



Theory for Accounting or Accounting Theory: An Essay on the Interaction between Economics and Accounting

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Abstract

The disciplines of general economics and business economics have been growing apart. Business economics has a more practice oriented and multidisciplinary focus. The background for this paper is the question whether, and in what manner, general economics can contribute to the development of business economics. This paper delves into the roots of the old-institutional economic school, in particular into the ideas of Schmoller. More specifically, it is a preliminary investigation into the question whether the insights of the old-institutional school can have a bearing on (management) accounting research. Some future directions in this respect are suggested at the end.

Keywords: accounting, old-institutional economics, multi-disciplinarity

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In 1998 the first national day for business economics was held in the Netherlands. During this conference the place of business economics in the field of general economics was a much-debated issue. Helmantel, in a 1999 paper attempts to derive a workable definition of “business economics.” “According to the economics which ‘everyone’ should know,” he states, “the question of what business economics is, could be answered by the statement that business economics concerns decision making about the allocation of scarce resources in companies, firms and institutions.” Business economics differs from general economics because it focuses on decision-making procedures within firms. But, he admits, this specification of economics is too narrow. In every day business economics we see a strong tendency to investigate practical issues, and a multi-disciplinary approach, which has led to a strong fragmentation of the discipline. This is especially true for accounting. It was a good reason for a group of researchers from the Erasmus University Rotterdam and the Open University of the Netherlands to have a closer

look at the theoretical foundations of economic science that could bring economic science and accounting closer together, because apparently the two disciplines had lost track of each other.

Without having the pretention of immediately improving the state of accounting research, it could be rewarding to discuss a for accounting less familiar research approach to see what its characteristics might be. In this paper we will use the line of research advised by Scapens which displays familiarities with institutional economics. Gruchy (1969), an important advocate of the old institutional economics, describes economics as the science dealing with the study of the structure and functioning of human relations, focused on the provision of goods and services so as to satisfy human needs. It is the study of changing cultural relations that arise in the creation and the possession of scarce material and immaterial goods and services by individuals and groups, in the light of their private and public needs.

If we wonder how accounting instruments fit in this economic science, we can find answers in the work of Scapens (1994). He states: "The institutional framework (...) views accounting practices as institutionalized routines which enable organizations to reproduce and legitimize behaviour and to achieve organizational cohesion."¹ In this way accounting routines and instruments shape the relations between people and the decisions of individuals, but only within organisations and aimed at realising the missions of these organisations. Interpreted in this way we could regard the object of study of accounting as being a specification of the broader object of study that Gruchy assigned to institutional economics. So, it is prudent to delve deeper into the backgrounds of institutional economics and proceed with the characteristics of accounting research that moves along the same lines. In the following paragraphs we will first discuss the historic roots of (old)-institutional economics and the way in which the supporters of this approach used their methods. Then we will see how it can fulfill a role in accounting research.

1. The roots of institutional economics

On 21 January 1995 Professor Fase reviewed a book on John Kenneth Galbraith in a Dutch newspaper, NRC-Handelsblad. In this article Fase stated:

Economists appear in different species. Roughly speaking, there are two, maybe three main groups. On the one side you have those theoretical economists that were inspired by Marshall, Walras and Keynes. They have given the science great abstraction and academic prosperity, and are esteemed highly in their own scientific circles. A narrow, mostly formal manner of discussion is their trademark and academic security without much social anxiety with mutual high esteem a prominent characteristic.

On the other side there is the visionary mainstream, inspired by the German-Austrian organic descriptive, partly sociological-historian tradition. Its trademark is the living economic reality. In leading economic journals, you seldom see this approach, because contemporary academic fashion prefers no-risk puzzling to fantasy-filled reflection about great themes. In between lies the sympathetic island, inhabited by empirical and econometric workers. They are regarded with high esteem, although their work is often not regarded as the real reality (Our translation).

Dutch economists like to provide practical policy and management advice, as Klamer and van Dalen show in their book, *De telgen van Tinbergen*. Their field of research is truly the living economic reality. But, if we take a look at the methods and techniques these economists use, more often than not they are opposite to the instruments we should have expected according to the words of Faise. Not the German-Austrian mainstream is central in their considerations, but the mostly abstract and formal way of reasoning of Marshall, Walras and Keynes, often united in the neoclassical approach in economic science (although when mentioning Keynes we have to be careful in the words we choose to avoid confusion.)

1.1. Schmoller²

The cause of this contradiction originates in part from the fact that Dutch economists are not familiar with the German-Austrian mainstream, because in their Anglo-Saxon manuals this approach of economic science is not brought forward. We ought to be amazed at this fact, as most of the Dutch society's institutions, are based on, or correspond with the scientific ideas of the German-Austrian school and specifically Gustav Schmoller's theory. This does not only concern those institutions important to the functioning of the Dutch economy according to the Rheinland-model, but also involves issues like the structure of our judicial system, the tax-system, the role of bookkeeping in a firm, and the notion of good merchantship.

To get a better view of the difference between the German-historic school (Schmoller) and the neo-classical school it is important to have a closer look at the personality of Schmoller and his way of thinking, a narrative of which can be found extensively in Hansen (1996). Gustav Schmoller (1838–1917) was born in the vicinity of Heilbronn in a family that soon lost its mother. He spent a lot of time in the office of his father, a tax-administrator, where he learned the foundations of political economy and economic governance of the state. During his holidays he could often be found in the nurseries of his grandfather Carl-Friedrich Von Gärtner. Gärtner tried to develop plant hybrids using many kinds of experiments. Because of the success of his programme around 1830 there was a departure from

the founding axioms of biology, and a new field of research concerning the adaptation and changing of plant species could be opened. It was for this research that Gärtner was decorated by the Royal Dutch Academy of Sciences. Following the methods of his grandfather, Gustav Schmoller got his first impressions of a solid research method that could lead to the confirmation or rejection of assumptions, and aims to filter out wrong hypotheses.

Schmoller adopted this approach rather quickly, which initiated the change from a reflective way of thinking to a more active one, combined with a lot of experiments. Important insights that could not be checked in reality by observation or experiment and could fail, did not belong in the house of science according to Schmoller. It is not the deductive derivation from generalisations which are regarded to be true in advance, that Schmoller saw as the main activity of science. The description of the particular should be used as a starting point, after which generalisations could follow. For Schmoller a prior correct interpretation of a concept, like income, or a scientific description as Adolph Wagner used them, did not exist. In Schmoller's way of thinking the formation of concepts depended on specific situations, so the contents of these concepts could unfold conditional on time and place. Inductive generalisation could lead to more general hypothesis and to a more general specification of concepts.

Other than a vision on the cycle of induction and deduction, that comes forward when shaping and testing hypothesis, Schmoller acquired a permanent impression of the possibilities and impossibilities for correcting nature's development, if one has accumulated knowledge of nature by meaningful organization of empirical research activities. The formation of institutions by way of influencing their development, which we will elaborate on in the following paragraphs, can be seen as an extension of this approach.

1.2. Methodenstreit

Many scholars accuse Schmoller of lacking the methodological backgrounds, which are so important for science in general. This judgement even remained after Schmoller (1883) wrote down his methodological argument, which we also know as the historical-inductive method, in a long article. In the article he described the vital elements of the methodology used in the natural sciences at the beginning of the 19th-century, which discerned it from the methodology of the natural sciences (biology) in the middle of that century, and he showed how this approach could be made feasible for economics. In this last part we also see the influence of Whewell's inductivism. One of the most important clarifications in Schmoller's methodology considered the role of concepts and the classification of their scientific content. The disagreement between Schmoller and many other scientists about the way of reasoning which should be followed in economics is known under the

name “Methodenstreit” [battle of methods]. Actually there have been different battles-of-method, however with respect to methodology, the “Methodenstreit” between Schmoller and Carl Menger was the most important one, although Menger was nothing else than a substitute for Adolph Wagner, who was Schmoller’s real opponent in the social arena.

For a criticism on Schmoller’s methods, often reference is made to Menger’s classification of economic science. In this important piece, originating from Menger’s dissertation, Menger views the insight in the “generelles Wesen” of our surroundings as the focal point of all theoretical disciplines. A practical elaboration of this approach for economics is found according to Menger in the “deductive method” developed by John Stuart Mill.³ Schmoller refers to Menger’s dissertation in his *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich* in 1883, in which he regards the work of Menger as a part of an obsolete, old-fashioned way of science; a way of thinking that is based on the classical philosophical notion of science by Aristotle, in which definitions are seen as a-priori insights to empirical reality.

Menger answered the same year with a furious response, in which he regarded Schmoller’s notion of history as ridiculous and rejects his methodological conceptions. Formulated simply, he regarded Schmoller’s work as a collection of historical facts without theoretical background.

Menger’s ideas correspond with the notion of science generally held in that period, which would entail that economic policy should weed like a gardener the law-like generalisations which come forward from empirical reality, and use them as a-priori principles. In his theory, the definition of an ideal situation in the national economy by using the maximisation of individual levels of utility plays a very important role.

The fact that his definitions were based on the comparability of different sorts of utility, that could never be filled empirically, already shows that Menger’s method would meet criticism. This criticism grew stronger the more abstract his thinking became and the link with reality was neglected. While Adam Smith always used very realistic and extensive descriptions of historical backgrounds, his followers only touched upon those issues which they concerned as “essential causes.”

In Schmoller’s theory the deductive approach can be useful, if it is not part of some kind of a-priori line of reasoning. The results of deduction should be tested, concepts should be provided with empirical content, hypotheses be liable to change, and so forth. In his opinion, every situation is unique. Sometimes a hypothesis is corroborated and sometimes it is rejected. If a hypothesis is corroborated we can state that the results of the deductive approach contain truth for the given situation.⁴ In accounting we see more and more researchers using the inductive approach, which brings forward hypotheses that can be tested, and sometimes amended. Little by little researchers are generating transcendent knowledge, always after inductive processes. In this approach concepts are not defined axiomatically beforehand, but a gradual development of the content of concepts takes place based on empirical research.

2. The inductive method in practice

So far we have stated that we will complement the ex-ante deductive approach with an ex-post inductive approach. If we want to follow this inductive approach in the right way, than it is important again to bring Schmoller to the fore, because he used many indispensable tools for today's problems. Although these aspects of economic science are not always most relevant to accounting, we will name them for the sake of being complete.

Schmoller put the state in the centre of economic analysis. In his view it is the state that can bring societies to a higher economic level, because it can provide for a framework within which complex market processes can take place, by arranging different institutions. So by designing institutions and by influencing their path of development, the state can lead a market economy into the right direction and stimulate its economic development. The scientific influence on the design of public governance, as an integral part of economic theory, is another important aspect of Schmoller's contribution to economic science. The study, analysis and design of 'institutional routines,' as Scapens characterises accounting principles, is the extension of Schmoller's interference with the arrangement of public governance.

Another aspect of Schmoller's approach to economics is his radical support of interdisciplinarity between all aspects of social sciences, including economics. Practicing economics without considering law, sociology, cultural sciences etc. to him was unthinkable. From the outset of his academic career Schmoller had a profound interest in the use of institutions for solving social problems and for bringing coherence into market economy.

Today, these developments continue in disciplines like law-and-economics, institutional economics, evolutionary economics and economic history (cliometrics). Disciplines that have earned an impressive number of accolades in the last decade, like the Nobel prizes for Buchanan, Stigler, North, Fogel and Coase. Law and economics was always fully present in Schmoller's economic writings. Schmoller (1921) emphasizes many times, especially in the *Grundriss der Allgemeinen Volkswirtschaftslehre*, that a juridical foundation of society, by which he meant both law, and norms and habits, is essential for the outcome of the economic process.

The multi-disciplinary approach of Schmoller's work is very recognizable for the accounting discipline. Although often in a different form, we encounter other elements reminiscent of Schmollers's work in the accounting practice too. The board of directors of a firm as an analogy for the role of the state, the importance of norms and values for the development of a firm, or the attention to rules, routines and habits which could characterize an organisation. The agency-theory or transaction costs approach may not be mentioned as such in the work of Schmoller, the insights that can be found in those theories have clear resemblance to the work of Schmoller. For more examples, see the work of Max Weber and the way in which he describes processes in bureaucracies.

2.1. *The historical-inductive method at work*

A relevant application of the historical-inductive method can be found in the discussion about the design and implementation of the system of income-tax in Saxony at the end of the 19th century on the one hand, and that of Prussia on the other.⁵ Schmoller, the founder of the income-tax system in Saxony (1874/1878) in his tract of 1863 “Die Lehre vom Einkommen in ihrem Zusammenhang mit dem Grundprinzipien der Steuerlehre” shaped the idea that the notion of income should be derived from the standard of financial capacity, a standard that is independent of every kind of production. According to Schmoller income was “. . . . the amount of money, which can be spent by someone for himself and his family, . . . in a business cycle, without decreasing his wealth” [Our translation].

This concept of income is picked up later (1896) by one of Schmoller’s pupils, Schanze, and is named “the augmentation of wealth” theory. A more precise definition of income is not given in this theory, as Schmoller regards definitions as nothing but bold instruments used for solving problems that will not give us insights in reality. Income only has “buchhalterische Existenz” and is derived from what is seen as a reasonable income tax in practice. The introduction of this system of income-tax initiated a strong growth in the number of schools (Leipzig) for teaching accounting methods in late 19th-century Saxony. Eventually the Saxons were enthusiastic about the way in which their system of income-tax was designed.

In Prussia, Wagner and Fuisting were the founders of the income tax (1891). Wagner played an important role in introducing the income tax in Prussia, because besides being a great economist, he also was a delegate in the Prussian parliament since 1882, and a member of the committee advising Minister Scholz on Prussian income-tax reform. Wagner’s scientific ideas were based on the Aristotelian notion of science, which he expressed in the continuation of the handbooks of Karl-Heinrich Raus.

The treatment of political economics within the domain of social sciences demanded by Schmoller, was categorically rejected by Wagner. He confirmed himself to belong to the old “abstract dogmatic economic science” (Our translation), whereby he tried to adhere to the direction mentioned by Carl Menger and his deductive method. Due to his opinion on economic science, the standard for income according to Wagner, could only be defined by market income, and not the other way round, as Schmoller stated. Everything that can be derived from the market, i.e. the fruit (the income), can be taxed, the (market) source itself cannot be taxed. For the income tax in Prussia this meant that market income and the stock of wealth should in a conceptual sense be strictly separated, and the notion of income should be developed etymologically.

With respect to the theories of taxation we have entered the domain of source theory, which was developed further by Fuisting, who was educated as a lawyer. As could be expected, Schmoller rejected this notion of income, founded on the price-and production theory of Adam Smith, as a feasible foundation for the income tax, as he also rejected the assumption of three production factors as a source of

income. The choice for the arrangement of the income tax was a dogmatic choice and not a realistic one.

The introduction and implementation of a new Prussian income tax was not done quickly. The question was, why it should differ from the design of the income tax in Saxony, if in Saxony income taxation in theory and in practise met the requirement of an income-tax dependency on the financial strength of the taxpayer? Wagner responded by saying, that what is right dogmatically, should also be right in reality. Because Wagner, but also Fuisting, were important persons in the political decision process in Berlin in those days, as can be read in Hansen (1996), the income-tax according to Wagner gets a chance to be introduced and is a fact in 1891.

Quite soon after the introduction of the Prussian income tax the unjust aspects of the system became apparent. An injustice that corresponds with the fact that the wealthy people in society did not have to pay income taxes on the growth of their wealth, while the labourer had to pay taxes on his low wage.

3. The old-institutional economics

As a backlash to the Second World War, the German historical school and its approach lost its popularity and fell in disuse with the Dutch Economists, but it did not disappear from the world of economic science. In the United States of America Veblen, Commons and Ayres were very successful under the banner of old-institutional economics in the beginning of the 20th-century. However, their approach and the approach of their followers gave way to the power of the neo-classical approach in (business) economics. Especially the statement that the old-institutionalists collected facts without theory gave the school a low academic standing, after which it proceeded silently, but not without spirit. A lot of followers remain also in Germany, but the influence Schmoller had in the nineteenth century disappeared, although a number of institutions created according to the views of Schmoller, still remain.

Economists that put institutions at the centre of their research in their work share a number of characteristics of which we will mention six. These characteristics can be found in accounting as well, if we look at it through the glasses of institutional economics. Firstly, institutional economists reserve a special place for "power" in the economy. In accounting research too we can see an interest in the meaning of accounting principles for power structures in an organisation, and in the way in which power relations determine characteristics of accounting principles.⁶ Secondly, institutional economists share a reforming skepticism with respect to institutions in their own economy. In accounting this might lead to questions like: how can we improve Scapens' institutional routines, and what are the benefits for the organisation? This reveals a tendency to redesigning institutions and redesigning accounting principles. Thirdly, institutional economists discuss the dichotomy between subservient and non-subservient (or technological and ceremo-

nial) activities and institutions. The ceremonial meaning of accounting principles appears when we regard them through the postmodern spectacles of rhetorics. Fourthly, institutional economists are united by an evolutionary approach that sees the economy as a process of ongoing historic development, not in terms of optimum conditions. Viewed in this way accounting principles and routines are formed historically and can be explained historically. Amending accounting principles should in this point of view be done by interfering with their evolutionary development. Fifthly, institutional economists share a holistic view on the economy, as they regard the economy and the acting individual in it as part of an evolving cultural entity (for example a society or a firm). For accounting we consider this to be an analogy of regarding accounting instruments as part of the planning and control mechanism used in running a business. Finally, institutional economists are typically instrumentalists in a special way, because they consider ideas, both positive and normative, as changing instruments in an ongoing adaptation of institutions for the purpose of stimulating the well being of people. At that point they probably do not differ much from management accountants.⁷

At this stage, we would like to recall Gruchy's description of economics. He saw economics as the science dealing with the study of the structure and functioning of human relations, directed at the provision of goods and services to satisfy human needs. It is the study of changing cultural relations that arise in the creation and the possession of scarce material and immaterial goods and services by individuals and groups, in the light of their private and public needs. Thus, where neo-classical economics chooses rational human behaviour as a determining criterion, Gruchy makes clear that economic science is engaged in more issues. It is the interdependence of a great number of entities in the dynamic process of forming human and social-cultural (interpersonal) relations arising from different ways of production, distribution and social reproduction. Not a specific form of conduct is the determining criterion for economic analysis in its meaning and approach, but a set of mutual linked variable problems, that arise from the satisfaction of individual needs and public goals. People hold a central position in economic science, not just the relation between needs and resources dealing with scarcity. Although, it is the aspect of "scarcity" that determines this approach to be classified as an economic one.

Institutional economics can be separated from neo-classical theory and its direct branches in two ways. Firstly, neo-classical economics concentrates on the study of the allocation of resources, the distribution of income and the determination of the level of national income, output, employment and prices, in the way it defines economics as the study of allocative scarcity. Robbins (1925) defined economics as: "the science that studies human behavior as a relationship between ends and scarce means, which have alternative uses."⁸ Institutional economics adds another important economic problem: the way in which the economy as a whole is organized and controlled, and the way in which it evolves.

Secondly, even when institutional economists study the same topics as neo-classical economists; for example the allocation of production factors, institutional

economists bring forward a much broader base of quantities. Quantities that express their typically holistic and evolutionary views. So, institutional economists emphasize that the economy is more than only markets and that economic research should go beyond the pure market mechanism, and should address institutions and market structures that shape a market and that are operated by the market. Research should go further than supply and demand, and attention should be directed to institutional arrangements that influence both supply and demand. It is also clear that institutional economists are not satisfied with the mechanisms and principles stemming from neo-classical economics, like purely mechanical analogies, static equilibrium analysis, the search for determinism, simple methodological individualism and optimum analysis. Institutional economists emphasize an organic or more genetic evolutionary conception of the economy; cumulative and open causality; methodological collectivism enriched by a sophisticated methodological individualism; pragmatism and instrumentalism.

4. Accounting and old-institutional economics

In our opinion, the old-institutional economics contains methods and techniques that can be very useful in accounting. Van Lent speaks about “The institutional phenomenon accounting.”⁹ Given the multi-disciplinary approach we plea for a shift in the way theory is formed with respect to accounting. Multi-disciplinary theory formation for accounting should be central in the development of accounting research, although we are obliged to use the different methods correctly, and we should know which shortcomings of the approaches appear, and when they should be complemented with alternative approaches. In this way we could address the problem of the widening gap between theory and practise in the field of accounting.¹⁰

People and the relations between them in their conduct with respect to scarce means are central in our approach. Accounting instruments and procedures can be seen as methods to co-ordinate the conduct of individuals and to steer them in their mutual attempts to reach the goals of the firm. The accounting science should study the functioning of accounting instruments in practice. The economic aspect can be found in the concern with the added value of those instruments in reaching the goals of the firm.¹¹

In this approach concepts are shaped in interaction with reality.¹² Hypotheses by induction are designed which can be tested after deduction. In this way, which is also described by Scapens, a field of growing knowledge appears. We can *describe* how accounting principles originate within a firm and evolve in changing circumstances, how accounting principles influence power relations and sociological aspects of organizations, how accounting principles are subject of cultural influences, how accounting principles confirm the strategic direction of a firm, etc. The connection between accounting principles and other entities takes a prominent position, the same applies for influences from outside the firm, like we see in the

contingency approach. In this vein Hansen (1998) describes the tax accounting principles which emerged in Germany, Saxony and Prussia in particular, in the late 19th century.¹³ Next to description, we can go for *explanation* of events and facts. We can try to explain why accounting innovations can be adopted by organizations or not, or why the coordination of contracting-out activities cannot be achieved by writing a contract. Science can hold a mirror in front of practitioners,¹⁴ by showing how adhering to historically grown instruments can adversely effect their judgements. The role of accounting principles within the field of communication and rhetorics within firms can be brought forward. Possibly the next step can be made, that involves giving *advise* to those in practise by making designs, like contract relations or governance structures,¹⁵ or even giving *directives* like in the “conditional-normative accounting methodology,” presented by Mattesich.¹⁶ Depending on the goals of an organization, its culture, its past, its specific circumstances, etc., a way of coordination, by accounting routines and procedures, can be prescribed or rejected. The science of accounting generates statements that are context dependent and cannot be seen as scientific laws.¹⁷ This is no surprise as in our approach the extent in which accounting principles contribute to the attainment of the economic goals of organizations, like for example efficiency or added value, is an explicit matter of discussion. It depends on the circumstances and conditions which principles contribute to economic goals and which ones do not.

Although in this view accounting is explicitly focused on the economic issue within a firm, the mechanisms that are used for underscoring the description, explanation, prescription and design originate from many disciplines. For example, sociology, psychology, system theory, but also economics. Examples can be found in Humphrey and Scapens (1996), who use social theory in their accounting, or Mangos and Lewis (1995), who describe a socio-economic paradigm for analysing choices of accounting instruments by managers. An example of the introduction of economic theory in the neo-institutionalist fashion is the characterisation of the firm as a “nexus of treaties” in which the firm functions as a coordinating mechanism. Building on the combination of treaties that constitute a firm, we see transactions emerging with regard to goods, services, money and information between the different actors inside and outside the firm. Transactions shape various kinds of transaction costs, various principal-agent relations, and various solutions for design problems regarding the governance structures, that can activate transactions which contribute to the goals a firm or organisation strives for. Accounting has a clear value added in this approach, since it makes clear the various transaction costs, which give contents to “the Coasian theory of the firm.” Accounting can also give clarity about the various risks and uncertainties that correspond with various dimensions of transactions, like the ones brought forward in the work of Williamson (1975, 1985). Besides, accounting can try to solve the problems, which come forward when designing governance structures.

In addition, accounting can show us what effect laws, directives, habits, norms, values, social-systems and historical paths have on the development of a firm. In this way it shapes cost-benefit analyses, and clarifies aspects of efficiency and

effectivity, elements that show the link between accounting and economics. The exact features of those efficiency and effectivity aspects could be the object of a hypothesis, that could be tested for a certain area. In this way accounting brings clarity about the various alternatives. Alternatives that can take many forms, but should be made transparent for the specific environment, and as such can be taken as a basis for decisions by decision-makers. Institutionalizing norms and values, relations between people, the language of a firm, law and regulation within firms, all are important fields for research in accounting. Mechanism and principles used for the description, explanation or design that arise from economics in our view do not constitute the heart of a theory for accounting; however they certainly are a building block.

5. Final remarks

The article shows which aspects of accounting research become important if we structure the research according to the views of Gustav Schmoller, and his successors within the German-historical school and the old-institutional economics as we have seen it in the work of Hansen (1996). We think that this multi-disciplinary, inductive approach is a productive alternative for other approaches within accounting research, which have become questionable for many accounting researchers. However, we should not lose sight of the alternatives, because for example the neo-classical approach can bring important hypotheses, which can be tested after specification.

The old-institutional approach of accounting emphasizes the processes and institutions that shape the accounting principles and instruments. To show these different processes and institutions we think it preferable to structure research in a multi-disciplinary way. The historian, as well as the anthropologist, the lawyer, the statistician, as well as the economist can assist one another. For the economist it is interesting to investigate those institutions and processes that describe the way people deal with the scarcity of resources. Following this, the economist could have a look at the manner in which institutions, e.g. laws and regulations, as well as the coordinating mechanisms within firms, e.g. accounting principles, should be designed and implemented, to reach goals like added value, effectivity and efficiency. In this way a new accounting theory might arise like Humphrey and Scapens describe for a possible nearby future. A theory based on multidisciplinary sciences, shaped by people and by the way in which people interact.

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Notes

1. Scapens (1994), p. 301.
2. Much of the following three (sub)paragraphs are based on Hansen (1996).
3. John Stuart Mill's method has not been without controversy in England. For example William Stanley Jevons opposed firmly to the methodological ideas of Mill in his Principles of Science.
4. See also Klant (1978).
5. For another, thorough, description the reader is referred to Hansen (1998).
6. We can find many examples of this approach in the critical school of accounting research.
7. Atkinson et al. (1997) advise to use a "multi-paradigm, multi-method" approach for this kind of research.
8. Robbins (1962), p. 16.
9. Van Lent (1999), p. 127.
10. We follow the recommendations of Humphrey and Scapens (1996).
11. Scapens (1994)
12. For a discussion about the general use of such knowledge, see Lukka and Kasanen (1995).
13. Also see Section 2.1 above.
14. Vosselman (1999).
15. Van Lent (1999).
16. Mattesich (1995).
17. Ibid.

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