.

The second limitation is the risk of misinterpretation, in that I could possibly have “forced” the texts to fit into my own prejudices, rather than treating the texts as a genuine dialogue partner – allowing them to “speak” to me and to either validate, refute or amend my pre-understandings. This risk is somewhat mitigated by exposing myself to a variety of academic scholarship on Bonhoeffer’s theology and ethics, rather than relying solely on my interpretations of Bonhoeffer’s writings. In doing so, I am better enabled in understanding: the historical and temporal contexts Bonhoeffer; the history of academic scholarship of Bonhoeffer’s theology; and the divergent perspectives that exist in interpreting Bonhoeffer’s writings. I have also engaged with other works of Bonhoeffer that were not explicitly used in this thesis so that I can further enrich my understanding of Bonhoeffer’s theology and ethics. They include: *The Cost of Discipleship*; *Life Together*; and *Creation and Fall*.

The third limitation is the possible neglect of Bonhoefferian ideas, themes and concepts that could be better suited for the research objectives of this thesis. While Chapter 6 sought to provide an overview of the central themes of Bonhoeffer’s theology and ethics, only three concepts were specifically applied to address the research objectives and research questions, namely: the concept of mandates; the concept of collective person; and the ethic of responsible action. As any research work is necessarily constrained by time and resources, while requiring detailed argumentation and rigour, it was not possible to explore the full potential of the incorporation of Bonhoeffer’s theology and ethics into accounting. In philosophical hermeneutic terms, the “fusion of horizons” is a continuous and never-ending process. As such, it is impossible to document all of these “fusions” in one doctoral thesis.

9.4 FUTURE DIRECTIONS

While this section may mark the end of this thesis, research is nevertheless an on-going process. As such, the act of looking forward is integral to any research undertaking. To this end, several suggestions for future directions are briefly discussed.

Firstly, alternative approaches to conceptualising the economic entity can be explored using a variety of worldviews or lenses. This requires critical accounting scholars to engage with

sociological, psychological, philosophical and theological inquiries into the nature of social structures in order to develop theorisations of the ontological status of the economic entity and its ethical norm. Such explorations would also likely entail investigations into: the notion of collective and public identities; affective bonds within collectives; the position of collectives within broader political and economic contexts; and the relation between the individual and collectives (Polletta & Jasper, 2001).

Secondly, the theology and ethics of Dietrich Bonhoeffer can be further studied and incorporated to inform various issues and concerns in critical accounting. For example, Bonhoeffer's writings have been used in the theological discipline to inform issues that are important in critical accounting research, such as: emancipatory action (de Gruchy, 1981; Santa Ana, 1976); environmental ethics (Scott, 1997, 2000); and pluralism (Lovin, 2003, 2008). The engagements between accounting and Bonhoeffer as documented in this thesis examined but the very surface of the potential of Bonhoeffer's theology.

Thirdly, a majority, if not all of the proposals that have been made in this thesis would require a set of conditions that cannot be achieved by the accounting discipline alone. This is symptomatic of most of the proposals made in interpretive, critical and interdisciplinary accounting research, in that the status quo – which is the dominance of free-market, neo-liberal and neoclassical-economic approaches – is not conducive for the implementation of alternative and social accountings. As such, it is imperative that the critical accounting discipline form networks with various individuals, collectives and disciplines that share similar concerns. These networks can enable the accounting discipline to be a participant in institutional changes and reforms, thus empowering accounting to become a radical and emancipatory practice that upholds the welfare and well-being of the “suffering other(s)”.

It is my hope that the theorisations, analyses and suggestions of this thesis have contributed, in whatever way, shape or form, towards the continuing effort of enabling accounting to be an ethical, responsible and emancipatory practice. In my personal capacity, it would bring me great joy if this thesis, at any point in time, would be of help to anyone who wishes to explore how faith – as relegated as it currently is to the private sphere – can empower whatever public discourse, practice or institution that they find themselves in, to exist and act in responsibility for others. After all, faith, at least as understood by Bonhoeffer, is not a

yearning for the beyond, but an earthly life in “being there for others” (Bonhoeffer, 2010, p. 501).

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