

Is Accounting an Academic Discipline?¹

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The question of whether accounting is an academic discipline transcends our usual concerns for the latest research or pedagogical twist or the ever-present tensions among our numerous clusters of interest. Indeed it speaks to the very essence of who we are and the stewardship we are exercising in our own domain.

My analysis and answer are highly personal, and should be interpreted as simply my opinion. You may, or may not agree. But the central point of the exercise is for each of us to ponder seriously this question and, in the process, take a proactive role in exercising stewardship in our own domain.

The Short Answer

Let's begin with some terminology. Academic: "pertaining to areas of study that are not

¹ Thanks to Judy Rayburn for putting this important topic on our agenda. Thanks are also due John Fellingham and Haijin Lin for their helpful comments and encouragement.

primarily vocational or applied, as the humanities or pure mathematics.” Discipline: “a branch of instruction or learning.” (*The Random House Dictionary of the English Language*, 2nd edition, Random House, 1987)

Clearly, now, the short answer to the question is no, accounting is not an academic discipline. We have become vocational, indeed first job vocational in our instruction. Accounting majors are treated to a litany of rules, and even tutoring in how to look up additional and newer rules. Beyond that, a vast amount of the curriculum is arguably aimed at preparing the student for his or her initial job. MBA training offers a similar, though slightly more sophisticated, picture. The student is tutored in how to make use of accounting products, as they are delivered today, using today’s deciphering techniques. Again, the vocational focus is overwhelming. Initial jobs are, of course, important, but so is the one that follows, not to mention the one that follows that one. More distressing, to me at least, is this virus of initial job myopia has infected our PhD training, where we now find an emphasis on how to do today’s research, using today’s literature, how to deal with today’s technology and student mind sets in today’s classrooms, all packaged in a laser like focus on producing and polishing one’s resume, job talk paper and presentation.

We have also become patterned in our research. We are over-run with variations on pricing anomalies, cost of capital effects, and what have you, just as we are over-run with multiple mutations on a LENs style model. Innovation is close to nonexistent. This, in fact, is the basis for the current angst about the “diversity” of our major publications. Deeper, though, is

the mind set and factory-like mentality that is driving this visible clustering in the journals.

Taken together, this puts us at untenable risk. The systematic substitution of immediate for long term fundamentals reduces our place at the university and worsens our balance of payments at the university. It denigrates the scholarship and scholarly vision of our predecessors, giants such as Canning, J M Clark, Hatfield, Paton and Vatter. It provides an unmistakable (and embarrassing) signal to the university in terms of our scholarly commitment *and* in terms of student self-selection into our curricula. It leaves on the table a variety of exciting, intellectually challenging opportunities, a virtual feast, and commits us, if you will, to intellectual anorexia.

Top Ten Indicators

But these are simply aggregate overlays of the state of our academic enterprise. Digging into the fabric, I see the following (top 10, if you will) indicators of the state of our enterprise.

- [1] The conceptual framework has stayed too long (and this is not superseded by the recently released joint FASB/IASB discussion paper). The conceptual framework is the major organizing framework for our teaching, our research (consider value relevance) and for regulation. Yet it is and remains irreparably flawed. The foundation of qualitative characteristics of relevance and reliability (or relevance and faithful representation) does not comport with economic fundamentals, a

straightforward application of the Blackwell Theorem,² transactions are endogenous, and other information is ubiquitous.

- [2] Modern information science is not part of our curriculum. Sophisticated controls, such as internet security protocols, are absent, as is the general topic of coding per se. Double entry, in fact, is a primitive form of error detecting code.

- [3] A “portfolio of errors theme” and its implications are absent in virtually all our activities. Think of the balance sheet and the multiple errors therein, or think of an audit exercise where we move from one to many accounts, from many accounts to the client, and from the client to many clients. Then track this through time, a complex, dynamic portfolio of errors complete with on-going re-balancing. And if that does not whet your appetite, consider cost measurement, where current costing techniques can well measure marginal costs only under conditions of constant returns.

- [4] Professional ties are extensive and intrusive. This is evidenced by extensive curriculum design participation rights ceded to professionals, reliance on professionals for human capital maintenance (e.g., PWC University), unbending accommodation of uniform licensing requirements, and the growing substitution

² See, for example, Joel Demski and John Christensen, *Accounting Theory: An Information Content Perspective* (McGraw/Hill-Irwin, 2002).

of professional for academic players in our classroom, especially in introductory courses. The net result is a substitution of professional services for investment in our own human capital.

[5] The secular interests of today's business schools are embraced and championed at every twist and turn in our academic activities. We have accepted and adapted to an unrelenting customer orientation, where the emphasis on placement is foremost and where student and donor concerns routinely abridge faculty responsibilities. We have perfected the secular art of feigned relevance, with its emphasis on today's entry level techniques, vocabulary and extensive professional identification. And this is all wrapped up in polls: student polls, press polls, colleague polls, and citation counts.

[6] History and foundations are absent, or nearly so, in our classes, in our textbooks, and in our major journals. Rather, today's job culture and today's rules take precedence over the foundations of and historical development of financial measurement. There is a serious, cumulative side to our studies.

[7] Our journals have become homogenized, tribal, and governed by self-protective social networks. The vast bulk of our published work is insular, largely derivative, and lacking in the variety that is essential for innovation. Arguably, our published work is exhibiting more and more of a job placement and retention

focus.

- [8] Hardly anyone “touches” the data, but elects to substitute literature derived control variables and problem formulations for familiarity with the infrastructure that produced the data. To see examples of how in depth familiarity with what produces the data affects the analysis, see Scherer’s *Quarter Notes and Bank Notes: The Economics of Music Composition in the Eighteenth and Nineteenth Centuries* (Princeton University Press, 2004), Jonathan Feinstein’s *The Nature of Creative Development* (Stanford Business Books, 2006), or James Heckman’s "Micro Data, Heterogeneity, and the Evaluation of Public Policy: Nobel Lecture," *Journal of Political Economy* (2001).
- [9] Accounting per se has disappeared from our activities. Likelihood structures or random variables routinely substitute for accounting structure. Simple models of accruals, as opposed to sophisticated, economic based structural models, based on accounting structure and economic fundamentals, are routinely employed in our research and teaching. And most telling, choices in accounting measurements are routinely ignored, such as the choice to nudge eps or to forecast at a specific time and with a specific amount. Indeed, virtually no issue in accounting would exist were it not for management’s choice behavior, though this is treated as largely second order in the vast bulk of our teaching and research.

[10] Accounting scholars have largely disappeared from the scene, and are replaced by conditional, adjective laden, tribal specialists. This pattern is omnipresent in our teaching, our research, our PhD training, our hiring, and our promotion decisions. And it all comes complete with blocked communication, tribal warfare, and tribal rituals.

Credence Goods

What explains this state of affairs? Venturing into even more personal opinion, education has many of the earmarks of what economists call a credence good. (See Uwe Dulleck and Rudolf Kerschbamer, “On Doctors, Mechanics, and Computer Specialists: The Economics of Credence Goods,” *Journal of Economic Literature* (March, 2006).) In such a setting, the provider is much better informed about the treatment that will be most effective. Health and auto care are related examples. We know absent verification and sound trading arrangements that the resulting trades are inefficient, and various institutional arrangements thus surface, such as the Hippocratic oath, licensing, and random monitoring.

In turn, important credence features in accounting education relate to the nature of our institutional setting, its temptations and pressures. We face a profound and ever changing array of rules and regulations, treatment takes years, and treatment quality is neither well defined nor readily ascertainable. (Witness the NASBA debacle.) The net effect is relative performance evaluation based on quasi-indicators has become the norm: CPA exam pass rates, GMAT scores,

Business Week or *US News* rankings, student evaluations, citation counts, and peer-based, intra-tribe evaluation.

What emerges is a classic “bad” equilibrium. We have tribe-based, self-protection, an over-emphasis on rules and regulations, and an over-emphasis on first job training (documented, I quickly add, by graduate employment rates).

Passion

How might we break this equilibrium? Here, it seems to me, innovation is essential. This will not come from the AAA or a AAA-professional committee, or a re-commissioning of the Accounting Change Commission. Rather, if it comes it will come from a small number of scholars who are willing to thumb their noses at the status quo.

This will require unrelenting passion, a willingness to experiment, and an emphasis on doing as opposed to keeping our jobs. Where this might lead is unclear. But where the status quo takes us is clear, embarrassing, and unacceptable.

Conclusion

In conclusion, accounting is an ever narrowing, insular vocational enterprise, is not today an academic discipline. But it could, and in my opinion, should be an academic discipline. Even

if you disagree with my assessment, you should ask yourself whether the state of academic accounting, in your view, is what it could and should be. The stakes in this game are enormous and serious.

What we are talking about is responsibility for the academy: not whether accounting belongs in the academy, not about you or me, not about our students, not about our journals. It is about our responsibility to and for the academy.

We are at present a troubled enterprise. Our research is largely derivative, bifurcated and far from foundational. Our textbooks are intellectually embarrassing. Our intellectual contribution to the academy has asymptoted to nil. The care, feeding and deepening of our intellectual foundations has been ceded to regulators. Our responsibility is not to do well or to prosper in this culture, it is to do good.

Mutiny is the only path I see at this point. It is time to strike out, to change the game, to ensure accounting has an honorable presence in the academy.

To be sure, this lament is not new to me or to John, or even to our generation. What is new is its perfection, the unrelenting vocational approach to all our activities. So who will step forward and put innovation front and center? I don't know. But John and I do know two places that won't.

How ironic that a subject with emphasis on stewardship should drift so far from its own fundamentals, to abandon stewardship in its own backyard.

Statistically there are a few youngsters who came to academia for the joy of learning, who are yet relatively untainted by the vocational virus. I urge you, whoever you are, to nurture your taste for learning, to follow your joy. That is the path of scholarship, and it is the only one with any possibility of turning us back toward the academy. Don't play the game. Redefine the game.