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Accounting implications in social welfare payments: a Foucauldian analysis

Ratnam Alagiah

University of Wollongong

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ACCOUNTING IMPLICATIONS IN SOCIAL WELFARE PAYMENTS: A FOUCAULDIAN ANALYSIS

A thesis submitted in fulfilment of the requirements for the award of the degree of

Doctor of Philosophy

from

UNIVERSITY OF WOLLONGONG

by

Ratnam Alagiah BCom., MCom.

Department of Accounting and Finance
November 1996
DECLARATION

I, Ratnam Alagiah hereby certify that the work presented in this thesis has not been submitted for a degree to any other university or institut

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ACKNOWLEDGMENTS

I wish to place on record my thanks to my supervisor Professor Michael Gaffikin. His constant encouragement over a number of years, his advice and patience were beyond that which any reasonable person should be called upon to endure.

To my wife, Devi for endless hours of listening, reading and commenting, I cannot imagine a greater expression of love.

This thesis is dedicated to my parents, Selvajothy and Alagiah Murugan, who sacrificed to teach me persistence and perseverance, and to my brothers and sisters, but for whom this study could never have been undertaken.
Knowledge is as wings to man's life, and a ladder for his ascent.

Bahá 'u'lláh
Here is a history of our times written on an unfamiliar theme. It is a study that uses Foucault’s archaeology and genealogy, as method in history, to explain three central themes. It seeks to explicate, firstly, the relationship between accounting knowledge and power. Secondly, it seeks to show how human beings create an object in accounting knowledge and how they later become its subject. Finally this study seeks to demonstrate that a human science such as accounting is instrumental in social control. Income, the alpha and omega of accounting, is discoursed and constructed, making up accounting knowledge. The archaeology of income explains income as a social construct. It is then used as a tool for social control to create power, to categorise and to exclude. Income is later regulated and practised through the power of an institution like social welfare. This thesis draws the relationship between social welfare and the object known as income, and how it (income) is the basis upon which ‘the poor’ in Australian society are created. This constitutes Foucauldian genealogy. This thesis will argue that accounting will never explain what income is because it is not accounting that holds the key to an explanation or description of income. Rather, it is income that holds the key to the existence of accounting, and it is only through its regulation and practice by initially confining ‘the poor’, and later by excluding, marginalising, categorising and hence controlling them, that we come to understand what income is. This view of history will explain why accounting exists and its relationship to wealth and poverty.
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CHAPTER 1

INTRODUCTION

We have now before us a divided society in Australia - divided along the lines of the wealthy and 'the poor'. Wealth and poverty are abstractions and are experiences that lie embedded in our minds. How did we come to think in terms of wealth and poverty? How and why have they come about? If not for the 'the poor' in society, wealth could not be imagined and would not ‘exist’. And it is in this organisation or scheme of society, that wealth calls for the existence of accounting. Wealth and accounting are partners in a delicate relationship each one sustaining the other.

Wealth assigns accounting in the creation of 'the poor' in order for wealth to be realised. Accounting, in its desire to measure wealth, draws up the balance sheet. For centuries, wealth was measured as the difference in the balance sheet at one period and another, taking into consideration contributions and payments to the owner of the business. Then with the radical shift to limited liability, accounting sought to calculate income through revenue less expenses. Accounting now was to determine and measure income.

Although the results are evident, the use of income as a means of social control by first discoursing it as an object and later subjecting people to it, is purely accidental in Australian history. If we are to purge society from the evident misapprehensions
of its present state, should we not historically understand and explain how we have collectively come to be this way? If we are to reorientate and reconstruct society’s institutions, are we not forced to return to history to re-examine the forces of power and knowledge that have practised the object and subject of income. If we are to reshape Australia’s history and destiny, then it is to history that we must turn - to learn from it and unmake what we have made in our desire to keep count and account. Income has marginalised ‘the poor’ in order for wealth to be realised and to exist.

This thesis argues that accounting will never determine, measure and master income, because it is not accounting that holds the key to the measurement of income, but rather it is income that determines the existence of accounting, and of wealth. It is through the confinement of the body, and later the consciousness of the ‘the poor’, through the practice and regulation of income that we come to understand what income is.

It is my purpose to highlight seemingly unconnected events and occurrences in the welfare history of Australia that uses income to marginalise a section of Australian society. It seeks to contribute to an archaeology and genealogy in the discourse of income. The focus is on the forms of practices and regulation of income in the creation of ‘the poor’ in Australia.

The central argument in Chapter 2 is that the traditional methods used in accounting
research, that of the scientific method may be unscientific. Applying Foucault's ideas stemming from his published work, *Mental Illness and Psychology*, the chapter proceeds to argue that accounting with its numerous definitions, may by applying the incorrect method of research in accounting. As opposed to science and the scientific method, history is the more appropriate tool for investigation in accounting.

Chapter 3 presents the methods and tools that Michel Foucault provides for analysis of an issue such as poverty. The central issues of Foucault's work may be summed up as relationships between power and knowledge and between objects and subjects. This helps examine the relationships and the use of the discipline and 'science' of accounting in social control. It appears in such an analysis, that our entire experience of wealth and poverty is made possible through accounting. This chapter also discusses the archaeological and genealogical methods.

A literature review of Foucault's work in accounting research in Chapter 4 interprets a vast array of control techniques and the studies show (1) how the relationship between knowledge and power is sustained, (2) how human beings are the object of knowledge and later become the subject, and (3) how the human sciences have been instrumental in social control and discipline.

Having now established the grounds for an analysis of wealth, the focus in Chapter 5 is to determine the experience of wealth through some form of counting. Both ancient and contemporary history provide sufficient evidence that the practice of
counting and later of accounting bring about the experience of wealth. This has implications to our earlier preconditions for the rise of accounting and systematic bookkeeping. It postulates that the rise of bookkeeping and record keeping are the result of an intense desire to keep count and determine wealth, both at the individual and societal level. It is argued that it is only through the determination of wealth that general poverty is materialised.

Income and its use in the investigation of poverty is explored in Chapter 6. What is evident is that all poverty studies undertaken try to measure income and the poverty line. The very act of measuring determines wealth and poverty constructs, enabling systematic poverty to emerge as the investigation of poverty becomes institutionalised.

The archaeology of income discussed in Chapter 7 will show that income is a social contract brought into reality through discourse, and is used as a tool in social control. The use of income by the institution of welfare as a regulatory factor increasingly contributes to poverty being a systematic event.

In Chapter 8, the contribution of accounting knowledge lies in the construction of the object known as income. By regulating income, human beings become the subject of income. The history of social welfare in Australia bears testimony to the categorisation and marginalisation of society. Evidence to this is presented in Chapter 9 in the discussion of two distinct groups of people - the Aborigine and the
migrant.

In Chapter 10, the genealogy of income provides an explanation for the concept of the existence of wealth. In such a genealogy, income found in accounting is constructed, discoursed and becomes the knowledge axis. Institutional power structures such as social welfare regulate and practice income as a mechanism of control, hence creating a divided society.

Finally, Chapter 11 provides some conclusions.

In its broadest outline, the historical time span through which this thesis traverses can be divided into four phases. In the Primitive Age, a period circa 10,000 BC to 1844 AD, the simple act of counting through a passive record keeping of goods, possessions and services, owned and owed released the concept or the experience of wealth. A concept of general poverty is known for this time. The second phase comprising the Formative Age, follows the passing of the Corporations Act in 1844 which provided for limited liability. The concept of income is discoursed, brought into the realm of reality and becomes an object. From 1862 to 1901, I have identified the Iron Age - a period during which individuals were confined to poor houses based on his or her income. This is an instance where the population is made a subject of income. Since the Federation of Australia in 1901, a Transitional Age emerges during which time, physical exclusion and confinement gives way to a more subtle
form of social control by the use of income in social welfare, leading to the concept of systematic poverty (For a linear representation of time and events, see Fig. 1).

Fig. 1 Linear representation of the historical development of Counting/Accounting and its relationship to Wealth and Poverty

The four distinct periods that are identified are of unequal duration, but are interrelated. Even as each of these periods revolve around its own theme, the connecting link of the use of income cannot be overlooked.

The ontological and epistemological foundations of this thesis are that all knowledge is socially constructed and this includes accounting knowledge. The reality of knowledge is subjective, and this is the reason why accounting constantly attempts to meet the requirements of a changing society.
The thesis argues that accounting will never determine, measure and master income, because it is not accounting that holds the key to the measurement of income, but rather it is income itself that determines the existence of accounting, and of wealth.

It is firstly through the confinement of the body, and later the consciousness of 'the poor' through the practice and regulation of income, that we come to understand what income is.

It is my purpose to highlight seemly unconnected events and occurences in the welfare history of Australia that uses income to marginalise a section of Australian society.
2.1 What is the nature of accounting?

A common understanding of accounting is that, accounting attempts to reflect economic phenomena as in the form of transactions, and through transactions, into numbers (Gaffikin, 1993, p. 23). Accounting attempts to measure and transmit occurrences and phenomena in the physical world or the world of the seen into the world of the unseen, the world of the mind by the use of numbers. Through the use of price, a transaction occurring in the physical world is recorded by accounting. Accounting then systematically arranges and rearranges these numbers to provide the 'result' of all transactions for a period. Accounting reflects real world events and transactions into the abstract world of the non-physical, through determining what income is.

The number that is derived is the result of an agreement between two parties or entities to use a common standard: price. This is, in a very real way the essence of accounting. For Gaffikin (1993), accounting is an information system that is useful to the receiver of that information, for the purpose of making economic decisions. Accounting then involves the recording, classifying, reporting and interpreting of
For Hoggett and Edwards (1990), accounting is a language, as it communicates information from one entity to another. In communicating this information, the receiver must understand the message that the sender intends to convey. A language that is not understood may not be very useful for making economic decisions or any other decision. Hoggett and Edwards define accounting as the process of identifying, measuring, recording and communicating economic information to permit informed judgements and decisions by users of that information (1990, p. 5). Such a view affirms the idea that accounting communicates information from the physical world to the intangible world of decision making and judgements.

Clift and Roberts (1990) avoid the obvious question of "what is accounting?" by stating that a definition of accounting amounts to what accountants do. Such a definition may not be very helpful, since the task that the accountant performs is vast. Clift and Roberts describe accounting as the collection, classification and interpretation of information about financial transactions. Accounting is also the study of concepts, theories and principles that guide the collection, classification and interpretation of financial data. According to them, accounting is the recording of information about items of value (1990, p. 3). Value, as in true economic value, is the satisfaction that a person receives when he/she consumes a good or service. It may be worth noting that 'value' is a quality of the intellect and does not pertain to the physical world. Thus, accounting communicates information about the world of
matter to the unseen world of the intellect.

For Barnes et al. (1991), accounting is described as a process by which transactions that have some impact on the operations of the business entity are recorded, classified and summarised in monetary terms. Such a description draws a distinction between the process of bookkeeping and accounting. Bookkeeping, according to Barnes et al., is the collection of information about business transactions while accounting is the sorting and summarising of that information collected by bookkeepers, and communicating it to the user. With such a view, accounting is perceived as being the intermediary between the physical world and the intellectual world. Accounting is the instrument, the means by which information is conveyed from one dimension to another.

For Martin (1984), accounting and accountants have the capacity of bringing together a mass of seemingly unrelated events, mostly economic in nature, into a form that summarises, and which has an impact on an organisation or an individual. "Several million transactions may be summarised on one page of financial results in an annual report and further condensed by financial analysts into one figure, known as the earnings per share" (Martin, 1984, p. 3). Thus, this one figure conveys information that occurred through transactions and events, into the abstract world of values and categories.

To Horngren et al. (1992), accounting is a system that measures, processes and
communicates the findings of business activities, and is the language of financial
decisions. This decision, which uses the processes of the intellect, is assisted and
aided through information that is conveyed through accounting. Indeed, accounting
is indispensable to making informed economic decisions.

Perhaps more closer to the point, Kloot et al. (1991) state that accounting is the art of
interpreting, measuring, describing and communicating economic activity, and that
without accounting information it is unlikely that the efficient allocation of available
resources would be achieved. "Accounting concepts and information are vital in
determining who gets what in our society" (p. 2). Thus, accounting is a means by
which society distributes and redistributes resources in society.

This view of accounting is further sustained by the Australian Society of Certified
Practising Accountants (ASCPA) and The Institute of Chartered Accountants (ICA)
in Australia in their statement: "Efficient allocation of scarce resources will be
enhanced if those who make resource allocation decisions, such as those groups
identified above, have the appropriate financial information on which to base their
decisions. General purpose financial reporting aims to provide this information"
(ASCPA and ICA, 1993, p. 104). Given the above statement, it may be concluded
that accounting is a system that redistributes scarce resources and wealth.

For Carrington, Battersby and Howitt (1975), accounting operates as an information
system. Accounting is one source by which individuals and organisations derive
information to guide their economic and financial activity. "Originally accounting data was regarded solely as an historical record of past activities, built up item by item as a precise representation of each event. The earliest purpose was to keep a simple record of the acquisition and subsequent use of cash and other resources. This record helped to safeguard the funds by reminding the owner of their amount and form" (p. 17).

For Kohler (1975), in A Dictionary for Accountants, apart from being the recording and reporting of transactions, a report of transactions by one responsible for acquiring, safeguarding, or administering assets or incurring expense, the disbursement of cash advanced, or the carrying out of any assigned task, or any report embracing the transactions (including all changes in accounts) during a designated period, accounting is "the art of recording, classifying, and summarising in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof" (p. 8).

Belkaoui (1992) provides a useful summary of the alternative views and images of the nature of accounting. Accounting is now seen to be an ideological phenomenon resulting from certain dominant ideas that helps sustain and maintain the present social, economic and political status quo. It assists in the mystification of social relationships and creates a false consciousness along with the many pseudo values that come along with such a deception. Accounting is also seen to be an instrument of economic rationality and of the capitalistic system.
Accounting can also be seen to be a language and acts as a language. Accounting communicates information about transactions and events in the economic world, just as newspapers communicate events. If the arrangement of symbols is called language, along with rules of patterning and usage, then accounting qualifies as a language since accounting is the arrangement and the rearrangement of symbols, according to some assigned rules. Thus, accounting is seen to be the language of business.

Accounting is also seen to be a historical record. Accounting provides a history of events and transactions that took place in that entity. It also provides a history of the manager's stewardship of the owner's resources. Accounting enables the manager to discharge or give account of his/her actions on a regular basis to the owner of such resource.

Accounting is also viewed as current economic reality. Chambers (1965), for example, argues that accounting should be the reflection of current reality. It should present information about the entity which is current and not based on past historical data. The value of using historical data is questioned. If decisions have to be made at the current moment, the value of those decisions will be greatly enhanced, if they relate to the current time. Such a view of accounting would argue that accounting is useful only if it provided information about current activities to enable decisions to be made. The motivation of such a view is to determine true income. True income is the change that the wealth of a firm or an individual goes through, from one period to
Accounting is further perceived as an information system. An information system is one that links the provider, in this case the accountant, to the channel by which information is communicated, with the receivers of such information. It involves the encoding, communicating and decoding of information. Thus accounting is perceived to be an information system that is used to convey information about the firm to the users of such information.

Accounting is also perceived to be a commodity. A commodity suggests that it is a movable article of trade, along with the identification of economic wealth, which can be bought and sold. Such a view suggests that there is demand for accounting and there are those who supply accounting information. As a product that can have a great impact on society and the environment, accounting is open to regulations, as the forces of demand and supply operate.

A further classification of accounting is the one given by Godfrey, Hodgson, Holmes and Kam (1994, pp. 12-14), where accounting has been described as an historical record, intracorporate politics, mythology, magic, as communication-decision information, economic good, as social commodity, ideology and exploitation, and as a social club.

The Committee on Terminology of the American Institute of Certified Public
Accountants defined accounting as the art of recording, classifying, and summarising in a significant manner and in terms of money, transactions and events which are in part at least, of a financial character, and interpreting the results thereof (AICPA, 1953). The American Accounting Association in 1966, offered this definition of accounting, which is the process of identifying, measuring, and communicating economic information to permit informed judgements and decisions by users of the information (AAA, 1966). Later in 1970, the Accounting Principles Board, (APB, 1970) describes accounting as a service activity useful to provide quantitative information, primarily financial in nature about economic entities that is intended to be useful in making economic decisions, in making resolved choices among alternative courses of action.

For the purposes of this thesis, accounting is seen as a discourse resulting from a system of determining a method to establish a representation of wealth. In short, accountants discourse and dialogue about wealth.

With the development of such diverse views of accounting, it may be concluded that accounting defies definition. Indeed, definitions of accounting change according to the requirement of time and place. Such a view puts accounting not in a static and absolute position, but rather that a definition of accounting is determined by the circumstances that surround it. For example, in 1966 the American Accounting Association's Committee to Prepare a Statement of Basic Accounting Theory defined accounting as the process of identifying, measuring, and communicating economic
information to permit informed judgements and decisions by users of that information, but later state, "This definition of accounting is broader than that expressed in other statements of accounting theory" (AAA, 1966, p. 1). This would indicate that definitions of accounting will change and remain changing.

2.2 The nature of accounting

For the purposes of this thesis, the nature of accounting is such that it identifies wealth, and measures, records and communicates information in relation to wealth. Accounting then, seeks to identify among all the activities that take place, only those actions and events that can be identified by way of monetary terms, and attempts to measure and record wealth and communicate information to persons who wish to use this information about a person's or an entity's wealth. For Gaffikin (1993, p. 23), accounting represents the exchange of resources between two entities as a number. This number, is the money measure upon which the two parties to the transaction have agreed: the price. Accounting is also an abstraction, and records and communicates information about wealth. Such a view perceives accounting as the identifier, measurer, recorder and communicator of information about wealth, and about affluence. Witness also the statement by the American Accounting Association (1966) : "In the past, accounting for external use has been based upon concepts of income and wealth" (p. 2).
It must be pointed out however, that accounting does not exist on its own. While accounting is the process that identifies, measures, records and communicates information on economic events or wealth, accounting insists on the existence of human reason. Indeed, it is NOT accounting that identifies, measures, records and communicates information on economic data, but rather it is the reasoning ability of the accountant that identifies, measures, records and communicates economic data and information about wealth. Accounting does not exist without human reason. Accounting does not appear 'out there' but rather is a construction and an invention.

This view of the nature of accounting suggests that accounting is a process used by human beings to identify, measure, record and communicate economic events in relation to wealth. Since it is a human construct, it employs human thought, memory, understanding, imagination and the common faculty. The above view of accounting would also suggest that accounting is a human invention and therefore, a human science.

2.3 What is accounting phenomena?

In attempting to theorise in accounting, an important question that arises is, "what is accounting phenomena?" In other words, what does accounting essentially deal with, and how does a phenomenon occur in accounting?
A useful starting point is the one stating that the facts of accounting may be postulated as objective data which can be observed, and comprise of things and persons possessing a certain physical objectivity which constitute accounting phenomena. For Goldberg (1965), accounting phenomena is a relationship of ownership and/or use (or control) of property and a means of measuring that relationship. This implies that accounting creates a relationship between the owner and controller of property. Thus, it is human interest and motive, that creates accounting phenomena. Accounting phenomena then insist on human reason for their existence, and are therefore of human construction. Accounting phenomena do not happen on their own but clearly depend on human intent. This view of accounting does not support the objectivity of accounting as many would have us believe.

2.4 Theorising in accounting

As in other disciplines, there have been attempts at drawing up a theory of accounting which is meant to guide accounting practice. However, no one such theory of accounting exists and accounting has been shown to be unimaginative, unintellectual without a theory of its own, and methodologically unsophisticated (Gaffikin, 1987). Accountants have as a consequence attempted to draw up a conceptual framework and in this process have attempted to legislate a theory of accounting (Sterling, 1980). However, the usefulness of the conceptual framework
has been questioned (Miller, 1985; Hines, 1988). The value of a theory in accounting is that it may be used to justify or refute accounting practice. Accounting theory then comes from the need to provide a rationale for what accountants do or expect to be doing. The lack of a general theory in accounting is a cause for concern.

The question of whether we will have a theory of accounting remains unanswered despite attempts to formulate it. Perhaps the first signal work towards a theory of accounting is the work by Chambers (1965), which was to explore the economic and social foundations of accounting in pursuit of a body of general ideas on which the practice of accounting is or may be based. This implies that any theory in accounting must relate to the social and economic conditions in which accounting operates.

The American Accounting Association has published a 'Statement of Accounting Theory and Theory Acceptance' (1977) and 'A Statement of Basic Accounting Theory' (1966). Watts and Zimmerman (1986) have also attempted to write a version of accounting theory in *Positive Accounting Theory*. However, it must be recognised that no comprehensive theory of accounting exists (Belkaoui, 1992, p. 56; Chua, 1986).

2.5 Methodologies to theorising in accounting

Hendriksen (1977), McDonald (1972) and Salvary (1989) suggest that a static theory
of accounting is possible given certain conditions. The static theory constitutes a frame of reference and guides the development of new practices and procedures. Other characteristics include encoding phenomena to symbolic representation, manipulation or combination according to rules, and re-translating back to the real-world phenomena (Belkaoui, 1992).

Gaffikin (1990) however, has investigated the reasons for the lack of a theory in accounting, and found accounting to be a human science. This would mean that accounting is a human construct and exists in abstraction. Therefore, accounting may never have an atemporal single theory of accounting nor a static theory of accounting, but rather numerous theories will exist which, at a particular point in time, will constitute a theory of accounting.

In examining the possibility of a static accounting theory a methodology is required. Accountants and accounting researchers are well trained in research methods but lack insight into research methodology (Christenson, 1983, p. 2). Methodology is the meta-theory beyond methods, and is the rationale by which we accept or reject a statement or theory (Machlup, 1963; Blaug, 1980).

A methodology is important since it is through methodology that the possibility of a theory in accounting may be obtained. Methodology enables us to come to grips with the formation of theories in accounting and may assist in understanding why several theories exist in accounting.
In order to come to an understanding of the issues in methodology, it may be useful to look at the sources of knowledge. How indeed do we know anything at all in accounting and how do we attain this thing called 'knowledge' in accounting. In other words, what are the grounds of knowledge? or how do we 'know'? Questions about the nature of knowledge belong to epistemology or the philosophical examination of the nature of knowledge. While it has been previously argued that knowledge is determined by true belief coupled with justification, others have argued that knowledge consists of ideas from sensation and reflection. Empiricism is the claim that knowledge is justified by experience, by empirical evidence from our senses.

Monette et al. (1986) point out that knowledge is possible through tradition, experience, common sense and science. "The scientific method, then, with the characteristics (of being empirical, systematic, deterministic, provisional and objective), is viewed by scientists as preferable to other ways of gaining knowledge because it is likely to lead to accurate knowledge of the world" (p. 21).

But such a view is limited and limiting. This is so because it implies that knowledge is only about things that are available to the physical senses, and that anything outside and beyond this, is non-existent. Thus a broader view would be to include all the faculties that are available in the pursuit of knowledge.

For the purposes of this thesis, there are in essence four sources of human knowing.
The first is through the senses, which include the use of the eyes and ears, and through touch, taste and smell. The second method is the method of reason. The third method is through the understanding made possible through tradition. The fourth method is through inspiration. However, all four methods are faulty and finite (‘Abdu’l-Bahá, 1982, p. 20).

2.6 Scientific methodology in accounting research

Science is a body of systematic ordered knowledge whose structure can be thought of as consisting of theory on one side and data (empirical evidence) on the other. The empirical side consists of observable data which is connected to the theoretical by means of operational definitions. The cycle of science starts and ends with data from the empirical realm (Kemeny, 1959). In science, the scientist assumes the role of the observer of data, uses inductive reasoning, and formulates a theory. Based on this theoretical system, the scientist makes predictions that are then evaluated based on observed data. The process of reasoning from the general theory to a prediction is termed deduction. Scientific theories are said to be tentative and the scientist will abandon or modify a theory if observed data do not bear out the predictions.

For Kerlinger (1964), scientific research methodology is a "systematic, controlled, empirical, and critical investigation of hypothetical propositions about presumed relations among natural phenomena" (p. 13). Thus, scientific research methodology
aims to find general explanations of natural events rather than attempt to explain each
research problem in a random fashion. In science, or to be in a position to apply the
methods of science, two general assumptions must be made. Dominowski (1980)
states, "Most scientific work is based on two general assumptions: that there is an
external reality that we can know about and that this reality is ordered or organized" (p. 4).

The issue that needs to be determined and questioned in conducting research in
accounting is the nature of accounting, and then to determine if accounting is in itself
part of external reality and if that reality is ordered or organised.

If scientific research methodology is a methodology about how nature functions, then
we must ask the obvious question: Is accounting a part of nature?

Given the earlier definitions that accounting is a service activity designed to record,
summarise, analyse and communicate financial data to users of that information to
enable informed decisions, there is nothing to suggest that accounting is indeed
natural phenomena. A vital condition for the existence of accounting is the human
being and human reason. It then follows that if scientific research methodology is
used to investigate natural phenomena, then this methodology may not be appropriate
to investigate accounting phenomena!

Chalmers (1982) outlines, in no uncertain terms the inabilities of science as a method
of investigation in accounting. Science also assumes that a finite set of factors are the only factors that have caused a certain effect. Unless we are first willing to accept the metaphysical principle that the world is capable of being partitioned into separate factors, we are unable to engage in empirical observations. A further difficulty is that it assumes that two entities, A and B, are inter-related. This further assumes that we have already acknowledged the very things we are supposed to discover. In other words, we test what we have discovered by other means. An even more serious difficulty is that it is assumed that phenomena, an occurrence of any kind as distinguished from the forces or laws by which it may be produced, can be partitioned into causes and effect - into clear and distinct factors that affect each other. This is effected in nature, characterised by natural existences, forces, changes and events of a person, thing or class. For Gooding et al. (1989), science is "sets of statements about how nature is."

An example from Foucault (1954) will clear this point. Consider the person who is ill and seeks the advice of a doctor. The doctor, in his/her analysis of a patient's condition must determine what the nature of the illness is. The doctor uses a stethoscope to examine the physical condition of the body. He/she can repeat this process with every patient, and is able to determine the physical condition of all his/her patients. The doctor however, cannot use the same instrument to investigate the illness of the mind. The two dimensions of the body and the mind form a totality, but one condition lies in a dimension which is investigated with a physical instrument. The same physical instrument cannot be used to determine the condition
of the other dimension, the mind.

Such a view has serious consequences for research in accounting. Observe Watts and Zimmerman's (1986) *Positive Accounting Theory*. For Watts and Zimmerman (p. 2), the objective of accounting theory is to explain and predict accounting practice. This view of theory comes from a scientific definition of theory. The difficulty with such a methodology is that, there is an attempt to apply the method of investigation used in the sciences, such as physics, into the human science of accounting. This becomes impossible given the two different postulates that are being dealt with. Indeed the application of the hypothetico-deductive method used in accounting does not discern intellectual reality.

Another example from Foucault (1954) will help clarify the issue further. Foucault in his introduction to *Mental Illness and Psychology*, (pp. 1-2) states:

Two questions present themselves: Under what conditions can one speak of illness in the psychological domain? What relations can one define between the facts of mental pathology and those of organic pathology? All psychopathologies are ordered according to these two problems: there are the psychologies of heterogeneity, which refuse, as Blondel has done, to read the structures of morbid consciousness in terms of normal psychology; on the one hand, there are the psychologies, psychoanalytic or phenomenological, that try to grasp the intelligibility of all, even insane, behavior in significations prior to the distinction between normal and pathological. A similar division is to be found in the great debate between psychogenesis and organogenesis: the search for an organic etiology, dating from the discovery of general paralysis, with its syphilitic etiology; and the analysis of psychological causality, on the basis of disorders having no organic basis, which was defined at the end of the nineteenth
century as the hysterical syndrome.

These problems have been discussed ad nauseam, and it would be quite pointless to go over once more the debates to which they have given rise. But one might ask oneself whether our distaste does not spring from the fact that we give the same meaning to the notions of illness, symptoms, and etiology in mental pathology and in organic pathology. If it seems so difficult to define psychological illness and health, is this not because one is trying to define in vain to apply to them, en masse, concepts that are also intended for somatic medicine? Does not the difficulty in finding unity in organic disturbances and personality changes lie in the fact that they possess the same type of structure? Beyond mental pathology and organic pathology, there is a general, abstract pathology that dominates them both, imposing on them, like so many prejudices, the same concepts and laying down for them, like so many postulates, the same methods. I would like to show that the root of mental pathology must be sought not in some kind of "metapathology", but in a certain relation, historically situated, of man to the madman and to the true man.

To elaborate, there are two types of illness. The first is illness of the body and the second, the illness of the mind. Foucault (1954) suggests that illness taken as a whole, does not have a distinction or there exists no difference between "mental" and "organic" pathology. Both are designed to study the human being as a totality. While accepting the concern for totality and the study of human beings in their entirety, there is clear distinction between the body and the mind. The body is physical, observable and tangible. The mind or the intellect however, is not physical, is unobservable and intangible. Therefore, organic pathology, physiology and physical illness have a similar scientific status, since they deal with a physical, observable and tangible entity. However, when we come to the qualities of the mind,
since they are intangible, unobservable and not physical, mental pathology, psychology and mental illness are changing historically conditioned notions. While the properties of the body are absolute, those of the mind are dynamic.

2.7 History as a method of inquiry in accounting

Unlike the statement made by Holmes et al. (1991, p.157) which states, "However, one widely accepted point of view is that good research should follow the scientific method," there is nothing to suggest that research in accounting can indeed apply the scientific method in the research process (Gaffikin, 1990).

Good research for Emory (1985, pp. 10-12) should meet the following tests:

- The purpose and importance of the research or the problem involved should be clearly defined and sharply delineated in terms as unambiguous as possible;

- The research procedures used should be described in sufficient detail to permit another researcher to repeat the research;

- The procedural design of the research should be carefully planned to yield results that are as objective as possible;

- The researcher should report, with complete frankness, flaws in
procedural design and estimate their effect upon the findings;

- Analysis of the data should be sufficiently adequate to reveal its significance, and the methods of analysis used should be appropriate; and,

- Conclusions should be confined to those justified by the data of the research and limited to those for which the data provide an adequate basis.

Dominowski (1980) explains that the goal of research to a scientist is to:

- Find regularities between variables which take on different values from time to time, person to person, situation to situation, and to understand the relations among variables;

- Predict a possible outcome through understanding the relations among variables; and,

- Control the possible outcome through understanding the relations among variables. However, the study of variables implies that the phenomenon that is to be discovered is physical.

Chalmers (1982, p. 6) sets out the necessary research conditions for science to be
accepted as scientific and legitimate. These conditions are:

- The number of observation statements forming the basis of a generalisation must be sufficiently large;

- These observations must be repeated under a wide variety of conditions; and

- No accepted observation statement should conflict with the derived universal law.

Harre (1970) states that there are three characteristics of an empirical law. These are:

- Regularity, which implies that there exists instance-statistics favourable to the law;

- Necessity, which implies a necessary alternative state of affairs, that is, if a certain state of affairs is not met, some alternative state of affairs obtains the desired outcome; and

- Conditionality, which implies that certain conditions have to be present for a certain phenomenon to occur. Such an analysis describes nature and natural phenomenon.

Table 1 summarises the conditions necessary for 'good' research in accounting.
Table 1. Conditions for ‘good’ research in accounting

<table>
<thead>
<tr>
<th>Research conditions in Accounting</th>
<th>History</th>
<th>Science</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Defined purpose</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2. Repeatable under same conditions</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>3. Produce objective results</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>4. Report fairness</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>5. Data to reveal significance</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>6. Conclusions be justified by data</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>7. Find regularities</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>8. Aid predicability</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>9. Be controlled</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>10. Be systematic</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>11. Be empirical</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>12. Make large observations</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>13. Repeatable under different conditions</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>14. Conflicting with universal law</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>15. Should explain</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

It may be useful to determine which of the following two methods, that is, science or history, meet the criteria in accounting research. The major problem in applying the method of science to accounting research is that it conflicts with universal laws, is not repeatable, is not controlled and is not useful for making predictions. This is due to the fact that reason is conditional upon space and time, that is to say, reason, which is used in both these methods, is historical.

2.8 Choosing history as the research method in accounting

History as a alternative method of investigation in accounting is built on the idea that accounting being a human science, insists upon the existence of reason. Reason,
which is one source of knowledge is historical. That is to say, reason or the act of reasoning is conditional upon time and space. The way we reason changes from time to time. Reason uses logical proof to prove or disprove something. However, reason causes differences of opinions and brings about contradictory results. For example, Plato at first logically proved that the earth was stationary and it was the sun that was moving, and later by logical arguments proved the reverse was indeed true. Therefore reasoning changes at different times with the progress of knowledge. It is therefore useful to apply history, which well documents the past, as a method of investigation in accounting.

The historical nature of reason attests to the idea that both subjective and objective reality are continuously changing and developing. It follows then that if the subject and the object are changing and dynamic, knowledge as an interrelation between the subject and the object must also be changing and dynamic. Knowledge then, must be both dynamic and historical. Consequently accounting knowledge must change and continuously change. The historical nature of reason not only implies that reason must be dynamic and historical, but must be in accordance with definite stages of social and historical development.

History will also produce a picture of why accounting is not a transcendental entity outside the facets of life, history and society. It will provide reasons for a study of history and society within accounting, since accounting is the outcome of history and time. Therefore, it might be useful to use history to uncover the relationships...
between human beings, and how this has determined and established the discipline of accounting and the social consequences of its existence.

Another reason for the use of history is that accounting falls within the category of being a reasoned and intellectual activity. Accounting exists and insists on the human mind. Accounting is certainly not physical in the sense that accounting is not 'out there' for us to discover, but rather that accounting is a construction, an invention and must correspond to various levels of the progress of society. Hence the call for the study of accounting through history and society (Gaffikin, 1990).

The other explanation for using history instead of science is because reason is historical. The historical nature of reason is built on the idea that both subjective and objective reality are continuously changing and developing. It follows then that if the subject and the object are changing and dynamic, knowledge as an interrelation between the subject and object must also be changing and dynamic. Knowledge then, must be dynamic and historical. Consequently accounting knowledge must change and continuously change. The historical nature of reason not only implies that reason must be dynamic and historical, but must be in accordance with definitive stages of social and historical development.
2.9 Further considerations

If the proposition that all human knowledge arises from experience, then discovering the unobserved, as the case in accounting, is not going to be an easy task. Six thousand years of a history of ideas has enabled a fairly stable and entrenched, but disillusioned view of reality. Discovering the unobserved requires that we need to construct a mental model of the human condition and of reality. The mental models are presented in the way of theories, which must be tested through further experience. This process of attempting to model the unobserved, and later testing it through further experience is what is now called 'science'. Science, then, is dependent on the universal law of cause and effect, which is embedded in the very structure of the physical world. Science enables us to model by drawing hypothesis after hypothesis and conclude in theories. The exponential increase in scientific and technological progress relating to the world of nature since the middle of this century, testifies to the usefulness of the scientific method as much of that has been dependent on progress in science. But, the scientific method fails to explain satisfactorily what happens in practice and is often reductionist in nature.

This thesis is an attempt at a systematised and generalised quest to capture unobserved reality through multiple, subtle meanings. History and science are in constant tension with each other, and we may be forgiven for believing that they are in contradiction, and in conflict with each other. The truth of the matter is that they are complementary to one other and are opposite sides of a whole.
2.10 The possibility of a realist ontology and epistemology

Hatcher (1990) argues that the word reality conveys the idea that it is taken to mean the total sum of existence. That is, it is descriptive of everything that exists. In this reality, human experience and human nature tell us that there exists an individual's capacity for consciousness or in other words, the individual is aware of his/her existence. This consciousness allows us the capacity of reflection of our inner worlds and inner states. It is a private world and only that individual has direct access to it. The total of all of an individual's inner world makes up what we call subjectivity. This subjectivity enables us to make an individual a self-conscious, self-aware subject. Thus subjective reality is the sum of all internal human states. Subjective reality is characterised by its existence inside human beings.

Hatcher further elucidates that against this inner world of subjectivity, is the outer world of objectivity, which is a relationship with things extrinsic to the subject, or a relationship with objects. This objective relationship exists outside the subjectivity of the individual and the subjectivity of other people. Thus objective reality is everything else outside the reality which is subjective. Objective reality exists outside the internal state and is visible, observable and sensible.

It then follows that a portion of subjectivity that is unknown may be termed unconscious reality and that portion of objectivity which is unobservable may be termed invisible reality.
Similarly, as the possibility of epistemology is conditioned on the possibility of ontology, there is knowledge about self, about the visible, about the invisible, and the unconscious. A phenomenon is an occurrence in any one of these realities and it is through a phenomenon that we understand some portion of reality. This phenomenon may wholly occur within each of these portions of reality or in more than one portions. For example, the unobservable objective reality of gravity has an impact on the observed objective reality of objects, such as the earth.

In such an ontological and epistemological position, model building refers to the process of generating new theories according to some criteria. A successful theory or model is a theory that has been judged to be true according to these criteria. However, it must be acknowledged that theories are in a constant state of flux. Three criteria that may be used to test the truth - as I see it- are validity, adequacy and simplicity. If all the predictions of a theory are confirmed, then a theory is said to be valid. Adequacy relates to the amount of reality explained by a theory. Simplicity is the relative complexity of theories, and the simpler or less complicated the theory, the better.

With a realist position of ontology and epistemology, human intelligence is the capacity to mirror or model phenomena in each one of these portions. Theories, then are models or creative imaginations of each of these portions. A theory is the product of imagination. A theory that describes correctly the phenomenon in any one of these four portions, is said to be true. Once a theory is conceived, it may be
communicated to others and whenever a theory is accepted, it ceases to be mere intellectual hypothesis. It assumes the role of becoming our worldview and expect reality to behave in a particular manner. An established theory can be challenged in one of two ways: through strong new evidence of its falsity, or by a competing theory that gains acceptance among a rival group in society.

Science, then, is a method of searching for knowledge, and thus defined by the method it chooses. History or the historical method is defined by its content and goals. History as an enterprise of seeking knowledge is about invisible reality, and about human life and human relationships. History looks for issues such as the nature and scope of human consciousness, and the relationship between humans. History so defined, is model building and is scientifically legitimate. Science also concentrates on the study of observable phenomenon and is indifferent about global and more universal questions that affect human relations. History on the other hand will show that the relationships between humans are not accidents nor are they the result of 'natural selection'. History will show that the relationships between humans are goal directed and are motivated by the quest for power, for domination, for social control, for discipline and for exclusion.

Science and history are in actual fact in harmony and complementary. History in its best form is shaped by the process of critical inquiry. Science seeks generalisations and validation through a process of gaining confidence in its predictive power based on its consistency with a set of limited experimental observations. However,
science's confidence in using a limited set of observations and experiments is the scientific analogue of faith.

The past one hundred and fifty years have shown us triumphs in the hard sciences. These include the rise of modern physics, the invention of the periodic table of the elements, the theory of evolution, the deciphering of the genetic code, the explanations by chemistry of living cells, the development of electronics, communications and computers. But observe that all of these are to do with the physical, tangible world. Science is also often thought to command flawless logical rigour in its methods of verification, involving no trace of 'faith'. 'Science' and 'proof' are often juxtaposed. However, the myth that science involves only pure logic must be explored. Science attempts to understand the observable behavior of the universe. This process of gaining an understanding relies on consistent patterns in the observations that are made. These patterns are characterised by two attributes, that of predicability and objectivity. Predicability refers to predictable aspects of the observed behaviour of nature. Objectivity refers to the fact that others can repeat such observations and reproduce the results. In the event of the existence of predicability and objectivity, a model, which is a conceptual framework, must describe or mimic the phenomena that has been observed and predict phenomena that have not yet been observed. The distance of the range of observations described by the model, the better the model. The progress of science involves experiments that expand the range of observations and the formulation or refinement of models that either accommodate or predict the observation. In science, theories and models gain
acceptance by a process of validation involving a process of gaining confidence in its predictive capacity based on a limited set of experimental observations. Such confidence is the scientific analogue of 'faith' and 'belief'. The term faith here is defined as an empirically developed confidence in a model.

What then are the differences and parallels between history and science? The most important difference is that they deal with different questions. Science deals with the phenomenal world, whereas history seeks an appropriate response to it. History searches for a value system that must cater for the well-being of both the individual and society. Therefore in history there exists a method that is analogous to the scientific method. Both science and history seek a cohesive conceptual framework to 'make sense' of experience.

History however, is able to make unprecedented predictions about the future and is able to set historical events open to objective scrutiny. History then invites a critical, fair-minded scrutiny of evidence, of not following blindly what has been told us by our ancestors and forefathers, and seeks to investigate 'truth' for oneself. In this search we must keep a clean heart, away from all acquired knowledge, let go of all attachments, abstain oneself of either love or hate and pride and glory. In such a state, using history, also calls for the removal of all vested interests.
2.11 Effective history

Effective history is history that excludes any reference to the metaphysical and avoids making universal and absolute statements. There are no constants in history that is effective. History in its effective form, is history that looks at dispersed often disrupted events. It is discontinuous, in the sense that it is history that does not follow through within the same period. It is discontinuous in that it seeks out disruptions. It is a history of chance happenings, a history of random events. In Foucault's words:

History becomes 'effective' to the degree that it introduces discontinuity into our very being - as it divides our emotions, dramatizes our instincts, multiplies our body and sets it against itself. 'Effective' history deprives the self of the reassuring stability of life and nature, and it will not permit itself to uproot its traditional foundations and relentlessly disrupt its pretended continuity. This is because knowledge is not made for understanding; it is made for cutting (Foucault, 1980, p. 154).

Part of the difficulty involved in any attempt to understand the relationship between history and science is that the nature of history is less clearly defined. Is history a cognitive activity like science or is it more aesthetic and emotional? If history is more cognitive, then the problem is to reconcile the application of 'scientific' method to history. For the purposes of this thesis, history is viewed basically as a form of knowing and is scientific in character.

The importance of history is derived by its goal and content rather than its method.
The inability of applying the scientific method in history rests on several misconceptions, both about the nature of the scientific method and of the nature of history. Science is knowledge. However, it is human knowledge, because it is basically humans who do the knowing and the very nature of knowledge is determined by the nature of human faculties. Thus, the scientific method is distinguished by its systematic, organised, directed, and conscious nature of the process, which is called scientific. The scientific method must be a systematic, organised, directed and conscious use of our mental faculties, to arrive at a model of the phenomenon being investigated. It is the conscious use of reason. It is reflection or the conscious use of intuition. Thus the scientific historian must not only find out how things are but also imagine how things might be.

Scientific history, like scientific knowledge is relative, since humans have no absolute measure of truth. The conclusions, in scientific history are only probable. It is important to note that uncertainty and relativity of knowledge is intrinsic to scientific history. There is therefore, a constant possibility that our conclusions may be incorrect.

The existentialist and the positivist must perhaps change their attitudes towards their respective views of what is scientific. To the positivist, science is valued over and above history and suffers from a narrow interpretation of the scientific method with the exclusion of history. The existentialist values history above science, for the dryness, uniformity, formalism and mechanisation of science.
For the purposes of this thesis, any act, be it scientific or otherwise, which leads to progressive impoverishment and dehumanisation is abandoned. It is also the purpose of this thesis to remove those elements of past codes that now constitute obstacles to the emerging unification and the reconstruction of human society.

Accounting knowledge is at its crossroads. Such an event is the result of a crisis that is apparent between the theory of accounting and the practice of it. Accounting researchers and accounting are now faced with the challenge of narrow-minded ritualistic dogma versus radical open-minded unfettered search. The old path speaks the same language and prescribes the same reassuring way. The new path is unfamiliar, the language different, the destination unsure. The lesson of history is that, accounting and accounting research will need to challenge the traditional, explore new paths, and continue to evolve.

This thesis will argue that accounting is the result of the progression of time, and is therefore historical and social. Using the tools of archaeology and genealogy, this thesis undertakes to determine the relationship of accounting with wealth and poverty. It will turn to history, and return to that 'zero point' in history when wealth and poverty were undifferentiated experiences, and will then apply archaeology and genealogy to reinterpret accounting history to uncover the reasons for the birth of accounting. This thesis will also argue that at the instant when wealth and the experience of wealth were identified, the concept of poverty and the experience of poverty were also released. Using archaeology to discover the discourses relating to
the concept and the birth of income, this thesis will argue that accounting and economics as human sciences bring forth, discourse and construct an object known as income. It will finally use a Foucauldian genealogy to uncover a relationship which was previously not visible between income in accounting with the birth of social welfare in Australia resulting in poverty. Most specifically, this thesis will use archaeology and genealogy as tools to (1) determine the relationship between wealth and poverty; (2) the reasons for the birth of accounting; (3) how accounting discourses the concept of income; (4) how social welfare defines income; and (5) how the Department of Social Security applies and practices a concept of income. Such a scheme fits well with a Foucauldian genealogy and archaeology since it is able to explain the birth of a human science and relates this to the inauguration of a system of power that regulates and practices the concept of income, and is able to explain the forms within which individuals are obliged to recognise in themselves a part of themselves.

2.12 Conclusions

In doing research in accounting, accountants and accounting researchers have relied upon the methods applied in the natural sciences, and have accepted that the methods of science can be effectively used as a means of knowledge in the human sciences, such as accounting. This however, runs into serious difficulties, given that accounting and the natural sciences lie in two different dimensions, where
phenomenon in the natural world is deterministic while in the human sciences is generated by human beings through the use of will and intelligence. Accounting phenomenon does not appear in nature nor is it part of nature, but insists on the existence of human will and intelligence. If this is a true understanding of what accounting is, then the hypothetico-deductive method may not apply since the area in which the phenomenon occurs is incompatible with the method used. Applying the methods of science in accounting is like using the stethoscope to test mental illness!

Like Foucault, this thesis argues that in accounting research we have to use history as a tool of investigation rather than the methods used in the hard sciences. It is possible that there might be another method to analyse the human sciences in the future, but at the moment, the tool that is available is history. There is a certain concreteness about history since time locks the phenomenon of accounting and allows us to return to history to determine the conditions and the circumstances that has allowed for the birth of accounting. This will help explain why accounting is the way it is and will help us predict what accounting and accountants, have created. Thus under these conditions, history is scientific.
CHAPTER 3

CHOICE OF A FOUCAULDIAN ANALYSIS

3.1 Introduction

This chapter has four purposes. At first it introduces Foucault and his works; secondly, it summarises Foucault's two works, namely *Mental Illness and Psychology* (1976) and *Madness and Civilization: A History of Insanity in the Age of Reason* (1967). (For the purposes of this thesis the English translations will be referred to). The chapter then summarises some of the results of these two works by drawing on conclusions arrived at from the secondary literature on Foucault, particularly on *Madness and Civilization*. It finally argues why and how Foucault is important to the present study.

3.2 A short history of Michel Foucault

Born in Poitiers, France on 15 October 1926, Paul-Michel Foucault received his early education at the *Lycee Henri-IV* beginning on the 27th May, 1930. Foucault remained at the elementary school until 1936. But by the early summer of 1940 at secondary school, his performance at the end-of-year examinations was very bad and was told that the examination was to be taken again in autumn. Paul-Michel's mother
took immediate action, and by the autumn of 1940, Foucault left the Lycee Henri-IV for the College Saint-Stanislas. Here he started to read books on philosophy and history. Foucault's interest in history began with his extraordinary history teacher, Father de Montsabert, who had some influence on him. Foucault's twelfth-grade result allowed him, in 1942, to enter the final year of Lycee, the classe de philo. In 1943, Foucault entered the Academie de Poitiers to prepare for the entrance examination to the Ecole Normale. Between 24th May and 5th June 1945, Foucault sat the examination and when the results were announced on 16th July, two students qualified for admission to the Ecole Normale Superieure. Foucault was not one of them. Foucault left Poitiers in the autumn of 1945 for Paris. It was during these years after 1945, that he was influenced by reading Plato, Kant, Hegel, Husserl, Nietzsche and especially Heidegger. "My entire philosophical development was determined by my reading of Heidegger", Foucault has been quoted as saying. This may explain Dreyfus and Rabinow's (1982) four-stage scheme of Foucault's works: a Heideggerean; an archaeological or quasi-structuralist stage, a genealogical and finally an ethical stage. Such a classification is useful but has the disadvantage of categorising a complex body of work into simple boxes.

In 1948, Foucault obtained his licence de philosophie, while studying at Ecole Normale Superieure. In 1950, Foucault took his licence de psychologie, and in 1951, obtained a diploma in psychopathology to enable research into psychiatric practice and mental illness. In 1952 he became assistant lecturer at the University of Lille. It was during this time that he found himself in the "field" of experimental psychology.
at Hospital Sainte-Anne. Here he was to meet face to face the two forms of internment: that of 'madmen' and that of 'delinquents'. Foucault was a trainee, which meant that he had no official function and was not paid. It was here that he was looking, examining and deciding without any status, the state and condition of 'madmen'.

Foucault's research and teaching in psychopathology lead to the publication of a book, *Mental Illness and Personality* (1954), which was subsequently revised and published as *Mental Illness and Psychology* (1962). At the University of Hamburg, Foucault earned his doctorate and his reputation as a scholar, by publishing, *Madness and Civilization: A History of Insanity in the Age of Reason* (1967). This, later lead to an appointment as Professor of Philosophy at the University of Clermont-Ferrand.

It was during this time that his fame grew as an original and provocative thinker. Foucault became well known, and as usual, was praised, condemned and misunderstood. In 1970 he was elected to the *College de France*.

Foucault, at his untimely death in 1984, left behind a considerable amount of work which has provoked a great amount of comment, both for and against him. Foucault wrote, among other things, about the sociology of knowledge, the birth of the clinic, the birth of the prison, about sexuality and madness, and about the birth of the human sciences in general.
3.3 The Foucauldian approach

The purpose of knowledge for Foucault, was to enlighten - so that people could see things differently and perhaps think with a difference. The merit of a Foucauldian approach is that it successfully bridges the divides between structural and phenomenological approaches (Dreyfus and Rabinow, 1982); between structural and historical analysis, and between Marxist and critical theory (Smart, 1985; Poster, 1984).

For the purposes of this thesis, theories, including theories in and about accounting, are the result of systematic, organised, directed and conscious use of our faculties in an effort to reach a coherent model of the phenomenon being investigated. These faculties are the senses and the intellect. Theories under this view are designed and made possible by the twin provisions of the philosophy of science and a theory of society. The philosophy of science and a theory of society are complementary, are compatible and not contradictory (Gaffikin, 1990). They mutually confirm one another and are parts of one complete unit. Under this view the aim of theories is the welfare of society, to uphold an ever progressive civilisation.

Witness Gaffikin's statement: "... the company is a socially constructed entity using society's resources so it (through its management) should be accountable to society as a whole (Gaffikin, 1993, p. 14).
Research, in this scheme, is carried out at the one extreme of the horizontal axis, classified as the individual who is constantly changing and evolving (Cf. Figure 1). At the opposite end of the horizontal axis is society, characterised by relationships between individuals and groups of individuals. Both ends are further characterised by evolution - of stages of infancy, adolescence and maturity.

The vertical axis of this scheme of research represents the methods of acquiring knowledge, namely, through the senses and through reason. It is characterised on the one end as being sensible, arrived at through the senses and at the other end by knowledge of an experience, or of the intellect. The conveying of this experience from the intellect is however, dependent upon manifesting this experience through the use of symbols, in the physical world.

With this comes the idea that human knowledge is of two kinds. Firstly, knowledge is gained by what is perceptible to the outer senses. For example, to know what someone else is holding, one must see or use the sense of sight. It seems impossible that one could hear, taste, touch or smell what is being held without seeing. Similarly, in order to know what music is being played, we must use the sense of hearing and all other aids are useless to know what is being played as music. Such an analysis seems to suggest that the process of research which includes both discovery and invention, must apply a method that is able and suitable to capture the reality that is being investigated.
The other kind of knowledge is of things which are intellectual in nature and character, that is, the reality of the intellect, and that which does not have an outward form. An intellectual reality does not occupy space and does not become available to the senses. An example in accounting would be the question of 'value' or of 'income'. Value is not of nature, nor is it discernible in nature. It lies in the realm of the intellect, and is a feature of the intellect. A further example is 'income'. Income does not exist in nature, is not physical and is a socially constructed phenomenon.

The above discussion also suggests that in the process of research and knowing, we are forced to use the right tool as instruments of research. Applying an incorrect instrument or tool may lead us to false learning and hence false theories. For the purposes of this thesis, there are only two sources of knowledge available to a human being, that of the senses and the intellect. However, in trying to understand the intellectual, or an intellectual reality, one is obliged to express them in sensible form or through symbols. This is so because in the exterior world there is nothing that is not material or physical.

In accounting, when a theory is constructed, it needs to be later validated or verified, implying that theories should be subject to logical or empirical testing to ensure that the theory is consistent and accurate. In the event that accounting is a construction and therefore a social phenomenon, the verification should be predicted not in the physical world where accounting is not found, but rather accounting phenomena should be verified within and between human relations. The 'real' world in
accounting (Committee on Accounting Theory and Verification, 1971, p. 54) is a constructed world, and must therefore involve determining relations within this constructed world.

Theories in accounting do not deal with physical objects, as accounting itself is not a physical object. Accounting and accounting phenomena are constructions. Thus when Kerlinger (1964) stated that the objective of a theory is to predict and explain phenomena, it is not social phenomena that has been implied, but rather physical phenomena. Prediction and explanations are possible in the physical world for the simple reason that all of the physical world is deterministic, does not have a will of its own, and has no intelligence.

For the purposes of this thesis, theories in accounting are designed in the best interests of the welfare of society. Within this scheme of the senses, the intellect, the individual and society, research should result in theories that serve the best interests of society. Within such a scheme is the sum, the complete total of all theories. In other words all theories must fall within the four paradigms of this axis. (See Fig. 2).

A Foucauldian approach is consistent with this scheme in the sense that Foucault is not attempting to understand things that are available to the senses, but rather, Foucault was attempting to explain the workings of human beings, namely thought. Human thought however, is not sensible to the outer senses and is available to other human thought only through the physical or material actions that thought itself
Foucault's work has enormous scope reflected in the discussion of his work among anthropologists, historians, sociologists, social administrators, philosophers and literary theorists. All of Foucault's works are in the realm of the human intellect. In the event that they are involved with the intangibility of the intellect, they are open to what Foucault called, a 'Power/ Knowledge' relationship. For Foucault, power leads to knowledge and knowledge leads to power.

... we should admit ... that power produces knowledge (and not simply by encouraging it because it serves power or by applying it because it is useful); that power and knowledge directly imply one another; that there is no power relation without the correlative constitution of a field of knowledge, nor any knowledge that does not presuppose and constitute at the same time power relations (Foucault, 1977, p. 27).

If all of the human sciences, including accounting, (as opposed to the natural
sciences) are open to this relationship, then knowledge itself is a result of a power that operates to sustain knowledge. However, this power is not without motive. That motive may be characterised as a desire to control, to discipline and exclude. For Foucault, knowledge is created by power from a certain practice; a practice that excludes, marginalises, controls, victimises, categorises, represses and oppresses. As Grumley (1989) puts it,

His (Foucault's) primary concern is to provide a critique of the way in which the human sciences have functioned as instruments of power, social control, discipline and exclusion (p. 184).

Apart from this, Foucault's stroke of genius is in the method and form of analysis. Foucault's analysis is at two levels - at the level of form and at the level of formation.

I seem to have gained a better perspective on the way I worked - groping, and by means of different or successive fragments - on this project, whose goal is the history of truth. It was a matter of analysing, not behaviors or ideas, nor societies and their 'ideologies' but the problematisations through which being offers itself to be, necessarily, thought - and the practices on the basis of which these problematisations are formed (Foucault, 1986, p. 12).

An analysis of the above statement underpins the purpose of a Foucauldian analysis, which is to explicate a history of truth. It also signifies the value of problematisations, both through thought and practice, upon which these problematisations are formed: at the archaeological and the genealogical levels. These problematisations are however built from a certain practice; a certain practice that operates in the exclusion of groups of people from the mainstream of society. Indeed, these groups are not only excluded but categorised and labelled.
The archaeological analyses the form or the individual while the genealogical analyses the formation or the constitution of the formation of practices. The archaeological dimension of the analysis makes it possible to examine the forms themselves; its genealogical dimension enables the analysis of their formation out of the practices and the modification undergone by the latter (Foucault, 1986). (See Fig. 3)

Fig. 3. Foucault's archaeology and genealogy as applied to Figure 1

A typical example that applies the above scheme is found in agency theory. Agency theory is built on and makes assumptions at two levels. It assumes at the individual human level, that human beings act with self interest, are rational and risk averse. At the societal or organisational level, or at the level of formation, it assumes that there is partial goal conflict among participants, that efficiency is the effective criterion and that there is information asymmetry between principle and agent. More recently,
accountants have subscribed to the model that human beings are resourceful, evaluative and maximising. These assumptions are carried and made at the individual and at the social collective level.

For Foucault, archaeology and genealogy constitutes the two means of analysis for the individual and society. This is evidenced in the following statement:

To speak of "sexuality" as a historical singular experience also presupposed the availability of tools capable of analysing the peculiar characteristics and interrelations of the three axes that constitute it: (1) the formation of sciences that refer to it; (2) the system of power that regulates its practice; (3) the forms within which individuals are able, are obliged to recognise themselves as subjects of this sexuality (Foucault, 1986, p. 5).

The essence of a Foucauldian analysis can be seen here. On the one hand the analysis is at the formation of these practices and the system of power that is seen to regulate it. At the opposite end, the form or the subject itself is held up for analysis.

From the above discussion, we arrive at the following matrix as shown in Fig. 4.
3.4 Foucauldian analytical matrix

3.4.1 Form

For Foucault, at the archaeological level, the objective was to paint on a historical basis the different ways within a culture, how humans learn and develop some form of knowledge of themselves (Foucault, 1988, p. 18). Foucault also explores the way humans relate to specific techniques that humans use to understand themselves. Foucault's analyses of insanity, sexuality, deviancy, criminality and truth are historical in nature and archaeological in content. In his introduction to Herculine Barbin, Foucault (1980a) says,

... and then, we also admit that it is in the area of sex that we must search for the most secret and profound truths about the individual, that it is there that we can best discover what he is and what determines him. And if it was believed for centuries that it was
necessary to hide sexual matters because they are shameful, we now know that it is sex itself which hides the search for the most secret and profound truths about the most secret parts of the individuals: the structure of his fantasies, the roots of his ego, the forms of his relationship to reality. At the bottom of sex, there is truth (p. xi).

On the one hand Foucault analyses how the self constituted itself as subject, but also the way humans relate to society, politics, economics and history. Foucault's aim, it should be remembered, is to change something in the minds of people - that is the role of an intellectual. Contrary to popular belief that Foucault was a historian, Foucault was a historian of a different kind; the kind rarely found, rarely repeated. Foucault was a historian not in the ordinary sense, a sense so common, but a historian of thought. In an interview on 25 October 1982, Foucault makes a clear distinction between the two.

Social historians are supposed to describe how people act without thinking, and historians of ideas are supposed to describe how people think without acting. (Foucault, 1988, p. 14)

In analysing self and the formation of self, along with the process of exclusion, a constant thread is discernible in all his analyses, a certain kind of diminution implying a certain kind of training and modification not only in acquiring skills but certainly attitudes.

3.4.2 Formation

Formation becomes a source of analysis, because one is obliged to use a sensible
reality to examine or analyse an intellectual reality. Thus, Foucault analyses madness through the birth of lazarus houses (Foucault, 1967), medical perception through the birth of the clinic (Foucault, 1973), and discipline and punishment through the birth of the prison (Foucault, 1977). In *Madness and Civilization* (1967), for example, the themes that seem to predominate in his analysis are exclusion and extradition, repression, confinement, and the cost of individual liberty.

### 3.5 Foucauldian epistemology

For the purposes of this thesis, Foucault’s works allows and leads us to argue that human knowledge is only possible through the use of the senses, through reason, through researching the individual, and society. However, all four methods of acquiring knowledge are incomplete, and all suffer from shortcomings. The means available to humans in acquiring knowledge, makes knowledge in essence human knowledge, only possible through the two dimensions of the senses and of the intellect. With the senses we are able to understand the physical world and with reason we are able to understand the world of the intellect. Thus, in order to understand the intellect, as in the case of accounting, which does not require an outer symbolisation, we are forced to understand reason either through understanding the form, through investigating the individual or we are forced to investigate accounting through formation, which is the grouping of individuals in the form of institutions. For Foucault, knowledge is also possible through the knowledge of the qualities and
characteristics of the opposites. This would be one source of knowledge for Foucault. Thus, Foucauldian epistemology would be based on the idea that things are also known by their differences (Alagiah, 1993b). For example, in the physical world, the existence of darkness proves the existence of light. In other words, if not for the existence of night, the day would not exist. If not for death, we would not know if we were alive. Another example of this is that of knowledge. It is only through the existence of ignorance that knowledge can be discerned. Thus in Foucault's epistemology, knowledge is possible through opposites.

In the realm of the intellect, the existence of opposites is essential in determining the reality of the other. Therefore, it is essential that the opposite should exist in order for the opposite to be known and the opposite must exist in order for the other to have reality.

The other crucial issue that Foucault brings to the forefront is the issue of human beings being the object of knowledge in the human sciences, in the sense that humans are the source of that knowledge. Thus, for Foucault, in *Madness and Civilization* (1967), psychiatry and psychology as sciences in the human world are the result of a certain practice which confines, studies and classifies humans. In this way humans are the object of knowledge and at the same time become the subject of knowledge. Psychiatry and psychology, as forms of knowledge, now create a subject of the human. Thus knowledge further confines and categorises humans.
3.6 Foucault's works - two examples

3.6.1 Example 1: *Mental Illness and Psychology* (1976)

In *Mental Illness and Psychology*, Foucault raises two questions:

under what conditions can one speak of illness in the psychological domain? and what relations can one define between the facts of mental pathology and those of organic pathology? (p. 1)

Thus Foucault was interested to raise the question of the conditions under which illness as a psychological element can be identified and what the conditions and relationships were between mental pathology and those of organic pathology. Foucault's explanation is that organic pathology and mental pathology are presumed to possess the same type of structure and, because of this belief, the same methods have been used.

Foucault argues that perhaps our confusion comes from the reason that we give the same meaning to the notions of illness in the mental area as in the organic area - that we mistakenly apply concepts that are intended for somatic medicine to mental illness.

I would like to show that the root of mental pathology must be sought not in some kind of "metapathology", but in a certain relation, historically situated, of man to the madman and to the true man (p.2).

Here is the first example that Foucault uses in order to determine the possibility of knowledge. Epistemologically, Foucault was applying the concept of opposites and
distinction in order to know that the other exists. So Foucault's use of the relationship between the madman and the true man is indicative of determining the madman in relation to the true man. Later, Foucault argues that illness concerns the overall situation of the individual in the world, that is to say, that illness concerns the overall existence of a human both in the physical and the mental world. However, he suggests:

In all these recent forms of medical analysis, therefore, one can read a single meaning: the more one regards the unity of the human being as a whole, the more the reality of an illness as a specific unity disappears and the more the description of the individual reacting to his situation in a pathological way replaces the analysis of the natural forms of illness (p. 9).

And later, Foucault states:

My aim, on the contrary, is to show that mental pathology requires methods of analysis different from those of organic pathology and that it is only by an artifice of language that the same meaning can be attributed to "illness of the body" and "illness of the mind". A unitary pathology using the same methods and concepts in the psychological domains is now purely mythical, even if the unity of body and mind is in the order of reality (p. 10).

Foucault argues his case through the use of the fact that mental illness is an abstraction, that mental illness is the result of the difference between the normal and the pathological, and that illness itself is not separable from the patient and the environment. Thus, Foucault states:

In mental pathology, the reality of the patient does not permit such an abstraction and each morbid individuality must be understood through the practices of the environment with regard to him (p. 12).
Foucault then proceeds to analyse mental illness by looking at the psychological dimensions of mental illness and through the analysis that psychopathology is a fact of civilisation. In his analysis of mental illness, Foucault establishes that mental illness has evolved, that in order to determine the mental state of the patient we must look to the history of that individual, and beyond that to seek how the world has itself designed mental illness as such.

But here we have touched on one of the paradoxes of mental illness that demands new forms of analysis: if this subjectivity of the insane is both a call to and an abandonment of the world, is it not of the world itself that we should ask the secret of its enigmatic status? Is there not in mental illness a whole nucleus of significations that belongs to the domain in which it appeared - and, to begin with, the simple fact that it is circumscribed as an illness (p. 56).

Foucault then proceeds to argue that mental illness is determined through the culture in which it exists.

Two questions arise therefore: How did our culture come to give mental illness the meaning of deviancy and to the patient a status that excludes him? And how, despite that fact, does our society express itself in those morbid forms in which it refuses to recognise itself? (p. 63).

Foucault then analyses the historical constitution of mental illness, its overall structure and concludes that psychology is born from this ability to class a person as being mentally ill and that psychology will never master madness, because it is madness that constitutes psychology.

There is a very good reason why psychology can never master madness; it is because psychology became possible in our world only when madness had already been mastered and excluded from drama.
And when, in lightning flashes and cries, it reappears, as in Nerval or Artaud, Nietzsche or Roussel, it is psychology that remains silent, speechless, before this language that borrows the meaning of its own kind from that tragic split, from that freedom, that, for contemporary man, only the existence of "psychologists" allows him to forget (p. 88).


In *Madness and Civilization*, Foucault in the preface quotes Pascal, "Men are so necessarily mad, that not to be mad would amount to another form of madness," and Dostoievsky, "It is not by confining one's neighbor that one is convinced of one's own sanity" (p. ix).

Again the use of Foucauldian epistemology is clear, which is the use of opposites and in the case of *Madness and Civilization*, it is the difference between reason and unreason.

We have yet to write the history of that other form of madness, by which men, in an act of sovereign reason, confine their neighbors, and communicate and recognise each other through the merciless language of non-madness; to define the moment of this conspiracy before it was permanently established in the realm of truth, before it was revived by the lyricism of protest. We must try to return, in history, to that zero point in the course of madness at which madness is an undifferentiated experience, a not yet divided experience of division itself. We must describe, from the start of its trajectory, that "other form" which relegates Reason and Madness to one side or the other of its action as things henceforth external, deaf to all exchange, and as
though dead to one another (p. ix).

and further Foucault states,

The language of psychiatry, which is a monologue of reason about madness, has been established only on the basis of such a silence. I have not tried to write the history of that language, but rather the archaeology of that silence (p. x).

Foucault's also cites two events in the history of madness which are significant. Firstly, he reveals the creation of the Hospital General and the "great confinement" of the poor in 1657, and secondly, points out the liberation of the chained inmates of Bicetre in 1794. Foucault suggests that between these two events, something happened that defies explanation. One possible explanation to this period is 'blind repression', that one section of society repressed another section of society or the other explanation is 'the gradual discovery by science and philanthropy of madness'.

Madness and Civilization sets out to the Middle Ages, to the period in history when leprosariums and lazur-houses multiplied throughout Christendom. But from the fifteenth century onwards, they were all emptied. There was little evidence of lepers or leprosy in Europe, but what remained, apart from the structures of these leprosariums and lazur-houses, were the values and images of the exclusion of the leper.

Two or three centuries later, the practice of exclusion is repeated by confining poor vagabonds, criminals and people with 'deranged minds'. Foucault argues that such an exclusion brought 'salvation' both to the person who was excluded and confined, but
also to the person who confined and excluded.

On the horizon of this new age, came the 'ship of fools' which carried their insane cargo from town to town. While some were excluded from these towns, other towns housed and provided for these madmen, and still others simply threw them into prison.

Foucault also points out that in the learned literature as well, madness and folly were at work. Madness became the article of argument, denounced and defended. Madness became the subject of paintings and texts, became something that fascinates, was akin to divine spectacle, as causing the existence of opposites, for it takes the false to be true. "Poor, he is rich; ugly, he admires himself; with chains still on his feet, he takes himself for God" (p. 29). Madness was portrayed as knowledge.

But if knowledge is so important in madness, it is not because the latter can control the secrets of knowledge; on the contrary, madness is the punishment of a disorderly and useless science. If madness is the truth of knowledge, it is because knowledge is absurd, and instead of addressing itself to the great book of experience loses its way in the dust of books and in idle debate; learning becomes madness through the very excess of false learning (p. 25).

But, in all this, madness is depicted as harmless, and the early seventeenth century was even amiable and accepting, compassionate and sympathetic towards madness.

By a strange act of force, the classical age was to reduce to silence the madness whose voices the Renaissance had just liberated, but whose violence it had already tamed (p. 38).
1656, the year when Hospital General was formed in Paris, marks the period when absolute authority assigned madness to the wards of the hospital, in the cells of prisons, mingled with workmen in workhouses, with the poor, the unemployed, and with prisoners. The responsibility of consigning madness to the mad-houses lay in the hands of permanent directors, who exercised their power both within and outside these houses of confinement. A doctor was appointed to visit the hospital twice a week.

However, Foucault argues that the Hospital General was never a medical establishment. It was an instance of order and outside periods of crisis, confinement acquired another meaning.

It was no longer merely a question of confining those out of work, but of giving work to those who had been confined and thus making them contribute to the prosperity of all. The alternation is clear: cheap manpower in the periods of full employment and high salaries; and in periods of unemployment, reabsorption of the idle and social protection against agitation and uprisings (p. 51).

And yet these houses of confinement took on an even stranger character. They took on a moral constitution.

But in this great confinement of the classical age, the essential thing - and the new event - is that men were confined in cities of pure morality, where the law that should reign in all hearts was to be applied without compromise, without concession, in the rigorous forms of physical constraint (p. 61).

With the creation of these houses of correction, the age of reason confined unreason.
This unreason, according to Foucault was connected to scandal, and a desire to avoid it. Madness was also seen to be part of evil. Yet another dimension to madness was the displaying of the insane.

Madness became pure spectacle, in a world over which Sade extended his sovereignty and which was offered as a diversion to the good conscience of a reason sure of itself. Until the beginning of the nineteenth century, and to the indignation of Royer-Collard, madmen remained monsters - that is, etymologically, beings or things to be shown (p. 70).

The cruelty towards the insane reached such inhuman degrees that it became clear that the violence was not motivated by a desire to punish nor by a desire to correct. The motive now was to stem the tides of revolt and to regard the insane as a social danger. The insane no longer took on the role of a sick person but rather connected it with the animal and were treated as such. "Unchained animality could be mastered only by discipline and brutalizing"(p. 75). Foucault argues that madness is closely related to passion. "The possibility of madness is therefore implicit in the very phenomenon of passion" (p. 88).

Foucault also argues that emotion can provoke madness. But, "Imagination is not madness," argues Foucault and madness is beyond imagination, and yet madness is rooted in it. Foucault suggests that one way to understand madness is to understand what 'truth' is and cites the Encyclopedie which distinguishes 'physical truth' from 'moral truth'.

Physical truth consists in the accurate relation of our sensations with physical objects" and "moral truth consists in the exactitude of the relations we discern either between moral objects, or between those
Again for Foucault, there is one word that summarises the experience of madness - unreason. “What we now know of unreason affords us a better understanding of what confinement was” (p. 115).

Foucault proceeds to show the specific faces by which madness was recognised in classical thought and shows the very possibility of scientific psychiatry. “It was in these ‘diseases of the nerves’ and in these ‘hysterias’, which would soon provoke its irony, that this psychiatry took its origin” (p. 158).

Foucault notes that madness soon did not function in the hospitals, but rather through long cures which were instituted. The purpose was to cure the entire individual, because madness was now considered to be existing in the visible and solid presence of the madman's physical body. Thus the cure must be to treat the body, the physical body of its infirmities. And what better substance to do this than iron.

Iron unites, in its privileged nature, all those qualities that quickly become contradictory when they are isolated. Nothing resists better, nothing can better obey; it is a gift of nature, but it is also at the disposal of all man's techniques. How could man help nature and lend it an abundance of strength by a surer means - that is, one closer to nature and more obedient to man - than by the application of iron? (p. 161)

The other methods of a cure must also be by purification (p. 162), by immersion (p. 166) and by the regulation of movement (p. 172), by awakening (p. 184), by
theatrical representations (p. 187) and the return to the immediate (p. 191). It appears that in all these attempts to cure, to return to reason those who belonged to unreason, led to the birth of a science with its positivity and its experiments.

And it is precisely here that psychology was born - not as the truth of madness, but as a sign that madness that it was henceforth nothing but a phenomenon adrift, insignificant upon the undefined surface of nature. An enigma without any truth except that which could reduce it (p. 198).

and,

Let us not be surprised that the most "psychological" of medications has so quickly encountered its converse and its organic confirmations. It is not psychology that is involved in psychoanalysis: but precisely an experience of unreason that it has been psychology's meaning, in the modern world, to mask (p. 198).

For Foucault, madness is the result of a certain cruelty; the cruelty of confinement. From this confinement came about the act of isolation and social control, of discipline and exclusion.

It was the depths of confinement itself that generated the phenomenon; it is from confinement that we must seek an account of this new awareness of madness (p. 224).

3.7 Some results from Foucault's works

Gutting (1989, pp. 55-110) analyses Foucault's *Madness and Civilization* and outlines the major results. For Gutting, the emergence of the concepts of
madness/unreason and reason are important historical events: that reason and its
science of psychiatry and psychology emerged to exercise dominion over human
experience; born as a result of the separation between reason and unreason; and that
it is the corresponding distance that put madness into madhouses and was silenced by
the monologue of reason.

The two methods that were used were existential analysis of the lived world of the
mad and the account of the real social factors (contradictions) that have caused the
formation of this world. A standard historical approach of explaining events through
political, social and economic terms was also used. Besides this, the method of
referring historically to external events, on the way people thought and perceived the
approach of the history of ideas offering an internal account of the views, was
developed by individual thinkers and showed how their work influenced and
modified those following them. In short, the specific method employed was, what
may be termed "archaeological." Archaeology attempts to discover structures
beneath the surfaces open to ordinary historical scrutiny. It involves the use of texts
and practices to see structures that are common to all texts and practices, and to
analyse structures lying even beneath those elucidated by standard techniques in the
history of thought.

As to the results of *Madness and Civilization*, Gutting notes that these accounts
contain the germ of a critique of contemporary psychology and psychiatry.
Foucault's historical analyses can be used to overcome the mechanisms that dominate
practice, and put an end to a *de facto* monopoly of dominant systems. There are alternative views to mental illness; that madness may be regarded as reason's mocking partner, by which one section of society rejects another section, of humanity rejecting itself. Such an analysis shows that the early views of madness contained elements of moral judgement clothed in scientific authority. With an analysis of this nature, it is possible to use history to question the self-understanding of current knowledge of human beings.

Macey (1993, pp. 93-119) summarises Foucault's work on *Folie et Deraison: Histoire de la Folie a l'Age Classique* (1961). In his analyses of the historical conditions and circumstances under which *Madness and Civilization* was written, Macey notes that Foucault's history of madness is a history 'whereby men, in an act of sovereign reason, confine their neighbours, and communicate and recognise one another in the pitiless language of non-folly' and is an attempt to rediscover the moment of that exorcism, before it was definitively established in the realm of truth and revived by the lyricism of protest. For Macey, *Madness and Civilization* falls under three acts. The first, depicts the experience of madness in the late Middle Ages and the Renaissance; the second, the classical era which stretches according to Foucault, from 1657 when the Hospital General was founded and when the poor of Paris became the victims of the 'great confinement' to 1794, when the inmates of Bicetre were set free from their chains by Philippe Pinel, an act inaugurating the age of the asylum. The final act is concerned with the modern experience of madness. The history has a further underlying theme: during the reconstruction of this
experience of madness, a history of the conditions of possibility of psychology virtually wrote itself.

For Macey, *Histoire de la Folie* is a positive history of the transition from 'folie' to 'mental illness' which was later confined. "Folly or madness is not a natural phenomenon defined once and for all. It is a shifting constellation which can be displaced. It is however, always the object of a consciousness which denounces it in the name of an assumed rationality" (p. 99). Later, madness is to enter the "garden of species, a period of taxonomy, a period in which the phenomena of madness enter the logical and natural domain of medicine, a field of rationality typified by the attempt to apply the principles of Linnaean classification to what once defied categorisation" (p. 99).

To Foucault, the birth of the asylum represents a new form of confinement, and also signals the new importance of the doctor of medicine. Confinement is now a medicalisation of madness, but the authority of the doctor is not purely medical: the role of the medical profession is to supply a moral and legal guarantee that confinement is justified (p. 101).

Macey quotes Foucault in his conclusion to *Folie et Deraison* (1961):

The madman 'freed' by Pinel and the madman of modern confinement who came after him, are characters who are on trial; while they have the privilege of no longer being mixed up with or assimilated to the condemned, they are, at every moment, condemned to face an accusation, the text of which is never given, as it is the whole of their life in the asylum that formulates it. The asylum of the positivist age ... is not a free domain for observation, diagnosis and therapy; it is a
judicial space in which one is accused, judged and condemned, and from which one is freed only by the version of this trial in psychological depth, in other words by repentance. Madness will be punished in the asylum, even if it is found innocent outside. For a long time to come, and until our own day at least, it is imprisoned in a moral world (cited in Macey. p. 101).

It reads like a subtle and gripping Gothic drama, mazed with intricate subplots and arcane details. Small wonder its readers have been alternatively fascinated, bewildered, frustrated and even enraged by it. For O'Farrell (1989), *Madness and Civilization* is quite a fascinating blend of history, philosophy, social comment and indignation at the plight of madmen, written in a beautiful, often difficult and idiosyncratic poetic style.

For McHoul and Grace (1993) in *Madness and Civilization*, Foucault had been concerned with how disciplinary knowledge functioned (p. 15). Hirst and Woolley (1982) further show that *Madness and Civilization* is "not a history of psychiatry but rather an investigation of the conditions that made possible the eventual development of such a discipline" (pp. 164-196). McNay (1994) sums up Foucault's study of *Mental Illness and Psychology* and *Madness and Civilization* as a "study of the cultural constructions of madness in Western society," as "an impassioned denunciation of the modern attitude towards madness ... which is profoundly dehumanising," where Foucault argues with "modern psychiatric practices which construct a negative and, therefore, alienating view of madness as mental illness," and is an "attack on Enlightenment thought and the notion of rationality with which it is underpinned" (p.13).
Rabinow (1991) sums up Foucault's work in identifying three modes: dividing practices, scientific classification and subjectification (p. 7-11) which includes the problem of the subject of power and knowledge (p. 12). Gordon (1980) summarises Foucault's work as seeking to "problematise ... by asking the question: how are the human sciences historically possible, and what are the historical consequences of their existence" (p. 230).

For Cousins and Hussain (1984), *Madness and Civilization* "provides an analysis of the human sciences themselves ... together with the ancillary fields of ... psychiatry"(p. 2), that although "madmen had been interned before the end of the eighteenth century and medicine had long concerned itself with madness, psychiatry however, has its beginnings at the point of a configuration of medicine and internment," is "the history of the emergence of clinical medicine" and shows how *Madness and Civilization* has led to a number of alternative historical accounts and has at the same time been used in the furious debates concerning the status and function of psychiatric knowledge" (p. 11).

Kritzman (1988) suggests that the incarceration of the insane through institutions of our own making enables us to distinguish between truth and madness and the marginal and the normal (p. xxi). Said (1988) sums up Foucault's work as conveying the sentiment of otherness (p. 5). For Sheridan (1980), *Madness and Civilization* is about a judgement in which one human passes on another. For Barker (1994), *Madness and Civilization* is about how subjects were constituted as mad and
attempts to analyse the effects this had on Western culture (p. 44).

Dreyfus and Rabinow (1982) state that Foucault's work represent the most important contemporary effort both to develop a method for the study of human beings and to diagnose the current situation of our society (p. xiii). For Boyne, (1990) it enshrines a denial of otherness, of difference. (p. 33) Foucault states, "... I had summed up the whole experience of madness in the classical age by the practice of confinement" (Foucault, 1988, p. 261).

3.8 Foucauldian archaeology and genealogy

Foucault's work is not easy to categorise. This is because Foucault changed his mind many times about his work. He has been described as a whale diving deep and occasionally coming to the surface to blow. With such inconsistencies about Foucault's work, it may be useful to seek out points of entry into Foucault's work so as to enable it to assist with the project that is to be undertaken. What are his great categories and masterful insights that allow us, as future Foucauldians, to undertake and research contemporary issues? How do we go about looking for those themes to which Foucault has so clearly drawn our attention to? What are the distinguishing features of a Foucauldian analysis that makes it unique?

Objective: One of the features that makes a Foucauldian analysis unique is the
The object was to learn to what extent the effort to think one's own history can free thought from what it silently thinks, and so enable it to think differently (Foucault, 1986, p. 9).

and further, Foucault states:

My objective, instead, has been to create a history of the different modes by which, in our culture, human beings are made into subjects (Foucault, 1982, p. 208).

**Method:** The method that Foucault uses to carry out the above objective is that which goes back 'to that zero point' when experience is undifferentiated. So Foucault, in order to analyse madness goes back to the point when 'madness is an undifferentiated experience'. In addition, the question that Foucault is attempting to ask, is about an experience.

**Outcomes:** For Foucault, the outcome of these analyses is to draw a relationship between a whole range of institutions, economic requirements and social regulation issues, coupled with the interweavings of power with the creation of a certain knowledge. The interweaving of the effects of power and knowledge could not be grasped with greater certainty than in the case of a science as 'dubious' as psychiatry (Foucault, 1980, p. 109).

The outcome is that Foucault has been able to show that the 'science' of psychiatry is seen emerging out of ignorance and superstition, and of the barbarous practices of the
Middle Ages. This immediately destabilises the foundations of the human sciences in general, and the science of psychiatry, in particular.

3.8.1 Archaeology

For Foucault, history creates an origin, a place of birth of an idea that changes the entire structure of our existence. With archaeology, Foucault paid attention to a history of continuity to the history of discontinuity and of rapture, to the point of interruptions. Documents play an important role in archaeology. The document allows the possibility of reconstituting and reconstructing the past. In archaeology, the event becomes the central idea of such an analysis. Archaeology attempts to determine how discourse obeys certain rules. It looks at discontinuities and is a systematic description of discourse-object.

Archaeology attempts to discover structures beneath the surface open to ordinary historical scrutiny, which involves the use of texts and practices, to see structures that are common to all texts and practices, and to analyse structures lying even beneath those elucidated by standard techniques in the history of thought. Foucault describes archaeology as a "relationship between what we do, what we are obliged to do, what we are allowed to do, what we are forbidden to do ..." (Foucault, 1988, p. 8). Archaeology, for Foucault, is the studying of the history of ideas as they evolve, not so much as trying to discern beneath them, but how one or another object could take shape as a possible object of knowledge. Why, for instance did madness become at a
given moment, an object of knowledge corresponding to a certain type of knowledge? By using 'archaeology' rather than 'history,' Foucault has tried to designate this desynchronisation between ideas about madness and the constitution of madness as an object, as an experience.

I try to work on the history or archaeology, if you like, of the way people undertook to speak truthfully about madness in the 17th and 18th centuries. And I would like to bring it to light as it existed at the time (Foucault, 1988, p. 39).

Foucault further states,

I tried to locate three major types of problems: (in Madness and Civilization, The Order of Things, and Discipline and Punish, which were all archaeologies) the problem of truth, the problem of power, and the problem of individual conduct. These three domains of experience can only be understood in relation to each other, not independently (Foucault, 1988, p. 243).

In his conclusion to The Archaeology of Knowledge (1972), Foucault draws certain conclusions about archaeology. Archaeology ... is to free history from the grip of phenomenology (p. 203); its concern to establish thresholds, raptures, and transformations ... is to define the unique specificity of discursive practices; ... it simply indicates a possible line of attack for the analysis of verbal performances: the specification of a level - that of the statement and the archive; the determination and illumination of a domain - the enunciative regularities, the positivities; the application of such concepts as rules of formation, archaeological derivation, and historical a priori (p. 204). Archaeology tries to establish rules of formation in order to define the conditions of their realisation ... in trying to reveal the rules of...
formation of concepts, the modes of succession, connexion, and coexistence of statements. It touches on the problem of epistemological structures; in studying the formation of objects, the fields in which they emerge and are specified, in studying too the conditions of appropriation of discourses, and on the analysis of social formations. It is the analysis of the rules proper to the different discursive practice (p. 205).

Archaeology, for Foucault is a tool for research which investigates the form. “The archaeological dimension of the analysis made it possible to examine the forms themselves ...” (Foucault, 1988, p. 11).

3.8.2 Genealogy

For Foucault, genealogy ... does not oppose itself to history as the lofty and profound gaze of the philosopher might compare to the molelike perspective of the scholar; on the contrary, it rejects the meta-historical deployment of ideal significations and indefinite teleologies. It opposes itself to the search for "origins" (Foucault, 1980, p. 140).

Genealogy may be described in what it is not. Genealogy does not have recourse to metaphysics; it is not teleological; it does not search for any origins; is not based on continuity; it does not seek to establish singular historical meaning; it does not attempt to recover essential truth and the unity of history. What genealogy in fact does is that, it throws light on strategic connections that have become invisible
through the passing of time. It is a tactic to render disparate concepts and events that lie embedded in history. It draws a link with the process of inducing visibility where new connections are made, new tactics revealed, and new objects put in place, to reveal the past. “Genealogy is gray, meticulous, and patently documentary” (Foucault, 1980, p. 139).

Thus genealogy is a method for the purpose of analysing history without a preconceived plan, without historical continuity or unity. It looks at events, accidents, coincidences and actions that occurred in relation to one another. Within these events, accidents and coincidences, is found a power/knowledge relationship. Genealogy provides a particular method in the power/knowledge relationship, that does not proclaim a single truth, and does not proclaim absolutes. It seeks to show that history can bring to the open, that knowledge, indeed all knowledge, resulting from a power struggle. With genealogy it is accepted that what may result is not a uniform point of view, but that each of these histories are fragments with fragility. This fragility advances the power/knowledge relationship, and the notion that the quest for knowledge is not a struggle for ‘truth’, but for power.

3.9 Power/Knowledge

Towards the end of his career before his unfortunate death, Foucault on reflecting upon his work, stated,

What I have studied are the three traditional problems: 1. What are the
relations we have to truth through scientific knowledge, to those 'truth games' which are so important in civilisation and in which we are both the subject and the object; 2. What are the relationships we have to others through those strange strategies and power relationships; and 3. what are the relationships between truth, power and self (Foucault, 1988, p. 15).

Thus sums up his work. There are essentially three relations that Foucault investigates: truth games, others and self. Together they constitute a scheme, a scheme of constituting oneself as a subject. As to the question of the subject itself, Foucault states,

There are two meanings of the word subject: subject to someone else by control and dependence, and tied to his own identity by a conscience or self-knowledge. Both meanings suggest a form of power which subjugates and makes subject to (Foucault, 1982, p. 212).

The subject is the result of the interplay between tactics and strategies of power and of knowledge, which produces self-knowledge through subjection. Power in this condition is not an object but rather is a series of relations, relays and modes of connections. It is exercised and acted on individuals. In Foucault's conception of power/knowledge, Truth is not differentiated from such a relationship. There appears to be games of truth which are played out, which on the one hand imposes on the subject and on the other makes the subject perceive himself to be the subject of such a power. For Foucault then,

It is not possible for power to be exercised without knowledge, it is impossible for knowledge not to engender power (1980, p. 52).
3.10 Foucault in accounting

Since the 1980s, accounting researchers have applied Foucauldian inspired ideas in accounting. Armstrong (1994) broadly classifies them as 'studies in disciplinary power' found in Burchell et al. (1985); Hoskin and Macve (1986; 1988a; 1988b); Loft (1986); Knights and Collinson (1987); Miller and O'Leary (1987); Hopwood (1987), Ezzemel et al. (1990); Maclntosh and Hopper (1991); Walsh and Stewart (1991), and studies in 'governmentality' found in Miller and O'Leary (1989); Miller and Rose (1990); Miller and O'Leary (1990); Miller (1991); Robson (1991); Rose (1991); Preston et al. (1991); and Preston (1992). Neimark (1990, 1994) however, states that neither body of work has yet made much impact on mainstream accounting history or theory.

Grey (1994), Armstrong (1994) and Hoskin (1994) have attempted to highlight Foucault's impact in accounting and suggest ways by which accounting researchers could apply Foucault in accounting. This thesis is one such attempt. More recently, Townley (1995) has shown how accounting and personnel management are complementary and are calculative technologies which attempt to secure control of the labour process.

Neimark's charges are partially justified on account of the inadequate reading of Foucault himself in the original, and great reliance being placed on the secondary literature on Foucault. A great disservice and injustice that accounting researchers
pay Foucault is to place Foucault as 'post modern', which clearly implies a lack of sufficient reading of Foucault (Gaffikin, 1995a). Foucault was not post modern (Hoy, 1988) and has stated that he found neither modernism nor post-modernism meaningful constructs (Foucault, 1984, p. 250).

3.11 Power/Knowledge in accounting

Having said all this, what remains is the question of how does a power/knowledge relationship in accounting result in a subject? What are the modes of subjugation in accounting? How can an analysis of this nature be undertaken in accounting?

If Foucault's rendering of history is correct, and if knowledge is closely related with power, and power with knowledge, if human beings are the source of and the object of knowledge, and later become the subject of knowledge, and on the condition that knowledge in the human sciences have been used for the purposes of social control, discipline and exclusion, then accounting which is a human science qualifies as a possible source of applying a Foucauldian analysis.

The first step is to turn to the history of accounting. I want to look at the past of accounting and rewrite the history of accounting. Accounting history thus far, certainly tell us what it accounted for, but does not tell why!
It may be found that accounting is born at some point in time, when wealth constructed by accounting created its existence. The real reason for the existence of accounting is in the creation of the experience of wealth. Both wealth and accounting are two sides of the same coin with one sustaining the other, both ceasing to exist if separated. Wealth and accounting mutually sustain each other, and are inseparable parts of a single entity. We may also find that at that ‘zero point’ in history, when wealth creates accounting and accounting creates wealth, 'poverty' is also born.

In attempting to tease out what genealogy really is and to know the method that it prescribes, recourse must be made to Foucault's *The Use of Pleasure: The History of Sexuality*, Volume 2. (1990). Foucault clearly identifies genealogy:

> To speak of 'sexuality' as a historically singular experience also presupposed the availability of tools capable of analysing the particular characteristics and interrelations of the three axes that constitute it: (1) the formation of sciences (savoirs) that refer to it, (2) the system of power that regulate its practice, and (3) the forms within which individuals are able, are obliged to recognize themselves as subjects ... (p. 4).

Accounting researchers attempting to understand genealogy, could gain insights from the above statement.

The rest of the thesis applies the above scheme in its pursuit to identify how accounting as a human science operates to bring an object, known as income into reality, how social security regulates the practice of income, and how human beings are able to be categorised and excluded as being 'poor'. It also explains how sections
in society are victimised and controlled, oppressed and repressed.

As for genealogy and archaeology being Foucauldian methods, Foucault states that his

... texts were a toolkit to be used or discarded by anyone and not a catalogue of theoretical ideas implying some conceptual unity (Ewald and Macherey, 1989) (cited in Macey, 1993, p. xx).

and again,

Writing interests me only to the extent that it is incorporated into the reality of a combat as an instrument, a tactic, a means of shedding light ... I certainly do not see what I do as a body of work (oeuvre), and I am shocked to see anyone can call me a writer ... I sell tools (Foucault, 1975) (cited in Macey, 1993, p. xxi).

3.12 Conclusions

The works of Foucault convey the methods that Foucault used in history, namely archaeology and genealogy. The chapter also acquaints the central themes that Foucault chose to investigate. At the core of Foucauldian studies is the desire to dispel the self-evident. That is, it is a desire to indicate that objects found in the human sciences are not part of a naturally existing order - they are social constructions.

Central to Foucault's study, through the examination of medicine, psychiatry,
sexuality, the human sciences and the penal system, are that of knowledge, power and the subject.

The genius of Foucault is the disregard for conventional and traditional methods of research in the human sciences. According to Foucault, the governance of everyday life is made possible through a power/knowledge relationship through ways of knowing which allows invention and regulation. Governmentality also means systems, processes and methods of thinking. Knowledge then is not detached and independent, but rather is integral to the operation of power. The concept of knowledge and power has two further implications: it explains how the mechanism of power is the instrument for knowledge, and secondly that power and knowledge create subjects. Individuals are subjected to the object of knowledge and in the process discovers something about themselves. Thus the individual is a product of history, through corrective or disciplinary elements of power and knowledge.

For Foucault, the discourses in the professions of health, sanity, knowledge and punishment create the opposite to know itself, to know it exists.

I would like to show how accounting discourses about wealth and creates income in such a discourse, which is used for the creation of a disciplined society.
CHAPTER 4

LITERATURE REVIEW

4.1 Introduction

This chapter has several purposes. It intends to summarise the research that has been done in accounting which applies a Foucauldian approach. A secondary but equally important intention is to draw out the use of archaeology and genealogy in accounting research. This chapter also intends to discuss the major findings of research in accounting that has used Foucault. The other purpose is to introduce Foucault's archaeology and genealogy in its extended form and show how they have been applied.

4.2 Summary of the use of Foucault in accounting research

This chapter seeks to review the existing literature in accounting that applies Foucault in their research. The first section will attempt to summarise the accounting literature so far. The purpose is to determine the ways in which Foucault's methods, both archaeology and genealogy, have been used in accounting research.

Perhaps the earliest work that applies Foucault is Burchell, Clubb and Hopwood
(1985). This research seeks to draw a relationship between accounting and society, reviews some existing theories of the social nature of accounting practice and identifies conceptual problems relating to this. The paper focuses on the rise of interest in value added accounting in the UK in the 1970's. It conducts a social analysis of this event and discusses its implications.

Burchell, Clubb and Hopwood (1985) start by stating that accounting is now becoming to be seen as a social rather than a purely technical phenomenon. This research attempts to look at the ways in which accounting has emerged within the wider contexts in which it operates. It is now beginning to be recognised that accounting is an instrument for social management and change. The important issue that the research seeks to investigate is the interaction between accounting as a technical practice and the social world, and the relationship between the social world and the accounting craft. "Accounting has not been explored in the name of its social functioning or potential ... and ... the relationship of accounting to the social has tended to be stated and presumed rather than described and analysed" (p. 382). The purpose of this research is to illustrate and discuss the rise of interest in value added accounting in the UK during the 1970s. The research also attempts to explicate some of the implications for an understanding of the emergence of value added accounting in particular and the social functioning of accounting more generally.

The research highlights that despite previous research (Bedford, 1970; Estes, 1973; Gambling, 1974; Gordon, 1978; Livingstone & Gunn, 1974; Vangermeersch, 1972),
on the impact of social change on accounting, little has been achieved to change and reform accounting in the name of its social context. The techniques of accounting have taken precedence over the social.

Using Gilling (1976) and Wells (1976), the research argues that accounting has a power to influence its own context, that accounting gives rise to developments which shape the context in which it operates, that the environment of accounting can become contingent upon the accountings of it (Burchell, Clubb and Hopwood, 1985, p. 385).

The research is to determine the upsurge of interest in value added during the late 1970s. It is argued and shown, that interest in value added statements commenced with the appearance of a discussion paper prepared by a working party drawn from the accountancy bodies which was published by the Accounting Standards Steering Committee (now the Accounting Standards Committee) in August 1975. The Corporate Report recommended requirement of a statement of value added, showing how the benefits of the efforts of the enterprise are shared between employers, providers of capital, the state and reinvestment. The research also shows that when the Government's Green paper, The Future of Company Reports appeared, it called for a statement of value added. It appears that while this policy debate was taking place, there was an increase in companies that started to use the value added statement with one-fifth of the largest UK companies producing value added statements in the late 1970s. It was also seen as a practical tool for information
disclosure and as a basis for determining rewards at the level of the enterprise. The statement of value added also appeared to be concerned with policy discussions on the performance of the British industry and as a means of reforming company wide profit sharing schemes. It also appears to have been included in stockbroker reports as a means of facilitating financial performance analysis. Further, the accounting bodies had issued research reports on the subject of value added.

With this great emphasis placed on value added reports, the research question that was asked was to explain why this event took place. The study proceeds to analyse this phenomenon as being attributable to social change. The relationship between accounting change and the social change is the motivation of this research.

The study looks at the meaning of value added (cites Ruggles and Ruggles (1965), p. 50), which is the value created by the activities of the firm and its employees. However, there is great diversity in the calculation of value added. The study also points out that there was a great deal of diversity in the treatment of depreciation and the treatment of taxation. Besides this, value added statements are presented in a number of different formats with a variety of different titles.

The Burchell, Clubb and Hopwood study further sheds light on the perceived advantages of using value added, namely as payment systems, as company reporting, information disclosure to employees and trade unions, and as economic analysis. The study shows that what is less frequently shown is that value added is a system of
both determination and representation (p. 388). There are two related arguments. First, it represents wealth, and to be precise it represents wealth created in the accounting entity. Furthermore, this representational property provides a basis for the improved calculation of certain important indices of enterprise performance, namely efficiency and productivity. The other advantage is that it represents or reveals the social character of production. Value added reveals that wealth created in production is the consequence of the combined efforts of a number of agents who together form a cooperating team; a team of shareholders, lenders, workers and the Government or between capital, management and employees. This however, leads to a dilemma - for the value added to be represented as a cooperating team, the company must first be constituted as such. However, it is shown that value added is seen as a means to an end, as playing the positive role in the creation of cooperative harmony.

As such accounting, and the value added in particular, is now seen as a means of a vision of harmony. Therefore, value added constitutes social harmony and provides its own preconditions, in the forms that value added may be accounted for by reference to wider changes and shifts in society, and with the possibility that simultaneously social change might be dependent on it.

Value added may also be seen as serving as a spur to workers in an attempt to totally eliminate the claims of others in its production. Another view is that it is a way of 'misleading workers' in an attempt to gloss over 'the problem of profit' and hence
misrepresents reality. It purports to show a picture of unity, despite the existence of conflict of interests. Another problem is that the diversity of calculation undermines the very properties that it is deemed to serve.

On the other hand, value added statements appear to lead to confusion, doubt and suspicion, and hence problematises both the social rationality of the value added and its technical rationality. The roles that value added play do not themselves provide explanations for the sudden upsurge of interest in value added. However, the roles of the value added determine the worth of the value added statement. It has been argued that the value added is a superior means of measurement, and hence the pursuit of wealth, productivity and efficiency is a measure of income appropriate to production seen as a process involving the action of a team of cooperators; and as a focus of a widely differentiated field of political interest; as an initiator, a harbinger and a consequence of social change. From this, three views of the value added statement appear.

Firstly, value added statements are reported to hurry along social change, to alert the business community to this change and to help them make sensible decisions. It also marks out the fields, namely, the explication of standards for corporate financial reporting, the management of the national economy and the functioning of the system of industrial relations. It also marks out the various agencies that function in these fields which include the government, trade unions, and the accounting profession.
Since the value added statement is characterised by diversity and seems to subvert the very role it was meant to play, there has been a call for its standardisation. The study cites two reports that have argued for standardised reports and identified two approaches to the measurement of value added. The research also reports that the research that was conducted and commissioned by the accountancy bodies, do not explain why these reports should be prepared in the first place.

This research argues that value added statements came about due to 'wider socio-economic processes', that accounting standards are restrained by the issues of measurement and forms of presentation, ignores the likely implications of introducing particular standards, of ignoring the fact that there are dominant means of discourse in standard setting; that accounting theory obscures the political character of the standard setting process, advances the fact that standard setting in the UK is the result of a series of company collapses and take-over battles, and as the result of professional crisis that the accounting profession was facing.

The study further points out that the statement of value added did not arise out of a vacuum, but rather that the need for it arose out of two specific contexts. Firstly, the value added incentive payment schemes and productivity agreements which lead to widespread disclosure of detailed company information would motivate employees and reduce worker/manager confrontation. The second was to improve industrial relations and to act as an alternative performance indicator. The role of accounting and accountancy was the role of melting 'efficiency' with 'democracy'.

Chapter 4: Literature Review
Central to this investigation and research was the use of a three branched genealogy which is attributed to Foucault. It seeks to determine the specific social space within which value added appeared, the space which value added occupied, and the field of relations between certain institutions, economic and administrative processes, bodies of knowledge, systems of norms and measurement, and classification techniques.

Other key elements of this analysis is worthy of attention - that the accounting constellation was very much an unintended phenomenon; that the value added statement functioned as a vehicle for a number of different interests and purposes; of the importance of the relationship between accounting and the environment; of how the statement functions as an integral part of and inscribed within certain social relations; of using specific fields of action, of targets and agents of intervention, of means of surveillance and intervention, and associated bodies of knowledge; of the mode of investigation, namely the origins and history of the value added statement; and more importantly, it explains how self-interests are established.

Thus for Burchell, Clubb and Hopwood (1985), Foucault's genealogy is the study of the specific social space in which an event occurs, the space that event occupies and the fields of relations which exists between institutions, economic and administrative processes, bodies of knowledge, systems of norms and measurement and classification techniques (p. 400) of the three arenas, as characterised by specific fields of action, of agents of intervention and finally as means of surveillance, intervention and associated bodies of knowledge (p. 403).
Hoskin and Macve (1986) set out to explain how a history of accounting and an understanding of accounting's power can be written in Foucault's 'power/knowledge' relations. They focus on two developments: firstly the invention of a particular accounting system, double-entry, and secondly, the social development of a discourse of accountancy where the double-entry system gains widespread adoption and finally, the appearance of a profession of accountants. In order to do this, they argue that it is necessary to explore how those two transformations in practice are linked to transformations in the techniques for organising and creating knowledge developed by pedagogues - "transformations which enable the emergence of new forms of power ... and focus on the examination as a technique of knowledge and a technology of power" (p. 106).

This research draws a distance between archaeology and genealogy and argues that power is positive which produces ways of behaving and predispositions in human subjects. "... indeed the most pervasive power is that which makes its subjects cooperate and connive in their subjection to it" (p. 106). The study shows how Foucault relates power with knowledge and that in order to understand our present and our future, an understanding of this relationship is crucial. The study shows how the means of social control is made possible through the shift punishment of the body to the disciplining of the person, implementation brought about by correct training through the examination, which enables systematic surveillance and observation, of testing performance and leaving records. This allows the possibility of a history of that individual and the possibilities of categories and norms. The examination
normalises, makes a case of each individual, provides a case-history and a numerical 'objective' platform for the purposes of judgement. The study then turns to the work of pedagogues in educational settings to discover the roots of 'discipline'. The examination becomes written and adopts mathematical grading and finds its fullest expression in the university.

Conventional accounting history states that accounting as we now know of it did not exist in antiquity nor in Arabic culture, and a profession of accountancy only developed much later. What happened in between? Why the delay in this development? These are the questions that this research sought to answer.

Hoskin and Macve's study points out that St. Croix's (1956) suggestion that double-entry was impossible in the absence of Arabic numerals requires a rewriting of writing which should predate Arabic numerals. The evidence is in the form of the introduction into alphabetic texts of word-separation, of the first sustained interest in time measurement, of the need to create order and surveillance, of rewriting time and space in the world of religious pedagogues. The introduction in the Latin West brings about a change in the ecology of alphabetic writing, where for the first time an alphabet is taken over without alteration of letter form for the writing of vernaculars. Thus new modes of rewriting the social world became feasible. A new elite appears, of clerks and masters who produce a range of pedagogic rewritings of texts, along with techniques which grid texts both externally and internally in the service of information retrieval and knowledge-production. This is further compounded by
writing handbooks on the use of Arabic numerals that shape, grid and order. By the thirteenth century the rewriting of the primary text, both internally and externally produces a new textuality, a new principle of alphabetisation which brings with it a new way of thinking. By the year 1300, an impersonal kind of text appears that deploys space and numbers in a new systematic way.

With this, there was a shift to the deployment of a new kind of alphanumeric way of writing, and to a new visual ordering and grid of writing with the key intermediaries being pedagogues primarily concerned with the problems of knowledge. These new knowledge techniques were deployed in the service of power. The research then makes connections between educational and accounting practices, and the range of ways in which the new forms of accounting developed and the kind of power-knowledge relations which were set into play. Accounting's power was in part economic power and facilitated a new kind of control, further developed by the then new accounting practice known as the audit which was a product of the new complex world where inquisitorial reading is now turned into a mirror while at the same time formal oral validation of that reading is given a new lease of life by the invention of the examination. This is seen in the training of clerks and accountants, a great majority of whom were trained at universities. The social power of the university elite and the general dissemination of a pedagogic discourse around the field of accountancy is seen by the teachers who wrote formularies giving specimen accounts and 'arts' of business, which extended knowledge of the discourse beyond the confines of the university world; and the increasing scope for independent schools to
be located in main business and administrative centres. In addition, there was an internal rewriting of the text into double-entry format and the development of an interlocking network of books of accounts in the merchant and banking world. For example, a new kind of banking developed based on discount. A second kind of rewriting entered into instruments of exchange by having face value and percentage markdown. Along with this came bank notes. Both were means of control. This is later seen when all aspects of human activity to do with words, things and values are made subject to technologies of alphanumeric writing. Along with this comes the dual roles of money and the bilateral layout or tabular form leading to further control: the control of the flow of goods, over excessive monetary outgoings and control over subordinates. Accounting is now seen to release two power/knowledge relations, that of a record of the past and of a given present, and it enables control over money, goods and workers. However, before accounting could acquire its modern power, a new technological development in the educational field had to occur. Premodern accounting had fed back into a "bookkeeping" on pupils and secondly, the development of the mark transformed both education's and later accounting's power.

This research suggests that Foucault's model of the birth of disciplines will deepen the insights provided by professionalisation theory. Such a theory offers us the view that the university which is the precondition for the development of the modern network of professions, provide for the profession to appropriate both monopoly over competence and autonomy of control with the aid of texts on accountancy, which now become a 'body of knowledge'. It yields new insights into the nature of the
power/knowledge systems that they construct and refocuses the debate on the roles
and value of accounting.

Loft (1986) questions the social values, the ideology, the political and social
allegiances that have a bearing on the practice of cost accounting during one period
in the history of accounting, investigating the interplay between knowledge,
techniques, institutions and occupational claims. The method that is used is
genealogical.

Accounting and in particular management accounting is seen purely as a technical
matter, as being factual and objective. Management is seen to supply financial
information at all levels to be used in the planning and administering of business.
For Loft, Foucault emphasised the ways in which knowledge and power are closely
linked, and argues that management accounting systems, as knowledge systems, are
intimately bound up with the operation of power. Management accounting produces
knowledge which is used to discipline individuals and the system of accounting
which produces that knowledge is itself a product of the operation of power. The
exercise of power produces a reality which measures significance proportionate to
their monetary value.

Genealogy seeks to detail the relationship between the development of cost and
management accounting as a technique of knowledge and the exercise of power, both
within the firm and outside it. It patiently documents the appearance of a discourse
of accounting. Loft particularly chooses to investigate the emergence of management accounting and its professionalisation. Through professional organisations and associations, through publications, meetings, examination syllabi and other activities, these associations play a role in defining and furthering the techniques of accounting. Cost accounting in particular came to light as an unintended consequence of the government's attempt to prevent profiteering and to price their contracts with manufacturers in the absence of a free market. It was during these war years that the Institute of Cost and Works Accountants (ICWA) was formed to advance the interest of, and claim professional status for cost accountants.

Between 1888 and 1914 workshop reorganisations occurred in several industries where workers were given a time allowance and a bonus for any time saved. By 1900, feed and speed inspectors, quality control inspectors and rate-fixers had all started to appear on the shop floor. Labour costs became the subject of primary importance and it was carefully measured, watched and controlled. As businesses grew so did clerks, and soon followed the division of labour and specialisation. The First World War soon followed, and it was in this event that cost accounting came to exist. In June 1915 the Ministry of Munitions was created to control the production of anything required for war purposes. During this period there arose three basic ways of ascertaining costs: technical costing, accountancy costing and using the cost returns from National Factories where similar articles were being produced. The last method proved to be very successful. Representatives of the Government visited factories and gave instructions as to the books to be kept and the method of preparing
cost returns. Cost investigations were required and carried out by qualified accountants, leading to manufacturers to take greater interest in cost accounting. The war had brought mergers, large scale enterprises, new industries and standardisation, brought unskilled labour to work and increased division of labour. The war also brought accountants into the public eye (p. 146) showering them with civil honours and many served and became staffed in the Ministry of Munitions.

Following the war, great plans for reconstruction were drawn up, which would bring Capital and Labour to work for the good of Britain. Councils known as 'Whitley' were set up for each industry represented by employers and workers, which would lead to all round improvements of the trade. 'Scientific management' was introduced.

Demand, generally for all manner of goods increased. Manufacturers were unable to meet this demand and prices increased, leading to industrial unrest. Profiteering was blamed, which enabled the Board of Trade to 'investigate prices, costs and profits' leading to renewed public interest in costing. The press invoked 'methods of accounting that would make the most disreputable of financiers blush' (p. 151).

By the end of 1920, one of the worst years of depression since the Industrial Revolution, unemployment more than doubled, and had passed the two million mark. Business began to look for the most efficient way to rationalise their businesses. Union activity and membership increased. The reconstruction of Britain was largely unrealised and faded, but interest in cost accounting increased leading to the
With this formation, key issues were addressed. The introduction of a costing system would stop fluctuating prices, help locate where the business profits and losses were being made and hence rationalise operations successfully, reduce the cost and price of soap, and pay attention to the large number of clerks during this time. Members of the ICWA had two things in common: some involvement with costing and the desire for formal association. The ICWA was engaged in a process of trying to establish itself as a legitimate professional accounting body. It soon developed into the status of providing 'science' and 'facts'. Cost accountants were being presented as collectors and processors of these facts. The subject matter that cost accounting was to deal with became more and more refined. It was to deal with factory accounting and was a technical matter, distinguished from 'political' matters. "Scientific" costing was seen as a solution for the current industrial problem and having served as a socio-political intent, is therefore understood to have a social function rather than a purely technical one.

Hopwood (1987) investigates how accounting systems change over time and new techniques are incorporated into the accounting craft, and how accounting serves an ever greater variety of different and changing purposes. Accounting has been implicated in the creation of different organisational segmentation with new organisational autonomy and interdependencies with different managerial functions. Accounting continuously becomes what it is not, and hence changes organisations
and society. What are the forces that put accounting into motion, the processes that accompany accounting elaboration and diffusion, and what are the human, organisational and social consequences?

Hopwood argues that prior historical research has been content to see accounting change as a process of technical elaboration and improvement; as seeing accounting as becoming what it should be. This view applies and imposes an unproblematic, progressive and functionalist interest in their history with little understanding of the pressures that impinge on accounting in practice and studies accounting disconnected from the contexts in which it operates. Accounting is seen as a technical phenomenon, rather than a phenomenon that actively shapes organisational functioning. The approach also failed to see that a more critical stand was emerging within the research community. Research in this area questions the wider organisational and social origins of accounting, and the variety of organisational pressures and rationales that affect the accounting craft. Consideration is now being given to the conflicting interests that are intertwined with the development of accounting. Accounting is now seen as creating a particular visibility and pattern of organisational significance and the consequences that it brings into reality. Primarily, it is looking at accounting in its dynamic form. Apart from seeing accounting as a process for direction, planning, decision making, coordinating, control and management motivation, accounting is now seen as the articulation of abstract bodies of knowledge concerned with what it should be and that the variety of ways by which accounting affects the social should be investigated.
Hopwood then proceeds to investigate the role of accounting in the construction of an organisational order with accounting being embedded in the functioning of the organisation; as a means of the construction of a social order with economic and social ends. Accounting is therefore seen to be purposeful in constructing the organisational and social world as we know it.

Hopwood then proceeds to look at the case of Josiah Wedgwood, an eighteenth century English potter. Accounting systems once put in place within the organisation provides a basis for significantly changing and transforming the functioning of the enterprise. Hopwood demonstrates the intertwinnings between organisational accounts change and the organisation itself through the analysis of M in the industrial component manufacturing industry and Q a major manufacturing enterprise.

From all three studies Hopwood concludes that accounting systems put in place had profound consequences, allowing significant changes and eventually transforming the enterprise. In M's case, accounting was firmly embedded in the organisation and functioned in positive constructive roles in policy decisions. In Q's case, a conflictful and organised work force had provided one significant base for the rise of a regime of economic calculation and administration.

Taken together, the three cases illustrate that accounting may be seen to be in motion, becoming what it was not. It shows how accounting intersects with other organisational processes and practices, influencing in turn the patterns of
organisational visibility, significance, structure and action. In all three cases accounting had played some role in their transformation. Particular accounting facts had been created and in the case of M, accounting shaped the perception of the problem and their solution. In Q, accounting played the role of defining economic significance. "So in none of the companies were the accounts marching forward towards a conception of what they should become. No unproblematic pattern of accounting progress has been charted. The changes were specific ones, orientated to the resolution of quite particular problems and issues" (p. 227).

The research clearly shows that accounting and accounting change is grounded in the circumstances in which it occurs. It calls for an appreciation of change to be based on a more detailed awareness of the means through which accounting comes to be embedded within an organisation, and the processes which provide a basis for accounting solutions to be related to other organisational problems and phenomena; and to a more proactive way in which accounting can shift the configuration of organisational practices and processes hence providing for modification and change. In all this, accounting is seen as being able to play a positive role in both shifting the preconditions for organisational change and influencing its outcomes. Along with this, the study shows how accounting can play a significant role in the creation of the possibilities for other organisational phenomena to become what they are not; change conceptions of the past, present and the future; and moderate temporal preferences and emphasis, and organisational actions.
Archeology, for Hopwood (1987, p. 230) is seen to be a careful and cautious sorting through of the sediments of organisational history to reconstruct the ways in which the present emerged from the past. Quoting Foucault (1972, p. 157), Hopwood argues that archaeology tries to outline discursive formations and non-discursive domains (institutional, political events, economic practices and processes). It strives to isolate the conditions of possibilities of social and organisational practices and bodies of knowledge aiming to reconstruct "a heterogeneous system of relations and effects whose contigent interlocking ..." (Gordon, 1980, p. 243) constitute the basis on which practice is formed, functions and has its effects (p. 230). It also aids sensitivity to the power creating potential of bodies of knowledge, and organisational and social practices that come to produce a conception of reality within which they function.

The research that lies at the heart of the present thesis is the work done by Miller and O’Leary (1987). Accounting and the construction of the governable person, underlines this thesis.

Miller’s and O’Leary’s research seeks to address one event within accounting history - the construction of theories of standard costing and budgeting in the first three decades of the twentieth century. The study presents a different interpretation of this event. Far from an interpretation that argues that standard costing and budgeting advances the accuracy and refinement of accounting concepts and techniques, it argues that these are important calculative practices which is part of a much wider
modern apparatus of power which constructs the individual person as a manageable and efficient entity. In other words, it shows the role accounting has played in the social and organisational management of individual lives. For the researchers, accounting is seen as changing or capable of being changed in response to demands expressed or implied by a changing environment (p. 236). Accounting in this research is not seen to be technical or neutral but clearly serves certain economic or political interests.

The research is inspired by Foucault (1973, 1977, 1981). The study states that Foucault wrote a series of histories of the emergence of the human sciences, saw the 1800's as crucial in the formation of the modern era, and analysed how the human sciences became intertwined with the issue of the emergence of power. The study sought the origins of accounting in the invention of techniques and argued that there are complex relations established between a heterogeneous range of discourses and practices, drew a relationship between knowledge and power, and separated sovereign power from disciplinary power as witnessed in the fields of public health, housing, age, in schools, workshops, barracks and prisons.

This study investigates how accounting serves to construct a particular field of visibility, how accounting assists in rendering visible certain crucial aspects of the functioning of the enterprise, uncovers the norms and standards under which a person works and thus are judged by. "Accounting is ..., an important aspect of this development of a range of calculative programmes and techniques which come to
regulate the lives of individuals at work in the twentieth century" (p. 239). The study also seeks to fit the enterprise within the nation, and views these levels of elaboration as techniques of supervision and administration of individual lives. The study also seeks to look for two distinct order of events and the interrelations between them. The research is motivated by the thinking that accounting can no longer be regarded as a neutral and objective process; but as an important part of a network of power relations which are built into the fabric of organisational and social life. It is a constitutive element which normalises and renders visible all forms of activity of the individual with the view of their contribution to the efficient operation of the enterprise and of society.

For Miller and O'Leary (1987), the emergence of cost accounting, standard costing, and of budgeting, consists of a form of socio-political management technique whose concern is with individual persons and efficient functioning. They identify a shift in the emergence of standard costing during the period from 1900 to 1930 across a number of central texts of the period. Standard costing attaches every individual within the firm to norms and standards of behaviour. With this each individual’s contribution to the efficiency of the enterprise can now be measured and hence accountable; a way of expressing in money terms the contribution of that individual to the collective efficiency of the firm at first, and then the nation.

Equally, even in the journalistic writing during this period, a similar argument towards efficiency is traced, and further emphasised in government, education, and in
the philosophical and sociological debates of the time. The researchers then produce some actual practices of socio-political management through the use of statistics which served to show the extent of the individual's deviation from the norm, through intelligence tests, of psychological testing in Britain, as seeing the firm as a site in the construction of the governable person, of continual monitoring and observation, and through scientific management which made the individual worker routinely knowable and accountable. This is further enhanced by the involvement of early industrial psychologists and of experiments being conducted.

The research then systematically finds the relocations and shifts which occurred in more recent times. One such relocation is the introduction of the notion of 'behavioural' into accounting to solve real practical problems, of impelling people to achieve desired purposes. It later led accountants to observe the organisational life of the person at first hand, to gaze and direct the organisational life of the individual. Accounting is now seen as a social practice, working closely with psychology, whose object was to define the person, and his or her life within the organisation.

In conclusion, standard costing and budgeting provide a facilitative technology which improves the person's performance, and hence provides the mechanisms for the implication of individuals within the life of the organisation and of society.

Knights and Collinson (1987) concern themselves with a theoretical and empirical examination of the nature and impact of two kinds of managerial discipline, namely
the technologies of psychology and financial accounting managerial power in terms of their disciplinary effects on an all-male shopfloor of manual workers. The research seeks to understand how financial discipline is rendered more effective because of the subjective positioning of male shopfloor workers as economic breadwinners with a tough, masculine, practical and independent sense of reality. It presents evidence to the fact that financial accounting has the power to discipline the shopfloor.

This research seeks to link accounting practices to social, political and economic activities. This research views accounting as a political process, which lends support to management's control over labour. It is a case study of the use of strategies of management control and their impact on the shopfloor of a heavy motor vehicle manufacturer.

The study identifies two distinct strategies of control. Firstly, it identifies the psychological discipline of a 'human relations' strategy whereby management intended to improve workplace communications and therefore cooperation and productivity. Secondly, the research examines the contrasting financial discipline of a major redundancy programme. The study highlights the contrasting effects of the two forms of discipline and argues for a class-specific disciplinary power of accounting knowledge. It specifically surrounds a study by Collinson (1981) and concentrates on the shopfloor conditions and consequences of management accounting. This research focuses on the power effects of accounting discourse.
Foucault's methods of archaeology and genealogy are explained as studies that are concerned with social practices which involve a continuous expansion of surveillance and discipline of social bodies and human populations. "The conditions of possibility for this discipline is a coming together of specific practices of power with discourses which make the human being the object of knowledge" (Knights & Collinson, 1987, p. 459). Modern strategies of surveillance and discipline deploy definite forms of knowledge and power which constrain and administer the individual and human life. Populations are rendered docile and power/knowledge regimes are concerned with optimising the attitudes and energies of individuals in material production and species reproduction.

In this research, psychological discipline seeks to deploy individual 'needs' into political subjection. Financial accounting on the other hand has the effect of disciplining workers in such a way that they voluntarily extend the power of their own subjection.

Discourses about power are reproduced within the shopfloor culture, through physical, aggressive and male discourses that elevate manual labour above others. Male sexual-drive discourse involves the aggressive pursuit of women as sexual objects and in this study, the researchers examine one aspect of the contradictions which underlie the preoccupations with masculine identity on the shopfloor. Such a 'masculinised' sense of independence leaves it particularly vulnerable to management discipline which threatens jobs' (p. 461) because to resist a redundancy would be
tantamount to acknowledging labour's dependence on the company.

In the 'psychology' of human relations, management could during periods of economic recession, render labour markets extremely loose and employers could manage their workforces through 'direct control'. In periods of economic expansion and when labour became scarce, management would experiment with techniques that stimulated voluntary cooperation on the shopfloor by giving more "responsible autonomy" to the workforce. The study found that the development of a new "human relations" policy was more propaganda than substance. The production of a glossy in-house magazine was designed to fulfil two objectives. Firstly, it was a means of management communication to the shopfloor for the purpose of improving industrial relations and securing a higher level of cooperation from the workforce. Secondly, the company used this as a formal channel for spreading public relations information about the company to suppliers, distributors and their customers. In the hands of management, communication was one way to ensure discipline in production.

Under financial accounts and wage negotiations, it is interesting that the accountants produced a special edition of the journal entitled "A Financial Report" during the period when the company was operating successfully. In not so successful years, the journal presented a less optimistic picture containing an implicit disciplinary intent. The message was to cut profit margins and employees must reciprocate by reducing their wage demands. The lived experience of the shopfloor however, contradicted the images and messages of the magazine but many 'workers' retained a realistic
picture of the asymmetrical power relations on which the 'communication' was based. Thus the psychological discipline failed to communicate and instead served to solidify oppositional shopfloor cultural understandings of what is valuable in life and work.

The study also reports that shop stewards were presented with a 'feasibility study' which incorporated job redundancy. Management justified this by continental competition, financial imperatives, machine tools, comparative costs, cost of premises, and future market conditions.

On raising some queries about the content of the redundancy audit and the feasibility study, this research highlights a condition of survival. Based on the evidence of management's own rationalisations, the weakness of the plant was related to the company's overall failure to compete with continental firms, but reads more like a rationalisation intended to conceal previous management failures.

Although it was possible to query the accounts which justified this large scale redundancy, the stewards were unable to muster any opposition to the audit and failed to resist the financial audit which led to their unemployment. The study then shows how the differential responses of the shopfloor to the psychological and financial disciplines are connected to the extent power sustains the effective subjection of labour. The researchers also found that power is not repressive but directional, leading the labourer to become politically docile.
In Hoskin and Macve (1988a, 1988b) this theme is further expounded. They study the genesis of a new managerialism in US businesses and factories, to explain the shift in power/knowledge relations. Accounting for Hoskin and Macve, is neither an isolated craft nor neutral technology, and has its origins in the social power within and outside the organisation. In their study, Hoskin and Macve trace the influence of engineering graduates of the military academy at West Point, where a pedagogic system was devised by Sylvanus Thayer after 1817. The objectives are to re-examine the published histories of two industrial institutions - the Springfield Armory and Western Railroad - of how West Point has been spread by the social network of graduates; and to re-examine the original records from a 'disciplinary' perspective. Along with this they seek to reanalyse the economic-rational changes in accounting and accountability which will explain their development as power/knowledge relationships.

Such an analysis shows how the review of Springfield's labour practices led to a new system involving piece-rates and the requirement to work a 'full-day', how resistance led to a change in management integrating piece-rate accounting with clock-related workday coupled with inspection and incentive schemes. Piece-rate accounting discovers its power to increase productivity and reduce costs after it had been inserted into a general disciplinary framework. The analysis then turns to the railroads, and traces their contribution to the development of multiunit enterprises which reveals a strong West Point connection.
Such an analysis explains management accounting practice from a management control theory perspective, and describes how educational technology came to alter the way business was organised and human performance measured.

In the American system of manufacture, the US armouries have drawn most attention. This is most evident in Springfield's accountability over production which was classed under two headings - careful identification and inspection, and meticulous double-entry bookkeeping for every transaction in the enterprise. It is here that 'accountability' is born. The study also uncovers a certain kind of worker discipline based on rules, registers and inspection, by which workers attained self-discipline and discipline from the outside. Lee, one of the first to manage the institution, had not turned the work force into 'calculable men'. The study argues that a discourse on financial and human accountability was constructed in the pedagogic world. West Point helped in the creation of a new kind of deliberate and purposeful 'managerialism' which through a total accountability system brought all aspects of performance, academic and behavioural to be measured, evaluated and recorded, creating a new breed of knowledge and power experts who 'lived and breathed accountability'. The study then recounts how Daniel Tyler who graduated in 1819 from West Point was able to learn the whole process of transition to a modern graded, classified system of human accountability and disciplinary power.

The study also examines the railroads to show how the West Point system came to produce a new kind of managerial accountability structure, a new kind of systematic
accounting wherein a new flow of information via relays in a carefully delineated authority structure "... contributed substantially to the emergence of accounting out of bookkeeping" (p. 55) since the system was measuring the never-before-measured. The reason for this was discipline. In such an analysis, George Whistler plays the key role as intermediary in the genesis of accountability between the West Point system and the railroads, and it is the pedagogy and the academy which provides the power factor in this power/knowledge relationship. The system that was developed operated at the top of the line, with the Academy then divided into barracks, with each barrack subdivided into two giving four companies of cadets with four instructors, whose duty was to see that the regulations were 'duly observed'. In short, Whistler was initiated into the various possibilities of the 'hierarchical reflexive system' of control and information flow, provided by the West Point model. In the Pennsylvania railroad, this same new corporate managerialism is reinforced.

This study then is a study that goes behind and beneath the manifest socio-economic change that led to a dramatic success of that change. It investigates wide and deep to show how a new regime of disciplinary organisation and human accountability was internalised; furthered by grammatocentric organisation, specialist differentiation and quantified evaluation. The study sees accounting as a mode of more than seeing the world, embodying the power/knowledge relations of a disciplinary and self-disciplinary culture.

The above study in essence uses Foucault's disciplinary thesis. A further extension
of this theme is the 'governmentality' treatise. Foucault's work on 'government' is applied to new ways of analysing the exercise of political power. Through 'action at a distance', it relates how technologies are used to give governing effect. To Miller and Rose (1990), the complex processes of negotiation and persuasion are used in bringing persons, organisations and objectives into alignment. 'Governmentality' is closely associated with intellectual technologies, practical activities and social authority associated with expertise.

Political power is exercised through a multitude of agencies and techniques by which persons or organisations are linked with political objectives. In exercising this new political power, management uses expertise concerning technical features of production and the psychological features of the producing subjects.

Foucault argued that a certain mentality had become common ground for all modern forms of political thought and action. Governmentality is discursive since it applies concepts, explanations and calculations to govern through attention to language and technical devices of writing, listing, numbering and computing, to render an unknown realm as knowable. Government is always dependent on knowledge, or more precisely through intellectual technology and through a range of material and mundane techniques in the form of written reports, drawings, pictures, numbers, charts, graphs and statistics; to make the domain in question susceptible to evaluation, calculation and intervention.
For Miller and Rose, government not only includes representation but also includes intervention. Political rationalities render reality into the domain of thought, and through 'technologies of government' translate thought into the domain of reality. Technologies here refer to actual mechanisms through which authorities seek to shape, normalise and instrumentalise the conduct, thought, decisions and aspirations of citizens in order to achieve the objectives they consider desirable (p. 8). They argue that what is required is a 'microphysics of power', or attention to the complex relays and interdependencies which enable programs of government to act and intervene upon places, persons and populations which are their concern (p. 8). It is an analysis of the 'indirect' mechanisms of rule that enable government at a distance. Some examples are the devices for producing, tabulating and calculating information through the development of national accounting and planning in postwar France, and economic regulation in the UK in the 1960s which was achieved through a number of mechanisms such as increased industrial output, improved efficiency within the enterprise and better investment decisions, through Discounted Cash Flows Analysis (DCF), by governance of the psychological world of the enterprise, through 'scientific management' by determining the relationships individuals have with themselves and with other workers, and the language which introduced and established an interdependence between the worker as a productive machine and the worker as a person with a family and home life.

Foucault's concept of 'governmentality' has been successfully used to understand how social authorities have sought to shape and regulate economic, social and personal
Miller and O'Leary (1989) address the processes of reconciling hierarchies and American ideals, and suggest ways in which the socially functional and radical traditions of corporate history could be extended to include such concerns. It traces the formation of the notion of a dispassionate, professional managerial authority exercised through corporate hierarchies out of the ideals of American political culture. This was done through the period from 1900 to 1940, through three periods: the Progressive years, the 1920s and 1930s.

The research first argues that the modern corporation became a preeminent means of economic organisation in America. This innovation however was not uncritically welcomed and in some respects clashed with American ideals of individual liberty and initiative. This research extends the previous studies in the area by looking at: (1) the socially functional; and (2) the radical history views of these reconciling hierarchies.

Traditional views of the corporation sets the corporation as a socially functional and economic phenomenon with its hierarchical forms, supposedly, leading to greater economic efficiency. From this hierarchical economic base, the modern corporation has reshaped American political culture and has changed the very meaning of American individualism. This research further argues that there are cultural influences on the corporate; that political culture has given rise to diverse conceptions of the nature and basis of managerial authority; and that political culture
provides ideals that are converted into facts about managerial authority in a series of influential administrative writings. They further argue that the administration of the large corporation is dependent on the elaboration of particular ways of thinking about, understanding, conceptualising, and knowing the diverse processes operative within it. The argument continues in this vein - that in order for the corporation to be manageable, it must first be knowable, and that the processes of conceptual elaboration prior to these various possible applications are to be studied. The study focuses on the significant roles played by specific and localised political cultures during a period that was decisive for the development of the large-scale corporation and the elaboration of an administrative science. The study looks at the interrelation between political culture and large-scale corporate hierarchies across the first four decades of this century. Influential authors such as Taylor, Follett, Donham, Mayo and Bernard constructed some of the most significant concepts by which the modern corporation has since been analysed as a socially functional entity. The research argues that in a specific and influential body of management literature, and at a moment that was decisive for the modern corporation and the managerial expertise that was to direct it, the values and ideals of American political culture helped to install a knowledge of the corporation that was deemed factual. That form, content, and point of emergence of this knowledge can be fully understood only by reference to the formative influence of a particular set of American ideals.

The evidence suggests that the first four decades of this century were distinctive. Corporate forms changed dramatically in size, scope and structure with a range of
concepts established within the emerging literature of administration. The study also found that managerial authority were rooted in the political culture of their times and to particular political cultures. Some important implications from this research is that critical studies of the modern corporation can benefit from a more microanalytic concern with the conditions of possibility of hierarchies. This calls for an analysis of the intellectual, cultural, institutional and technical practices out of which that complex entity called the modern corporation has been constructed. It further calls for critical studies of the corporation to work upwards from specific processes and their interrelations, rather than downwards from an assumption that the outworkings of power can be detected and made intelligible by reference to a broad historical postulate such as that of capitalist domination. The research suggests that further study of such issues could help to extend and refocus critical studies of the modern corporation and management.

To Miller and O'Leary (1990), accountancy's practical function is the end point of complex processes of conceptual invention, and that these processes are neglected in recent influential studies of accounting innovation. The research examines how key concepts that enable accountancy's practical function are 'made up'. This research examines how accountancy and accounting systems have come to frustrate economic decision making, as enmeshing executives within suboptimal decision structures lag in the adaptation of managerial accounting in the modern enterprise. The motive as it appears, is to make accounting practical. Accountancy is seen to be one of the multiple conditions of organisational success, and the researchers question the role of
values. They pose certain questions: firstly, accountancy is seen as a result of cultural values and in very specific socio-cultural contexts; secondly, that analysis of accounting innovation needs to extend beyond the internal world of the enterprise; and lastly, that an analysis of internal accounting change needs to consider the political debates within which accounting is enmeshed, rather than assuming this away.

In sum, in order to understand the innovation of accountancy, the researchers argue that the events - institutional, technical, political, and moral - are linked to provide for the innovation possible. Events such as the conceptual invention that have taken place in a political culture are accounting's involvement in the establishment of an economic language of organisational motive; the wider external authority and validity of knowledge claims upon which it draws; the invention of accountancy in relation to a particular complex of political, social and moral concerns; the ability of accountancy to produce individuals as responsible and rational social actors; that accounting systems support the decision making of individuals and make it possible to monitor their performance to exact responsibility.

This research shows how the categories of responsibility and decision-making that are central to accountancy were 'made up' in a particular cultural context. The research further shows how accounting has not always been a practical instrument of economic action, and how accountancy 'makes up' the firm as a 'democratic organisation', and how accounting systems are given the status of obviousness and simple truth. Central to this theme is the analysis of the literature of administration
which has been so influential for accountancy.

During the 1930s, the White House and the academy were critical about the large scale corporation, which in the previous decade had been the site for the development of today's accounting systems and practices. A decade later, the opposite view was taken. It was argued that systems and hierarchies were not practical instruments for social or economic advancement. The research goes on to show how, it was argued, that corporations were counter democratic; that the powerful association of the large corporation with the impassioned terms of Fascism and autocracy 'made up' the enterprise in a very particular way as an essential component of a democratic polity. Chester Barnard had argued that, contrary to the view that authority comes from the king, the state or God, authority always comes from below. With this, a series of new and very different questions presented themselves: how to make authority more extensive and more effective across formal organisations; how to protect existing corporations from the apparently general process of decay arising from the declining acceptance of necessary authority; and how to add to the nation's and world's stock of organisations (p. 488). These concerns with authority were complemented by the development of novel accounting practices that gave effect to such aspirations. These new accounting systems can be viewed as a response to an immediately 'practical' problem with management accounting systems providing an internal quasi-capital market to monitor and discipline top managers, to evaluate general managers, and to channel their self-interest toward the owner's interest in profits. The administration of large corporations could be made in a manner that was congruent
with the democratic ideals of American society. The research then deals with the distinctive conception of the individual that was constructed in the America of the 1930s, which centres on the twin concept of a rationality that was bounded and limited and a responsibility to be installed. With the depression in America, the historically specific individual of bounded rationality emerged to inhibit the enterprise. Once articulated, these notions of the bounded rationality of individuals and the need to install responsibility fed into new ways of thinking about the practical role of executives with the intervention of 'different costs for different purposes'.

With this, this research was able to enter the debate over the adequacy of contemporary cost accounting, of how certain key concepts of administrative science 'made up' the individual as an entity endowed with very specific attributes. The research also calls for a distinct cultural aspect of accounting innovation by looking at studies of innovation in accounting practices, by tracing the manner in which the enterprise through its accounting systems and hierarchical forms, comes to be represented as a practical instrument for reversing the lack of rationality and responsibility in social affairs.

Ezzamel, Hoskin and Macve (1990) review Johnson and Kaplan's Relevance Lost (1987) and critique the process by which cost accounting and management control systems have developed to the stage where senior executives believe they can run their firms 'by the numbers.'
This study sees 'managing by numbers' as a perversion of the original and proper role and nature of management accounting systems, and management accounting systems as having a different history of its development. Further, Johnson and Kaplan's proposed remedies of a return to late nineteenth century principles of cost management independent of financial accounting concerns, and a 'Japanese style' approach to production control, are questioned regarding the efficacy of either of these remedies for the US or UK, and call for further understanding of the ways in which human performance interrelates with the manner in which that performance is measured, both internally through management accounting systems and externally through financial accounting.

The force of their argument follows. The real world of business is an invention and did not come about automatically or inevitably. Such an invention took place between 1832 and 1842 and consisted in developing key disciplinary practices based on power and expert knowledge, which enabled the management by numbers. 'Managing by numbers' has now become the most powerful form of control in the US and UK, and increasingly a pervasive form of control in many aspects of social organisations because it was a necessary alternative to the more visible and physical forms of control. This technique engendered the construction of a new kind of knowledge, a knowledge that has enabled modern societies to regard individual performance as capable of objective measurement and enabled the construction of a new discourse of performance standards and deviations across other human behaviour.
The main strands of Johnson and Kaplan's thesis is an account of the historical development of cost management and cost accounting in the US, and prescribe remedies. This research challenges both the diagnosis and the remedy and make suggestions of other ways of accounting for the 'problem' with cost accounting.

History shows, they argue, that inventions such as accounting prove to be so powerful that its use cannot be denied and the world remains changed forever. The study claims that in history, accounting as a practice, at inception, was or has been 'good' but only later had become abusive. The present research argues that cost accounting was problematic from the outset and that the history of cost management and cost accounting bear evidence to this.

At the core of the present research is the episode of Springfield Armory which has been the key institution instrumental in the development of the American system of manufacture. To compound this was the rise of managerialism which introduced 'managers', of men and women who were informed by specialist knowledge, which included specialist formal training and certification with business schools providing the research and development. What these new schools did was to increase standardisation, clarity, rationality and order. Managerialism institutes a certain way of constructing space and time relations, and also operates and acts through a certain distinctive form of discourse through writing and speech. This is further compounded by the principle of discipline which turned individuals into 'calculable persons', who could be 'managed', who later translated this lesson in
power/knowledge relations into the world of work.

This is further motivated by scientific management of the 1880s. Detailed records of actual performance were kept, deviations from performance norms acted upon, with workers being paid for effective work so that the new accountability became internalised through incentives to self-discipline. This self discipline was put to use to construct an economically effective new work discipline. Accounting then becomes the currency through which managers gain power in the arenas of cooperation, competition and conflict. Thus the study argues, that other histories could be written and therefore the previous thesis should not be taken to be self-evident.

The remaining portion of the study looks at the recipes that Johnson and Kaplan propose. The main theme is the way by which the competitive position of American firms may be rescued. They suggest abandonment of the integration of financial and cost accounting and a return to the cost management principles of Alexander Hamilton Church, imitating the practices of successful Japanese companies, and allowing explicitly for the incorporation of their management approach in the design of management accounting systems.

The study leaves us with a systematic contradiction in the relation between disciplinary power and knowledge disciplines. The research further leaves us with the thought that it appears that the will to knowledge undermines the success of
disciplinary power, just as the will to power seeks to channel and harness the

Tyson, (1990, 1992 and 1993) however, challenges these new histories.

Macintosh and Hopper (1991) provide evidence as to the way large, complex,
multinational firms make use of management accounting and control systems as a
major apparatus for inflicting surveillance, discipline and punishment on their
managers and employees. They apply Foucault's disciplinary techniques that
objectify individuals as subjects and produce them as docile, obedient bodies. Such a
perspective they argue, will open the way for a postmodern writing (righting) of
management accounting and control.

Miller (1991) takes on a different perspective to the one offered by Johnson and
Kaplan, who argued that innovations in management accounting have been the
preserve of practitioners and that such innovations began with the nineteenth century
and had halted by 1925. It seeks to explain the processes of innovation differently to
include agencies, arguments and mechanisms through which Discounted Cash Flow
DCF techniques were promoted in the UK in the 1960s. The study proposes four
concepts as possible ways of posing further questions about the processes of
accounting innovation, namely, problematisations, programs, translation and action
at a distance. The research seeks to show how concerns about investment decisions
within firms came to be posed in terms of a general problematisation of economic

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growth and how a translatability came to be established between programs for improving economic growth and the use of DCF techniques for individual investment decisions. Action at a distance characterises the possibility of one entity becoming a centre capable of exerting influence over others through such mechanisms. DCF techniques makes it possible for government to seek to act at a distance on the economy without intruding within the private sphere of managerial decisions.

DCF principles and calculations were referred to as the most reliable technique for assessing investment decisions and was thought to be the preserve of practitioners, as resulting from attempts to address the problems actually faced by managers. This study seeks to show that the development of DCF procedures is an exception. Alternatively, this research argues that DCF techniques were developed by academic scholars in business schools. The basic thrust of this research is that agencies other than 'academics' played a significant role in articulating and promoting the use of discounting techniques for investment decisions by managers. This principally refers to government bodies and a new form of managerial expertise. DCF techniques were held to be the most accurate and objective means of evaluating and differentiating investment opportunities. In fact, firms were persuaded to use DCF techniques for investment decisions by virtue of their objectivity and superiority to conventional techniques. As economic growth was stimulated and performance of individual firms improved, the need for direct intervention by government was avoided. The study calls for further studies of accounting in action. The study also calls for an
understanding of processes of accounting innovation that looks beyond the enterprise.

From the government's point of view, the study analyses how the concept of economic growth underlies the use of Discounted Cash Flow techniques. From 1955 onwards, the vocabulary and calculations of growth came to provide a framework within which to compare the performance of national economics, to pronounce on individual economics and to raise micro-economic questions concerning the extent to which the activities of individual firms contributed to national performance. By 1960, growth had been established as a political program and as an objective for the nation. This came about due to Britain's poor growth in the periods prior to this. Britain also compared unsatisfactorily with other countries. Shanks (1961) called for some form of economic planning as a way of coordinating the flow of industrial investment into new plant and new factories. Growth would be delivered not simply by investing more, but by investing wisely (Shanks, 1961). DCF techniques, along with other modern management methods, were to be viewed as essential mechanisms for bringing about not just more investment but better investment (Miller, 1991, p. 753).

This research shows how concepts of problematisation, translation and action at a distance provide a helpful way of understanding further the roles which certain calculative technologies can play in articulating particular programs (p. 757), and how disparate actors, agencies and institutions have influenced accounting
innovation.

Robson (1991) studies accounting and social change and the interrelations between the two. The theoretical framework has been taken from an earlier study of value added in the UK and to elaborate the concept of accounting change. The mode of analysis was the one employed by Burchell, Clubb and Hopwood (1985) which sought to understand accounting change in its social context and argued for a duality of accounting change. Accounting both reflects its context and assists in constituting the context, through its accounting of the environment. Robson further introduces a new arena. Robson argues that the specification of the arena is subject to a genealogy of the precise accounting event under study. The arena is constituted by a particular domain of institutions, bodies of knowledge, economic and administrative processes, systems of norms and measurement and classification techniques (Burchell, 1985, p. 400, cited in Robson, 1991). The research then analyses historically accounting and the social context under which it operates.

The study proceeds to show that both accounting and scientific practices are clothed in the discourse of neutral, technical and professional language; the interests of scientific and technological discovery; the sociological assumptions underlying technical research programs, the social construction of scientific knowledge and in the rhetorical form of scientific debate and research. The study specifically uses a sociology of translation. Simply put, translation points towards the operation of language in creating equivalence between entities which are otherwise different.
Through discourse the concept of translation refers to the process through which often preexisting accounting techniques are articulated discursively in ways that construct individuals and group 'interest' in those techniques which produce changes in accounting. Robson delineates three related concepts for analysing the arenas of accounting change: that of a set of political, economic or theoretical discourses and rationales; one or more accounting techniques and the process of problematisation.

The research then proceeds to interpret the standard setting program in the UK. Before its formation, the formal regulation of financial statements had been confined to the requirements of the Companies Acts with the Institute of Chartered Accountants in England and Wales (ICAEW) publishing a series of Recommendations on Accounting Principles for the process of constructing company accounts, which was an attempt to codify what was then agreed upon as best practice. But the formation of the Accounting Standard Steering Committee (ASSC) in itself constitutes a significant departure from past practice. The study then uses three arenas: industrial policy and corporate mergers; finance, investment knowledge and company accounts; and the accounting profession, professional regulation and accounting standards.

Accounting techniques, it is argued, depends upon procedures of measurement, classification and recording that can be applied to a domain of activities and is involved with the realm of countable, financial activities. Events that are not easily rendered into financial quantities tend to be overlooked or bracketed as 'qualitative'
issues. In other words, object exchanges and relations are made equal to financial quantities. Political and economic policies, plans and rationales operate in an often abstracted form of generality and provide a particular reasoning where a particular domain of activities is demarcated, revealed and rendered through discourse. Within this demarcated field the unintended effects of accounting techniques may intrude, and accounting becomes 'what it was not' on the way to becoming 'what it ought to be'.

The study highlights the following points. Firstly, the standard setting program in the UK and the formation of the ASSC could not be deduced from its specific origins. Secondly, it is uncertain if the decision to form the ASSC would serve as a 'solution' to the problems of accounting practice. Thirdly, it highlights the scope for autonomy of the accounting profession.

Similarly, Rose (1991) draws the relationship between quantification and democratic government, which imply that they are mutually constitutive. Rose argues that numbers have a certain power and that there are four types of numbers. Firstly, numbers that are connected to those who hold political power in democratic nations; secondly, numbers that link government with the lives of the governed outside the electoral process; thirdly, numbers that are deployed within the perpetual judgement that is exercised over political authority and its stewardship of national life; and fourthly, that all numbers make possible modern government itself. Numbers, in short, attain a privileged status in political decisions, promise a 'de-politicisation' of
politics, draw a line between politics and objectivity by pretending to act as automatic technical mechanisms for making decisions, prioritising problems and allocating scarce resources. It opens up a series of questions relating to the politics of accuracy, adequacy, of use and abuse of privacy, and of ethics.

The study considers the contribution of two books, Patricia Cline Cohen's study, *A Calculating People: the Spread of Numeracy in Early America* and William Alonso and Paul Starr's *The Politics of Numbers*. These works raise some fundamental issues concerning politics and numbers. The organisation of political life in the form of the modern state has been linked to the composition of networks of numbers connecting those exercising political power with the persons, processes and problems that they seek to govern (p. 675). Thus, democratic power is calculated power, which requires citizens who calculate about power. Numeracy and a numericised space of public discourse are essential for making up self-controlling democratic citizens (p. 675).

Rose identifies four relations between politics and numbers - the link between government and knowledge; the link between government and information; the formation of centres of calculation and lastly, that numbers do not merely inscribe a preexisting reality but rather constitute it.

The study analyses the link between government and numbers and concludes that democracy depends on the delicate relationship between numbers which enable a
calculated and calculating government to be exercised over persons and events to be governed.

Preston (1992) examines accounting in US hospitals and shows how accounting has been transformed based on principles of cost reimbursement as in an accounting system such as the Medicare diagnosis related group prospective payment system. His analysis takes on a social and historical context to uncover how changes in medical knowledge and practice, the establishment of hospitals, the emergence of private insurance, changing forms of government regulation, changing social and political attitudes towards the cost and provision of health care, are intertwined with changes in accounting thought and practice. The study also stresses the linkages between the past and present.

The research highlight two themes - that contemporary forms of cost and management accounting theory and practice may be better understood by situating them historically, and that discourses on accounting are not self-contained unities, but rather are correlated with other discourses and therefore should be examined within a wider set of discourses. Such a historical examination may challenge current notions of the accounting craft and cast a different light on the understanding of accounting practice today. Traditional histories have it that accounting practice has developed as one continuing technical elaboration and improvement in response to changes in environmental and societal needs.
In this research discourse constructs the very objects to which they refer, and is formed by many people talking and acting at once, mostly in conflicting ways. Foucault (1972) called it 'discursive formation'. Discourses and practices of hospital accounting then emerged over time within various discursive formations, including the medical, political, economic and the social. They are seen as the outcome of the interplay of various socially and historically situated discourses and practices which may continue to have unforeseen and unintended consequences. In this study, two hospitals are studied drawing from hospital administration, accounting and medical journals, records and publications.

The research concluded that American hospitals operating within the Medicare system were not the invention of a new accounting technology; instead they are the result or an outcome of a complex of medical, social, economic and political discourses upon the nature, provision and cost of medical care. Discourses must be situated within their social context, and discourses which have shaped accounting practice in hospitals must be situated historically. Within these discourses, the politics of health and institutional structure, dominated by independently managed hospitals, private medical doctors and private insurance companies emerged to shape accounting practices and methods of cost reimbursement.

Chua and Poullaos (1993) state that there has been sustained research interest in the sociology of professions along with the professionalisation of accountants and review the profession-state axis. They use four methodological premises, being that
professions are seen as occupational groups that in general have one primary aim which is to translate one order of scarce resources to social and economic rewards. Secondly, to counter the problem of pluralism in neo-Weberian analysis, routes to closure are neither presumed to be all equal in efficacy nor linear in movement, that is interests are not *a priori* assumed to be entirely unpredictable, dispersed and random and are not assumed to be a pregiven outcome of relations of production and exchange. The study cites Foucault (1978) and argues that aims and motives may mutate into several quite different motives, dissolve in the emergent aims of others with quite unexpected outcomes, and lead to comprehensive systems which cannot be said to have been created by anyone. Thirdly, the paper argues that professions are emergent as a condition of state formation and state formation is a major condition of professional autonomy and fourthly, having followed the approach which questions the social structures and processes when they are understood to be situated in time and space, to offer cautious interpretations of the interplay between meaningful actions and their structural contexts.

The study shows that, prompted by state legislation which threatened to undermine the impact of the closure strategies adopted since its formation, one association (the VIC) sought to protect and expand its territory through an appeal to an Imperial agency. The study shows that all the key players contributed to an outcome which few would have forecast. The Victorian government, more specifically, had lost an opportunity to regulate Victorian accountants and place them under closer surveillance by the Imperial centre. The prime motive of the Victorian accountants
appears to be an attempt to keep their noses clean and not become embroiled in State vs. Commonwealth struggles. The study shows how the VIC profession sought to establish connections with the Victorian state agencies. On another level, the study sees the creation of Victorian chartered accountants as a measure which might help to re-establish its credibility with imperial agencies. The study has shown how imperialism is effected over vast distances through the dispersal of power/knowledge such as accounting and associated occupational structures.

Chua and Sinclair (1994) follow this line of research by looking at the modern state and a set of related arrangements and practices whose aim is to ensure that all citizens perform and conform to sets of socially-constituted rules. They argue that the state draws on power/knowledges of diverse bodies of experts including accountants, who are in turn shaped and regulated by the state. The study explores this relationship and shows how loosely connected concerns become interwoven in professional struggles over territory and control, that conditions of possibility for the emergence of the Public Service Accounting Standards Board (PSASB) included a business sector that was hurting in a recessionary environment, a government bureaucracy suddenly self-critical and eager to adopt the managerial strategies of a business-oriented private sector, of State governments who became prepared to set up a national corporate regulatory agency, a more educated and sceptical citizenry, a divided accounting profession which included a proactive subgroup of government accountants with access to government sponsors and an embryonic accounting standards setting program constrained by a lack of resources. Based on Foucault's
notions of genealogy and governmentality, the study shows that discursive debates were anchored in considerations of interests, of judgements about who was to gain what from what set of interpretations, that professional consensus are fragile and that there is a need to theorise notions of organised interest as transnational entities.

More recently, Townley (1995) has used Foucault in reorientating the view of the role of accounting in organisations and society, and shows how accounting and personnel management are complementary calculative technologies which attempt to secure control over the labour process. The study redefines accounting as the organisation of a calculative order through processes of standardisation and the development of yardsticks, and relates accounting and personnel management to sciences that constitute systems of recording, classifying and measuring. Both systems of power/knowledge represent mechanisms to organise time and space and to prescribe and control work practices.

4.3 A synthesis of previous research

Accounting research inspired by Foucault is research that attempts to depart from the mainstream, in the sense that the research is grounded in discursive practices and forms that constitute the subject and develop themes around regimes of truth and later develop into a theory of the relationship between accounting and power. These works can be seen to be contributions to a theory of accounting culture in social
theory, and in the larger context a culturalist reading of modernity. All of these studies centre around one central theme: power, which explains how and why discursive formations in accounting change through the exercise of power which results in knowledge. These studies make accounting knowledge the site of strategies, struggles and conflicts for control. Such research is archival and genealogical in nature, and problematise accounting as not being neutral and value free, but rather that they are motivated by a desire to control. It explains how accounting came to be and how accounting is connected to the present and to society.

This kind of research portrays a contrary view of accounting as an activity which is problematic, as being biased, and which is not divorced from sectional self interest, and that accounting regulates many aspects of our lives. Such research has been conducted to demystify current accounting practices, as an objective, value free and technical enterprise. It attempts to tear accounting from its foundations and situate it in the lived world of experience as a result of human construction and human social experience.

In this, accounting researchers eschew the questions of object-subject dualism and take an anti-positivist stand. They seek to show that people are active participants in the construction of accounting and accounting discourse. Central to this research is the acknowledgment that accounting occurs only through reference to human interests, by human subjects and in the process of human construction.
4.4 Conclusions

Taken together, the literature suggest that Foucault inspired and Foucauldian research in accounting examines the historical evolution of control techniques. The methodology that has been employed is historical, and is the history of the emergence of a new technique of discipline and control. These researchers write histories of the emergence of various social institutions, including accounting and accounting based institutions. The research is summed up as (i) quasi-scientific knowledge claims, (ii) discursive practices, and (iii) power effects.

The end result of the use of Foucault in accounting research is to show how individuals are produced to be obedient, docile and reliable. Foucauldian researchers use concepts of hierarchisation, panopticons, normalising sanctions and examinations, of partitioning, enclosure and confinement. They show disciplinary grids which enable space and individuals to be analysed, measured and assessed.

The literature also shows (1) how the relationship between knowledge and power is sustained; (2) how human beings are the object of knowledge and later become the subject of knowledge; and (3) how the human sciences have been instrumental in social control and discipline.
5.1 Introduction

Chatfield (1977), in his history of accounting thought states, "Whether the progress of ideology governs the development of social institutions or vice versa, there are obvious connections between ideas and the conditions under which people live" (p. 3). In his analysis, accounting as a process is 'reactive' to the business needs and economic progress of the times. This is further analysed in Costouros (1979) in Greece. Yamey (1949) and Yamey (1964) seem to confirm this.

Sombart, Eucken and de Roover (cited in Have, 1976, p. 9), Max Weber (1983), Winjum (1971) and Sombart (1919) however, advance the claim that accounting and the double-entry bookkeeping system have had a great influence on the economic development of societies and have therefore been the cause and the initiator of social development. In particular, double-entry bookkeeping contributed to a new attitude towards economic life, which enabled economic calculations, enhanced systematic organisation, and finally separated ownership from management. In their thesis, accounting is the catalyst in the development of societies, and in particular, a certain type of society is created.
This chapter, in contrary to the above two opposing views, seeks to tell a different story. It aims to re-examine the history of accounting and state that accounting and business needs, along with economic progress, are dependent on, and exist due to wealth and that the experience of wealth and accounting occurred simultaneously. This chapter will argue that wealth and accounting are partners and mutually sustain each other, are complementary and are inseparable parts of one unit.

5.2 Counting in the ancient world

History will stand testimony to the fact that ideas have always developed in societies. From the earliest Ramapithecus and later the Australopithecus, dating back to three million years, human beings began to use stones as tools and weapons. *Homo habilis* and *Homo erectus* began to use fire, built shelters, used spears and pots from trees and stones. The Neanderthal Man began to bury the dead, and *Homo sapiens*, some forty thousand years made sophisticated tools, learnt to sow, carved bones, invented bows and arrows, and made fish hooks and harpoons.

Typically, in the ancient world, before the concepts of numbers and of writing, a system of official record keeping existed without the aid of writing. Using memory, prehistoric humans traded on a barter system with exchange of goods being concluded without carrying a transaction any further.

The concept of counting began long before recorded history. However, without
sufficient evidence, the manner and nature of the development of counting is a matter of conjecture. It could be argued however, that humans, even in the most primitive times had some sense of keeping count, at least in the sense of understanding that three cattle was less than five; that humans could understand when things and objects were removed or added. As Hird (1975) put it, that at that stage of development the group would not have thought of the exactitude of the number within themselves, but rather 'Where's Fred?'

Smith's *Number Stories of Long Ago* must reflect the reality of the history of counting. The need to count however, could not be seen, for money was unknown, and measuring land and buildings and other objects were irrelevant and unnecessary. With the progress of time, a tribe would probably want to know how many belonged and how many were over the mountains and therefore there was a need for counting. A shepherd would want to know if the size of the flock of sheep was increasing or decreasing in size. Therefore counting became necessary.

In 1937, Karl Absolom, found in central Czechoslovakia, a prehistoric wolf bone dating back 30,000 years. Fifty five notches, in groups of five had been found cut into the bone. The first twenty five are separated from the remaining by one of double length. Although it is conjecture as to how the bone was notched, it is not conjecture that prehistoric man was recording and counting. As to what prehistoric man was recording and counting is however, an open question.
Further, Eves (1983) cites the Ishango bone, dating back to some 8000 years, found at Ishango on the shores of Lake Edward in Zaire showing numbers preserved by notches cut in the bone.

Thus, from the earliest days, humans kept count through making collections of pebbles or sticks, by making scratches on dirt or stones, by cutting notches on pieces of wood, or by tying knots in strings. It is possible that these records kept count of time, but it is more than probable that they were records of things and of possessions. "It is reasonable to assume that he made a notch for each object in the collection that he was counting" (Bunt, Jones & Bedient, 1976, p. 3).

Thus prehistoric humans kept a score of their possessions by keeping a record. Indeed, prehistoric humans kept a record of the number of sheep or cattle they had or the number of skins they possessed. This indeed was, at the most basic level, a record of prehistoric human wealth.

Hird (1975) describes the progress of humankind and counting as going through several processes. The first of these is the phase of human evolution. Mostly to overcome personal inadequacy, the group was formed; the first was that of the family, followed by groups of families leading to a clan; groups of clans forming a tribe. It is at the level of the tribe that barter and comparative cost was born. "As time drifted by, the groups coalesced into tribes and the tribes into small nations" (Hird, 1975, p. 19).
Nigam (1986) claims that the Bahi-khata, being a double-entry system of bookkeeping predates the 'Italian' method. "It is difficult to pin down the precise period of the advent of Bahi-khata. Circumstantial evidence indicates that it was introduced and used in prehistoric days. In fact, it was coexistent with the notion of wealth ..." (p. 149). Later he suggests that, "Under Bahi-khata, the compilation of pucca chitha (balance sheet) marks the end of the periodic accounting process. Basically, it is a statement of wealth, though it is defined as the itemised list of assets, liabilities and proprietorship of a business as at a certain date" (p. 158).

But dating back to the dawn of human records, and of counting, the antecedents of keeping records and of numbers, must have been wealth and of possessions. Littleton (1933) further lists seven preconditions for the emergence of systematic bookkeeping. They are the art of writing, arithmetic, private property, money, credit, commerce and capital. Such a view takes on a limited view of accounting, and seeks to establish that accounting is the result of commerce and enterprise. A broader social and more precise interpretation of the birth of accounting would be, when counting was born - at exactly the same moment wealth was experienced. In other words, the experience of being wealthy is dependent on and only possible through some form of counting. Wealth in society, includes commerce and economic progress, which is a function of wealth. In Littleton's words,

There was capital, in the sense of wealth, in the ancient world, but the mere existence of wealth would not predispose other conditions to form double-entry. Wealth in marble palaces and secret hoards does not create conditions favourable to the appearance of a coordinate system of financial records, but other forms of wealth could do so -
wealth in the form of goods and ships which is active, turning over, ever changing in producing more. Wealth in such forms creates questions and doubts and hopes, and men, in striving to find answers to these, slowly evolve and adapt methods of record to serve their needs (p. 24).

As the possessions and wealth of an individual grew and as his/her interest in what he/she possessed became more heightened, the need to keep count also became a necessity. Thus to keep count of the number of sheep that one possessed, a tally system was installed.

When pebbles are placed in a row, one to correspond to each sheep passing through the gate, the final collection of pebbles represent the flock numerically and is more convenient to deal with than the actual flock (Smeltzer, 1970, p. 12).

Ten thousand years ago, in the Stone Age, man began to live in settlements, and about this time the first town was founded in Jericho. It was also during this time that humans began to farm, grow crops and raise domestic animals.

By about 8000 BC, civilisation flourished at Catal Huyuk, located some 320 kilometres south of the Turkish capital, Ankara. Archaeologists found a strange arrangement on examining the graves. The burial arrangements used for some of the graves were more ornate than others. In some cases the graves were those of rich men; in others they were just obviously those of paupers - a clear indication that society was stratified. Catal Huyuk existed somewhere between 7200-7100 and 6400-6300 BC!
In Susa, in the plain of Khuziatan in southwestern Iran, dating back to 4000 BC, archaeologists found that it was the centre of a prosperous agricultural region. This new wealth allowed specialist crafts to prosper. Archaeologists also found objects of wealth in some graves. However, quantities of stone seals of ownership had been found, so the riches must have been accumulating in a few private hands.

By 3400 BC, clay tablets appear carrying a written language. The script employed picture symbols, and many of the tablets list possessions, or relate to business deals and land sales. As the commercial world thrived, writing was developed to answer special needs, and with goods changing hands on a large scale, some form of permanent bookkeeping was essential. It is also apparent that private merchants and traders controlled most of the wealth.

Between 7000 and 6000 BC, farmers in the Middle East began to use objects to represent numbers. Small pieces of clay were used as symbols for numbers. Later to represent large numbers of goods, an appropriate number of tokens was enclosed within a hollow clay ball. The ball was authenticated by having a stone cylinder seal rolled over its surface.

Schmandt-Besserat (1992) in *Before Writing*, recently revolutionised the way we thought, by producing evidence to show that writing is a crucial component for the formation of wealth. In this, we are told how numeracy evolved, of how the earliest tokens represented given quantities of given commodities, of how the prehistoric
token system produces a three dimensional representations of both numbers and commodities to the writing system that emerged at the beginning of history (Hallo, 1992, p. xi, cited in Schmandt-Besserat, 1992). But more importantly, writing ended inaccuracies found in speech which fades instantly, and made the spoken word permanent. Schmandt-Besserat provides evidence to suggest that the first written scripts, beginning with the fourth millennium BC, derived from an archaic counting device, were the immediate precursor of the cuneiform script. They were small clay counters of many shapes, such as cones, spheres, disks, and cylinders which allowed a mode of 'concrete' counting prior to the invention of abstract numbers. This system served as a counting device and an accounting for goods in the prehistoric cultures of the Near East.

These tokens starting about 8000 BC, were counters that were needed to account for each type of good, and were used in one-to-one correspondence for accounting for commodities such as oil and grain. As the argument goes, the development of tokens was tied to the rise of social structures, such as city states, and with increased bureaucracy. Clay envelopes were invented to conceal these tokens, but had the drawback of hiding the tokens themselves. Accountants resolved this by imprinting the shapes of the token on the surface of the envelopes prior to enclosing them. Thus an envelope containing seven ovoids bore seven oval markings. These markings and signs were not pictures of items representing items but were pictures of tokens used as counters in the previous accounting systems (p. 7). From this, Schmandt-Besserat was able to draw a conclusion that counting was not, as formerly assumed,
It is ideas that first exist. They are then transformed to objects as manifestations of those ideas. These ideas once accepted transmute the existing conditions of society and societies are never the same, anymore.

According to Chatfield (1977), the Chaldean-Babylonian, Assyrian and Sumerian civilisations produced the oldest surviving business records. Record keeping is thought to have begun about 4000 BC, and the oldest commercial document dates from 3500 BC. In Babylonia, for example, temple accounts showed receipts and disbursements, wage payment, rental income, interest and real estate transactions (Brown, 1968). In Egypt, receipts and disbursement records remained lists; and their means of trading, barter. This called for only records, perhaps with a balance, but never a summary, with ledgers consisting of charges and credits, with no attempt to isolate income, and increases in assets being the way success was measured (Chatfield, 1977, p. 7).

In China, during the Chao Dynasty (1122-256 BC) for example, according to Chatfield (1977, p.8), the Grand Treasury received revenues, allocated, authorised payments and prepared summaries of receipts and payments. An administrative control system transmitted resources into an elaborate system of funds.

In Greece, much of Athenian public wealth was represented by the property of the
gods, shown forth by the Parthenon and other sacred buildings. Witness the Zenon papyri, where each area of production - the vineyards, farms, grain stores, herds, household and administrative units were all accounted for in the utmost detail. But observe, that in order to establish the wealth and the prosperity of the empire, some scheme of counting had to be established. It was nothing, even remotely, resembling the double-entry accounting, that we now know of.

In Rome as well, a whole system of accounting was instituted to keep records of receipts and payments, to manage the treasury, pay the army, and keep control of the government's wealth. Wealthy Romans even appointed managers to invest their surplus funds and special account books were kept.

Indeed, in the history of civilisation, and during prehistoric days, the wealthy person kept count of possession and wealth, by way of a one to one count. Empires kept count of wealth through a system of counting that could be accounted for by the person entrusted with such wealth. Such a record established the wealth of the individual or the empire.

But for a reverse reason, prehistoric possession and experience of wealth are only made possible through these records.
5.3 Medieval account keeping

During the medieval period, record keeping centred around specialised institutions. The feudal system, for example, centred around a nobleman delegating authority to a person at a lower level, who was guaranteed certain rights in exchange for certain duties. This, is in essence the beginning of the relationship between the principal and the agent. The agent was to render to the principal a statement of charge and discharge, which allows the agent to perform the duties of a steward. The steward accounted to the nobleman for the wealth that was entrusted with him. Consider the "Pipe Roll", which was compiled annually from statements of accounts by sheriffs and other officials who brought to the treasury, all the rents, fines, taxes and other levies that were ultimately due to the king. Such a record accounted for the wealth of the monarch.

In manorial accounting, consider the case of the records of receipts and payments of this self-contained economic entity, where any dealings with those outside the manor was considered 'alien' to the manor. The steward was held responsible for producing records to show that he did indeed discharge his duties in an honest manner. The records also testified to the nobleman the relative wealth of the manor. These were mostly in the form of personal property of his tenants, along with cash values adjoining physical quantities of goods in the form of money accounts, rents received, a corn and stock account for grains, sale of wood, cattle, meat and hay. Expenses involved food, fuel, cloth and other goods.
Such accounts then established what was received and what was utilised. This enabled the nobleman to know the value of his worth and the wealth of the manor. Therefore, it is only through such a record that wealth is experienced. If no record of the incomings and outgoings were kept, wealth could not have been established.

5.4 The development of double-entry bookkeeping

Littleton (1933) argues that the antecedents and the *sine qua non* of bookkeeping, namely private property, capital, commerce, credit, writing, money and arithmetic, have contributed to the favourable economic and social circumstances. This according to Littleton led to the methodology of bookkeeping which systematically rendered material into language.

While it may be accepted that personal belongings, and commerce, credit and writing, money and arithmetic are essential to the development of the double-entry form of bookkeeping, it is more crucially the change in concepts of wealth that excited the development of double-entry bookkeeping.

This is built on the following reasons. During this time, the art of writing was uncommon and illiteracy was commonplace. The only people who needed a scribe and who needed records, were people with wealth. As for personal belongings and credit, commerce, money and arithmetic, all these factors did exist, and yet there was
no accounting in the double-entry form.

Wealth in earlier times, consisted in a count of the number of the possessions that was held. The amount of grain that was possessed could easily be accounted for by a form of 'stores accounting'. Indeed, this practice has not changed over the years and we still keep count of physical inventories through this manner.

*But something happened to the concept of wealth.*

Wealth in the form of marble palaces, and lists of grain and quantities of cattle, lost meaning when wealth was converted to productive capital, to generate further wealth. Trade increased, particularly trading with the east. Merchant bankers began to extend credit, bills of exchange were introduced, insurance and in particular marine insurance became common, and the number of transactions increased like never before. Wealth took on the form of capital and this capital was invested. The normal methods of keeping count no longer sufficed.

Indeed this was spurred on by the separation of ownership and control. Wealthy people of the time realised the gains that could be made in pooling wealth and venturing this wealth. But with introducing wealth as capital, the manager took control while the capital providers stood apart from it.

Witness Lee's claim that:

... nothing like a complete set of business accounts has come down to
us from before 1296. The art of bookkeeping was most highly developed among the bankers, merchants and clothworking firms of Florence. Their businesses showed a high degree of continuity from year to year (unlike the mercantile enterprises of Venice or Genoa, with their concentration on separate trading ventures), and they were carried on by stable partnerships, who needed to ascertain and divide profits from time to time, as well as to record the drawings of each partner for deduction from his share (p. 36).

Such a view would suggest that wealth no longer stayed dormant, but was rather put to venture in the hope of earning more wealth. The books of Rinieri Fini and Brothers (1290-1305), of Giovanni Farolfi and Company (1299-1300) testify adequately to this theme.

With this new form of wealth and enterprise, a certain extension to what was previous record keeping came to light. Lee (1977, p. 94) cites the ledgers of Giovanni Farolfi as far back as 1299. The ledger being in one hand, that of Amatino Manucci who lists,

... a perpetual inventory of each line of agriculture produce and each grade of cloth or yarn dealt in, and full records of debtors and creditors, expenses, profits, interest and partners' drawing, as well as the state of account with the head office at Nimes, and an estimate (15 per cent per annum) of the expected rate of return on capital employed.

Thus, wealth to Giovanni Farolfi consisted of agricultural produce, cloth, a list of debtors and creditors, profits and gains. Indeed for Giovanni Farolfi, the records that were kept constituted a record of wealth. If not for accounting records, it is
impossible that wealth could have been established. Such an analysis could be extended to The Gallerani Account Book of 1305-1308 (Nobes, 1982) and of Jachomo Badoer (Peragallo, 1980).

5.5 Pacioli

Fr. Luca Paciolo, also referred to as Fr. Luca Pacioli, has often times been alluded to as the originator of double-entry bookkeeping. Pacioli did not invent double-entry bookkeeping. The fact is that the originator is unknown. Despite this, Pacioli, is the first known writer to publish a work describing the double-entry process. Whether Kautilya's Arthasastra (Nigam, 1986) may indeed contain the germ to the double-entry puzzle, is still an open question, as is whether double-entry was first used in the golden age of Islam.

Whatever the source of double-entry bookkeeping, bookkeeping is a record of wealth. Observe Pacioli's statements from his original discourse. "It has happened that many, entering business with nothing but good faith, have yet carried on big business; and through their credit, faithfully served, they have attained to greater wealth" (Crivelli, 1966, p. 11). For Pacioli, there were three factors that was essential to the conduct of business. The first was cash; secondly a good accountant and a sharp bookkeeper; and thirdly, 'all particulars as to debit and also the credit of all of them' and the purpose of every business was to make profits.
However, to begin the process of operating a business, Pacioli recommends that an inventory of the wealth of the businessman be first determined.

He must then make his diligent inventory in the following way: he must first of all write on a sheet of paper, or in a book aside, all that he has in the world, his personal belongings and household goods, estate, etc., and always begin with the things that are more valuable and easier to lose. These consist of ready cash, jewels, silver, etc., because estate, such as houses, lands, lakes, valleys, ponds, and the like, cannot be mislaid as can personal belongings and household goods (p. 13).

Pacioli then proceeds to discuss in detail the process of bookkeeping that is known today: that of taking an inventory of the assets, recording the original entries in the accounting records based on that inventory, recording business transactions, posting to ledger, complete with comments on posting references, preparing a trial balance to check the accuracy of the bookkeeping process; and closing the nominal accounts through profit and loss into the capital account. Pacioli also wrote about internal controls, using numbers and dates for the memorandum, journal and ledger and also that their pages be prenumbered. It is also suggested that transaction documents be complete in detail, and permanently filed; that a summary account for small business expense be kept and that the books be audited for internal check (Brown and Johnston, 1963). For Brown and Johnston, "Although we have now abandoned the Memorandum as the book in which business transactions should be recorded chronologically, the overall process described by Paciolo is otherwise precisely the same as is now performed" (1963, p. 9).
But, in all this, one is able to see a common thread. In his last factor necessary for business, Pacioli states that the businessman's affairs or wealth should be so arranged in a systematic way so that he may get their particulars at a glance and that the debit and credit method should be used, and that without systematic recording, it would be impossible to conduct business, or know of one's affairs or know of one's wealth. Indeed accounting records, during this time, start with what one possessed as wealth, and recorded the wealth of the individual.

It is then accounting that predicates wealth and for a reverse reason accounting is only useful in the actuality of wealth. For without wealth there would be nothing to account.

Witness also Brown's (1968) *A History of Accounting and Accountants* wherein it is stated, "The object of book-keeping is stated by Paciolo in precise terms: to give the trader without delay information as to his assets and liabilities" (p. 111). This is not surprising since the very existence of bookkeeping and of accounting was to provide an exact rendering of one's prosperity, one's wealth.

5.6 Double-entry bookkeeping after Pacioli

De Roover (1955) designated the period after Pacioli's *Summa* (the fifteenth century and the period till the nineteenth century) as the period of stagnation. For over 300
years, the concept of wealth remained, mostly undifferentiated. Bookkeeping and bookkeeping methods were refined and elaborated, with accrual accounting and financial statements becoming popular, but the concept of wealth remained mostly unchanged during this time.

The practice of bookkeeping that was in vogue by the merchants of this time remained mostly to meet the needs of the mercantile firm, and were mostly venture accounts. Some changes to closing the book at the end of each venture, was that the accounts were now closed at the end of each year, rather than at the end of each venture. Bookkeeping by double-entry was now adapted to meet the needs of large firms, monasteries and governments.

Don Angelo Pietra in 1586, who published a book on bookkeeping for nonprofit organisations, placed emphasis on financial statements, separated the owner from the business, and promoted the use of the balance sheet and the income statement. The purpose was to "account for all changes in the entity's financial status". Accounting for the changes of the entity's financial status thus signified the changes that wealth underwent over periods of time. In 1633, Ludovico Flori devised the method of placing transactions in their proper accounting periods, used the trial balance to prove the precision of the ledger accounts, and aided the process of closing the ledger accounts.

Simon Stevin introduced compound entries, separated the practice of keeping the
cash and expense accounts in subsidiary books, introduced daily and monthly
columnar totals, and even administered a system of keeping the books without the
usual religious invocations, insisted on account balancing, made listings of assets and
liabilities outside of ledgers, introduced the system of calculating wealth by
comparing the balances from one period to another, which enabled the resolution of
periodic profits by contrasting net assets between two periods.

Weddington and Peele, in England, departed from the Italian method of
bookkeeping, by separating the memorandum into books that contained transactions
relating to inventory, cash receipts and payments, purchases and sales, with the
journal being eliminated, inducted accruals and deferrals, classified current and long-
term loans, with commodity accounts having individual columns for amounts
shipped and received.

Witness the "Jones" English System of Bookkeeping by Single or Double-Entry
(1796) which initially taught that time could be saved, balancing could be made
easier, that fraud could be easily detected; that using this system, errors such as
wrong postings could not occur.

Thus, during this period the concept of wealth remained the same; that of the view of
the merchant trader, while the very instrument that necessitated the existence of, and
the determination of wealth, became more and more sophisticated. The motive was
to have an indication of the merchant's wealth, by keeping track of dealings involving
credit, inventories and capital; and having a ready record for reference. Indeed, records show that the desire to calculate an income was altogether missing. The real desire was to determine the net increase in the wealth of the merchant, by looking for the change in value of all the merchant’s possession. This was done by taking note of the difference in value between two balancing dates.

Accounting, it was traditionally argued, was then reacting to several factors outside of bookkeeping, such as changing social needs and business conditions. But for a reverse and equally valid reason, the experience of wealth and of being wealthy, is only made possible through accounting.

Meanwhile, other ideas changed. America was discovered, the view of empires and their existence grew to the creation of nation states, a uniform set of coinage came into existence, Arabic numerals replaced the Roman, paper became more easily available, and printing became common place. This was further spurred on by the producer concern, the idea of a tax on income and the birth of the accounting profession.

Thus wealth, in the form of ventures and capital, remained essentially the same during this long history. Bookkeeping as a means by which one's wealth is established and comprehended underwent greater refinement, in the use of specialised rules and procedures. People of wealth used accounting as a means of extending their wealth and creating greater wealth.
Chatfield (1977) attributes the development of bookkeeping to specialised journals and ledgers to the Industrial Revolution, and the need to communicate financial information to creditors and stockholders. Bookkeeping no longer only meant keeping records, but had to come to the aid of management, to help make decisions, and "to help allocate resources and maintain a money market in an economy which was being industrialised" (p. 70). Chatfield further furnishes examples of Renaissance balance sheets, each typically drawn to show the assets and liabilities of the estate (in this case of Derrick Roose) with the beginning capital at year end, and at the beginning of the year, it was the difference being the increase during the year.

Is this then, not the use of the balance sheet to determine, and verify, ascertain, and uncover, demonstrate and establish, fix and unravel, confirm and adjudicate, decide and conclude, the wealth of Derrick Roose? Is this not the way wealth was indeed presented to Derrick Roose? Is this not the manner by which Derrick Roose could understand wealth?

For an almost opposite and valid reason, is it not true that Derrick Roose's wealth demanded and necessitated that some kind of accounting be maintained? and as for the other reason, his wealth was only established by such a statement.

Thus a clear picture emanates from this scheme, as to the relationship between
wealth and accounting. On the one hand, the existence of wealth necessitates the
eexistence of accounting, but for a reverse reason it is accounting that establishes
wealth. Of course, as to which came first, there is no such thing. The creation of
both accounting and wealth is synchronous, concurrent and instant.

5.8 The shift from wealth to income

Prior to the progression of the corporate form of business organisation, and during
the era when owner and manager were the same, and when business income
consisted of the results from ventures, it is unlikely that the annual income figure was
useful for the purpose of testing the viability or the profitability of the operations. It
was not useful as a guide to future action (Chambers, 1966, p. 514). The balance
sheet, which during this time signified the amount of wealth that the venturer owned,
was of considerable importance. Littleton (1933, pp. 132-136) for example, suggests
that the balance sheet during the fifteenth century, reflected a merchant's estate for
the purposes of taxes. Merchants would pay taxes based on the amount of wealth
that they owned. Taxes were not paid based on income during this stage of the
development of accounting. Jacques Savary in 1673 for instance proposed that the
balance sheet was really the 'estate' of the merchant, which would imply the wealth
of the merchant, while the income statement was no more than the proof of the estate.
This would suggest that during this period, the balance sheet was far more important
and far more useful than the income statement, for both internal users as well as
external purposes. With merchants remaining on the shore, the persons who managed their ventures for these merchants, did not need to show income. For these merchants the increase in wealth as reflected in the balance sheet was sufficient to indicate the increase in their wealth. These merchants did not have to report to any persons outside of the venture. Here again, something happened to wealth that would change and transform the concept of wealth.

One of the causes for the shift in emphasis from the balance sheet to the income statement is seen in the period of the Industrial Revolution between 1750 and 1800. Inventions in England, especially in the textile industry, spearheaded this revolution. James Hargreaves with his spinning jenny (1764), Richard Arkwright with his water frame (1769), Samuel Crompton with his spinning mule (1779), James Watt with the improved steam engine (1785) along with John Kay (1738) and Edmund Cartwright (1784) with their perfection of power weaving using mechanical tools, greatly increased quantities of goods. With this great rapidity with which goods were produced, all aspects of the economy began to see great economic improvement. But still, the agent that had to change remained unmoved. Ownership of capital had not moved. It still remained in the hands of individuals or at best partnerships. With the owner of the business still managing the business, and in the case of partnerships, the partners being directly involved in the business, there did not arise the need to shift the emphasis from the balance sheet to the income statement.

Garner (1950, pp. 2-14) summarises the development of cost accounting during this
time, whereby greater refinement in the determination of components of cost was achieved. The system of production which used animal power now began to be based on mechanical power. With these developments, the situation was getting to a climax - leading to the development of a new type of business organisation - the company. Along with the development of the company form of business, came large amounts of capital investments, making competition the next obvious stage.

In 1844, in Great Britain, the first companies act came into existence, and along with this came new processes for making steel. The dynamo and the internal combustion engine were by this time invented. British society at this stage began to develop into an industrial society based on technology, mass production and mass marketing. With technological progress and growing consumer demand, large amounts of capital were required. In America, the industrialists Andrew Carnegie, J.P. Morgan, Samual Slater, Philip Armour and many others began to finance these large undertakings. Competition became rife and often bitter with ruthless tactics being employed. There was a high degree of bankruptcy, as businesses began to crumble with the increased competition. These frequent cases of bankruptcy quickly led to investor insecurities and the need for a new type of organisation that would draw investors, but also be in a position to have their liabilities limited. This led to the birth of the Company.

The company was ideal. It offered limited liability, ownership in the company, transferability of interests in the joint stock company, and most importantly, it made possible the separation of ownership from managers.
With the vast expansion of the economy, a shift in the needs of the time also took place. Initially, there was a great need for industrial capital, but as time progressed, the need for financial capital - provided through the banker, the investment banker, and the insurance company - became more important. With the advent of the financial capitalists, a diversification took place in the range of business.

Financial capitalists extended their business and control over many different industries, instead of restricting themselves to just one kind of business. With this development, the interest of the financial capitalists extended over different places and over different business, making it impossible for them to completely control the day to day operations of their businesses. Managers were appointed and employed to assume the interest of the financial capitalists and were to look after the business. This rendered the separation of owners from their business.

With their investments in a great variety of businesses, financial capitalists were less and less interested in the day to day operations of the business, and became more interested in the policies that governed these businesses. Businesses grew to become giants companies, and as they increased in size, it became impractical for owners to control and operate these businesses. Furthermore the number of shareholders also increased. With these developments, larger companies were departmentalised, specialised, and expanded. A new set of managers emerged, as experts in their own field. These professional managers had to account to the owners of these firms through the use of accounting and statistics. During this period of intense
competition, the balance sheet took on greater importance. Legislation required
balance sheets to be presented in a full and fair manner, without emphasising the
income statement. The second reason is that, it was generally believed that the
income statement was a statement that contained confidential information that would
assist the competition, if disclosed. For both these reasons the income statement was
considered as less important to the balance sheet.

5.9 The new emphasis on income

The Industrial Revolution during the periods of 1750 and 1800 saw many new
inventions, mostly in response to increasing demand for goods and services, in both
the domestic and overseas markets. New inventions in the textile industry, greatly
increased the quantity of goods, through the factory system. Other factors also came
to play that began to shift the emphasis from the balance sheet to the income
statement. One of these developments was the application of cost accounting
between 1885 and 1930. Henry Metcalfe published *Cost of Manufacture* in 1885,
which exposed new techniques and ideas about the costing and manufacturing
process and the beginning of cost control for profit maximisation was introduced
(Garner, 1950, pp. 2-14). Garcke and Fells published their first edition of factory
accounts which innovated the process of integrating cost accounts with financial
accounts in the general ledger. This made possible the improved method of
calculating for profit through the matching of revenues with expenses. Other writers
emphasised the importance of cost accounting for profit maximisation through cost control. Nicholson (1909) in his book, *Factory Organisation and Costs* emphasised the creation of the cost centre where costs were accumulated under the three main elements of direct labor, materials and burden, and also introduced a system of distinguishing the sales for each section or division. This provided further evidence that income statements became more and more useful.

Another development during this time is the activities of scientific management engineers. Witness Frederick W. Taylor's *The Principles of Scientific Management* (1911) where according to Taylor, the principle object of management should be to secure the maximum prosperity for the employer, coupled with the maximum prosperity for each employee (p. 9). In his more technical book, *Shop Management*, Taylor looked at cost accounting as a means of measuring efficiency. Thus cost accounting was used to compare the actual cost of an operation as against the predetermined cost. This process led to the concept of standard costs which was used to determine and investigate wastes and efficiency. This method of comparing standards and actuals was Taylor's method of efficiency calculations and was the basis of his scientific management. This helped to provide a means of better matching costs with revenue and the use of the income statement as a tool to check this, was enhanced.

Thus the development of cost accounting and scientific management led to the development of the shift of emphasis from the balance sheet as a statement of wealth,
to greater emphasis on profit determination and the income statement.

The emphasis grew from controlling costs to enhancing profits. This also signals the beginning of the increased demand for information by management resulting from the rise of the corporate form of business. This is further enhanced by the increasing size of the firm; the increase in size and complexity of the business urged on by the changing environment of greater competition in industrial societies. Central to this development is the emergence of the investor's viewpoint resulting in greater growth in stock ownership. With this growth, investors and the general public began to demand greater information from the company. Investors wanted to determine the growth of their investments and ensure the safety of their original investment. The income statement became the tool for such analysis as it allowed them to make decisions regarding alternative investments.

One of the developments that led to the importance of the income statement as against the balance sheet was the effects of inflation. The price of goods and services began to fluctuate rapidly in the early 1920s. With this development, prices and values quoted in the balance sheet became quite unreliable. This is particularly true of values contained in the balance sheet. The public were quite convinced of the unreliability of values in the balance sheet and therefore called for greater information by way of the income statement. A further development that led to the shift of emphasis from the balance sheet to the income statement is taxation. Tax authorities had to tax on some basis and now placed emphasis on the income
statement. The federal taxation of income was only possible through the income statement. This was spurred on by related court decisions. The courts played a key role in the shift to the income statement since they were preoccupied with identifying what was income.

5.10 Developments in nineteenth-century Britain

During the nineteenth-century, banks, railways, assurance companies, friendly and building societies along with public utility companies, being regulated, were usually large, had monopoly powers over the market, and had some form of special privilege granted to them through some legislation by parliament. In particular, banks and financial institutions had an intimate relationship with the public, as these institutions provided financial stability to the entire economy. Given this, the financial stability of regulated companies was the subject of great concern by legislators. In 1844, banking institutions were regulated through the Joint Stock Banks Act. All the railway companies were regulated with the passing of the Railways Regulation Act in 1868. The Life Assurance Companies Act was passed in 1870 and building and friendly societies were regulated through the Building and Friendly Societies Act of 1874. Included in this regulatory process were the public utilities, which were all subject to company accounting legislation.

Legislation governing these companies required that in addition to the balance sheet,
a detailed income statement as a legislative measure, be issued to protect shareholders and the wider interest of the community. There had been several select committees and Royal Commissions, which investigated and recommended that for the purpose of controlling widespread fraud, irregular and unethical income determination, that these companies be regulated. It is partly due to this reason that the income statement had assumed a central position in the practice of accounting. The other major reason was that the income statement displays the process of income determination (Littleton, 1953, pp. 18-36).

Edey and Panitpakdi (1956) suggest that income during this time was mainly determined by the surplus method, which is the surplus of total valued assets over total valued liabilities, which may be obtained by comparing successive balance sheets between two accounting periods. This method suggests that the balance sheet was the basis upon which income was determined. The major issue under this method, was which particular assets and liabilities, and their valuation basis, should be included in order to determine income. The alternative method, is the use of the income statement method, where income is determined as the excess of total revenues less all expenses chargeable to the period's revenue, with the resulting figure being income.

Jones and Aiken (1993, 1994) show that British judicial dividend law, since 1889 clearly rejects the surplus concept of income, based on the balance sheet to determine income available for dividend. The income statement method was clearly supported
by the British judiciary, for legal, ethical and commercial reasons (Kehl, 1976; Weiner, 1928; Littleton, 1934). Legislation affecting regulated industries required the disclosure of the income statement. The disclosure of the income statement was intended to remedy and display the income determining process. Jones and Aiken, (1994, p. 227) show that available historical evidence indicates that the income determination practices of regulated industries were probably the single most important factor that motivated regulators to require disclosure of the income statement. Thus in Britain, it has become clear that the emphasis shifted from the balance sheet to the income statement.

Zeff (1982) states,

From the managerial viewpoint, and from that of the stockholder, the correct showing of profit, and an enlightened forecast of future profits is the vital thing. The recognition of this appears with increasing frequency both in formal statements made in texts and in the increasing attention given by accountants, analysts, and investors (p. 8).

and later he states that there has been a tendency to exalt the income statement as compared to the balance sheet (p. 11).

5.11 Conclusions

This chapter has argued that accounting and wealth are inseparable partners. From
The earliest days, the experience of wealth is made possible through some form of counting. Indeed, if not for counting and later accounting, wealth could not be experienced or imagined. Thus accounting and wealth are seen to be two sides of the same coin, are partners in maintaining and sustaining each other. Absence of the experience of wealth would make the need for accounting and counting unnecessary, and wealth being unable to be established.

In this perfect relationship, accounting and wealth maintain a balance and create a reflection of its existence. About this time, laws relating to that other creation, that other experience, had been set in motion, through the process of confinement where human beings were systematically excluded and controlled. Society had clear lines drawn that distinguished one from another.

For in wealth or in determining wealth, the opposite had to be created. If not for the 'poor', wealth could not be experienced. It is in the creation of the opposite that the other is established.

Such an analysis shows that wealth is represented through the instrument of accounting, creating a section of society. However, this section of society does not and did not know it existed until it confined and excluded the 'poor'.

Chapter 5: A Chronology of a New View of Accounting
6.1 Introduction

This chapter is about an experience, about the experience of wealth and poverty, how we attribute and assign them, and how they are expressed in language. It is also about things that are visible, and at the same time about the unseen.

This chapter looks at recurring financial accounting issues which seem to recycle despite their existence for several decades. Why do the same problems seem to arise, and why have answers not been found despite such a long passage of time? (Brief, 1975; Lee, 1983; Mumford, 1979; Sterling, 1975). Why is there a lack of implementation of findings and solutions of research conducted in the field of accounting?

This phenomenon calls for several explanations. One possible explanation is that we
study and conduct our research at odds with the real issues that affect the problem, or accounting lacks the power that may be able to influence some change. This may be part explanation of this phenomenon. The other explanation could be a problem of methodology. That is, we perhaps conduct our research on an issue that may be irrelevant, that does not strike at the root of the problem. Perhaps, we should turn to alternative methods of investigation in accounting as called forth by Burchell et al. (1980), Hopwood (1987) and Gaffikin (1987). Then perhaps, we may be able to explain why accounting is the way it is, and how accounting has come to be what it is not.

Accounting has fixed its birth at some point in history, and with this we are doomed historically to the patient construction of discourses about discourses, and to the act of speaking again what has already been said. In order to write a commentary, we need to question discourse, as to what it said in the first place and what is intended to be said. In order to do this, we have to uncover the deeper meaning of discourse or in other terms, in stating what has been said, one has to restate what has never been said.

What we must do, in fact, is to tear away from them their virtual self-evidence, and to free the problems that they pose; to recognize that they are not the tranquil locus on the basis of which other questions (concerning their structure, coherence, systematicity, transformations) may be posed, but that they themselves pose a cluster of questions (What are they? How can they be defined or limited? What distinct types of laws can they obey? What articulation are they capable of? What sub-groups can they give rise to? What specific phenomena do they reveal in the field of discourse?). We must recognize that they may not, in the last resort, be what they seem at first sight. In short,
that they require a theory, and that this theory cannot be constructed unless the field of the facts of discourse on the basis of which those facts are built up appears in its non-synthetic purity (Foucault, 1972, p. 26).

To speak of the thought of others, to try and say what has not been said, suggests that we analyse the symbolised, since to comment is to admit an excess of the symbolised over the symboliser. The symboliser and the symbolised on the one hand assume an autonomy that allows a virtual signification to each other in separation, and at the same time invents a concrete link between them. The signified is revealed only in the visible. Signification is a necessity since the thought of others is not open to vision but is only found in the symbolisations that thought expresses itself.

Accounting owes it real importance to the idea that it is a reorganisation of a discourse of wealth and through this, makes the very possibility of a discourse of poverty a reality.

6.2 The question of wealth

This chapter is both historical and critical, deliberately, to determine the conditions of the possibility of the experience of poverty. It is a study that attempts to let loose the conditions of history that allows the possibility of poverty. The aim, like that of Foucault in his works, is to make clear the thoughts that systematises thought, "making them thereafter endlessly accessible to new discourses and open to the task
of transforming them” (Foucault, 1973, p. xix).

Accounting is perceived to be a system operating within the levels of society and the organisation, which suggests that accounting is both constructed and constructs, both organisations and society. Not only is accounting constructed by society, accounting constructs a particular kind of society.

Accounting is now recognised as being a significant determinant of how society functions, through the practices of organisations, and along with the operations of accounting, a particular kind of society appears. This is particularly seen in the question of what is accounted for, and how it is accounted. In this process, accounting determines, defines and organises wealth.

Accounting has had to encounter specific problems that face society at a particular point in time, and with this it has become more and more detailed and precise, and therefore acquired a social and organisational significance (Burchell et al., 1980). Accounting is now seen to be used for the implementation of policies for the controlling of wage structures, and for the regulation of sectors in society.

Double-entry bookkeeping, for example has been attributable to the evolution of capitalism and the capitalistic spirit. Weber (1958) indicates that in order for the development and the sustaining of economic activity some form of bookkeeping is indispensable.
It is one of the fundamental characteristics of an individualistic capitalistic economy that it is rationalized on the basis of rigorous calculation, directed with foresight and caution toward the economic success which is sought in sharp contrast to the hand to mouth existence of the peasant, and to the privileged traditionalism of the guild craftsmen and of the adventurers' capitalism, oriented to the exploitation of political opportunities and irrational speculation (Weber, 1958, p. 76).

Further, the economy is,

More specifically, a rational capitalistic establishment which determines its income-yielding power by calculation according to the methods of modern bookkeeping and the striking of a balance (Weber, 1927, p. 275).

Schumpeter (1942), Eucken (1951), Robertson (1933) and Sombart (1924) suggest that capitalism enhances rationality which is sustained by the development of cost-profit calculations made possible by double-entry bookkeeping, that double-entry bookkeeping contributes to a new attitude towards economic life, that rationality is based on rigorous calculations, and that systematic bookkeeping enhances order. This brings into view a particular relationship between accounting and society. Indeed, a particular kind of society is produced only on the basis of the application of a certain kind of knowledge and a certain kind of power.

This would suggest that accounting is embedded within the power/knowledge relationship which Foucault uses in his studies. Power is taken to mean a power of invisibility that provides for the functioning of both organisations and societies. This being the case, it may not be possible to distinguish accounting from the context that
it operates. In this sense, Winjum's (1972) questioning takes on a particular importance.

While it can be demonstrated that in its long history accounting continually reacted to, and was a product of the environment in which it functioned, can it not also be shown that as accounting was responding to the needs of society, it in turn was exerting an influence on the society that it served? (p.6).

The mutual relationships between the construction of accounting and the construction of society with its manifold dimensions, is the object of this chapter. It is archaeological in the sense that it attempts to uncover the links and relationships between a knowledge base, a mechanism of power and the results of such a relationship, by reconstructing the past in order to discover how the present came to be.

It also seeks to explicate how, wittingly or unwittingly, accounting and in particular accountants, as exclusive organisers of a body of knowledge, exercise monopoly power and authority, and in the process have constructed a discourse about what wealth is. This, in its turn, has made the very possibility of poverty, a reality.

6.3 Two questions

Two questions are extended: Under what conditions and circumstances can poverty be spoken of, or what are the relationships that can be defined between the
experience of poverty and the other, where there is a poverty, an absolute poverty?

And secondly, how do we define poverty and bring this experience into the realm of truth?

This inquisition raises the issue that we mistakenly attribute the same meaning to the notion of poverty to mean a state of want, a state of hunger which is a physical experience, and the experience of exclusion that speaks of a condition of the mind. Popple and Leighninger (1990) state that the way poverty is measured and defined depends on the class of definitions that is employed. Economics defines poverty as a lack of money and other resources, while cultural definitions interpret poverty not only as a lack of money but also including a lifestyle composed of values, attitudes and behaviours that are related to being in a state of poverty. Feelings of hopelessness, alienation, and matriarchal family structure are some of the attributes of a culture of poverty (Hayes 1970).

For Katz (1989),

poverty discourse highlights the social construction of difference. Some ways of classifying people, such as undeserving - or even poor - are so old we use them unreflexively; others, such as homeless or underclass, though much more recent, quickly become unexamined parts of discourse. The problem with this language of difference is both philosophic and practical. We assume that verbal distinctions reflect natural or inherent qualities of people. By mirroring natural divisions, we think the language of difference represents objective distinctions. In fact, it is not the case. For reasons of convenience, power, or moral judgement, we select from among a myriad of traits and then sort people, objects, and situations into categories which we then treat as real" (p. 6).
Poverty, for Katz (1989, p. 7) is about distribution, about how some people receive a
great deal less than others and results from styles of dominance, the way power is
exercised, along with the politics of distribution. Poverty in no uncertain terms, is no
longer natural; it is a social product. Accounting plays a central role in determining
who gets what in our society (Kloot et al., 1991, p. 2).

Poverty has generally been defined in absolute and relative terms. Absolute poverty
definitions have come under some serious problems. Absolute definitions are based
on physical needs and absolute efficiency, which lead to poverty lines that are too
low and are based on assumptions which are false (Popple and Leighninger, 1990, p.
156). Relative definitions are subjective and are seen as being relative to wealth.
Relative poverty is determined by the two methods of a arbitrary percentage of the
median family income and by the survey of the general population. Relative poverty
also suffers from the drawback of being ambulatory. For Popple and Leighninger
(1990), "the definition of poverty is an inherently political act and one that has grave
implications. The power to define poverty is the power to control statistics ..." (p.
164). It is only with the advent of positivism that poverty was suddenly
"discovered." Positivism, in the sense that it is the unreflective application of the
dogmatic doctrine of the unity of science, imposing the methodology of the natural
science on to the social sciences (Stockman 1983). Harrington (1984) further says,
"... the control of statistics is one of the critical functions of power in a democratic
society. The numbers define the limits of the possible; they confer the awesome
mathematical legitimacy of 'fact' upon some parts of reality and deny it to others" (p.
If it is so difficult to define poverty, is this not because we apply in vain, concepts which are applied to both the physical and the mental? Is not the difficulty of finding a singular meaning in both kinds of poverty, that it is presumed to have the same kind of structure? Beyond the intellectual and organic notions of poverty, there is an abstraction that dominates them both, common to both faculties.

One of the purposes of this chapter is to show that the root of poverty must not be sought in some meta-theory, but in a certain relationship, historically situated, of man to the poor man and to the true man. Like Foucault, the aim of this chapter is to show that poverty is an intellectual concept.

'Physical poverty' is really hunger, and the method of analysis must differ from poverty which involves a state of mind. Foucault (1967) has shown, that mental illness requires methods of analysis different from those of an analysis of physical illness. It is only by the artifice of language that the same meaning can be attributed to poverty of the body and to poverty, which is a condition of the mind.

For Foucault (1972) the rules to which poverty was subject, the non-deductive system that these objects could be juxtaposed and the conditions that ruled their existence, as objects of discourse can be laid down. These consists of (1) mapping the surfaces of their emergence; (2) describing the authorities of delimitation; and (3)
the analysis of the grids of specification (p. 41). This in turn seeks to establish the
following: (1) the conditions necessary for the appearance of an object of discourse;
(2) the relations that are established between institutions, economic and social
processes, behavioural patterns, systems of norms, techniques, types of
classifications and modes of characterisations; (3) the distinction between 'primary'
relations which may be described between institutions, techniques, social forms and
the 'secondary' relations that are formulated in discourse itself; and (4) to analyse
discourse itself as a practice (p. 44).

As to links relating to laws operating behind these discourses, Foucault (1972) points
out that we have to (1) ask who is speaking; (2) describe the institutional sites; and
(3) define the positions of the subject by the situation that is possible to be occupied
in relation to the various domains or groups of objects (p. 50).

In Foucault's (1976) terms, in his analysis of *Mental Illness and Psychology*, he
suggests that there are essentially two postulates of illness.

The first postulate is that illness is an essence, a specific entity that
can be mapped by the symptoms that manifest it, but that is anterior to
them and, to a certain extent, independent of them; ... (and) there was
a naturalist postulate that saw illness in terms of botanical species; the
unity that was supposed to exist in each nosographical group behind
the polymorphism of the symptoms was like the unity of a species
defined by its permanent characteristics and diversified in its
subgroups ... (p. 6).
6.4 Concepts of poverty

While accepting that the concept of poverty is a sophisticated and multi-faceted phenomena, it essentially provides the possibility of investigation through "two distinct - but not unrelated - exercises, namely (1) a method of identifying a group of people as poor (identification); and (2) a method of aggregating the characteristics of the set of poor people into an over-all image of poverty (aggregation)" (Sen, 1981, p. 11). Such an analysis takes the position of a naturalist postulate and suffers from an incorrect interpretation of a fact, from an inaccurate prejudice and an error in reasoning.

The incorrectness of an interpretation of a fact is that people who were starving, which pertains to the physical, were in poverty. Starvation is a physical experience and is very real. It is a state of emptiness in the physical realm of the body. No amount of explanation will make a starved person less hungry, or remove those feelings which arise from natural needs and desires, and offer comfort. A tangible solution of food is required. This relates to the basic needs approach of attempting to formulate a viable concept of poverty. Booth (1949), Rowntree (1958), and Orshansky (1965) have all argued for a basic needs approach. Apart from the reason that minimum cost diets not only require excellent managerial skills on the part of the household, which is atypical of the poor, the minimum cost diet also varies widely among individuals. Indeed, no individual in poverty is typical and no family in poverty is typical. Further, non-food requirements are not easy to specify, and such
an absolute biological concept of poverty is untenable since in reality a person possessing some goods could be considered rich in India and poor in Australia, which also varies given the movement of time.

Hollingworth (1972, pp. 18-20) puts the perspective on poverty clearly. The first view is that poverty is seen to be a problem related to the individual person, where the old English Poor Laws and the givers of charity "who were not themselves poor" discriminated between those whom they regarded as deserving and undeserving. The second view is that of personal deprivation, and Hollingworth regarded the poor "as victims of their own personal upbringing and environment". The third view argues that "the causes of poverty lie in unequal opportunity and unequal distribution of resources which deprive poor people of the opportunity to develop and achieve their full potential as human beings." The fourth view maintains "that people are poor because our social arrangements are unequal and because the social framework is stratified in such a way that the poorest are left always at the bottom of society and therefore powerless to change their own circumstances ... Indeed social welfare services only serve to regulate and control the poor by keeping them in their present depressed position, though perhaps a little more contented with their lot. It does not give poor people the opportunity to try and change their basic life circumstances ... the problem of poverty turns out to be a problem of inequality within the social structure." Hollingworth points out that this fourth view "turns the whole question around and forces us to look at the power arrangements and the value systems of our affluent society" (p. 20).
The inaccurate prejudice is that people defined as starving are in poverty. Relative concepts of poverty which look at poverty in terms of stratification leads to inequality as it examines the nature and size of the differences of the bottom 10-20% with the rest of society. Such analysis is possible with the prejudice that the starving are in fact poor. Sen (1983, p. 156) argues that a rigidly relativist view simply cannot eliminate poverty and that the poor will always be with us. Such a prejudice does not include the numerous other facets of poverty, including that of clothing and shelter, and the psychological dimensions of poverty. Poverty, like equity, is an ideological construct which cannot be separated from the socio-political history of a society (Troy, 1981).

The error of reasoning is that if the starving were truly poor, it followed that the poor were really treated as being in poverty. This error in reasoning ensues from the different postulate into which each one of these terms must necessarily fall. Starvation is a real physical condition. The notion of poverty is a state of mind. The two conditions lie within two differing postulates. The reasoning is invalid given the two postulates within which each of these concepts lie. O'Brien (1988) states, "Traditional charity was a residual operation aimed at preventing physical starvation among the poor and supplying the incentive for the poor to take work, however badly paid" (p. 227).

Following Foucault (1976), there are at least three reasons for the notion of poverty to be categorised intellectual in nature.
6.5 Abstraction.

In physical poverty, it is possible to see the harsh reality of poverty, manifested through the symbols of poverty, through processes and singular reactions that can be isolated. Kakwani (1980) insists that poverty, in Malaysia, is determined by the poverty line defined as MAL$25 per month, per person and found that in 37% of the households, per capita income falls below this poverty level. Such classification is based on an incorrect assumption that people receiving less than MAL$25 are poor; and that people with MAL$26 are considered not to be in poverty. The analysis suffers from a simplistic measure designed to make poverty easily identifiable. It also clearly shows the use of income as a measure to differentiate, what must constitute poverty which is both a physiological and psychological essence. Such analysis avoids the psychological constitution of poverty and avoids the treatment of poverty as an abstraction, a condition of the mind. One cannot make abstractions in the same way about poverty, in the psychological and physiological, as the limitation of physical poverty requires different methods of enquiry from the mental state of poverty.

6.6 The normal and the poor

Social welfare and welfare economics, have drawn a line that distinguish between the poor and the normal and indeed, have determined who the poor are on this basis.
The poor are characterised by the same conditions of malnutrition, of a want for food, shelter, and clothing: all the basic necessities that makes life a physical existence. This is a common feature in the physical. On the other hand when one speaks of the nature of poverty as a state of mind, we are unable to differentiate, since the idea seems to be speaking in relative terms, or in the language of comparisons. The ability to quantify poverty in physical terms allows such an analysis to be conducted, but is invalidated with the examination of poverty at the psychological level.

6.7 The poor and the environment

There is a third difference which prevents the treatment of poverty as if they were the same, with the same method being used. It is doubtful whether poverty is separate from the method of analysis or the process of isolating the poor or the tools by which poverty is determined. This is feasible when it becomes possible to measure the level of income. The analysis of quantifiability refers to the physical or the physiological nature of poverty. In the other form of poverty, as the reality of the poor does not permit such an abstraction, each individual is understood through the practices of the environment with regard to himself/herself, and to the situation of exclusion which isolates, confines and separates to the point of 'alienation'. Gilder (1980) suggests "that the rich differ from us chiefly in having more money, we have been willing to suppose that the poor were some alien tribe, exotic in culture and motivation, who can be understood only through the channels of credentialed
expertise" (p. 64). The credentialed expertise have the power to determine what wealth is, with the consequence that they also determine what poverty is. At this point, the poor become the point of social suggestions, lose the ability to act and exercise freedom of choice. This is further described as the symptoms of the poor. The language of the relationship of the individual to his environment does not operate in the same way in the poverty of the physiological and in the psychological.

6.8 Foucauldian analysis

So, placing our credit in the human self and not in the abstractions of poverty, we must analyse the specificity of poverty, look for the concrete forms that the accountant, the economist, and social welfare worker have managed to attribute to it, and through this determine the conditions that have made possible this strange status of poverty.

This chapter tries to answer these questions by addressing the psychological dimensions of poverty, and ascertaining poverty as a fact of civilisation.

When one comes across a 'poor' person, one's first impressions are that there is an overall want, a lack, a sigh, and an emptiness. Edward Banfield has captured it in *The Unheavenly City* (1968), by its lack of orientation to the future, by life being lived on a day to day basis, from hand to mouth, as individuals who are unable to plan or save
money or keep a job. This view looks at poverty as a deep-seated psychological defect afflicting hundreds of thousands of the poor. Such psychological analysis speaks of poverty as a state of mind. O'Brien (1988) cites three cases of poverty in Australia in the 1880s:

In October 1881 Catherine W., a deserted wife, left her six children under twelve in Bathurst without money or food and went to Hill End. After nine days the local constable, alerted by neighbours, went to the home. In the front room he saw four young children lying in straw and covered by one soiled blanket; two were next door with a neighbour. Bathurst was still cold in October, the frost was severe, but there was no fire in the house and no food. The only furniture was a broken sofa. The house was filthy with human excrement. Since being left by their parents the six children had been fed by neighbours. In accordance with the law the constable arrested the children and they were sent to the industrial schools established by the state in 1866 for children 'exposed to moral danger'.

In June 1880 at West Maitland, Louisa O., eighteen, was serving her fifth year as domestic servant, earning 8s a week in the home of Mrs Mullen, when she became pregnant by Mrs Mullen's nephew, Fred Baker, a surveyor. Ten months later Louisa, with little money and few alternatives, travelled to Sydney and arrived with her child, Florence Maud, at the Infants' Home, Ashfield on 16 August 1881. She had been given firm instructions by her employer to lie to the Home's Committee about the paternity of the baby, to ascribe it to Henry Kingsley, also a West Maitland surveyor, who had since gone to Queensland. However, under stern examination by the Committee, the truth emerged. It did not make much difference to Louisa that they knew who the father was. He gave her no assistance. She hoped to leave the child and resume service but the Committee would not admit the child without the mother, a rule based in part on the premise that breast-fed infants had more chance of survival, in part on the punitive notion that 'fallen' women should not be allowed to abrogate their responsibility nor deceptively maintain respectability by depositing their children, and also on the belief that the mother's
natural attachment to her child was her means of redemption. This rule was sometimes waived for middle-class women if a sizeable payment was made: their babies could be fed by the working class inmates. On 16 August, Louisa and Florence, 'a poor miserable little creature', were admitted. Louisa remained in the Home for four months, wearing the compulsory red flannel garment as a badge of sin, doing the compulsory laundry and needle work which supported this 'charity'. That year the death rate of babies in the Home was 42 per cent. Florence Maud died on 9 December and Louisa left shortly afterwards.

Thomas Dobeson, a pattern maker, arrived from England in 1883 and kept a diary. Out of work for weeks at a time, his longest and best paid job was for ten months at 10s per day. Mostly jobs lasted two or three weeks, some only a few days. Distances between jobs could be up to eighteen miles so a man needed to be 'of tough material' to tramp the countryside. And there were often more applicants than positions: an advertisement for six mechanics drew 120 contenders. His failure to secure permanent employment led him to various fringe jobs - a shop which failed, selling pot plants door to door, carting sand for 3d per load, runner at St Patrick's Day sports. He felt bitter at being lured to 'sunny New South Wales, the working man's paradise' in the false hope of steady work and good wages:

"Agents General and Emigration Agents tell us such fairy-tales about this land of promise ... Here I am a total abstainer, strong, energetic and willing to do anything, never throw away money on trifles and can't get along. I have also got a fair amount of cheek. ... (I must) ... draw the line somewhere and I draw it at selling oranges-matches-fish in a basket ... beginning to think very little of myself. I'm not much use as a dead horse ... they say life is short and I would like to handle my tools again before I go down into the cold, cold grave."

He was bitter about the extravagant colonial celebration of Queen Victoria's Jubilee in 1887.
"... isn't it grand when there is a large body of people on the verge of starvation, it makes them feel so comfortable under their waistcoats ...

I am getting to hate everything and everybody that is colonial ... you say we are in a splendid country and we have a beautiful harbour, that's so but we can't eat harbours" (pp. 9-10).

In all the three examples one is able to note that poverty is not observable or tangible, but is rather an experience. The deserted wife is a case of breakdown in marriage, the neglected child a symptom of the fragility of the family under pressure, and the embittered man being unemployed. The examples illustrate that the issue of poverty is only possible through an incorrect interpretation and error in reasoning that people who were starving are in poverty. From the examples, one is able to differentiate the physiological and psychological conditions that constitute poverty.

Poverty not only effaces, but it also emphasises, suppresses and accentuates; it not only leaves the poor empty but replaces it with what Foucault calls, "the positive plenitude of the activities of replacement" (1976, p.17). The suppressive and the accentuated functions, however, are not at the same level of operations. Poverty suppresses a complex, unstable, unknown, free-willed human by emphasising, constructing, and creating a simple, stable, known, confined human. If in one movement, poverty produces both positive and negative signs, manifested in signs of effacement and emphasis, of suppression and accentuation, it does so to the extent that, going back to the earlier phases of evolution, it rediscovers forms of behaviour that have been previously unnoticed. Poverty is not an essence that was not with us since time immemorial, and many would think that it exists as if it was of nature
itself. But in an inverted sense, the natural history of poverty has merely to flow back against the natural history of the non-poor. In this single logic poverty will retain within itself, a character judged from the features of the face or from the body. Each category of poverty will find its place, and kinds of poverty will be defined by the point at which the disassociation stops.

Indeed, as Foucault points out, a whole side of Freud's work consists of an aspect that deals with the evolutive forms of neurosis. Psychoanalysis believes that it can write a psychology of the child by carrying out a pathology of the adult. This suggests that at every stage in the development of the child, there is a potential pathological structure and Foucault further points out that, "neurosis is a spontaneous archaeology of the libido" (Foucault, 1976, p. 21). Has not the child succumbed to the youth and the youth to the man; yet neither child nor the youth perishes?

According to its seriousness, poverty suppresses one or other forms of behaviour which society in its evolution had made possible. According to the classification done in social welfare, the reasoning in accounting suppresses society.

Psychological evolution puts together the past in the present in a state of unity, and situates them in a relationship that allows the past to become possible. Psychological development is both evolutionary and historical. Evolution suggests that such analysis must be carried out in historical terms. Since Darwin, it was thought to be able to write history in evolutionary terms, but the correctness is no doubt that of
seizing the two dimensions of evolution and history in the unity of psychological
development.

6.9 Individual history

Analysis of the mechanisms of poverty leaves behind a reality of poverty based on
the pathological nature of poverty. In order to understand poverty in the
psychological state, a style of analysis is required to analyse a form of experience
that goes beyond its own manifestations, since poverty cannot be reduced by an
analysis of the naturalist type nor can it be exhausted by an analysis of the historical
type. However, the nature and the history of a human can be understood only in
reference to it. This Foucault (1976) suggests, is achieved by understanding it "from
the inside" with a method that will "grasp sets of elements as totalities whose
elements cannot be dissociated, however dispersed in the history they may be" (p.
45). Discursive logic becomes tangled in the attempt to follow the reasoning of the
poor. Intuition goes further and attempts to see the world with the eyes of the poor,
but the truth it seeks is of the order of intersubjectivity and not of objectivity.
Comprehension, which is gathering together or to grasp immediately, suffers from
the inability to discern the very essence of poverty, since the essence of poverty as
opposed to the non-poor can be explained, but resists understanding. The
understanding of the poor and the constitution of the poor are the two aspects which
phenomenology must study.
The consciousness that the poor have of poverty is original, and the poor person is aware of this. The consciousness of poverty in the poor and the researcher, is not as if the researcher is on the side of the non-poor and with all that is to be known about poverty, and that the poor are totally ignorant of everything about it. The way in which the poor accept or reject their condition, the way in which they interpret it and give significations, constitutes one of the essential dimensions of poverty. Foucault (1976) suggests, "it is the variations of this mode of ambiguous consciousness that phenomenological reflections must analyse" (p. 47). Poverty as a state of mind, cannot therefore be spoken of in absolute terms, but rather that there is a double reference, either to the normal or the pathological; to the familiar or to the strange; to the particular or the universal; or in terms of wealth and poverty.

Thus, the existence of poverty proves the existence of wealth, for without wealth there could be no poverty. Here then is the paradox of poverty that demands new forms of analysis; if subjectivity is the source of poverty, then is it not in this world of wealth that we should ask the secret of its status. Surely it is in the domain of wealth that poverty is apparent, for it is in that domain that it is circumscribed as poverty?

6.10 Poverty and culture

Foucault (1976) argues that the most general psychological laws are relative to a
phase of mankind. Like mental illness, poverty has its reality, its value, and its status only in the culture that recognises it as such. Besides, poverty is examined from both a negative and a possible view. It is negative since poverty is defined only in relation to an average, a norm, a 'pattern' and since the whole essence of poverty exists only within this departure, poverty it seems is marginal by nature, relative to any culture and only if that culture has not included it within that culture. It is possible since the content of poverty is only defined by the possibilities that are manifested within that culture.

Two questions then arise: how did our culture come to give poverty its meaning and the poor a status that excludes, and how, despite this fact, does our society express itself and refuse to recognise itself?

6.11 The historical constitution of poverty

It is only recently that the poor have been re-discovered, in Australia. Prior to the advent of the knowledge of what wealth is, the poor existed in a culture that was accepted as such. It is only with the arrival of modern accounting, that what had been previously regarded as normal, everyday phenomena, even strangely hospitable, was suddenly transformed to become a world of exclusion.

By 1894 there were in New South Wales, 4 asylums for men - one at Liverpool
(1862) two at Parramatta (1862, 1884) and one at Rookwood (1894) and one for women at the Hyde Park Barracks (1862) which was later transferred to Newington in 1884. The poor were institutionalised. In 1881 the total number of poor admitted were 1496, in 1891 the total number admitted were 2881. With the advent of the Old Age Pension Act of 1901 the number admitted rose to 4745 and further with the Commonwealth's Invalid and Old Age Pensions Act of 1908 the number admitted rose to 5303. O'Brien (1988) attributes both significant increases to the respective acts. Beyond this obvious observation, the root cause is that the definition of poverty was further sustained by a definition of wealth and by a definition of income. It is economics and accounting that define what income is.

O'Brien (1988) notes that the asylums while huge, accommodated over 800 people, and were all overcrowded. “All the work around the institution was done by the inmates, and all inmates except the bedridden worked” (p. 54). In 1904 a Royal Commission appointed to hear about the alleged abuses indicates that inmate attendants were unqualified and abused their power, and that coercion and force were used to maintain discipline among recalcitrant sections of the inmate population.

To allegations that an epileptic patient named Jacobs was, on two consecutive nights, knocked down, dragged along the floor for ten feet, and thrashed on the head and naked back with a leather strap by an inmate attendant named Fisher, the report concluded only that the allegations were exaggerated and by way of explanation described Jacobs as 'a somewhat troublesome patient, addicted to prolonged singing at night-time and to getting out of bed whenever opportunity offered, for the purpose of leaving the ward', and this despite the opinion of a doctor that Jacobs had been 'severely flogged' (O'Brien, 1988, p. 54).
Another inmate named MacGowan laid charges against the Superintendent for assault at the Parramatta Police Court in 1904, where according to MacGowan,

the Superintendent and two official attendants had, without provocation, 'seized hold of him, twisted his arm, thrown him first on the bed and then on the floor, and finally one of them had knelt on him, pressing his knee into his chest, and causing him bodily pain for some weeks afterwards' (O'Brien, 1988, pp. 54-55).

By a strange act of force, this period was to reduce into silence the poor. It is common knowledge that the period created enormous houses of confinement; it is less commonly known that more that 7% of the population of Sydney and its suburbs aged over 50 years found themselves confined there. It has rarely been made clear what their status was in these houses of confinement, nor was the meaning of this proximity which seemed to assign to the same home, the poor, the unemployed, the prisoner and the insane.

From the very start, these asylums were a sort of semijudicial structures, an administrative entity with a quasi-absolute sovereignty, jurisdiction without appeal, and a form of execution against which nothing could prevail.

It certainly would be a great blessing to poor old people to be at liberty and obtain the pure air instead of being cooped up in these asylums as at present, where they dare not speak no matter how they are treated, for from the highest to the lowest who have the least authority over you, they all have their way to punish you if you give the least offence and it is of no use to complain because if an investigation takes place where one would speak the truth, they would think nothing of telling a lie to keep in favour of the authorities, so that it is almost impossible to get fair play (Sunday Times, 16 February 1896) (cited in O'Brien, 1988, p. 55).
In its functioning, these asylums were an instance of order directly linking power to the governors, to the consignment of power by wealth to the world of poverty.

Baldock (1978) notes how institutions are seen as evolving in the process of social differentiation and how each institution has or fulfils a functional need. He also notes that the elite are specialists in their institutional field with the institutions being part of a superstructure, determined by infrastructure and therefore serve the interests of the class whose interest is not only profit but also the reproduction of labour power required for the continuation of the system, as a patch up and repair service, and that the family is the recipient of the effects of these institutions and keep life insurance, medical insurance and home mortgage companies in business.

Foucault argues, that attempts were made to define a formula of financial help and medical care from which the poor would benefit at home. This was to install in the receiver the feelings of dependence, humility, guilt and gratitude, which are the moral backbone of family life. Indeed, with welfare payments the material bonds were shattered but a whole new set of moral mechanisms were instituted through which an individual was supervised in every action that was taken, with sanctions immediately applied for any behaviour from the normal. The receiver had on fixed periods to return to the welfare office, to submit their search for employment and to report of change in their income. Such strict control was administered on the receiver, that Higgins (1975) suggests that the state, in the case of single mothers,"becomes a notional husband with the right to enforce sexual fidelity to it,
and it will cut off the pension if the ungrateful recipient seeks the solace of a more flesh-and-blood lover" (p. 61).

Foucault argues that all knowledge is linked with a form of cruelty. The knowledge of poverty is certainly no exception. It must not be forgotten that 'objective' or 'positive' or 'scientific' accounting and economics are only born from the existence of this cruelty, and from the experience of poverty. The human became an object that required study, and made accounting and economics possible. The human made it possible to grasp poverty and thus initiate a general study of this phenomena. Accounting and economics can never tell the truth about wealth and income because it is poverty that holds the truth about accounting and economics. Indeed as Schultz (1980) has suggested, "Most of the people in the world are poor, so if we knew the economics of being poor we would know much of the economics that really matters" (p. 639).

If the researcher analyses poverty as a phenomena of nature, it is the existence of this capacity that allows such an analysis. But each culture has its own capacity and threshold with a factor of tolerance to the very existence of poverty. The theoretical organisation of poverty is bound up with a whole system of practices along with the creation of institutions, systems of control, types of assistance, distribution of welfare payments, and the criteria used for assessing the poor. In short, a whole set of practices defines what poverty is and in the process defines the concrete life of the poor in a given society. These practices are merely an indication of the distance that
a society maintains with the major experience of poverty. This is so because man makes of man a contradictory experience.

For Foucault (1976),

The social relations that determine a culture, in the form of competition, exploitation, group rivalry, or class struggle, offer man an experience of his human environment that is permanently haunted by contradiction. The system of economic relations attaches him to others, but through negative links of dependence; the laws of coexistence that unite him to his fellow men in a common fate set him in opposition to them in a struggle that, paradoxically, is merely the dialectical forms of those laws; the universality of economic and social links enables him to recognize, in the world, a fatherland and to read a common signification in the gaze of every man, but this signification may also be that of hostility, and that fatherland may denounce him as a foreigner (p. 82).

It might be said that the psychological dimensions of poverty cannot be regarded as autonomous. Poverty is situated in a relationship with human genesis, in relation to the individual, psychological history, and in forms of existence. It is only in history that one can discover the sole a priori from which poverty draws.

One approached the Department of Social Security when one could no longer cope with life or fit into society because one did not have money. Poverty is not restricted within this relationship but is also the relationship between society and itself; the way society accepts and recognises wealth within individuals. Social welfare is a form of public assistance, but the common category that grouped together people was this notion of income or the lack of it, and the inability to participate in the production,
circulation or accumulation of wealth. This goes hand in hand with the person's inability to work, as it also indicates the appearance of a phenomenon that had not previously existed. Social security, therefore was linked in its original and fundamental meaning, with the structuring of social space and the constitution and creation of the poor.

This phenomenon is important in two ways. Firstly, the poor who had been so long with us and unrestricted, suddenly disappeared and entered a phase of silence. This silence became the language of the poor, and one could only speak of it, but it could not speak for itself. This excluded group of people also made strange kinships, which together with the unemployed, the weak, the ill, the widowed, and petty criminals, forged a relationship with moral and social guilt. All this is not to discover the true nature of poverty or the condition of the poor, but what our society has made of reason, and of wealth. Poverty is much more historical than is usually believed, and more recently so.

6.12 Concepts of poverty

In order to put the analysis on the right footing, there needs to be an understanding of how traditional and more recent concepts of poverty are constituted, and an indication of the a priori that research into poverty must be aware of, if it is to acquire new rigour.
Although there are many poverty concepts (Cf. Sen, 1979, 1981, 1983; Townsend, 1979; and Hagenaars, 1986), they fall into two fundamental categories of poverty concepts, viz. absolute concepts of poverty and relative concepts of poverty.

For Sen (1981), poverty boils down to "two distinct - but not related - exercises, namely (1) a method of identifying a group of people as the poor (identification); and (2) a method of aggregating the characteristics of the set of poor people into an overall image of poverty (aggregation)," (p. 11) and perceives poverty to be absolute deprivation which rejects relativeness of poverty but recognises the necessity of its variation over time.

Kakwani (1980) draws two basic dimensions in relation to the measurement of poverty. Firstly, he suggests that it is necessary to specify a poverty line, the threshold income below which one is considered poor, and which may reflect the socially accepted minimal standard of living. Secondly, the intensity of poverty suffered by those below the threshold income must be measured once the poverty line is specified. Such analysis approaches poverty within the narrow view that poverty is purely a physical thing. Although poverty concerns the overall situation of the individual in the world, poverty is a general reaction of the individual taken in his/her psychological and physiological totality, but yet we can read a single meaning that the more one regards the unity of the human being as a whole, the more the reality of poverty as a specific entity disappears, and the more the description of the individual reacting to his/her situation in a particular way replaces the analysis of the physical
form of poverty. A unitary method of analysis using the same methods and concepts in the psychological and physiological domain is now purely mythical, even if the body and the mind are real.

It has been argued that poverty is better understood as a culture rather than an economic problem (Cf. Coser, 1965; Harrington, 1984; Banfield, 1968; and Gilder, 1980), and more so a problem associating poverty, not with income, or a want of income, but 'a state of mind.'

Sanders (1990) describes poverty as, 

... a fatalistic mind-set wherein people give up on themselves as providers for their families. The availability of transfers that approach or exceed the value of earnings that many individuals are able to secure in the labour market reinforces such fatalism. The poor person becomes economically insignificant, so he or she does not have an important role in providing for themselves or their family. In this way poverty is sustained by the unilateral transfer of wealth from the state to the poor (p. 813).

This analysis however, has the same conceptual structure as those of that other kind of poverty. This allows the use of the same methods to divide up symptoms into groups allowing a definition. But behind this single method lie two postulates, each of which concerns the nature of poverty. Poverty for a start, is regarded as such only by the symptoms that it manifests and between these two forms of poverty, there is no real unity but only an abstract parallelism.
For us, it is the human that defines, and more particularly, it is the human body that
defines, as if by a natural right, the space and the distribution of poverty. We create
through the use of lines and volumes, through surfaces and routes, the extent of
poverty. But this order of the solid, tangible and visible is only one way by which
one is able to spatialise poverty. There are and have been other ways that spatialise
poverty. But how does this supposedly natural right come about? The space of the
configuration and localisation of poverty in the body have been superimposed,
through accounting and economics, through the creation of income, for only a
relatively short period of time - the time that coincides with the birth of accounting.

Before poverty is removed from the density of the body, poverty is given an
organisation, hierarchised into families, genera and species. Classificatory poverty
presupposes a certain 'configuration' of poverty, which it could never do for itself.

Indeed the determination of poverty is beset with major conceptual and technical
difficulties. The Social Science Research Council in the United Kingdom (1968)
asserts that definitions of poverty are heterogeneous and conflicting being rooted in
various social philosophies. Hollingworth (1972) discusses the social, psychological
and economic aspects of poverty which included ill health, education inadequacy,
unemployment and slum housing. Yet despite this, Social Security has used the
income deficient means of measuring poverty. And yet within the income
deficiencies approach, there are at least three methods, each of which classify and
spatialise poverty.
6.13 Quantifying poverty

Beginning with the budgetary approach, poverty is defined in terms of some minimally adequate budget to cover items of basic need. In the inequality approach, poverty is defined in terms of some defined percentage of average income or in relation to the distribution of income generally, and the arbitrary approach defines poverty through an administrative criterion which has been used to define a poverty line, which for example, uses a minimum wage.

Beginning with the application of quantitative methods to study phenomena and consumption behaviour, Ernst Engel's research first led to the publication and the formulation of 'Engel's Law of Consumption'. Stating that, 'the proportion of household expenditure on food declines as household income rises,' it was based on research on the application of a quantitative methodology, and on the belief that the biological deprivation of food is a sufficient criterion to test for poverty. Indeed, applying the same reasoning to other categories of poverty such as clothing and housing is controversial. The result of this law is that a low percentage of income being spent on food is the same as prosperity and a higher percentage with deprivation.

Other pioneering work was done by Charles Booth (1949) who applied the method of asking school board officers for a description of all families, street by street, to determine if poverty existed and to what degree. Booth's survey was generally
descriptive. In the study, families were allocated on the basis of income to one of eight classes. "By the word "poor" I mean to describe those who have a fairly regular though bare income, such as 18s to 21s a week for a moderate family, and by "very poor" those who fall below this standard, whether from chronic irregularity of work, sickness, or a large number of young children" (Booth, 1949).

A decade later, Rowntree (1958) investigated poverty with a different methodology. The methodology was one of surveying every wage earning family in York, obtaining this information from the families directly through interviews, recognizing the importance of cost differences for different types of persons making up the family, with greater precision to the distinction between 'primary' and 'secondary' poverty. "Primary' poverty, Rowntree argued, is the condition of insufficient income to obtain the minimum necessities for the maintenance of merely physical efficiency and 'secondary' poverty is the condition of insufficient income not only for the maintenance of physical efficiency were it that some portion of it is absorbed by other expenditure, either being useful or wasteful. Using nutritional studies, Rowntree drew up a list of necessities necessary for basic sustenance. This approach however, suffers from the taking into consideration of advertising and suffers from rough estimates and guess work. Such an analysis suffers from an arbitrary value judgement on how to determine basic needs.

In 1912, Bowley made a study of working-class conditions, using the method of random sampling. Bowley confined himself to 'primary poverty' with a more
realistic standard (Cf. Rowntree, 1958) based on actual spending habits and taking into account varying food needs of children of different ages. His study was published as "Livelihood and Poverty" (1915). Batson in 1942 utilised a "poverty datum line" (PDL) which uses a modification of Bowley's methods, with PDL being defined as 'an estimate of the income needed by any individual household if it is to attain a defined minimum level of health and decency' (Batson, 1967). Batson has been criticised for using an arbitrary assumption that a family would need an income of 50% above the PDL and the subjective nature of such an assumption (Dowsett, 1945).

Townsend (1954) found the past standards developed for measuring poverty too arbitrary and even too stringent, especially when it came to defining 'necessities'. Townsend developed his own poverty lines based on the proportion of income actually spent on food by certain segments of the 'working class'. Later Townsend (1962) restated his thesis to the idea that both poverty and subsistence are relative concepts and are only defined in terms of the resources available at a particular time and within a particular society. "The vague concept of 'subsistence' is an inadequate and misleading criterion of poverty, partly because it does not have the scientific objectivity sometimes claimed for it, but also because it is essentially a static concept" (p. 224).

In the US, President Johnson's Council of Economic Advisers in 1964, defined poverty as being a family which receives a gross annual income below $US3,000 for
a family of two or more persons, and a single person whose annual income was below $US 1,500. Recognising that such measures were crude as it did not take into account the size of the family, the sex composition or if the family lived in a town or the country, Orshansky (1965, 1969) concluded that there was no generally accepted standard of adequacy for essentials of living except for food, and based calculations on the amount of money needed to purchase the food for a minimum adequate diet as determined by the food consumption studies conducted by the US Department of Agriculture. Orshansky thus assumed that if more than one third of income is spent on food the family must be deprived or in poverty. Thus, the 'poverty line' for individuals and families of varying sizes and in various regions is calculated by multiplying the cost of the appropriate 'market basket' of food by a 'poverty factor' of three. This then determined the 'poverty lines' below which the individual and different families incomes should not fall, or be allowed to fall.

The New Zealand Royal Commission however, considered the measurement technique of Orshansky as crude and lacking in scientific precision. The composition of the various market baskets of food is based on value judgements, as are decisions on the appropriate poverty factor to use in relating actual food costs to desirable minimum income levels (The New Zealand Royal Commission, 1972, p. 123-124).

Using Engel's law of composition, Podoluk (1968) used a budget orientated type of poverty line where the well-being of families is measured by the discretionary income left after expenditures on 'basic necessities'. Based on the data derived from
the 1959 Canadian Family Expenditure Survey, Podoluk claims that on an average families allocate about half their income to buying food, clothing and shelter, and further assumed that if these account for 70% or more of available family income, then that family is likely to be in poverty. Podoluk estimated that if single persons with a gross annual income below $CAN1,500, a family of two with less than $CAN2,500 and families of three, four, five or more with less than $CAN3,000, $CAN3,500, and $CAN 4,000 respectively, spent more than 70% of their incomes for basic necessities, then these income levels represented the relevant poverty lines.

The basic difference between the Podoluk and Orshansky methodologies is that the latter is based on a minimum food standard derived from food studies and surveys for low income families, while the Podoluk method represents an assumption based on the observation of existing spending patterns for all families. Podoluk's method had been criticised for not taking subsequent changes of income and expenditure patterns into consideration and that the highest poverty line income level is the same for families of five or more persons.

The Canadian Senate Committee on Poverty (1971) found that 'the degree of arbitrariness and subjectivity required to develop new poverty lines on the basis of a budget-oriented approach to be unacceptable' (p. 209) and preferred instead a 'relative' approach, stating that 'a relative standard of living is a more realistic measure of poverty than is minimum subsistence' (p. 2). The Committee in acknowledging the subjectivity of attempts at arriving at an 'objective' poverty line, outlined their biases as, “Our principal bias is towards the comprehensive and
relative concept of poverty as against the subsistence level, minimum need concept of poverty. Our objectives are: the determination of poverty lines more relevant to the elimination of poverty; the reduction of inequality; and the provision of basic security from hazard to all citizens” (p. 208). Based on data taken from Statistics Canada and the Economic Council of Canada (Economic Council of Canada, 1968), the Committee used a figure of $CAN3,500 as income for a family of four for the year 1969, and later, in line with Podoluk's approach, the poverty line was estimated to be $CAN5,000. The Committee has been criticised for failing to take into account regional variations, family composition of age and sex and the arbitrary choice of 70% or more of income being spent on food, clothing and shelter as the criteria for poverty. Indeed, the Committee itself notes that "the 70 per cent figure is arbitrary, no more 'correct' than a 60 or 80 per cent criterion" (p. 206). Adams et al. (1971) said that such percentages have “no logical or statistical evidence to support such a conclusion” (p. 11).

In all these analyses we find that we have based the idea of poverty on the simple assumption that income is the best proxy for distinguishing poverty.

In Australia, the 1890s signalises the end of an epoch in Australian history, drawing to a close the end of rapid economic and social growth. There was now a noticeable ageing of the Australian population, caused by the migrants of some forty years earlier, resulting in an increase of aged destitution. In 1891, 93,000 or 2.9% of the Australian population were aged 65 years and above. Within the next ten years, the
aged would increase to reach 151,000. This was further aggravated by the deteriorated economic conditions with unemployment reaching 25% forcing an increasing number of old people to seek refuge in the indoor relief institutions that were then available, but found that the relief system was incapable of providing adequate assistance to the needy. Symptoms of strain witnessed by increased overcrowding with growing dissatisfaction expressed by administrators, politicians and the press over the situation, pricked the community's social conscience, calling for a more sympathetic treatment of the aged and poor people. It was beginning to be accepted argument that despite the desire to work and save, poverty was still going to be a major problem, and with the newly rising political wing of the Labour movement, poverty was seen to be the result of social, economic and political reasons.

With this emerging view, along with the growing increase in elderly people, an inadequate voluntary charitable relief system, and the advancing of a more sympathetic public attitude towards the poor, the Victorian and New South Wales governments began to search for an appropriate social security policy. This was spurred on by the definition of income.

6.14 Conclusions

An analysis of the usage of a 'scientific' and 'objective' methodology to investigate an
intellectual reality is clearly misplaced. Indeed the application of the scientific methodology in the investigation of an "intellectual reality" may be impossible. The reason for the failure of doing adequate justice to research is due to the misplaced examination of an intellectual reality through the methodology of science. Indeed, as it has been observed, like the search for the philosopher's stone, the efforts to discover an absolute and value free definition of poverty based on the concept of subsistence has proved abortive. Such analysis is doomed to be underpinned by value judgements instead of scientific vigour, is fraught with difficulties based on assumptions, and is relative. Further, subsistence measurements of poverty cannot claim to rest solely on a technical or scientific definition of nutritional adequacy. Values, preferences and political realities influence the definition of subsistence. Yet once a biological definition is abandoned and actual consumption is taken into account, no absolute measurement of poverty in subsistence terms is possible.

Firstly, such analysis appears to be ill-informed and misplaced on several counts. The problem with poverty definition is that it is taken to be a static concept, as if it remains constant through time. On the contrary, notions of poverty are intellectual in nature. In fact, they are constantly defined and redefined over time. The nature of an intellectual reality is that such notions are continuously changing.

Secondly, the idea of poverty is a symbol of a condition of deprivation manifested in the idea of poverty. Like in illness, where it is only observable through the symptoms that are manifested, poverty represents and symbolises a state of mind.
Thirdly, hunger or the lack of food is biological and physical. As the nature of
hunger is a physical entity, the application of the scientific method is relevant, for
one is able to test and quantify the state of hunger because it is visible and felt. The
status of poverty is a state of mind represented by the pangs of hunger, and therefore
requires a method of analysis different from the physical notion of hunger.

Fourthly, the notion of income has become intertwined, mistakenly, with the
quantification of poverty. The definition of income both in the accounting and the
economic literature is both contentious and controversial.

Fifthly, we find that the investigation of poverty from initially being in the hands of
individuals is now institutionalised, and the common denominator with welfare,
accounting and economics is the idea of income.

The very definition of the term 'poverty' and the selection of a method of measuring
it are influenced by the bias of the investigator and by the aims of the investigation.
Those who hold the power to make value judgements about the stringency or the
leniency of the poverty standard are able to determine whether poverty can be either
significant or a trivial problem by the aid of the same basic data.
CHAPTER 7

THE ARCHAEOLOGY OF INCOME

7.1 Introduction

Archaeology seeks for a point in time in history when an origin is created, when the birth of an idea occurs which changes the entire structure of our existence. It is a search for a history of discontinuity, of rapture, and of interruptions. It is a search for an event that disrupts our existence as a society and from then on does not remain the same any more. Archaeology uses historical documents to reconstitute the past. It attempts to determine how discourse obeys certain rules and seeks to determine how there is a systematic description of discourse in the creation of an object (Gaffikin, 1996). The object, in this chapter, and that which is under examination, is income.

This chapter seeks to extract the source from which the concept of income appears. Despite the constant use of the word, it is still not possible to determine from where the concept of income comes and how it has come to be accepted as a concept and brought into the realm of existence. Income is not from nature, is not found in nature and is not of nature. Income is a construction through discourse. It is a concept that is brought into constructed reality and attains constructed reality through the process of discourse. This chapter will endeavour to uncover, through archaeology, how the reality of income comes into being and is brought into existence.
Previous studies (including Sterling, 1971; Study Group on Business Income, 1975; Hill and Others, 1978; Lee, 1980, 1985; Bedford, 1965; Pigou, 1946; O'Doherty, 1981; Kosiol, 1978; Parker et al., 1969; Anders and Johan, 1980; Edwards and Bell, 1961; Anderson, 1976; and Vann, 1990) that relate to income, at best treat income as static, measurable, objective, tangible and visible. This chapter, argues the opposite. I seek to argue that income is dynamic, non-measurable, subjective, intangible and lies in the realm of the abstract and that income is only brought into existence through discourse and is therefore a construction. This chapter seeks to argue that income is historical and social. I will also seek to explain how income came to be intertwined with this major experience of poverty by excluding 'the poor'.

From the start of this practice, wealth assigns and uses economics and accounting, through discourses about income, for the creation of income. Income is then regulated and used in the exclusion of 'the poor', for without such exclusion wealth could not be experienced. If we have so much difficulty defining what income is, it is not because we cannot understand the obvious, but rather it is because we refuse to accept responsibility for the creation of 'the poor', that we have in some way been part of this great scheme, in the creation of the other. Indeed, economics and accounting will never explain what income is, although many have tried. This is so because it is not accounting and economics that hold the key to an understanding of income but rather 'the poor' who may unlock an explanation of what income is, and hence of the purpose of economics and accounting. For it is income that creates 'the poor'.
7.2 Income

The first concepts of income, are seen, not as we understand income now to be, but as an entrance, as a point of arrival, as a beginning. During the 1300s, income took on a meaning of an 'advent', of coming in, of the starting of a period of time or of an action. Income had taken a second and further meaning of the coming in of divine influence, as spiritual influx or communication. Income also came to mean a fee paid on coming in or entering, as entry money or entrance fee. By 1555, income also took on the meaning of a person who comes in or has come in, a new-comer, an incomer or an immigrant. In 1583, income meant a thing that comes in, that is added on or incidental, as something that is added by the way.

It was not until the 1600s that income took on the meaning of that which comes in as the periodical produce of one's work, business, lands, or investments, commonly expressed in terms of money. Income also took the meaning of an annual or periodical receipts accruing to a person or corporation or just revenue. In 1603, income was used in this context: 'paying the expense of one yere with the income of another.'

Ten Have (1976) argues that in the Middle Ages income was not determined. "Interim income calculations were not made and the venture or voyage accounts were closed only when the entire venture was complete" (p. 39). Yamey (1964) also found that firms did not calculate interim income numbers. In the learned literature as well,
both in economics and in accounting there is mention of income. Hicks (1946), Lindahl (1933), Fisher (1930), Simons (1938), Frankel (1953) and Solomons (1961) in economics; and Baxter and Davidson (1962), Davidson, Green, Horngren and Sorter (1964), Zeff and Keller (1964), Edwards and Bell, (1961), Chambers (1966), Ijiri (1971), Kohler (1963), Littleton (1952), and Mautz (1973), in accounting, make mention and discourse about income. More recently, Barton (1984) has stated that income is "... the increase in net wealth ..." (pp. 89-90).

Income for Hicks (1946) is a rough approximation used to give people an indication of the amount which they can consume without impoverishing themselves. This concept of income was first introduced into accounting by Alexander in 1950. Brief (1982) and Zeff (1962) report that such a definition recurs in both the accounting and economic literature. But here is the great paradox of the concept of income. Where does the concept of income come from? How did it attain the status of a concept? Why did it attain the status of a concept? How did income become entangled in this major experience known as poverty?

It is well known that income is used as a measure for tax, to determine dividend policy, as a source of guidance for investment policy, as a measure of success of the management of business enterprise and an economy, and as an element of prediction. But it is less well known that it has been used in the process of marginalisation, of categorisation and of exclusion. Witness Bedford's (1971, p. 144) statement, "Income is crude, both in concept and in measurement. Yet, it is the most effective
device so far constructed by man to organize society."

7.3 Income - "object" through discourse

This section is archaeological in nature to determine two aspects of income. The first is to determine how discourse about income obeys certain rules and secondly, how it came to be that there is a systematic description of discourse in the creation of an object known as income. This section will also analyse how is it that accounting and economics came to systematically describe what income is and in the process how accounting and economics bring into reality and creates an 'object' known as income.

Belkaoui (1992, p. 270) states, “The concept of income has always been an important point of interest to economists. Adam Smith was the first economist to define income as an increase in wealth” (original emphasis). But let us look at the concept of income to determine how in accounting and in economics, the idea and the concept of income is first constituted.

Hicks has suggested that like 'savings', 'depreciation' and 'investment', 'income' is only a rough approximation. Its existence is useful for steering through business situations that confront the business person. Hicks' (1946) classic and well known definition of income is "the maximum value which [a man] can consume during a week, and still expect to be as well off at the end of the week as he was at the
beginning" (cited in Parker & Harcourt, 1969, p. 75). For Hicks, a person's income can be taken without qualification as equal to his receipts and further, if a person expects no change in economic conditions, and expects to receive a constant flow of receipts, the same amount in every future week as he receives this week, it is reasonable to say that that amount is his income. But Hicks goes further to say that the reason we calculate income is to give people an indication of the amount which they can consume without impoverishing themselves. It is primarily here that we capture some picture of what income is used for. Income is a guide for prudent conduct.

But as to income itself, Hicks points out that there are several understandings of income. Firstly, it is the maximum amount which can be spent during a period if there is to be an expectation of maintaining intact the capital value of prospective receipts (in money terms). Secondly, income is the maximum amount the individual can spend this week, and still expect to be able to spend the same amount in each ensuing week, so long as the rate of interest is not expected to change. Hicks also defines income as the maximum amount of money which the individual can spend this week, and still expect to be able to spend the same amount in each ensuing week. Hicks further makes reference to income ex ante and income ex post.

In Fisher's (1930) discourse about income, income is a series of events. It is events - the psychic experiences of the individual mind - which constitute income. Income measured in money terms is of no use until it is spent and the ultimate wage is not
paid in terms of money but in the enjoyments it buys. This happens in our inner world which cannot be measured directly. Inner enjoyment is not available for measurement but we can determine its monetary cost. Thus, inner income, real income in terms of wages, and the cost of living are three stages of income. "Deducing such equivalents is an accountant's job" (cited in Parker & Harcourt, 1969, p. 35). And then we have money income, which consists of the money received by a person for meeting his/her cost of living.

But it is in this statement that Fisher makes the greatest contribution to our understanding of income: "Income is the alpha and omega of economics" and accounting attempts to measure it (cited in Parker & Harcourt, 1969, p.39).

In Lindahl's (1933) view, income is consumption, interest, earnings, and produce. For Simons (1938) income is that which comes in, and further subclassifies income as income from things, as gains from transactions or trading profit, as social or national income and lastly as personal income. Towards the end of the analysis, Simons concludes:

Thus, every calculation of income depends upon 'constructive valuation', i.e. upon highly conjectural estimates made, at best, by persons of wide information and sound judgement; and the results of such calculations have objective validity only in so far as the meagre objective market data provide limits beyond which errors of estimate are palpable. One touches here upon familiar problems of accounting and, with reference to actual estimates of income, especially upon problems centring around the 'realization criterion' (cited in Parker & Harcourt, 1969, pp. 71-72).
Solomons (1961) further confirms that accounting income can be converted to economic income. Solomons' great contribution to the nature of income is found here:

Just as Hicks was led to the conclusion that income was not an effective tool of economic analysis, so it seems to me that we are led to the conclusion that periodic income is not an effective tool of financial planning or control. This conclusion seems to accord ill with the fact that income measurement has long been a central theme of accounting and the main preoccupation of the accounting profession (cited in Parker & Harcourt, 1969, p. 118).

To summarise the whole issue of a discourse of income, as found in Parker and Harcourt (1969), we must acknowledge that there is no one useful concept of income. There are many possible concepts of income. Hicks' well known definition where income is "the maximum value which [a man] can consume during a week, and still expect to be as well off at the end of the week as he was at the beginning" faces some difficulties, as Hicks (1946) himself noted. Defining income in terms of expectations does not allow for objective measurement (Kaldor, 1955).

The analysis can be summarised as follows:

If $K_1$ is the actual value of assets at the beginning of the period and $K_2$ the value of assets at the end of the period; and if $K'2$ is the value of which the assets are expected to have at the end of the period with $K'1$ the revised value of the assets at the beginning of the period as estimated at the end of the period, then
income *ex ante* is $K'2 - K1$

and

income *ex post* is $K2 - K'1$

However, both of these concepts are dependent upon two hypothetical values, that of $K'2$ and $K'1$.

Income for a business enterprise, however, following Edwards and Bell (1961), is money income, which is divided into:

- current operating profit, which is the excess over a period of the current value of output sold over the current cost of the related inputs,

  and

- holding gains, which is the current market value of an asset less its historical cost.

However, neither money income nor current operating profit is equal to accounting profit as found in practice. The difference is found in:

1. unrealised holding gains,

2. less holding gains which accrued in the previous accounting periods and have been 'realised' in the current period, and

3. those holding gains that have been accrued and been 'realised' during the current accounting period.
7.4 'Real income'

Both money income and accounting profit do not make any allowance for changes in the general price level. General price level changes include real gains resulting from changes in relative prices and fictitious gains resulting from the effects of a rise in the general price level being regarded as income. Real income then is "the value of ... expenditure on consumption plus the value of any increase in the real amount of his capital assets" (Meade and Stone, 1941, cited in Parker & Harcourt, 1969, p. 332).

To summarise various arguments, current operating profit plus holding gains accruing and realised in the current period, plus holding gains accruing but not realised in the current period, equals money income. This money income less holding gains accruing but not realised in the current period, plus holding gains realised in the current period but accruing in previous periods, equals accounting profit. Accounting profit less holding gains realised in the current period but accruing in previous periods, plus fictitious holding gains accruing and realised in the current period less any real holding gains accruing but not realised in the current period, equals real income. However, it could be argued that holding gains and losses should be regarded not as part of income but as changes in capital. Fisher defined income to exclude savings but as Kaldor (1955) points out:

If we defined income as consumption ... we ... require another term to denote as potential income the consumption that would obtain if net savings were zero ... that income and consumption do not refer to the same thing ... that if we reserve the term income for consumption we ... need another term for what would otherwise be called income; and
we should still be left with the problem of how to define the latter (cited in Parker & Harcourt, 1969, p. 164).

Similarly, if one defines income as resulting only from operations then holding gains can clearly not be included but one still needs a name to describe that increase in real wealth which we have called ‘real income’ (Parker & Harcourt, 1969, p. 8).

Chambers (1966) further adds to this by the fact that holding gains can arise on both monetary and non-monetary assets.

We are now left with four income concepts:

1. accounting profit,
2. real income,
3. adjusted accounting profit and
4. current operating profit (or current income)

Accounting profit and adjusted accounting profit ignores market values and changing price levels, while real income and current operating profit bring current market values into the balance sheet but yet differ in their handling of holding gains. The latter concept ignores changes in the general price level and excludes real holding gains from income.

Kosiol (1978, p. 12) states that ‘income’ can be understood to refer to two basic concepts. Firstly, income is the result of purposive human actions, and for a firm, income represents the material result of a production process, and the firm would
exhibit an income when it succeeds in meeting a certain part of the total goods demanded.

The other meaning of 'income' derives its result from confrontation or matching of the goods consumed in the production process with the volume of goods produced. With this Kosiol (1978) discusses two different types of income - *pagatoric income* which is the result of the flow of financial transactions, and *calculatoric income* which is derived from the flow of productive transactions.

Remarkably, Kosiol (1978) makes a statement that is at the heart of this thesis. Kosiol (p. 12) states, "One of the important goals of accounting is the determination of enterprise income ...". Thus, it becomes clear that it is accounting, that brings into reality and attempts to measure income.

For Lee (1985), income is interpreted as the 'flow' of gains or benefits from a 'stock' of capital. Income of a business entity is indicative of the efficiency of management with the holding and operational use made of economic resources entrusted to it. Income, to the business entity, is also used by owners as an investment predictor.

In both economics and accounting, income is about how much richer a person or an entity has become over a given period of time. The 'science' of economics states that individuals satisfy themselves through the consumption of services and goods paid for through income. However, accounting differs from economics in their
measurement. The 'science' of accounting attempts to measure business income. For the business entity, income is the excess of the price ultimately paid over the expenses incurred by the firm to produce the goods or services. This results in an excess and in accounting, is known to be income. Bedford (1965) states that income is reward which acts as the motivating force in a free market economy and the desire for income is what keeps the economy active.

However, income is inseparably related to value. Values of assets and liabilities determine the value of capital, and hence determine income as really steps in one single process. Therefore, in order to determine income, we have to determine what capital is, and in order to determine what capital is, we have to determine what assets and liabilities are. In an ideal world, income is the increase in the value of capital between two different points in time. In an uncertain world however, income is determined somewhat differently.

Some definitions of income are:

1. Accounting income is the aggregate income or loss for the period, including unusual items, as reported in the income statement, before deducting related income tax expense or adding related income tax saving (IASC, in IAS 12, Accounting for Taxes on Income, para. 3, cited in Godfrey et al., 1994, p. 427)

2. Comprehensive income is the change in equity (net assets) of an entity during a period from transactions and other events and circumstances from nonowner sources (FASB, in Concepts Statement No. 3, cited in Godfrey et al., 1994, p.
3. Income is the change in the capital of an entity between two points in time, excluding changes due to investments by and distributions to owners, where capital is expressed in terms of value and is based on a given scale (Godfrey et al., 1994, p. 428).

Further, it is intimately associated with what is 'value', 'capital', 'scale' and how 'change' in value is measured. Due to these different perceptions about value, capital and scale, different concepts of 'income' can be determined. To the economist and the accountant, the definition of income or what it comprises is clear. However, there are disagreements when it comes to the practice of income.

More recently, Roach (1995) summarised the recent court decisions which dealt with what is, and is not assessable income and states, "The traditional distinction between capital and income continues to be of great importance and considerable difficulty" (p. 26).

Horngren and Harrison (1989) while introducing the development of accounting thought state,

In the nineteenth century, the growth of corporations especially those in the railroad and steel industries, spurred the development of accounting. Corporation owners - the stockholders - were no longer necessarily the managers of their business. Managers had to create accounting systems to report to their owners how well their businesses were doing.
The role of government has led to still more accounting developments. When the federal government started the income tax, accounting supplied the concept of "income." (pp. 4-5).

Definitions of income also abound in tax and tax legislation. For example, Sec. 121 F(1) of the 1993 Australian Income Legislation states: ""income" includes all amounts that, apart from the operations of the relevant exempting provisions would be assessable income." In Section 6B (2A), it further states:

an amount of income derived by a person shall be deemed to be income derived from a particular source -

a) except where (b) applies

(i) if the person derived the amount of income by reason of being beneficially entitled to an amount that is derived from that source; or

(ii) if the person derived the amount of income as a beneficiary in a trust estate and the amount of income can be attributed, directly or indirectly, to income derived from that source or to an amount that is deemed, by any other application or applications of this sub-section, to be an amount that is income derived from that source; or

(b) if the income so derived is, by virtue of sub-section (1), (1A) or (2), attributable to a dividend, passive income or interest income derived from that source

The 1993 Australian Master Tax Guide classified income into three, namely, "assessable income", "exempt income" and "taxable income", and notes there is no definition of the word "income" (p. 10).
Parsons (1985, p. 26) describes income as: “An item is income of a tax payer, in the amount of its realisable value, if it has been derived by him and the item is a gain derived in circumstances which give it in other respects an income character.” In Parson’s description, there are at least 15 different propositions of income.

Barton (1989, pp. 435-452) draws attention to the importance of income and wealth measurement to accounting and their use for purposes of decision making and accountability. Income is the subject of much confusion, disagreement and crusading and states that, "there are as many variations on each system as there are authors, and in practice parts of the different systems are frequently mixed together." In the real world the concepts of income are nebulous and result in several types of income. Some of the styles and titles of income that accounting and economics bring into existence are:

1. Pure Historic Cost Income
2. Constant Dollar Value Income
3. Current Cost Income
4. Current Selling Price Income
5. Real Current Cost Income
6. Real Selling Price Income
7. Present Value Income
8. Real Present Value Income
9. Historic Cost Income Modified by Doctrine of Conservatism
10. Historic Cost Income Modified by Asset Revaluation
11. Legal Income

12. Taxable Income

Income is abstract, lacks universal correct measure, is complex, and is accentuated by arbitrariness. The conditions that would make income measurable are:

1. When the life of the firm is terminated, that is when all the assets are sold and liabilities are repaid and the purchasing power of money has remained constant throughout. This is not only impossible but defeats the purpose of calculating income.

2. When the firm is still carrying on its business activities under ideal conditions of the stationary state, where there is no growth or technical progress and remains in perpetual equilibrium. This situation is unrealistic. In the stationary state there is no inflation and no changes in market prices over time and depends on the assumption that (a) identity of cost and market values are maintained throughout; (b) that the unit of monetary measurement is stable or prices remains constant; and (c) that the future is known with certainty.

None of these conditions are possible.

7.5 The practice of income

But here is the great paradox of our time. It is well known that income is a means of determining and measuring wealth. But it is less well known that income has been
used to marginalise, categorise and exclude. The following sections looks at how the Department of Social Security with its various programs regulates the practice of income.

There has been intense arguments about the rates that social security should pay as benefits. Australia has always favoured means testing even in prosperous times. But these policy issues are still debated at great length and at great depth. More critically, the Department of Social Security uses and regulates the concept of income and rates of payment through the practice of income. Income here is rigidly financial in nature. All pensions, benefits and allowances are subject to an income test. They are also subject to an assets test. These tests alternate, that is, the test that produces the lower rate of payment is the rate that applies and there are a variety of income and assets tests specific to each pension, benefit and allowance. There also exists a 'free area' where income is not taken into account below certain defined thresholds. Certain income sources receive preferenced treatment within the test to enhance certain policy. For example, age, disability support, wife, carer and sole parent pensions all include and provide for a special treatment of 'maintenance income'. This income has a 'free area' where up to a certain amount of income is taken to be of no further account. Only the maintenance income above this figure is taken into consideration. Further, where there is any surplus maintenance income, this is joined with any surplus of 'non-maintenance or ordinary' income and then both are then tallied to determine the rate of pension payable. On determining the rate that is payable, any assets test calculation will then be made. The lower of these rates
becomes the rate payable.

### 7.6 Income in social security

Under the *Social Security Act 1991*, income is an aggregate concept, comprising the sum of various gross amounts yielded from all sources and does not allow for deductions nor permit losses from one activity to be offset by profits from other sources. Any income derived from business and investments is treated differently from all other sources, such as wage and salary income, in determining the amount of income.

But, this is the question that is posed - how is it that income, which is found in accounting and in economics, comes to be associated with the practices of the Department of Social Security? Why is it that it is income that is now regulated? How and when did income become the line that divides and separates, that distinguishes between wealth on the one hand and 'the poor' on the other? At what point does income discriminate? Why does and how did income come to be associated with this major experience of exclusion, of marginalisation and categorisation? Indeed as we have seen, there are no precise definitions of income both in accounting and in economics. All that we have are discourses about income.

The Department of Social Security defines income as:
(a) an income amount earned, derived or received by the person for the person's own use or benefit; or

(b) a periodical payment by way of a gift or allowance;

(c) a periodical benefit by way of gift or allowance; but does not include an amount that is excluded by specified provisions.

Carney and Hanks (1994) analyse the concept of income as used by the Department of Social Security and state that the concept of income is broadly inclusive, covers most monetary derivations, entitlements or receipts, including receipts from these sources which are of a capital nature, that money advanced on an orthodox loan is not income. The only significant restriction on the concept of income is derived from specific statutory exclusions, that income be 'earned, derived or received' by any means and from any source, that income is not income until it is 'realised', and that income is earned at the time when the work or service which gives rise to the right of payment has been completed in accordance with the contract of employment. Whether or not the money is then paid, that income is 'derived' once it accrues as a matter of legal right. Whether that right has been exercised or the funds can be speedily realised, that income is income when it is 'received' where funds come into a person's possession or moneys are credited to the person's local or overseas bank account. Neither the source of the amount nor practical and moral restrictions on access to it displaces its character as income, and that income from a business source is taken as the 'net' figure after deducting the costs of generating that income. The differences in book value of trading stock on hand at the end of the financial year constitute profits or losses which must be brought into account, that in measuring
income, deductions are strictly quarantined. Firstly, it is through deductions to certain classes accepted under the *Income Tax Assessment Act*, and secondly, that the treatment is applied to the acceptable losses and outgoings of the business as a business. Losses from one business source may not be set off against income from another source. There must be real income against which to offset the expenses. Maintenance income is to be taken into account under the income tests, and that capitalised maintenance is also brought into account (see Chapter 6, pp. 119-148 especially pp. 121-122 for an indepth discussion of income as determined by the Department of Social Security). Carney and Hanks (1994, p. 142) state, "'Income' under the *Social Security Act* is a poor approximation of the global picture of disposable income."

In this practice of income, a system regulates it where humans become the object of income, and at the same time, become the subject.

### 7.7 Discourse, rules and objects

For Foucault, archaeology among other things is "a task that consists of not - of no longer - treating discourses as groups of signs (signifying elements referring to contents or representations) but as *practices that systematically form the objects of which they speak,*" and captures the "*space on which various objects emerge and are continuously transformed*" (Foucault, 1972, p. 49 and 32). With this the
archaeologist, according to Dreyfus and Rabinow (1982, p. 73) "is interested in the way one discursive formation comes to be substituted for another," and further is "to make differences: to constitute them as objects, to analyse them, and to define their concept" (Foucault, 1972, p. 205). Archaeology is also about how discourse obeys certain rules and how there is a systematic description of discourse in the creation of an object.

Thus, applying Foucault's archaeology in accounting research we should come across, both in accounting and in economics, discourses that create the object of 'income'. Both disciplines discourse and at the same time construct the object in 'income'. But in the world of nature, as, there is no 'income' out there to be discovered, 'income' is an invention through discourse. In this analysis we find that income as an abstraction and a construction discoursed by accounting and economics, is used by the Department of Social Security. Thus we should find that income comes about through the systematic description of discourse in the creation of 'income'. Discourse however, also obeys certain rules. Foucault (1972, p. 115) states:

Groups of verbal performance are linked at the statement level...which implies that one can define the general set of rules that govern their objects, ... the system of their referentials; ... that one defines the general set of rules that govern the different modes of enunciation, the possible distribution of the subjective positions, and the systems that defines and prescribes them, ... that one defines the set of rules common to all their associated domains, the forms of succession, of simultaneity ... of which they are capable, and the system that links all these fields of coexistence together; lastly, ... that one can define the general set of rules that govern the status of these statements, the way...
in which they are institutionalised, received, used, reused, combined
together, the mode according to which they become objects of
appropriation, instruments for desire or interest, elements for a
strategy.

Here then are the elements of the rules that archaeology searches for. They are found
in four categories of discursive formations. Firstly, we are in search of a system of
referentials; secondly, we seek for systems that define and prescribe them; thirdly,
we are in search of the system that links all these fields of coexistence together; and
lastly, frame rules that govern the status of these statements, the way in which they
are institutionalised, received, used, reused, and combined together.

If, as outlined above, we are in search for a system, that determines income, what
better system than accounting? What better system is there that discourses and
prescribes the rules upon which income is measured? What other system stipulates,
in clear exactitude, and prescribes and discourses in minute detail the way to measure
and determine income? What other system discourses and measures, or attempts to
measure and report income? What other system keeps count of and discourses
wealth as well as accounting does? What other system prescribes and discourses the
elements of income as being revenues and expenses? What other system discourses
and defines their effect on the inflow and outflow of assets and liabilities, than
accounting? What other system discourses that income is the excess of the price
ultimately paid by individuals and other entities for the output of the firm over the
expenses incurred by the firm? What other system discourses and states that income
is the aggregate for the period, including unusual items, as reported in the income

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statement, before deducting related income tax expense or adding related income tax
saving? Which other system discourses income as the change in equity of an entity
during a period from transactions and other events and circumstances from non-
owner sources? Where else can we find income to be the change in capital between
two points in time?

Indeed if we look closely, we will find that income is what accounting is all about.
Income is the beginning and the end of accounting. Accounting constructs, through
discourse, through the prescription of rules, what income is. Here is the first step in
archaeology. The rules that accounting prescribes invents an object of income.

For a reverse and equally valid reason, it is income that enables accounting. It is
income that allows accounting to exist and create it. In this mutually beneficial
partnership between accounting and income, death of one would mean death of the
other. Absence of income would mean the absence of accounting, and the absence of
accounting would mean the absence of income.

### 7.8 Conclusions

Foucault's works were all work-in-progress. Foucault's work offers elements of a
powerful and critical way of understanding how we, collectively as a society, have
come to be the way we are. How is it that, we have come to be a divided,
marginalised, categorised and exclusive society. Foucault's archaeology and later his
genealogy, help us understand and provide us with methods that might be employed
for the study of human beings and to diagnose the current circumstances of society.
Beyond the usual history of how we have come to be what we are, archaeology and
genecalogy provide us with the means and methods that examine the more subtle,
unnoticed, and hidden forms of discourse and practices that have determined in no
uncertain terms, how we have come to be.

Applying archaeology, which is the scrutiny of how there is a systematic description
of discourse in the creation of an object and how discourse obeys certain rules, in
accounting, we find that income is the object that it discoursed. However, no definite
and precise definition of income exists. Accounting with its rules and prescriptions,
assumptions of understandability, relevance, materiality, reliability, faithful
representation, substance over form, of neutrality, completeness, comparability, and
of true and fair presentation, brings into existence the object of income, through
discourse about what assets, liabilities, revenues and expenses are.

Archaeology shows us that income is born in accounting and is to do with revenue
and gains. The Department of Social Security then uses its own definition of income,
as being an amount earned, derived or received. Neither of these are precise and
definitive. Both are the result of discourse that lay down rules that specify how
income is to be measured. The purposes of income may be different but the 'object'
of income remains the same. Income performs different functions but the tool and
The device is the same.

There seems to be a gulf that we need to cross. Income found in accounting and economics becomes the regulatory factor used by the Department of Social Security to divide a society - separating the wealthy and 'the poor'. Indeed in practice, accounting and economics will never determine income because it is the 'poor' that hold the key to both income and wealth.
CHAPTER 8

THE REGULATION OF *INCOME* IN AUSTRALIA

8.1 Introduction

This chapter builds on the previous two chapters. In Chapter 6, I drew a relationship between the experience of wealth and the experience of poverty with the discipline of accounting. Wealth and accounting are seen as partners and indispensable to one another, sustaining and confirming one another. In this relationship, accounting discourses and brings into reality an object known as income. Income is then used to marginalise and exclude the poor, in order to establish wealth. Hence the creation of the poor.

The so called ‘science’ of accounting from its earliest days, is a discourse about wealth and about income. Accounting, with its emphasis on the profit and loss statement now exists to determine what income is, while the balance sheet attempts to measure wealth. At the very core of accounting is income and wealth. In Chapter 6, I had argued that wealth and income are conceptual, meaning to say that they are not available in the world of nature, although both come from the world of nature. Wealth and income occur not as part of nature, but are human constructions and lie in the world of abstraction, and are therefore, intellectual realities. However, since
intellectual realities can only be expressed in material terms, accounting converts intangible, invisible, abstract, subjective reality into tangible, visible, concrete, objective reality. For a reverse reason, intangible, abstract, subjective realities such as income and wealth, are only understood through the tangible, visible, concrete ‘objective’ reality of accounting.

In Chapter 7, I used archaeology as the tool in accounting research to show that accounting brings into reality, by measuring and attempting to measure, wealth through the concept of income. The archaeology of income provides us with a discourse about income that constructs income. In both economics and accounting, we find discourses about income. Through discourse in accounting, we bring into reality the object of income. Accounting and economics, however, will never explain income, because it is income that holds the key to their existence.

Income is well known in accounting and economics. Income provides the reason for investors to invest, provides the primary incentive for people and firms to engage in economic activity, is actively sought after, allows additional spending power, increases the command over goods and services, provides information to guide prudent conduct in the use of resources, is used as a measure of performance of managers, and as a measure to make dividend payments. It is less well known that income is the result of a relationship between knowledge and power, that it is the means by which human beings become an object of knowledge, in the creation of
knowledge become a subject of income, and that income is also used as a measure of social control, along with the processes of exclusion, categorisation and of marginalisation.

In this chapter, I will provide evidence to my argument that since accounting attempts to measure wealth and brings into reality the very concept of, and the object known as income, accounting as a discipline is a source of knowledge. I shall also seek to argue that the concept of income is now regulated in Australia, through the Department of Social Security, which is a system of power regulating the practice of income. It is only through this scheme in the history of ideas, that we come to know where income comes from, and what income is. It is also through this scheme that we come to know a little bit of ourselves.

History will show that income is born from a certain practice in society. This practice categorises, excludes and marginalises. Wealth is only realised through the use and practice of income, and hence its ability to categorise, exclude and marginalise ‘the poor.’

This chapter provides a background to the history of welfare in Australia. It will also attempt to survey two events that have regulated the practice of income, and the circumstances leading to the subsequent incarnation into a system by which society in Australia is marginalised.
8.2 Background to welfare in Australia

Writing a history of welfare in Australia would lose perspective without reference to welfare in Great Britain. As Mendelsohn (1979) has argued, "Twentieth century poverty in Australia cannot be understood without awareness ... of British policy with respect to the poor" (p. 86).

Bagley and Bagley (1968) recount a history of the birth of the English Poor Laws by seeking out the middle of the fourteenth century when a vicious species of plague arrived on the Hampshire and Dorset coasts from Europe, which moved rapidly to London and soon invaded the rest of England, then Wales and later Scotland. It had claimed one million lives. Prior to 1348, serfs and villains lived poverty-stricken lives, compounded by bad harvests. Looking after the poor did not pose a problem before that time. But with the advent of the black death, there was an acute shortage of labour in England. Cattle plague and a general decline in the demand for wool further added to the situation converting the plague years to periods of chronic unrest. The government of Edward III passed acts in Parliament forbidding employers to pay higher wages. Despite this wages rose. Landless peasants set out to sell their labour in remote unknown areas. Harsh laws were passed in 1349, and again in 1361, against vagrants who moved to new areas seeking higher wages. These laws however did not stop men from moving. Then in 1381 the peasants revolted, expressing their anger and frustration against the lords of the manor, who
they believed were instrumental in stopping peasants from having a better standard of living. In 1383, more laws were passed. It was not until 1388 that the Poor Law Act was passed which restated the law of vagrancy and set two principles in motion. Firstly, no poor person was to move from the place where he/she lived without authority and secondly, those who were bodily or mentally not capable of earning a living were treated differently from those who, though fit, could not maintain themselves.

What is of interest about this is that for the first time in history, the Poor Laws restricted movement of labour by law, and meted out different treatment to different categories of people. The Poor Law Act of 1388 also tried to cap wage limits, with 10s a year to shepherds and carters, 7s to ploughmen and 6s for swineherds and dairymaids (Bagley & Bagley, 1968, p. 4). Regulating the income of workers and restricting movement of people was one way of control of the population.

English wool and cloth were in great demand on the continent and therefore landholders shifted to sheep instead of crops, employing spinners, weavers and fullers. This led to greater prosperity. A general air of well-being resulted with sheep farmers, merchants and textile workers finding the additional source of income welcoming. Despite this increase in prosperity, a minority of landworkers suffered severely. With them came the criminal and the ne'er-do-well who threatened the peace like never before. Vagrants increased, and in the midst of this prosperity and
wealth came destitution. In 1495 the first *Tudor Act* against vagabonds and beggars was passed. Sturdy beggars were set in stocks, and had to leave town once released. Infirm beggars had to remain where they were either best known or born, for fear of being clapped in stocks. By 1501 a second Act was passed making the police machinery more effective by a secret search for vagabonds. In 1531 another major Tudor statute was passed. With this new Act, the government of Henry VIII accepted greater responsibility for the destitute, compiled lists, whipped and put in stocks anyone who begged outside their district. The captive was “tied to the end of a cart naked and beaten with whips” and was escorted to "the place where he was born" (Bagley & Bagley, 1968, p. 6). The *Beggars Act* of 1536 laid down how each parish should find its own money, authorised charitable collections, instructed mayors of towns to ‘gather and procure’ voluntary alms, and provide, help and relieve the poor, the impotent, the lame, the feeble, the sick and the diseased. The Act was based on voluntary giving but by 1552, Parliament had suggested that collectors "gently to ask and demand of every man or woman what they of their charity will be contented to give weekly towards the relief of the poor" (Bagley & Bagley, 1968, p. 7). By 1563, voluntary contribution had shifted to compulsion.

Further, by 1576 the *Poor Relief Act* made efficient the administrative machinery by ordering justices to arrange for new officers, collect and govern, keep stocks of wool, hemp, flax, iron, or other stuff so that beggars could always find work, and eventually sell their goods in the local markets. Refusal to work, spoilage or theft meant incarceration at poor houses or houses of correction. The Palace of Bridewell
in Blackfriars, London was turned into poor houses. The Poor Relief Act of 1552 and the Poor Law Act of 1601 provided an efficient machinery for controlling the poor until 1929.

With the above historical background on welfare practice in Britain, there are a number of reasons to undertake a history of the development of welfare in Australia.

Significantly, there is much debate as to what constitutes welfare. Welfare is generally interpreted to mean charitable action, formed on the basis of emotion such as pity, sympathy or helping the poor. It is primarily a mechanism whereby the wealthy or rich aided the poor. This is a frequently used argument. I intend to illustrate that such a view is simplistic and an alternative perception of the existence of welfare, with its regulation of income, in Australia is a mechanism by which wealth marginalises, excludes, categorises and controls the poor, to know of their own existence. The history of welfare in Australia illustrates this.

A historical background of the demographic, economic and productive conditions in Australia, prior to the regulation of income, however brief, will not be inappropriate to trace the history of welfare services in Australia. I then provide evidence of how income, brought into existence through accounting, enters a phase of regulation in Australia. This coincides with the birth of Social Welfare which sets out guidelines for the measurement of income, and the use of income as a factor in the creation of
social security. In a space of less than a century, income and social welfare have created a divided, excluded, categorised and controlled Australian society.

8.3 Demographic changes

The population in Australia reached 18 million in 1995. In 1975 it was 13,500,000 and in 1901, the year of Federation, the population in Australia was 3,777,000.

The history of immigration to Australia can be easily divided into five phases using the dominant type of economic development since 1788 through to the period ending 1932. The internal economic development is characterised by subsistence agriculture and transportation during the period of 1788-1821; by pastoral development and the growth of voluntary migration during the period of 1821-1851; by the gold rush during the period of 1851-1861; and by the expansion of agriculture and growth of a diversifying economy during the period 1861-1900. The period after 1901 is characterised by stimulating development. Burton (1933) provides tables of population growth during this period (see Table 2).
Table 2. Australian Population Growth and Net Immigration, 1788-1931

(Source: Burton, 1933, pp. 39-40)

<table>
<thead>
<tr>
<th>Period</th>
<th>Population</th>
<th>Increase</th>
<th>Net Immigration</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1788-1811</td>
<td>11,875</td>
<td>11,875</td>
<td>10,000</td>
<td>84%</td>
</tr>
<tr>
<td>1812-1821</td>
<td>35,492</td>
<td>24,000</td>
<td>18,000</td>
<td>75%</td>
</tr>
<tr>
<td>1822-1831</td>
<td>75,981</td>
<td>40,000</td>
<td>30,000</td>
<td>75%</td>
</tr>
<tr>
<td>1832-1841</td>
<td>220,968</td>
<td>145,000</td>
<td>116,000</td>
<td>80%</td>
</tr>
<tr>
<td>1842-1851</td>
<td>437,665</td>
<td>217,000</td>
<td>143,000</td>
<td>66%</td>
</tr>
<tr>
<td>1852-1861</td>
<td>1,168,149</td>
<td>730,000</td>
<td>554,000</td>
<td>76%</td>
</tr>
<tr>
<td>1862-1871</td>
<td>1,700,888</td>
<td>533,000</td>
<td>185,000</td>
<td>35%</td>
</tr>
<tr>
<td>1872-1881</td>
<td>2,306,736</td>
<td>606,000</td>
<td>209,000</td>
<td>34%</td>
</tr>
<tr>
<td>1882-1891</td>
<td>3,240,985</td>
<td>934,000</td>
<td>361,000</td>
<td>41%</td>
</tr>
<tr>
<td>1892-1901</td>
<td>3,824,913</td>
<td>584,000</td>
<td>1,000</td>
<td>2%</td>
</tr>
<tr>
<td>1902-1911</td>
<td>4,573,786</td>
<td>749,000</td>
<td>112,000</td>
<td>15%</td>
</tr>
<tr>
<td>1912-1921</td>
<td>5,509,073</td>
<td>935,000</td>
<td>149,000</td>
<td>16%</td>
</tr>
<tr>
<td>1922-1931</td>
<td>6,525,920</td>
<td>1,017,000</td>
<td>261,000</td>
<td>26%</td>
</tr>
</tbody>
</table>

The motive behind settlement in Australia was in the first instance to decrease the crowded prisons in Britain and with self support, under the guidance of its gaolers, convict labour would grow its own food and release His Majesty’s Government of
the expense of upkeep. The settlement was mostly concerned with food supply, later
developing a wood industry, with a wool industry following. By 1821, of the total
white population of Australia, which numbered 35,500, 13% or 4,500 were free
settlers and their children. British Colonial Office policy was to limit voluntary
emigration to approved people with a certain amount of capital.

Beginning with the Pastoral Era in 1821, Australia entered a phase of growing fine
wool and the demand for labourers was so great that convict labour was readily
absorbed in pastoral employment. Free settlers flocked to Australia to grow wool.
During the period 1822-1831, about 10,000 voluntary settlers came to Australia. By
1842 the whole of the land revenue of New South Wales was used to provide free or
near free passages. By 1840, there was a flourishing pastoral industry in Australia.
However, the early forties also saw a sharp fall in British prices of wool and the wool
industry suffered badly.

By 1844, rich copper mines were discovered. Particularly in 1851, it accelerated the
flow of migrants, both from overseas and other states into the state of Victoria. The
flow of migrants reached its peak during the period 1853-1855. Till 1857, Australia
was eager for continued assisted immigration mostly due to difficulties in finding
workers and higher mineral prices brought prosperity to the whole of the Australian
economy. But by the end of the 1850s, as the yields from the mines ran out,
unemployment began to cause wage-earners to become increasingly hostile to
assisted immigration. One other feature remains stark testimony of the period: the number of assisted immigrants was dwarfed by migrants who paid their way. In Victoria, rich mines without labour provided workers from New South Wales, South Australia and Tasmania opportunity to work along with a better quality life. This further left a vacuum in those states that only migration could fill. Wheat growing expanded and the cattle industry flourished in New South Wales. By the end of the 1850s, the pastoral industry offered fewer and fewer avenues for work. The mines had run their course. Unemployment reared its ugly head, and those unemployed soon became increasingly hostile to new migration. With greater self-government, less than half of the revenue went to general revenue, which was previously used to assist migration.

1861 marks a new phase in Australia’s economic development with greater emphasis now being placed on agricultural development. The pastoral industry became more capital intensive which reduced the number of workers needed. Land under crop in Victoria expanded four-fold, with South Australia becoming a major wheat-grower, and from 1866 onwards, an active wheat trade developed in Australia. Secondary industries also began to spring up.

The 1860s showed great prosperity which increased during the seventies and reached boom conditions during the eighties. Good prices for exports along with a huge import of capital encouraged much of the development. This led to a period of
speculation.

A brief mention must also be made of the Aboriginal population of Australia. At the beginning of European colonisation and settlement in 1788, Radcliff-Brown, the noted anthropologist made a guess of some 300,000 Aboriginals, of which he estimated 35,000 were in the Northern Territory. Davidson (1938) agrees with this number although Elkin (1954) thinks it is too high. The 300,000 or so Aboriginals present were divided into some 500 tribes whose membership varied from 500 to 1,500 (Burnley, 1982, p. 23). Radcliffe-Brown (1930) estimated that there was 100,000 Aboriginals in Queensland, 40,000 in New South Wales and 35,000 in the Northern Territory in 1788. Burnley (1982, p. 24) describes the economic condition of Aboriginal people as members of small tribes of ten families living as single communities who moved about together over the tribal territory in search of food. The ‘communities’ commonly numbered about 100-400 people. All of the individual community group members normally belonged to particular clans with descent lines and inheritance through the fathers. Boundaries separated the territories of different communities and this territoriality helped maintain a wide, thin spread of Aboriginal population, even in the well-watered areas. However, friendly groups often visited each other, especially for the purpose of performing religious ceremonies and enjoying a surplus of fruit or game in season. Trade was not highly developed, although there was some trading with salt and seaboard goods with hunting and plant foods gathering and collecting.
But going back to the periods just before 1861, Australia expanded slowly until the gold rushes, added to by the wool industry, which later diversified to primary industries. The period 1860-1880 had seen the heyday of this growth. Standards of living were exceptionally high by the 1880s. This period of exceptional growth was followed by periods of “collapse” (Butlin, 1972).

During the period 1881-1885 there had been a natural increase of 92,862 in the population of New South Wales. In Victoria it was 73,447 for the same period and for the whole of the Commonwealth it was 238,947 (Commonwealth Year Book, 1901-1908, p. 168). Between 1880 and 1885 the gross domestic product had jumped by nearly £42 million (the largest increase since 1861), and overseas borrowing had increased by nearly £22 million (Butlin, 1964b, p. 28). British investment in Australia during the period of 1880 to 1885 had increased from £7.3 million to £20.4 million. Houses under construction in 1880 had been around 1600, and by 1885 had increased to 6254 (Butlin, 1964a). Building Society advances had jumped from a mere £764,000 to £2.3 million while new residential investment had increased from £1,034, 000 in 1880 to £3,273,000 by 1885. At the end of 1885 there was more than 5.3 million acres under wheat with nearly 67,491,976 sheep. By 1884, there were more than 91,000 persons employed in the manufacturing industry. (For a more detailed exposition of the boom years prior to 1885 see Carroll, 1977; Tate, 1971; Butlin, 1964a, 1972).
8.4 History of social welfare in Australia

History will tell us that in 1861 there were some 168,000 convicts or ex-convicts born in the United Kingdom out of Australia's total population of about 1,150,000. With a mobile and expanding economy along with the huge size of Australia, convicts and ex-convicts gained anonymity (Jones, 1983, p. 6). By the 1900s, there was great numbers of people in towns and cities. By 1901, more than 37% of the population were in the capitals. With this came overcrowding, and poor sewerage leading to typhoid becoming an important cause of death. The periods just before the 1890s also saw a dramatic fall from wealth, along with changes in birth, death, immigration and marriage patterns.

In 1856, William Stanley Jevons who later became a famous economist, compiled the Social Survey of Sydney where he compared the lower-class parts of Sydney's slums by night. In a later study, the New South Wales government established a Select Committee to report on the conditions of the working class in the cities (Parkes, 1859-60).

The general history of welfare in Australia (including Jones, 1983; Kewley, 1973, 1978; Mendelsohn, 1979; and Roe, 1976 with the exception of Dickey, 1979), argues that the main objective of social security is to provide alternate income to persons, whose normal incomes have disappeared or changed. Besides the Department of
Social Security argues that the main objective of social security is to develop a fairer, more prosperous and just society; so that they can participate fully as citizens in the economic, social and political life and are better able to determine the direction of their lives (Department of Social Security, 1990-1991).

An alternative to this interpretation of the birth and rise of Social Welfare is the one put forth here and by others (Kennedy, 1989) who demonstrate "that the network of surveillance cast over low-income welfare claimants, through information collection and by other means, has increased dramatically in Australia since the nineteenth century. The effect of surveillance means that the lives of today's poor are vastly more regulated and controlled" (p. 3).

With this intent, the latter part of the nineteenth century saw the provision of welfare in the hands of private bodies, mainly charitable societies. The first initiative by the government were the old age and invalid pensions, introduced in New South Wales and Victoria on a non-contributory basis.

As the norm of social security progresses during this period, two events occur that have considerable impact on the social welfare system. The first is the confinement of the poor in 'poor houses' through the use of income from the 1860s onwards, and the second was the use of income in social security, which drew out guidelines that regulated the measurement of income. Both of these events have a direct relationship
with the regulation of income in Australia.

8.5 The Evidence

8.5.1 Event 1: Confining the poor through the practice of income

From the start, Australian history shows that the colony of New South Wales was an open goal to relieve the British government of administrative problems. With more than 700 convicts landing in Port Jackson, the British government needed 400 administrators and guards to keep discipline within the convicts. Captain Arthur Phillip was totally responsible for the welfare of everyone under his command and was soon writing to London about inadequate resources with his instructions. As soon as the First Fleet landed in Sydney Cove, there was a need for care for people who could not care for themselves. As early as 29 January 1788, tents were erected on the west side of Sydney Cove, where the sick, both convicts and troops, were cared for. On 30 June 1788 there were 6 marines and 24 patients housed in these tents. Before the first five months had passed, 41 people had died and 52 convicts had been classified as unfit for work. By 1811, Governor Macquarie had dramatically extended the hospital facilities of the new general hospital to cope with additional numbers that required medical attention. Troops were given separate treatment. Assigned convicts and free settlers came to the hospitals and their
employers were expected to reimburse the government, and the colonial government had to find the charge for the poorer patients. The more well to do patients went to doctors’ homes for treatment. It became known that hospitals were for the ‘poor’. This perception was based on medical grounds, social distinction and more importantly on the amount of income they earned. By 1811, lunatics became a major problem and the community feared their existence. In Parramatta, lunatics were confined at Castle Hill and by 1838 an institution was opened at Tarban Creek on the Parramatta River. In the 1840s the British Government withdrew their support for the colonies, and the local administration had to choose either to empty the asylums onto a terrified community or maintain them. Lunatics were considered to be a threat to the community.

Before 1810, the necessities of life were so scarce that Governor Macquarie fed everyone from government rations. In September 1813, more than 3000 persons of the 12,000 people in New South Wales were on rations; 725 of these were free persons who were not part of the official establishment.

1813 also saw the formation of the ‘New South Wales Society for Promoting Christian Knowledge and Benevolence in these Territories and the Neighbouring Islands.’ Between 1820 and 1860, some 200 to 400 families were receiving assistance. The Society in 1821 had acquired an asylum, initially to house 50-60 people. At the end of 1849 there were nearly 500. Of these, 60 were chronically ill,
with a further 200 classified as too sick for work. The inmates received a weekly ration of meat, vegetables, bread, flour, tea and sugar.

In appearance, the Benevolent Society's services could be seen as expressions of charity, goodwill and voluntary labour. In practice, it became an agency for government action. It appears that Governor Macquarie realised that the task of caring for the poor could be best undertaken by voluntary organisations and assisted by government financial aid. It hid the motive of direct government control. Thus from 1828 onwards the government assisted with the running of these establishments until 1853 when Government funds were cut off. The English Poor Law Act of 1601 had taught the colonists how to achieve greater disciplinary control over 'the poor', and were kept in subjection and out of sight.

By 1833, the population of the colony grew to more than 60,000, with about 38% being convicts. By 1840, the British government had taken the decision to stop the transportation of convicts to New South Wales. One of the reasons for this was that New South Wales was no longer merely a goal, but was now showing signs that suggested that the state was capable of self-sustaining economic growth. Along with this came the establishment of Western Australia, Victoria and South Australia. The 1840s saw Australia developing a social order that in many ways was a replication of the control that colonial society exercised over the poor. The dominant ethos of this period was frugality, prudence and industry in the community, of self-respect and
independence of character, self-restraint, and industrious effort. The poor were then defined through the income that they did not have, and compared in relation to the dominant economic ethos of self-help, improvement, accumulated property and wealth.

Social welfare for the next few years can be seen by government involvement and responsibility. Evidence for this is seen in the way charity was conducted. Firstly, charity became a public issue with the public to conduct charity; secondly, assistance was granted by the government through incorporation and the channelling of petty fines back to the public; thirdly, the government subsidised the running costs pound for pound. The government also set an example for the local people which encouraged them to donate. Charity during this period was always conditioned by government support, participation and domination.

In 1851, the government granted to the Benevolent Society of New South Wales, use of the newly vacant hospital buildings at Liverpool. Male inmates from the Pitt Street asylum were transferred to the hospital. Between the periods 1850-1851 there was an average of 189 to 260 families or an estimated 1134 to 1560 individuals confined in these institutions. In 1855, the New South Wales government made an official inquiry into charitable institutions. The report found that some applicants were imposing on the agencies by making false declarations and misleading authorities about their needs, and claimed that charity would destroy individual self-
respect and people would become pauperised and that classification was an important aid for control. By a strange act of force, in 1862, these hospitals were converted to poor houses.

The Government imposed on the Benevolent Society a whole new arrangement of looking after the poor. Charles Cowper, the then Premier stated that the government itself would take over the looking after of indoor relief and the Benevolent Society were to look after outdoor relief. From the start of this new change, the Benevolent Society became a *de facto* government agency with the government showing direct responsibility for the care of the destitute.

On Friday, 27 September 1861, Mr Lucas in the Legislative Assembly moved that a Select Committee with power to send for persons and papers, be appointed to inquire into and report upon the adequacy of the provision made for the destitute through the instrumentality of the Sydney Benevolent Society.

The Committee put before the Legislative Assembly on 6 January 1862, a report which details the visits of the Committee. The Committee had reported that they had taken evidence of sixty-one persons, including the Honourable Secretary, the Treasurer, the Accountant, several of the Committee of the Institution, the Visiting Clergymen, the Medical Gentlemen who visited, as well as the Resident Surgeon; six Medical Gentlemen of large private practices in the city; along with most of the
Officers and Servants, as well as several Inmates of the Institution. The report of the Committee stated that the Sydney House was not at all suited for its present use, that the buildings were far too small and inconveniently laid out; that the ceilings were low; the wards badly ventilated; the drainage defective; that the land on which the Asylum stands is too limited to make any further improvements; and that on the high land at the back of the Institution were several burial-grounds, and that the drainage and exhalations were detrimental to the health of the inmates. It was further reported that the house was crowded, was injurious to the health of the inmates and dangerous to the citizens generally. Overcrowding was a major issue. In ward No. 1, in which there were 42 bedsteads, with sufficient room for 38, they found 63 women, including 9 blind, 2 lame, 20 between 65 and 95 years of age, 32 young mothers with 36 infants, 4 of whom were foundlings - huddled together in a room only capable to accommodate 38. In ward No. 2, the Infirm ward contained 24 bedsteads, but scarcely room for 20. In the Lying-in Ward that accommodated 8 beds, they found 12 or 13 patients. In the children’s Hale Ward, 63 children ate and slept. In the Male Hospital there were 17 patients; the Medical Officer had informed them that some 8 patients lay on the floor, with 9 to 10 boys, from 10 to 14 years of age who also slept on the floor. The Committee also reported that the house at Liverpool was very much overcrowded, with 352 patients when the accommodation could only cope with 190.

The Committee suggested that a new institution be constructed and that the inmates be classified. Classification was by way of marital status, of those who had come to
the asylum for the first time, and those who were known to have had a bad character.

Classification was also requested for the sick and the infirm; the aged, and on religious beliefs. The inquiry also found that the Society had £10, 594-6-6 as an Investment fund. The Committee also recommended that since the expenses of the Society were supplied from Public Revenue, the Government should have some official knowledge of the state of the Institution and recommended that an Inspector be appointed, who should audit the accounts and make periodical reports on its condition.

The report also shows that there were, in 1843, 225 persons receiving outdoor relief, whose numbers increased to 840 in 1858. By December 1860, there were 3,276 inmates. At 31 October there were 2,412 inmates. Indoor relief also increased. In 1843 there were 346 inmates, with this number increasing to 375 by 1851, and by 1861 there were 733 inmates with an expense of £14, 230.

The Committee also reported that there was a sense of forced idleness throughout the establishment and that measures be taken to correct this evil, by supplying such work as the inmates would be able to perform. In particular, the Committee recommended that the ground be cultivated.

The minutes of evidence taken before the Select Committee on the Benevolent Asylum in the Legislative Assembly of New South Wales, dated 17 October 1861,
provide further evidence as to the criteria used to allow inmates into these asylums.

From the start, the object of these institutions was to relieve the poor, the distressed, and the aged, and thereby to discount as much as possible, mendicity and vagrancy, and to encourage industrious habits among the indigent, as well as to afford them religious instruction and consolation in their distress, and that it be called, 'The Benevolent Society of New South Wales'. Thus this institution in the first instance, was an institution to remove the dispossessed, the distressed and aged, based on the fact that they did not have an income or could not sustain themselves because they had no income. The second reason was that these institutions were to remove mendicity and vagrancy from the streets. They were further to instil into the inmates industrious habits and provide moral and religious instruction. By this, these institutions acquired a moral stand, and were places where people without any income were sent.

The funding for these institutions came from donations from the Colonial Government, through fines from Benches of Magistrates, through unclaimed poundages, through money received from pauper labour and through voluntary contributions. Thus the source of the funding for these institutions came from the wealthy or from wealth.

At the time of this examination and report, there were on average 2,808 persons who
during the year who had received outdoor relief, as well as based on the lack of income, to whom 38,637 loaves of bread, 129,560 pounds of flour, 38,470 pounds of meat, 1,581 pounds of sugar, 13,714 pounds of rice, 604 pounds of arrowroot, 1,131 pounds of oatmeal, and £345-16-6 towards the payment of rent, were distributed. Thus during this time, relief took the form of indoor and outdoor relief based on income or the lack of income. As to how these inmates for indoor relief and those for outdoor relief were chosen, further sustains the view that it is based on the wealthy assigning income in the creation of the poor by excluding them.

Item No. 60 of the Report of the Select Committee on the Benevolent Asylum shows a question that provides evidence to this effect. This is reproduced in full as follows:

60.

(Question) By the chairman: What plan do you adopt with reference to granting this out-door relief?

(Answer) On every Tuesday of my life, replied The Hon. George Allen, Esq., M.L.C., unless I am called away by other business over which I have no control, such as my Parliamentary duties, or am prevented by my health, I go there and sit in committee (p. 4).

But what follows provides us with further proof that it was a lack of income, that made people eligible for relief.

The applicants are brought before us, and we judge of the cases from the recommendations brought by the applicants, or from their appearance.
This telling evidence imposed on the applicant to produce letters of recommendations from persons who subscribed to the asylums or donated to the asylums. This would suggest that wealth then assigned to outdoor relief those without any source of income. The second condition was based on the appearance. Appearance further suggests that it is a lack of income that allowed outdoor relief.

Further, on page 9 of the report, Item No. 176. states, "If the Government send a case to us, it is always with a request that we will admit it."

Thus, if one had no source of income, during these times one went to either a sponsor of the asylum or went to the government for help. The sponsor or the government would then make a request on your behalf for either outdoor relief or to be admitted into these asylums on an indoor basis.

Both of these situations are based on income or the lack of income.

O’Brien (1988) recounts how, beginning in 1881, persons with ‘no lawful visible means of subsistence and begging alms’ were charged and sentenced. Those who were immigrant, unmarried, without family, unskilled, ageing, rootless and semi-debilitated were all confined in asylums. Particular in this confinement were the ageing working class who suffered primary poverty. Between 1880 and 1896, 92% of the cases of a sample of 300, were immigrants, and 64% had no living relatives.
But more importantly, it is income that determines poverty. O’Brien (1988, p. 52) puts it this way:

This ageing working class suffered primary poverty. Reports of the Old Age Pension Board for 1901-2 reveal that 29 per cent of the whole population over sixty-five was without means, or with income under 10s per week (when unskilled labour could earn 7s per day) or had accumulated less than £50 worth of property.

Persons who were sent to the asylum hated it intensely. Some statements voiced were: “sooner than go to the Asylum, or hold out my hand in the street, I would take a long dose and go to sleep” and this, “I would not like to go into the poor-house.”

The asylums that had been built - one at Liverpool (1862), two at Parramatta (1862 and 1884), one at Rookwood (1894) and the one at Hyde Park Barracks especially for women which was later transferred to Newington in 1884 - far from being institutions for removing poverty, were institutions of confinement. They confined the poor. They were at the same time institutions where the fit were put to work. Dairy farms were started in the surrounding land which included poultry-raising, fruit and vegetable growing. Two of these asylums contained bakeries which supplied the bread to the other institutions. The Rookwood Asylum, for example, consisted of 780 acres of land with 24.75 acres under buildings and another 755.25 acres under either dairy or piggery, or was used for grazing. There was a further 396 acres under
lease at Mulgoa.

Another interesting aspect of this confinement is that there was no trained nursing staff employed at these asylums and the less sick cared for the more sick, which seems to suggest that these institutions were not about caring for the ill at all, but was an instance of confinement. They were all overcrowded and all inmates except the bedridden worked around these institutions. These practices continued up till 1904.

8.5.2 Event 2: The regulation of income in Australia

The first state of the Commonwealth to make provision for the payment of old-age pension was Victoria. Legislation relating to old-age pensions came into effect on the 18 January 1901. On 1 August 1901, the pension system of New South Wales came into force and in Queensland on 1 July 1908. The Commonwealth Invalid and Old-Age Pensions Act was assented to on 10 June 1908 which provided for old-age pension payments. With this Act, pensions were paid commencing on 1 July 1909. This Act superseded all other State Acts. Administration of the Act was generally subject to the control of the Minister, placed in the hands of the Commissioner of Pensions. The Commissioner was assisted by a Deputy Commissioner appointed in each state. Both the Commissioner and the Deputy Commissioner had powers to summon witnesses, receive evidence on oath and required documents to be produced for the purposes of the Act. Each state was further divided into districts and each
district placed in charge of a Registrar. The duties consisted of receiving and investigating pension claims and in keeping such books and registers as were required for carrying out the provisions of the Act.

In order to qualify for an old-age pension at the Commonwealth level, the age for qualification remained the same as was previously in force in New South Wales under the state Act. Another condition of the State Act of New South Wales was put forward; that of continuous residence for twenty five years. This was later changed to twenty years. The rate of pension payable was fixed at such amounts as deemed reasonable and sufficient, having regard to all the circumstances of the case, but could not exceed £26 per annum in any event nor be at such a rate as will make the pensioner’s income together with the pension, exceed £52 per annum.

From the start, the payment of old-age pensions was based on three conditions. The first was that the person was above the age of sixty five for men and sixty for women. Secondly, the recipients of old-age pensions should be persons of good moral character. Imprisonment records for extended periods would act as disqualifications. The Commonwealth Act itself provided that ‘no person shall receive an old-age pension unless he is of good character’. Thus from the start the old age pension scheme was an instance of moral regulation. It had used income as a means of regulating and controlling the population. But more to the point at hand, the scheme had certain limitations imposed based on income. The old-age pension

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scheme restricted the pensions to persons actually needing assistance by a provision which reduced the payment when applicants already possessed income or property above a certain amount. The Commonwealth Act embodied such a principle.

In the case of persons with independent income, the pension payment must be so modified that the aggregate income, inclusive of pension, did not exceed £52 per annum. Payments received by way of benefit from a registered friendly society, or during illness, infirmity, or old age, from any trade union, provident society, or other society or association, are not, for the purposes of the Commonwealth Act, treated as income.

While the main objective of the existence of social security is to develop a fairer, more prosperous and just society for all Australians (Department of Social Security, 1992-93, p. 41), expand choices and opportunities so that people are able to participate in economic, social and political life, and determine the direction of their lives, social security programs provide the classic Foucauldian mechanisms of social control. Accounting and economics, as sources of knowledge bring into existence the concept of income; social security as a power mechanism incorporating it within the body of its existence, now regulates the practice of income through its programs. Thus we now have the 'poor' in our midst, suitably categorised, marginalised and excluded.
As for the programs, security for the retired was provided through the Age Pension as well as Wife Pension; security for people with disabilities and the sick through the Disability Support Pension, Wife Pension, Carer Pension, through sickness Allowance, Mobility Allowance, Child Disability Allowance and through Postal Concessions for the Blind. Security for the unemployed is regulated through Job Search Allowance and Newstart Allowance. Security for families with children are now provided through the Assistance for Children Program, which are further divided into Family Payment and Double Orphan Pension. The assistance to sole parents and their dependant children is provided by the Sole Parent Pension, through the Jobs, Education and Training Program and through the Child Support Scheme. Provisions for special circumstances is provided for by two schemes, the Special Benefit scheme and Assistance to Widowed Persons scheme. The Assistance to Widowed Persons scheme is further classified to Widow B Pension and the Widowed Person Allowance. All of these schemes are based on income.

As at 30 June 1993 the Social Security Portfolio comprised the Department of Social Security (DSS) the Social Security Appeals Tribunal (SSAT) and the Australian Institute of Family Studies (AIFS). The Department of Social Security for the period ending 30 June 1993, had serviced around five million people with outlays of payments to ‘clients’ and operating costs amounting to $31.4 billion.

For the Age Pension, Disability Support Pension, the Carer Pension and the Sole
Parent Pension, income tests were applied except to the permanently blind who were exempt. As of 1992-93, the Department's income security programs are administered under the provisions of the following Acts and parts of Acts for which the Minister for Social Security is responsible under the Administrative Arrangements Order:

- **Social Security Act 1991**;
- **Family Law Act 1975, Part XIVA**;
- **Defence (Traditional Provisions) Act 1946, Section 13**;
- **Defence (Re-establishment) Act 1965, Parts V and VA, and Section 59 in respect of powers and functions under Parts V and VA in relation to payments to individuals**;
- **Re-establishment and Employment Act 1945, Division 3 of Part XI (and Part XII insofar as it applies in relation to that Division), in relation to payments to individuals**; and
- **Data-matching Program (Assistance and Tax) Act 1990**.


Of the six programs that the Department of Social Security had in the period 1992-93, five of them were all based on income.

Thus a general picture emerges. Income which accounting and economics discourse, is now assigned to separate wealth from poverty. The wealthy assign and categorise the poor, through the use of income, or the lack of income, either for outdoor or indoor relief. The poor then make the existence of wealth and the wealthy a reality, for without the poor, wealth could not be imagined.
Wealth, discoursed by accounting and economics, assigns income to the creation of the 'poor'. Accounting and economics will never exhaust an explanation of income, because it is income that holds an explanation to the existence of accounting and economics. Similarly, income will never get explained in accounting and economics, because it is the 'poor' who through their confinement and the practice of income hold the key to income.

8.6 Conclusions

Foucault maintains and claims that knowledge is intimately associated with power. Knowledge sustains power and both are two sides to the same coin: death of one would mean death of the other. In this delicate relationship, accounting knowledge constructs from sets of practices, and a desire to measure income, an 'object' known as income. But there are no precise definitions of income, both in accounting or in economics. All we have are discourses about what income is. Income then enters a phase of regulation. This regulation captures and confines humans, resulting in humans becoming the subject of knowledge - a subject of income. With this, Foucault's thesis of human beings being the object and the subject of knowledge, is validated. Indeed, the history of social welfare shows that humans were first objects of income and later become subjects of income.
Foucault also stated and maintained that the human sciences were agencies of social control and were instrumental for a marginalised, categorised and excluded society. This is further validated with the above analysis where accounting and to a great extent economics, have been disciplines that construct a discourse about the object of income which is then used to subject human beings. The Department of Social Security regulates the practice of income through marginalisation, categorisation and through exclusion.

History, according to Collingwood (1946, p. 9), is a kind of research or inquiry which explains what we do not know. History differs from all other means of inquiry when it takes time and space into consideration in its inquiry. History interprets the actions of human beings in the past and uses evidence found in single documents that answers questions about the past. History is for human self-knowledge, through which we come to understand a little about ourselves. Knowing about oneself includes personal peculiarities which distinguishes oneself from all others. The value of history is that it teaches us what we have done and thus what we are. History will also show us why we are the way we are, and how is it that we have come to be this way. This applies to both individuals and to the society. Collectively, history will show that how we have come to be what we are now, has not always been. It informs us that we have come to be who and what we are through some form of human practice. It also allows us to trace our own history, to educate us of how we have come to be what we are. How is it that we have come to be able to distinguish
between rich and poor, between wealth and poverty? The merit of this is that we can unmake what has been done, as long as we know how it was that we came to be this way.

While there is sympathy for Pivan and Cloward's *Regulating the Poor: The Functions of Public Welfare* (1972) and Feagin's *Subordinating the Poor* (1975), along with Edwards' *The Social Welfare System in Regulation and Repression* (1988) and more importantly, O'Brien's *Poverty's Prison: The Poor in N.S.W. 1880-1918* (1988), this analysis explains that it is income, born in accounting and economics, that has now created a yawning gulf between the have and have-nots. The existence of the poor or poverty cannot be explained except through the existence of wealth, accounting, economics and income. Social security and economics will not be able to explain poverty, because it is wealth, economics, accounting and income, that hold the key to the poor. For a reverse reason, wealth, economics, accounting and income must and can only be explained through the poor.

There are no new archaeological finds or evidences that is yet to come to light that will change our collective future into an inclusive society. All that is left is to interpret, and this is one interpretation.
9.1 Introduction

1996, designated as the "Year for the Eradication of Poverty" will chronicle 134 years since the official awareness of the existence of poverty in Australia. Although 'the poor' have always been with us, in the space of a little more than a century, they have been systematically invented, categorised, marginalised and excluded. This process has left Australia a divided society.

To what else, to the observant eye or the unprejudiced mind, can the origins of this condition, incomprehensible and unprecedented, be attributed other than to income, discoursed and found in accounting and economics; and the subsequent regulation of income by Social Security and the consequent incarceration of the 'poor' in poorhouses, be attributed? In this interpretation of history, we can readily recognise evidences of a curious relationship between wealth with accounting and economics; a further delicate relationship between economics and accounting with income, and finally between income and the Department of Social Security. A more telling and fearful phase of Australian history was the confinement of the 'poor' in workhouses and poorhouses, based on income.
Such a history sits well with Foucauldian genealogy. Genealogy, for Foucault, throws light on strategic connections that have become visible through the passing of time. It is a tactic to render relationships with disparate concepts and events that lie embedded in history. It draws a link with the process of inducing visibility where new connections are made, new tactics revealed, and new objects put in place, to reveal the past. Genealogy, is a method in history, for the purpose of analysing history without historical continuity or unity. It looks at events, accidents, coincidences and actions that occurred in relation to one another. Genealogy provides a particular method in the power/knowledge relationship found within these events, that does not proclaim a single truth or absolutes. It seeks to show that history can bring to the open that knowledge, and indeed that all knowledge results from a power struggle. With genealogy it is accepted that what may result is not uniform, but are fragments of a fragile history. With this fragility comes the notion that the quest for knowledge is not a struggle for ‘Truth’, but for power.

9.2 Control and exclusion through income

Previously, in Chapter 6, a delicate relationship between wealth, accounting and income became discernible. In Chapter 7, using archaeology, income was discoursed in its creation as an object. While, no precise definitions of income exist both in economics and in accounting (see also Gaffikin, 1996), previous studies relating to income (including Sterling, 1971; Study Group on Business Income, 1975; Hill and
Others, 1978; Lee, 1980, 1985; Bedford, 1965; Pigou, 1946; O'Doherty, 1981; Kosiol, 1978; Parker *et al.*, 1969; Anders and Johan, 1980; Edwards and Bell, 1961; Anderson, 1976; and Vann, 1990), at best treat income as static, measurable, objective, tangible and visible. This chapter argues the opposite. I seek to show that income is dynamic, non-measurable, subjective, intangible and lies in the realm of the abstract, and that there are *no* acceptable definitions of income. Instead definitions vary according to needs. I seek to further show that income is brought into existence through discourse and is therefore a construction through discourse. Such a discourse is both historical and social, and relative to time and space.

There are numerous definitions of income in the literature, both in accounting and in economics. Hicks (1946), Lindahl (1933), Fisher (1930), Simon (1938), Frankel (1953), and Solomons (1961) in economics; and Baxter and Davidson (1962), Davidson, Green, Horngren and Sorter (1964), Zeff and Keller (1964), Edwards and Bell (1961), Chambers (1966), Ijiri (1971), Kohler (1963), Littleton (1952) and Mautz (1973) in accounting, make mention and discourse about income. More recently, Barton (1984) has stated that income is "... the increase in net wealth ..." (p. 89-90).

It was also found that income is a concept that the Department of Social Security uses, brought about by a series of discourses, similar to the ones found in accounting and economics. Indeed, the Department of Social Security regulates through a series of enactments, the concept of income. In Chapter 7, Australian history shows that
income entered a phase of regulation and was used in confining the ‘poor’ in poorhouses and workhouses.

In this chapter, I examine how income became involved in this major experience of poverty. We look at the historical rise of the Department of Social Security from its earliest days and find that it is in the process of confining the poor through the use of income, that the ‘poor’ in Australia were reinvented, marginalised, categorised and hence excluded. I also use Foucauldian genealogy to seek and establish that there is a relationship between knowledge and power, a relationship of how the human is the object of knowledge and later becomes the subject of knowledge, and finally how the human sciences are instrumental in social control. Knowledge here is accounting and economic knowledge, and the source of power is the Department of Social Security. The object is income and the subject or subjects are ‘the poor’. In this chapter, I show how income originated in accounting and economics, is regulated by the Department of Social Security through the practice of income, and how the ‘poor’ in Australia result. It brings to light how income becomes a means for social control and creates a marginalised, categorised and excluded society.

This chapter examines two particular aspects of poverty in Australia. These are dimensions of poverty found in the indigenous people of Australia, the Aborigines, and in the immigrant population.
9.3 Aboriginal income policy and poverty

While I sympathise with Gale and Binnion's *Poverty among Aboriginal Families in Adelaide* (1975), and Hill's *A Study of Aboriginal Poverty in Two Country Towns* (1975), and works by Daly and Hawke (1994) with Johnson (1989a, 1989b), Johnson (1994) and Boehm (1994), there still remains the question of where does poverty come from and why? How is it that we designate and classify persons as being in poverty based on income and yet fail to recognise that income, which is the real issue, is itself an accounting and economic concept? Thus, my earlier observations that accounting and economics will never explain income, as to what it means, and how we attempt to measure it. This is so because it not accounting and economics that hold the key to income but rather it is income that hold the key to economics and accounting. As to income itself, economics and accounting cannot and will never explain income, but rather 'the poor' who through confinement and abuse, through categorisation, marginalisation and exclusion, hold the key to an understanding of income. Small wonder then that income, which accounting discourses, and regulated by the Department of Social Security, creates 'the poor'. But if income is so difficult to define in accounting, perhaps it is in the confining and the exclusion of the Aborigine and the immigrant in Australia, that we may find an answer to how income become involved in this major experience of poverty.

This chapter shows how income, when regulated is instrumental in the social regulation of the Aborigine and the migrant in Australia.
Indigenous Australians or the Aborigines, have been hunters and gatherers in the continent of Australia for at least 50,000 years. Before European settlement in Australia, Aboriginal prehistory informs us that they came from South East Asia, by design rather than by chance. Recent radio-carbon dating has revealed human remains dating to some 30,000 years at Lake Mungo in southern New South Wales and up to 45,000 years old at Keilor near Melbourne. There is no doubt that the Aboriginal people of Australia were the original inhabitants of this continent. For 50,000 years, Aborigines for 2000 generations changed and perfected their hunter-gatherer lifestyle. Before the Europeans arrived, Aborigines were divided into over 500 tribes, each with their own distinct territory, history, dialect and culture. There were some 500 tribal variations on any single theme. For most of the year Aborigines would live and move in small groups of several families within their own part of the tribal territory. At intervals, perhaps once a year, all the people of a group, would collect together for social, ceremonial or trade purposes. Tribal membership was based on birth in the tribal territory, speaking the same dialect and holding the same religious ideas. The Aboriginal kinship system regarded their whole group as a family, and enabled them to work out exactly where they stood in relation to any other member of the tribe, or even outsiders, and provided a map of social relationships and behaviours, and Aboriginal life revolved with relative, if not considerable, certainty. Tradition and kinship rules supported the authority of elders and a legal system also existed to maintain order. In 1770, Captain James Cook,
described Aborigines as being noble, as living in tranquillity, as satisfied materially, and as being courageous. But all this was about to change. Wealth, with the use of and under the guise of income silenced and excluded them.

On 26 January 1788, British ships containing 290 seamen, soldiers and officials along with 717 convicts sailed into Port Jackson. When the first European settlement took place there must have been some 250,000 to 800,000 indigenous Australians living on the continent of Australia (Smith, 1980; Mulvaney and White, 1987). British attitude towards the Aborigines was one of contradiction: of humanitarianism and of wanting to possess, dominate and colonise. In 1814, Governor Macquarie launched a two-pronged system for the civilisation of Aborigines. Firstly, a ‘Native Institution’ was established at Parramatta. Commissioner Bigge, Governor Macquarie’s superior, however became concerned and cautious as to the cost of maintaining an annual expense of £15-1-3 per child at the ‘Native Institution’, and the institution closed. The second initiative, involved the granting of land to Aborigines. In 1815, 16 families were settled at George’s Head, Port Jackson, in ready made huts with all the provisions required. This scheme was also doomed to fail. It was also during this time that a series of missions were started. There was one at Lake Macquarie, and one at Wellington, with four or five in Port Phillip and Moreton Bay. The Wellington mission attempted, during the 1830s to teach habits of industry, order and subordination through the appointment of a superintendent of agriculture. Two reasons are generally attributed to the failure of these missions: that of financial difficulties and the objectionable methods of kidnapping children to the
missions. In 1817, Governor Macquarie instituted an annual feast and blanket
distribution, which taught Aborigines dependence.

In 1822, the British government decided to drop the duty on Australian wool to one-
sixth the rate of German wool. With this, some 200,000 British immigrants flocked
to Australia, between 1832 and 1850. In 1835, Governor Gawler addressed the
Aborigines of Adelaide and asked black men to be happy and suggested that
happiness was attainable through imitating white men, to build huts, to wear clothes,
to learn to speak English, and to report any injury caused by white men to the
Protector. But Aborigines were slow at accepting the white man's ways. Violence to
Aborigines began to spread.

The Aborigines were outnumbered in their own land. Between 1842 and 1859 the
'Native Police Force' was initiated to be used against Aboriginal resistance. With
confused Aboriginal trooper loyalties and mixed colonial government policy, these
protective policies were really methods of control and protecting the lives and
interests of Europeans from Aboriginal resistance. In 1838, the British government
established an Aboriginal Protectorate in the Port Phillip District. George Robinson
and four others were appointed as Protectors with an initial outlay of £20,000 for the
first four years. This direction was soon doomed to fail, mostly because the policies
were designed to control more than protect. For example, Protector Symmons in
1855 reported of a general abstinence from aggression, friendly subservience and
submission (Hasluck, 1970). Other policies that were adopted were the Victorian
government’s granting of 1820 hectares of land for farming which was later forcibly taken back; and the establishment of a Central Board for Aborigines, to control government expenses on Aborigines, establish reserves, and appoint managers to control and administer the affairs of Aboriginal reserves. In 1869, the Central Board acquired the power to force Aborigines to move to reserves, and till 1877 half the Aboriginal population lived in reserves. Further, Aboriginal initiatives were undermined. With death through disease and direct contact, the indigenous population of Australia was reduced to perhaps a quarter of the original number. By the close of the nineteenth century, the indigenous population constituted less than 5% of the entire population of Australia.

With the beginning of the nineteenth century, Australia comprised of six colonies each with a port which eventually expanded into the country from the coast. During the course of the century, Britain granted self-government to each of these colonies. Australian history shows that each one of these colonies developed their own policies when it came to dealing with the indigenous population.

From the start of this machination, indigenous Australians were set apart by special bodies of laws that made them different from the rest of the inhabitants of Australia during this time. Indigenous Australians became a separate legal category under the guise of ‘protection’. Protection is understood to be a process whereby indigenous Australians was trained to acquire, what is now called, Australian citizenship. This process was carried out through assigning pieces of land called ‘reserves’ which were
allocated to indigenous Australians for the purpose of collecting and supervising them. To these 'reserves' public officials were appointed who assumed the title 'Protector of Aborigines'. It is through these processes and mechanisms, through legal and administrative tools, that control was exercised. Instruments in this exercise of social control were two other entities: the missionaries and other indigenous labour.

With the turn of the century, the six colonial states were amalgamated and in 1901 the Commonwealth of Australia was formed. The Commonwealth did not alter the perception of indigenous Australians, and created through separate legal and administrative status, a separate state, where indigenous Australians were supervised and managed. The state of Northern Territory was developed since indigenous Australians outnumbered European settlers here, and reserves were set aside for this purpose. In the early 1900s the Commonwealth of Australia's reasoning was that of 'protectionism'. However, with the 1930s, 'protectionism' progressed to 'assimilation'. Assimilation as is interpreted, is an attempt to train indigenous Australians to assimilate and acquire citizenship. There were two modes of achieving assimilation. The first was the granting of exemptions to individuals from the special bodies of State and Territory law and secondly, through assuming citizenry and were therefore not categorised as a separate legal status.

With nearly 80,000 indigenous Australians in the 1950s or about 1% of the population of Australia, assimilation became intimately involved with welfare.
Protectors of indigenous Australians became welfare officers and protection became welfare. Welfare, however, excluded the indigenous Australian from receiving any form of assistance from the modern welfare state. The indigenous Australian was excluded from the provisions of welfare through their legal status which identified them as Aboriginal. It was during this time that the Australian social security legislation explicitly disqualified the Aboriginals from any form of provision or income support payments. The Australian Constitution specifically excluded them from being counted for the peoples of the Commonwealth, and further excluded from the Commonwealth power to enact laws relating to a particular race. By the 1940s, a process of inclusion into the welfare state and into the system of social security began to take place. Of these the child endowment (family allowance) payment made for the care of dependent children became payable to all indigenous children except the nomadic (Commonwealth Acts No. 8 of 1941 and No. 5 of 1942). The period also saw the progression from wholesale exclusion from payments and provisions from the welfare system to a system which allowed certain eligibility to certain individuals who were either exempt from State or Territory laws regarding 'the control of Aboriginal natives' or whose 'character, standard of intelligence and social development' allowed them eligibility (Act Nos 3 and 19 of 1942 and No. 10 of 1944). The interpretation during this time was that pension and other benefits were allowed to those who lived away from reserves and who were looked after by the State and Territory Aboriginal welfare authorities. With this, indigenous Australians were now encouraged to move out of reserves administered by the State as a means of becoming eligible for pensions and provisions. By the late 1940s,
welfare authorities sought to have provisions and benefits extended to all Aborigines (Neville, 1947; Rowley, 1971). In 1959, provisions within the social security legislation had changed to include all Aborigines excepting the 'nomadic and primitive' (Act No. 57 of 1959). With the passing of Act 41 of 1966, even this last category was removed and all indigenous Australians were now included within the social security system.

During the 1950s however, the role that Aboriginal welfare authorities played in providing support for the inclusion of Aborigines into the Australian social security system is confusing. This confusion came from determining the reasons why Aboriginal welfare authorities pushed for Aboriginal eligibility for payment of provisions and pensions, despite the fact that the authorities for Aboriginal affairs seldom gave any form of provisions or pensions.

The solution to this puzzle may be found in legislation. The provisions of the social security legislation allows payments to be made to third parties on behalf of eligible applicants. Thus endowment payments for children were not paid directly to Aboriginal parents but instead to State and Territory Aboriginal welfare authorities. These welfare authorities would then receive payments on behalf of many Aborigines and were allowed to retain a larger portion of the entitlements and only passed on 'pocket money' to recipients. Aborigines with 'ability to handle money wisely' and 'manage' their affairs were then given direct payment. Aboriginal welfare authorities gained and stood to gain from Commonwealth contributions (Commonwealth
During the 1960s other aspects of the exclusion of Aborigines were dismantled. For example, in 1965, the Commonwealth government extended to Aborigines of voting age the right to vote on a voluntary basis. A number of industrial awards regulating conditions of employment were extended to cover Aborigines. In 1967, there was a further constitutional amendment referendum which deleted two exclusionary references to Aborigines from the Australian Constitution. This referendum allowed the possibility of greater involvement by the Federal Government in Aboriginal affairs at the national level. 'Assimilation' was discarded and 'integration' became the operating word. The 1960s also saw greater pressure being put to pay pensions, benefits and family allowances directly to Aborigines (Andrews, 1964). In 1968, the Federal Minister for Social Security proposed that there should be direct payments to Aborigines but this did not lead to such legislation. What resulted was that most Aborigines became more and more dependent on State and Territory Aboriginal welfare authorities for their day-to-day needs.

In all this we can determine the rise of legislation that excludes a section of society in Australia as being, first, socially, culturally and economically different from the mainstream of Australia. As the processes of 'assimilation' and then 'integration' took place, as Aborigines were becoming accepted socially and culturally, the only remaining factor was the economic. The whole series of economic experience
however, is dependent on the level of income. Regulate the income of the Aborigine and we have a the classic mechanism to regulate, manage, control and categorise a section of society. By the late 1960s, pensions and family allowances were being paid directly to Aborigines themselves, although unemployment benefits were considered inapplicable to Aborigines (Sanders, 1985).

The 1970s was a decade in which Federal involvement into Aboriginal affairs underwent radical change. The 1971 census regarded for the first time Aborigines as Australians, and also adopted for the first time a self-identification test of Aboriginality. The 1971 census showed approximately 116,000 as Aborigine or Torres Strait Islander which constituted about 1% of the then population of Australia. With the election of the Whitlam government into power in late 1972, the key ethos towards Aborigines of the period was one of ‘self-determination’ to restore to Aborigines their lost power and enable them to determine their own futures and ways of life (Whitlam, 1973). With this change in philosophy, a fully fledged Federal Department of Aboriginal Affairs (DAA) was established along with a National Aboriginal Consultative Council to advise the Commonwealth government on issues of concern to Aboriginal people. The Whitlam government also declared its intentions to take over the policy responsibilities and personnel of State Aboriginal welfare authorities and incorporate them into the new DAA. Whitlam (1973, p. 697) had said, “These authorities would be responsible for Aboriginals in the same matters and in the same way as they now are functionally responsible for the community generally.”
Such an approach would reverse the previous pattern of Aboriginal exclusion from the mainstream institutions of the Australian welfare state. Aboriginal community organisations were encouraged to incorporate, thereby providing services and conduct of Aboriginal affairs. The Department of Aboriginal Affairs did succeed in taking over the State welfare authorities in all states except Queensland. A DAA branch was established in 1975.

The DAA realised that one way to meet their ends was to persuade the Department of Social Security and the Commonwealth Employment Service (CES) to take a more active service delivery role. This pressure led to a great many disagreements and the DAA always felt that other agencies were not doing enough. By 1977, the Department of Social Security initiated a process of appointing special-purpose Aboriginal liaison officers, and the CES had begun to appoint Aboriginal vocational/employment officers. The 1970s also saw Aboriginal housing, health, employment and education for Aborigines receive some attention.

The early 1980s saw progress leading to incorporate Aborigines into Australian welfare. The Fraser coalition government changed the ethos towards Aborigines from 'self-determination' to 'self-management'. The national Aboriginal Consultative Council was abolished and restructured as the National Aboriginal Conference in 1977. The Department of Aboriginal Affairs was broken down to two by the creation of the Aboriginal Development Commission in 1980. By the end of the decade Aborigines were treated as eligible for all social security payments,
including unemployment benefits. A whole series of special Aboriginal assistance programs came to be implemented to provide services directly to Aborigines. In 1989/90 $1.8 million was spent by the Australian government on Aboriginal people amounting to an approximate A$7,200 per Aborigine. Much of this expenditure was not received by Aborigines directly but paid to organisations that provided goods and services. However, Altman (1988) suggests that Aboriginal persons are over-represented in negative funding and under-represented in positive funding.

For a range of historical and cultural reasons, the Aboriginal community have remained outside the mainstream Australian economy. This is mostly seen in regions that are remote from labour markets. But here is the great paradox of our times. Income, debated and discoursed in accounting and in economics, is regulated through the Department of Social Security and have thus excluded the Aborigine from mainstream Australia. The fact remains that many Aborigines have now become long-term dependents on social security and other social programs when these programs of support were intended for the short term. The concern here is that assistance based on income or the lack of income, makes most Aborigines long-term dependents on social security. Despite the fact that access to social security income has increased Aboriginal manoeuvrability and allows them to fall back on a basic income entitlement, income is the factor that ultimately decides the receipt of benefits. Thus income is now used as a substitute for what were and are considered harsh exclusory laws. Income is the determining factor that acts as the balance that decides between firstly, exclusion, and later inclusion, which has now turned to
dependence.

Fisk (1985) estimates that in 1976, 46% of the total Aboriginal personal income came from social security payments and that this share rose to 53% in 1981. Fisk further reports that in 1981, around 65% of the total income of urban Aborigines was from social security payments. This would suggest that the importance of government money is not a transitory phenomenon, but a long term feature of life in Australia. Daly and Hawke (1994) provide some valuable statistics (see Table 3) regarding Aboriginal dependence on social welfare payments, and conclude that Aboriginal people have a higher level of dependence on welfare transfers from the government than other Australians.

Table 3

Numbers of Pensioners and Beneficiaries per 100 people for Aboriginal and Other Australians, By Age, 1991.
(Source: Daly and Hawke, 1994)

<table>
<thead>
<tr>
<th>Age</th>
<th>Aboriginals</th>
<th>Percent of recipients per 100</th>
<th>Total population</th>
<th>Per ent of recipients per 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-19</td>
<td>10.0</td>
<td>13.8</td>
<td>5.5</td>
<td>16.3</td>
</tr>
<tr>
<td>20-29</td>
<td>30.4</td>
<td>20.0</td>
<td>12.6</td>
<td>14.9</td>
</tr>
<tr>
<td>30-39</td>
<td>24.3</td>
<td>22.3</td>
<td>11.2</td>
<td>13.3</td>
</tr>
<tr>
<td>40-49</td>
<td>12.6</td>
<td>18.7</td>
<td>8.7</td>
<td>23.8</td>
</tr>
<tr>
<td>50-59</td>
<td>10.2</td>
<td>26.3</td>
<td>10.6</td>
<td>22.1</td>
</tr>
<tr>
<td>60+</td>
<td>9.0</td>
<td>n.a</td>
<td>51.4</td>
<td>n.a</td>
</tr>
<tr>
<td>Total working age (b)</td>
<td>20.0</td>
<td>n.a</td>
<td>18.8</td>
<td>n.a</td>
</tr>
</tbody>
</table>
9.5 Migrants, income policy and poverty

As was noted in the case of the Australian Aborigine, the same attends to the migrant. Simple statistical comparisons appear to suggest that migrants are more likely to be in receipt of social security payments than are persons born in Australia. Using data reported in the 1985-1986 Income Survey conducted by the Australian Bureau of Statistics, overseas-born persons received nearly $4,000 million in social security payments.

In Australia the social security system has two clear objectives. The first is of income protection or income maintenance, to maintain living standards in the case of contingencies such as unemployment, invalidity, sickness or retirement; and poverty alleviation, that is to maintain and guarantee a minimum standard of living for persons in need. This is predominantly achieved through cash transfers or cash payments made by the Department of Social Security. The cash payments provided by the Department of Social Security cover a large range of categories including age, invalidity, sole parenthood, unemployment, sickness, caring responsibilities for other persons with low incomes and dependency on someone experiencing these contingencies. The Australian system involves income and assets testing and gives priority to poverty alleviation rather than income protection. In Australia with high levels of immigration, the social security system is designed to marginalise, categorise and exclude the migrant through the regulation of income.
Blainey (1984, 1990) has argued that migrants rely entirely on the public purse and contribute nothing to the nation. This in itself treats the migrant as a stranger and therefore in the first instance excludes. It excludes the migrant as a person alien to Australia and different from the general Australian. This results in discrimination and prejudice against the immigrants both in employment or in systems that are associated with employment.

Birrell (1990a) further notes that in late 1989 Middle Eastern and Asian born workers made up 9.1% of those on unemployment benefits. This is double their 4.3% share of the total population. Birrell (1990b) also notes that in May 1990 half of all persons living in Sydney and receiving unemployment and other social security benefits were foreign-born. Birrell (1990c) states that it would be naive to believe that ‘... poor migrants will not make the best of any opportunities open to them ...’ (p. 53).

The first step in any analysis relating to migrants and their representation as social security clients is to look at the data provided by the Department of Social Security (see Appendix 1). The number of recipients of pensions, benefits and additional family payments by country of birth as at 30 June 1993 totals 4,216,537 (Department of Social Security, Annual Report 1992-1993, p. 300-301). Of these, 3,054,356 were Australian born. The remaining, a total of 1,162,181 persons were born outside of Australia. The significant numbers in this table are those of New Zealand (with persons in excess of 61,000), Vietnam/Cambodia/Laos (amounting to 59,535),
Lebanon (with 35,362), UK/Ireland (with 331,641), Italy (with 115,966), and Poland (with 35,841 persons). Thus 1,162,181 persons born outside of Australia received some form of assistance from the Department of Social Security. This constitutes 27.6% of the total recipient of benefits from the Department of Social Security.

Australia remains one of the most culturally diverse of all urban industrial and capitalist societies. Since 1946, governments in Australia pursued and viewed immigration as a source of brute muscle power, skill and capital. The State, through the regulation of income and through social security expresses dominant interests, and provides a series of signals, mostly through income, of what it means to be an acceptable Australian. The State determines what the ‘normal Australian’ is through the practice of income. Thus immigrants enter a network determined by social security, of class and gender relations and impinges on immigrants on three levels: as workers, as men and women and on cultural hierarchies.

In 1947, Australia had a population of 7.7 million, with 90.2% of ‘British’ origin, while 6% were of northern European background, with 1.5% from southern European origins. The Australian experience of immigration has been analysed in terms of ‘epochs’ and has been dominated by sentiments such as ‘assimilation’, where immigrants would become similar to Anglo-Australians over time, ‘integration’, where social groups acted as intermediaries between the individual and the wider society, and ‘multicultural ethnicity’, where a more pluralist view of society was adopted, mostly in response to the emerging demands from immigrants.
workers, and multiculturalism. By social cohesion, the State sought to play down the
conflictual and antagonistic relations and pushed for a pluralistic and harmonious
society, provided that all groups recognised the core values of the economic and
political system, and, finally, 'mainstreaming', which attempts to ensure immigrants
had 'access' to mainstream services.

The first post-war immigrants were male refugee workers from eastern Europe,
introduced into the construction and heavy metals industries. Immigrant women
were introduced into domestic service, light industries and process work and into
service industries such as cleaning. The heaviest recruitment of immigrant workers
took place in the period up to 1971 which saw immigrants come into Australia from
Malta, Germany, Italy, Greece, Yugoslavia, Turkey and Lebanon. From the early
1970s the pattern of immigration began to change. With the abandonment of the
White Australia policy and the transfer of capital to speculative resources
development, service workers and 'intellectual' immigrants began to arrive in
Australia. During the 1970s and 1980s new sources provided the larger part of
immigrants - South Americans, Poles, Lebanese, Indo-Chinese who entered Australia
under humanitarian programs. Between 1981 and 1985, there was an 86% increase
in Vietnamese migrants, 82% increase in Filipinos and 44% increase in Malaysians,
with 28% of South Africans and 26% increase in US citizens.

By the 1960s unforeseen social effects of large-scale immigration were beginning to
have a devastating effect on the quality of life for many Australians. Recent
immigrants were in grave danger of being in poverty if they were on a single basic income. By 1969, the Immigration Department instituted a system of grants-in-aid as contribution towards employment by Anglo and ethnic organisations.

9.6 Determining pension payments

Several factors, including the eligibility and entitlement rules of the social security system, access to alternative forms of income support such as superannuation, workers' compensation or veterans' affairs payments, the incidence of contingencies such as unemployment, sickness, invalidity or sole parenthood, and the level of need or poverty, determine the payment of pensions. Principal among these is the income test which is based on income. However, as argued earlier, there are no precise definitions of income.

Summary information on the various welfare payments is taken verbatim from the Annual Report 1992-93 of the Department of Social Security (pp. 239-247). For the Department of Social Security, income tests apply except to the permanently blind who are exempt. Under the income test, the single pension is reduced by 50 cents and each married couple's pension by 25 cents, for every dollar that income rises above specified limits. The income limits at which pension is withdrawn and at which pension cuts out, as at 30 June 1993, for example, was $88.00 pf for single persons and $152.00 pf for a married couple. The amount of pension payable
depends on application of the income test, unless a lower rate of pension is payable under the assets test.

As of 30 June 1993, the allowable limit for the pension assets test was for a single home owner $112,750 with no pension payable above $192,250. For a non-home owner the allowable assets were $193,259 and there was no pension payable beyond assets worth $292,000. Under the married category (combined) the allowable assets under the home owner category was $160,500 and no pension was payable beyond $292,000. In the non-home owner category, the allowable assets limit was $241,000 and no pension was payable for assets worth above $372,500.

In June 1993, most pensioners had assets below the allowable asset levels and were subject only to the income-test. When assets do exceed allowable levels, the single pension is reduced by $2.00 a week for every $1000 over the limit. Every $1000 of combined assets more than the allowable asset limit reduces each of the married couple’s pension by $1.00 a week.

The value of an asset, for assessment purposes is the ‘net market value’ which is the amount of money a person would receive if the asset were sold now, less any debts on it. When assessing the value of a person’s asset the principal home is exempt from this calculation. The assets test assumes that people who own substantial assets will be able to apply those assets to produce income for their own support. In the event that such assets produce little or no income and a person is unable to rearrange
his or her financial affairs, or cannot reasonably be expected to sell or use those assets as security for a loan, special hardship provisions apply. The hardship provisions in the Act allow for the value of particular assets to be disregarded and pension to be paid at a rate determined under a special means test. These provisions apply to those people who are considered to be in severe financial hardship and who can take no reasonable course of action to alleviate their hardship. Income and assets test limits are adjusted in July each year in line with movements in the Consumer Price Index.

In 1993, under the income test, the maximum rate of allowance for job search and sickness is reduced by non-allowance income received in accordance with the following scale:

- nil for the first $60 a fortnight
- 50 cents for every dollar between $60 and $140 a fortnight;
- and dollar for dollar for income in excess of $140 a fortnight.

In the case of a married person, income included the income of a partner. Where a partner is in receipt of a pension, allowance or benefit in his/her own right, only half of the combined income which would otherwise reduce the amount of allowance payable is assessable for each person. Married persons may receive an additional $30 a fortnight each before a benefit is affected. This addition to the free area applies only to earnings from personal exertion such as salary or wages. Table 4 shows income limits for allowances as at 30 June 1993.
Table 4. Income Limits for Allowances as at 30 June 1993

(Source: Department of Social Security, Annual Report 1992-93, p. 241)

<table>
<thead>
<tr>
<th>Status of Allowee</th>
<th>No Allowance Payable when Fortnightly Income Reaches $ pf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single persons without dependents</td>
<td></td>
</tr>
<tr>
<td>Under 18 dependent</td>
<td>229.80</td>
</tr>
<tr>
<td>Under 18 independent or homeless</td>
<td>314.30</td>
</tr>
<tr>
<td>18-20 years at home</td>
<td>256.10</td>
</tr>
<tr>
<td>18-20 years away from home</td>
<td>382.70</td>
</tr>
<tr>
<td>Single person (any age) with dependent children</td>
<td>412.10</td>
</tr>
<tr>
<td>Married persons, both partners more than 21 or with dependent children (combined) (a)</td>
<td>620.60 (b)</td>
</tr>
</tbody>
</table>

(a) Where one or both partners of a married couple are under 21 and without children, the cut-out point varies according to the ages of the partners.
(b) Add an extra $30 a fortnight (each) if earnings are from personal exertion such as wages or salary.

Assets tests also apply in determining the eligibility of pensions. Where a person’s assets are equal to or below the allowable assets threshold, the income test applies. Where assets are above the allowable assets threshold, there is no entitlement to allowance. When assessing the value of a person’s assets the principal home is exempt and these figures are indexed in July of each year in accordance with the percentage increase in the Consumer Price Index. Table 5 shows the Allowees Assets Test Limits as at 30 June 1993.
Table 5. Allowees Test Limits as at 30 June 1993
(Source: Department of Social Security, Annual Report 1992-93, p. 241)

<table>
<thead>
<tr>
<th>Status of Allowee</th>
<th>No Allowance Payable when Assets Exceed $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single home owner</td>
<td>112,500</td>
</tr>
<tr>
<td>Single non-home owner</td>
<td>193,000</td>
</tr>
<tr>
<td>Married home owner (combined)</td>
<td>160,000</td>
</tr>
<tr>
<td>Married non-home owner (combined)</td>
<td>240,500</td>
</tr>
</tbody>
</table>

A further sub category are Job Search Allowance (JSA) recipients aged under 18. These recipients are subject to a parental income and assets test unless they are homeless or independent. In the event that parental assets exceed $363,500, the minimum rate of $30.30 a week is payable. For the year ended 1993, under the parental income test, when parental taxable income in the previous financial year is $20,950 or above, the weekly rate of Job Search Allowance (JSA) is reduced by 25 cents for each dollar in excess of that threshold from a weekly maximum of $64.90 to a minimum of $30.30. This threshold is increased by $1,200 for a dependent child other than the JSA recipient and by $2,500 for any subsequent dependent child.

The Job Search Allowance category recipient with a parent or parents who are exempted from the parental income test are further classified as:

- a person with a dependent child
- married/de facto couples
- a person who lives at the home of the foster parent(s) if the foster parent(s) is/are authorised by the relevant State Authority;
- a person whose parent is a pensioner, beneficiary or allowee; and
- a young person who qualifies as homeless or independent.

Under the Family Payment pension, the assets test entitlement to Basic Family Payment ceases if the net value of a family's assets, excluding the family home, exceeds $607,250. Additional Family Payment is not payable if the net value of a family's assets, excluding the family home, exceeds $363,500. As at June 1993, under the special hardship provisions, Basic Family Payment may be paid even if assets are above $607,250. Hardship provisions apply if a family has limited income ($13,536 plus $624 for the second and each subsequent child) and liquid assets are less than $6,000 (sole parent) and $10,000 (couple). Additional Family Payment may be paid if assets are between $363,500 and $607,250 and income and liquid assets are below the limits specified for Basic Family Payment. The asset limits for family payment are adjusted in January each year in line with movements in the Consumer Price Index.

The Basic Family Payment category, as well as the Additional Family Payment category are subject to the income test. Here, entitlement is assessed on taxable income (as determined by the Australian Taxation Office) for the financial year ending in the previous calendar year (the 'base' year). If taxable income has not been determined, family payment may be assessed on an estimate of base year income. In the event, that a client expects a significant change between base year income and current financial year income (an increase or decrease of at least 25%, or a decrease to below the taxable income free area), family payment is based on an estimate of
current year income. Family payment clients must notify the Department if there is likely to be an increase in income by more than 25% so that the rate of payment is calculated appropriately.

Income from children is not counted for income testing purposes but is considered when determining dependent child status. If a child under 16 years is not a full-time student, he/she is not regarded as a dependent child for family payment purposes if his/her income is more than $112.70 a week. If a child is more than 16 years, he/she must be a full-time student with income less than $4,100.00 a year if living at home, or less than $6,200.00 if living away from home, to be considered a dependent child.

Income limits for Basic Family Payment vary according to the number of dependent children in the family. When income exceeds the appropriate limit the entitlement ceases. Table 6 shows the Basic Family Payment annual income limits and fortnightly rates.
Table 6
Basic Family Payment - Annual Income Limits and Fortnightly Payments
as at 30 June 1993
(Source: Department of Social Security, Annual Report, 1992-93, p. 242)

<table>
<thead>
<tr>
<th>Number of Children</th>
<th>Annual Income Limit $</th>
<th>Fortnightly Rate Payable $</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>64,938</td>
<td>20.90</td>
</tr>
<tr>
<td>2</td>
<td>68,187</td>
<td>41.80</td>
</tr>
<tr>
<td>3</td>
<td>71,436</td>
<td>62.70</td>
</tr>
<tr>
<td>4</td>
<td>74,685</td>
<td>90.60</td>
</tr>
<tr>
<td>5</td>
<td>77,934</td>
<td>118.50</td>
</tr>
<tr>
<td>Add for each extra child</td>
<td>3,249</td>
<td>27.90</td>
</tr>
</tbody>
</table>

Additional Family Payment taxable income free areas vary according to the number of dependent children in the family. Appendix 2 shows the taxable income free areas for a range of family sizes and children's ages. The table shows the maximum fortnightly rates of payment, which vary depending on the number and ages of the children. Each dollar of income above the taxable income free areas for maximum additional Family Payment reduces entitlement by 50 cents. The income limits at which part payment of additional Family Payment ceases are determined according to the number and ages of the children, whether the client is a sole parent and whether the family pays private rent. Here again the income free areas are adjusted each January in line with any changes in the Consumer Price Index.

The Child Support Scheme is subject to a separate income test from that applying to other forms of income in the determination of eligibility for income-tested pension,
allowances and benefits. As at 30 June 1993, the maintenance income test comprised:

- a free area of $850.20 a year ($32.70 a fortnight) for a person with one child;
- an additional free area of $283.40 a year ($10.90 a fortnight) for each additional child; and
- a taper of 50 cents for each dollar of maintenance above the free area.

The maintenance income test-free area is adjusted on 1 July each year in line with movements in the Consume Price Index. The *Social Security Act 1991* recognises that maintenance may be provided as in-kind benefits or capital transfers instead of, or as well as, cash maintenance.

### 9.7 Conclusions

The income and assets test used by the Department of Social Security amply attests to the use of income being used as the yardstick of measurement. Within the various categories of pensions and allowances, there is increased confusion to the recipient of social security.

The Department of Social Security's own definition of income and the ones used in accounting and economics are abstractions, both determined through discourse, and brought about through the intimate relationship between knowledge and power. Knowledge is determined through the disciplines of accounting and economics, while the Department of Social Security wields the power relationship, and accounts for the whole process of marginalisation of the Aborigine and the migrant.

If such a history is true, then should we not re-examine wealth itself?
CHAPTER 10

THE GENEALOGY OF INCOME

10.1 Introduction

The founding of social security in Australia has contributed immensely to the regulation of the practice of income. In Foucauldian terms, society in Australia has entered a cycle of disciplinary power and governmentality. In the span of a little less than a century the process of exclusion has resulted in a divided society.

The purposes of this chapter are, firstly, to put perspective to the events leading to the regulation of accounting and of bringing to reality an object known as income, in Australia. Secondly, this chapter seeks to investigate the birth of a system of power that regulates the practice of income. It finally seeks to question the forms within which individuals are obliged to recognise themselves as subjects of income.

To what else can the unbiased mind, acquainted with the signs heralding the birth and the associated rise of social security, the application of income as a factor in its establishment, and the result of such a scheme leading to a category marked 'the
poor,’ be attributed? To what agency, if not to the irresistible march of events following from the birth of accounting along with the subsequent bringing into existence of the object of income, and the regulation of income through the Department of Social Security, can the origins and the category of ‘the poor’ be attributed? This situation in unprecedented in the annals of Australian history. In the convulsions of contemporary Australian society, it is through the genesis of income as an object and its regulation, that ‘the poor’ in Australia are marginalised, categorised and excluded, and have hence become the subject of income.

With this, Foucault’s assertion of the relationship between knowledge and power, of how knowledge and power sustain each other, how one leads to the other; of how human beings are both the object and the subject of knowledge, and of how the human sciences have been instrumental in social control, is validated.

The events leading to this outcome are closely interrelated and can be viewed as successive acts of one, indivisible drama, whose climax no one could have perceived and whose conclusion no mind could have foreshadowed. Viewing the past century as a single constituent, we note the chain of events proclaiming the rise of accounting as a ‘science’ in Australia, (the rise of economics is not discussed here) and the acceptance of income as a factor in the establishment of the Department of Social Security. As of June 1993, the Department of Social Security as an institution, serviced around five million people in Australia, with outlays including operating
costs, amounting to $31.4 billion dollars (Department of Social Security, 1993, p. 2).

This institution has virtually played the power role and helped create the category of
‘the poor’ in Australia.

10.2 Foucauldian genealogy

Dreyfus and Rabinow (1982, pp. 104-125) in their important study of Foucauldian
genealogy suggest that Foucauldian genealogy "deals with series of effective
formations of discourses, is a diagnosis of the relations of power, knowledge and the
body in modern society" (p. 105), as being a complement of archaeology, as being
opposed to traditional historical method, whose aim it is to record the singularity of
events outside of any monotonous finality, is without fixed essences, with no
underlying laws, and no metaphysical finalities. Foucauldian genealogy seeks out
discontinuities, recurrences, and records the past to unmask the solemn hymns of
progress; avoids the search for depth; seeks the surfaces of events, small details,
minor shifts and subtle contours; is an overview from higher and higher up; and
records the history of interpretations. "The central theme of Foucault's genealogy is
now to show the development of power techniques oriented to individuals" (p. 120).

For McNay (1994, p. 89), "genealogy or 'the philosophy of the event' is the method
of analysis which traces the uneven and haphazard processes of dispersion,
accumulation and overlapping that are constitutive of the event: it is a 'materialism
of the incorporeal.'"

Genealogy, for Rabinow (1984, p. 7) is "to locate historically and analyze the strands
of discourse and practices dealing with the subject, knowledge, and power 'the
genealogy of the modern subject.'" For Cousins and Hussain (1984, p. 264), a
genealogy can render a problem intelligible in terms of the conditions of emergence
of discursive and non-discursive practices which indicate how the problem arose in
the first place. In so doing it can present that problem in an altogether novel light.

Smart (1983, pp. 75-77) draws a difference between history and genealogy which
attempts to establish and preserve the singularity of events, turns away from the
spectacular in favour of the discredited, the neglected, and a whole range of
phenomena which have been denied a history (e.g. unreason, punishment, sexuality)
and two interrelated elements: genealogy as the analysis or examination of descent,
and genealogy as the analysis of emergence (p. 76). Genealogy goes beyond
archaeology by explaining (through the connections with power) changes in the
history of discourse that are merely described by archaeology.

For Gutting (1989), "a genealogical approach to history is a matter of (1) returning
archaeology to its role of describing both discursive and nondiscursive practices, (2)
thereby exhibiting an essential tie between knowledge and power, and (3) exploiting
this tie to provide a causal explanation of changes in discursive formations and epistemes” (p. 271). Hoy (1988, p. 27) states that genealogy focuses on the connection between discursive disciplines and social power. Poster (1984, p. 9) quotes Foucault, "The genealogical side of discourse ... attempts to grasp it in its power of affirmation, by which I do not mean a power opposed to that of negation, but the power of constituting domains of objects.” Genealogy studies how we constitute ourselves as human subjects (Hoy, 1986).

For Foucault,

History becomes 'effective' to the degree that it introduces discontinuity into our very being - as it divides our emotions, dramatises our instincts, multiplies our body and sets it against itself. 'Effective' history deprives the self of the reassuring stability of life and nature, and it will not permit itself to be transported by a voiceless obstinacy towards its millennial ending. It will uproot its traditional foundations and relentlessly disrupt its pretended continuity. This is because knowledge is not made for understanding; it is made for cutting (Foucault, 1980, p. 154).

Effective history, as Foucault has demonstrated, is the history of dispersed, often disrupted and discontinuous events, without making any references to the metaphysical, the universal or constants. Methodologically, it is a history of chance, a history of random events. In seeking for these casual unconnected events, the motive is to problematise the issue to be analysed (Dreyfus and Rabinow, 1982, p. 9). Effective history is not about a search for origins; it is discontinuous and does not
seek to establish a singular historical meaning, nor does it attempt to discover the 'truth'. Genealogy, unlike passive history, attempts to make the origin visible by shedding new light on significant connections between incongruous concepts and occurrences, which would under ordinary scrutiny be unobserved. In the act of searching for visibility, new links and strategies develop, and new tactics are revealed. In such an analysis, objects are placed in relation to other objects in a different manner, different institutions placed in a different mode and a whole new history unfolds before our very eyes. Thus, for Foucault,

Genealogy is gray, meticulous, and patently documentary. It operates on a field of entangled and confused parchments, on documents that have been scratched over and recopied many times (Foucault, 1980, p. 139).

and,

Genealogy does not oppose itself to history as the lofty and profound gaze of the philosopher might compare to the molelike perspective of the scholar; on the contrary, it rejects the meta-historical deployment of ideal significations and indefinite teleologies. It opposes itself to the search for origins (Foucault, 1980, p. 140).

Genealogy is then a method in history that analyses history devoid of a set plan, without teleology, without continuity or unity - but looks at events, accidents and coincidences, and places them in a new relation from one to another. New histories may result from the same view of history. Thus, for Foucault, genealogy is a toolkit by which some experience, such as the experience of wealth and of poverty, could be
investigated. *The Use of Pleasure*, Foucault's second volume of the *History of Sexuality* is typical of the history that Foucault undertook to study. Foucault sought to study the experience of sexuality. According to Foucault, that experience is understood only as a result of three axes that interplay with each other.

On the one hand there are fields of knowledge that are born on the distant horizon. Later there are types of normativity that a system of power regulates. These norms are then brought into existence through the birth and operation of certain institutions. Finally, there are forms of subjectivity that result from this entire scheme.

In Foucault's words,

To speak of 'sexuality' as a historically singular experience also presupposed the availability of tools capable of analyzing the peculiar characteristics and interrelations of the three axes that constitute it: (1) the formation of sciences (savoirs) that refer to it, (2) the systems of power that regulate its practice, (3) the forms within which individuals are able, are obliged, to recognise themselves as subjects ... (1990, p. 4).

The object of such a scrutiny must be made clear. The objectives are to explain how human beings are, firstly, the object of knowledge. Later, human beings become the subject of that knowledge. A secondary objective is to throw new light between the interrelationship on power and knowledge; to explicate how one sustains the other. This chapter also intends to provide a critique of the way in which the human
sciences have functioned as tools of disciplinary power and of governmentality.

Beyond this, the goal of this exercise,

\[...\textit{an exercise of oneself in the activity of thought} \textit{is to learn to what extent the effort to think one's own history can free thought from what it silently thinks, and so enable it to think differently} \textit{(Foucault, 1990, p. 9).} \] (emphasis my own)

In accounting, the conduct of research has generally involved the application of the methods of science. The inability of accounting research to draw conclusions or theories about accounting, must stir other questions in relation to ontology, epistemology, human nature and hence of methodology (Burrell & Morgan, 1979). Laughlin and Lowe (1990) make reference to these issues, and Chua (1986) captures the essence of these assumptions and introduces the interpretative and the critical.

Foucault (1954, 1966) on the other hand makes plain that attempting to apply a single method to different levels of phenomenon becomes impossible and meaningless. Foucault has shown us that mental illness is social and historical and leads us to acknowledge that methods used in the physical sciences may not apply to the human sciences. This would make the application of the methods of science in accounting research, unscientific. Science and the method it prescribes ignores time and space and is therefore ahistorical, is unable to meet the research requirements that science itself prescribes and is therefore intellectually arid, and is uninformed by
nor informs the current social problems that afflict society. Foucault has suggested the use of archaeology and genealogy. The new methodology of research in accounting must be historical, which includes the elements of time and space, and the new method of research must be history. This is summed up by Foucault,

It is also why, in my opinion, recourse to history - one of the great facts in French philosophical thought for at least twenty years - is meaningful to the extent that history serves to show how that-which-is has not always been; i.e. that the things which seems most evident to us are always formed in the confluence of encounters and chances, during the course of a precarious and fragile history. What reason perceives as its necessity, or rather, what different forms of rationality offer as their necessary being, can perfectly well be shown to have a history; and the network of contigencies from which it emerges can be traced. Which is not to say, however, that these forms of rationality were irrational. It means that they reside on a base of human practice and human history; and since these things have been made, they can be unmade, as long as we know how it was that they were made. (1988, p. 37).

Accounting historians have examined the explanations for the emergence of accounting. More specifically, accounting historians inspired by Foucault have looked at the issue of 'disciplinary power', whereas a traditional explanation for the rise of accounting has been that accounting is the reflex of the rise of capitalism or industrialisation, as developing and adapting to meet business and organisational needs. Instead these new histories have looked at the social consequences of the appearance of accounting (see Burchell et al., 1985; Hoskin & Macve, 1986, 1988a, 1988b; Loft, 1986; Knights & Collinson, 1987; Miller and O'Leary, 1987; Hopwood, 1987; Ezzemel et al., 1990; MacIntosh & Hopper, 1991; Walsh & Stewart, 1991) and
the processes of governmentality of the population, both individually and collectively (see Callon, 1986; Latour, 1986; Law, 1986; Miller & O'Leary, 1989; Miller & Rose, 1990; Miller & O'Leary, 1990; Miller, 1991; Robson, 1991; Rose, 1991; Preston et al., 1991; and Preston, 1992).

While Littleton (1966) explains that accounting has risen due to industrialisation along with the rise of financial markets, these new histories have taken on a social, political and ideological twist to the history of accounting. Hoskin and Macve (1986) for example, link the emergence of accounting as an instrument of disciplinary power. In using power/knowledge relationships as implied by Foucault, a certain view of double-entry and later a discourse of accounting with a professional network of accountants appearing, significantly departs from the conventional view of the birth of accounting. Gaffikin (1995) relates the birth of accounting to counting following recent archaeological finds (Schmandt-Besserat, 1992).

In viewing accounting as disciplinary power, a fundamental element is the concept of surveillance. Here surveillance implies hierarchical observation, normalising judgement and examination. Disciplinary strategies facilitate the maintenance of order and organisation, create subjected and docile bodies, and establish in the body, the constricting link between an increased aptitude and an increased domination (Foucault, 1977, p. 138). McIntyre (1990, p. 215) sums up the Foucauldian genealogist as one who writes against, who exposes, who subverts, who interrupts
10.3 Accounting as a science

In the history of humankind, ideas have developed societies. Typically even before concepts of writing and numbers along with a system of official record keeping existed, humankind kept count of its wealth. It used tools and counting devices that released and brought into existence the experience of wealth.

As society progressed and became more sophisticated, counting was carried out through more sophisticated tools. In the barter system, exchange of goods were concluded without carrying that transaction any further. But even before the barter system became prevalent, it could be argued that humans began progressively to keep count of their possessions. At this 'zero point' in history when the act of counting took place, it released two opposite experiences - that of wealth and of poverty.

In this interpretation of history, the precursor for the birth of the so called science of accounting is not as Littleton (1966) argues to be writing, arithmetic, private property, credit, commerce, capital and money, but rather the act of keeping count. Karl Absolam's archaeological find (Bunt, Jones & Bedient, 1976) dating back...
30,000 years is adequate testimony to this. Schmandt-Bessarat’s (1992) finding further confirms the idea that the so called science of accounting is really born from some form of counting. Implicit in this, a one-to-one corresponding experience came into existence. A new form of enumeration was also formed. But most importantly, record keeping and numbers led to the experience of wealth. Thus it is possessions and a count and later in accounting of possessions that wealth is experienced. Thus dating back to the dawn of human records, and of counting, the antecedents of keeping records and of numbers, must have been wealth and possessions. As interest in possessions and wealth became more heightened, the need to keep count became a necessity. Temple accounts, for example, show receipts and disbursements, wage payments, rental income, interest and real estate transactions (Brown, 1971).

Chatfield, (1977, p. 7) states that in Egypt, receipts and disbursement records, remained as lists, without a summary with ledgers, and most importantly, without any attempt to isolate income. This was so because an increase in assets was the way success was measured.

Wealth in such forms created methods of record to serve their needs. Keister (1965) examines Mesopotamian records dating back to 4500 B.C. to 500 B.C. and observes that the scribe of Mesopotamia was the predecessor of today’s accountant. Chatfield (1968) examines Medieval Bookkeeping and notes that the accounting practices of the Manor and the Government adapted accounting records to meet the Manor’s and
the Government's needs. Clearly, wealth still remained in dormant mode. But wealth in the form of palaces was idle and was not sufficient. Wealth changed from being held stagnant to becoming active, by way of goods and ships, to create more wealth. Thus the change in the concepts of wealth excited the development of double-entry bookkeeping.

Irish (1947) cites the fifteenth century as a time of great excitement, with ships exploring the world with a great and sudden expansion of commerce, and of wealth. Initially it was individual courage and adventure that stirred wealth, but as time passed by, money could be risked, but not lives, and hence the silent partner evolved. It is this evolution, where wealth stayed on shore but entrusted goods and ships to the active trader, that there was a real need for accounting. Accounting was particularly important when traders dealt on behalf of several silent partners, for each of whom a comprehensive set of accounts had to be produced. This led to a progress in accounting methods. The income from each venture had to be determined. More crucially, wealth took on the form of capital and having invested this capital, the normal methods of keeping count no longer sufficed. This was further spurred on by the separation of ownership and control.

The Crown made incorporation exclusive, and had incorporated The Russia Company (chartered in 1555), The East India Company (1600) and the Hudson Bay Company (1670) which were all monopolies. The East India Company, in 1613, for
example, ceased to issue terminable stock and by 1657 the company had a permanent invested capital with limited right to transfer shares. A new form of corporate structure evolved and accounting with it. With permanent capital, the income of the company had to be determined, since a large number of people had contributed capital and the distance between ownership and control made income the more important, between the statement of wealth, (the balance sheet) and the income statement. The income statement could be argued to be of less significance than the balance sheet, depending on the concept of income that is accepted.

One view of income is that it is the surplus of total valued assets over total valued liabilities, brought about by the comparison of successive balance sheets between two accounting periods. The surplus method, as this is called, stresses the importance of the balance sheet in determining corporate income. The major issue is to determine which particular asset and liability, along with their valuation bases, should be included to determine income (Kehl, 1976, pp. 3-13).

The second view, is that income is determined as the excess of total revenues less all expenses fairly chargeable to the period's revenue, with the resulting figure being income. Basically, this method lays importance on revenue and expense transactions recorded in nominal accounts summarised in the income statement. Income is based on recent financial transactions, rather than on periodic asset valuations (Kehl, 1976, p. 3-31).
This section develops the argument that, the income statement method of determining income was the preferred method of deriving income. This section will also attempt to survey the developments circa 1844 in the nineteenth-century Companies Act in Britain, to demonstrate the great importance that was placed by legislators on income, and that the creation of 'income' is singularly an accounting act.

Parliamentary investigations into the activities of regulated companies, clearly indicated that the income statement method was implied in the testimony of witnesses and recommendations of various committees and commissions. The determination of income was clearly determined by revenue and expense transactions recorded in nominal accounts. Before revenue is recorded in determining income, it had to be supported by an exchange transaction. The revenue realisation principle in determining income is as fundamental now to accounting, as it was in the middle of the nineteenth century.

Jones and Aiken (1993, 1994) provide a useful summary of the events and acts that relate to the greater importance of income over the balance sheet. Both, commentators and authorities, had rejected the surplus concept of income, and placed their reliance on the income statement. The development of British judicial law since
1889 comprehensively rejects the surplus concept of income, for the determining of income that was made available for the payment of dividend. The income statement method, where income is the result of revenues less expenses, was supported by the British judiciary, especially the Court of Appeal, for a variety of legal, ethical and commercial reasons (Weiner, 1928; Littleton, 1934).

For example, in 1844, a central and confidential witness, before the Select Committee on Joint Stock Companies, when asked, "What would you consider clear profit?" clearly emphasised the income statement method, when the witness replied:

... you take what has been expended within the half year for the purpose of your trade, and you take your returns, and the clear profit arising from receipts above expenditure on those transactions is what ought to be divided, and no more ... you will recollect what a balance sheet is, I have seen balance sheets more than once showing a large profit, the realisation of which has ended in a very considerable loss, because until my balance sheet and the assets I have stated are realised, which may take two or three years to realise, that balance of profit and loss is not realised, and it may prove to be ephemeral (British Parliamentary Papers, 1844).

Another example, which highlights the importance of the income statement was that one of the most important reasons for State intervention over assurance companies, expressed by the Select Committee on Assurance Associations in 1853, was that these companies were using deceptive methods of profit determination. In particular, the questionable practice of including as divisible income, unrealised future premium income in the gross without deducting expenditures was strongly condemned. These
recommendations were included in the *Life Assurance Companies Act*, which was passed in 1870.

Using asset valuation for determining income was rejected as early as 1865 by *The Economist*, because it lacked reliability of valuations and clearly advocated the profit and loss method (*The Economist*, 1890, pp. 919-920). For example, the treatment of accounting practices of marketable securities in financial institutions clearly indicated that unsold shares should never be estimated at more than cost price and that the only credit to the income statement should be actual realised profits.

> Actual gains should be the source of dividend, but we should not divide all of them. We may and should anticipate future losses, but never future profits (*The Economist*, 1865, p. 126).

Frederick Whinney, the eminent accountant in the nineteenth century testifying before the 1895 Davey Committee makes a similar point. "... no increase of the value of assets should be carried to (the) profit and loss account ..." and, "... I venture very respectfully to urge that the true commercial principle is not to call anything a profit until it has been made (British Parliamentary Papers, 1895, p. 79).

Questionable profit determination was also one of the issues when the Secret Committee on Joint Stock Banks 1836-1838, was set up. The Committee had been elected to explore the reasons for the failure of several banking institutions and also to regulate the banking industry. Many notable witnesses had testified that banks
were paying dividends when they were making losses, and sometimes out of
depositors' funds. The Committee also revealed that bad debts expense and operating
losses were not being written off in the income statement, nor were they disclosed to
the shareholders. Premium income on issued shares was treated as divisible profits
and many contingent income items, which were not yet realised, were treated as
divisible incomes and declared as dividends. These were further enhanced by the
severe economic depression during this time, followed by intense competition among
banks and the pressure to pay dividends. This was further complicated by the reason
that directors could hold significant shares in their own bank creating pressures to
distort income, extremely intense.

The Joint Stock Banks Act (1844) largely adopted the recommendations of the Secret
Committee, and made it compulsory to disclose an income statement, in non-
prescribed form, to shareholders.

More compelling evidence of the importance of income, during this time comes from
the Select Committee on the Audit of Railway Accounts (1849) and the Royal
Commission Report on Building and Friendly Societies (1871-1874). This is
particularly so with the Select Committee on the Audit of Railway Accounts. This
Committee in fact, seems to have been established, due to abuses in the
determination of income, and was the Committee that dealt exclusively with
company accounting issues. The Committee was primarily concerned with railway
companies charging items of expense to the capital account instead of the revenue account. This distorted the determination of income and was done for the sole purpose of boosting profits at the discretion of directors.

Further evidence of the importance of income is available from *The Building and Friendly Societies Act*, which was the result of The Royal Commission Report in Building and Friendly Societies, established by the British Parliament in 1871. The investigations which ended in 1874, covering four reports, with over eight thousand pages of evidence from one hundred and fifty witnesses, preeminently concern the impropriety of many societies, in crediting the income statement with unrealised income and other gains in the determination of income. This is further aggravated by the attempt to minimise or conceal their actual trading expenditures to keep up their dividend-paying power. The Royal Commissioners recommended disclosure, including a compulsory audit, of the income statement.

The above summarises the emergence of the concept of income, over the middle of the nineteenth century, and makes clear that income is a product of accounting.
10.5 Income measurement in accounting

Barton (1990, pp. 435-450) summarises the theory debates in income measurement in accounting. Income, according to Barton (p. 435) is central to financial accounting because of the importance of information on income for decision making and also for the purposes of accountability. Income also lies at the heart of business operations and financial accounting. Income, is the reason why people work, why investors invest, and economic activity carried out. It might be said that accounting as a craft, exists to determine income.

For Barton,

... the basic purpose of income measurement can be summarised as the provision of information to guide prudent conduct in the use of resources. Income must also be measured because it affects legal relationships as profit accrues to owners and not to creditors or employees. Finally, it must normally be measured for taxation purposes, both personal income tax and company tax (p. 436).

However, this whole area of income measurement is the subject of great confusion, disagreement and crusading. "In reality, there are as many variations on each system as there are authors, and in practice parts of the different systems are frequently mixed up together" (Barton, 1990, p. 435).

The term income is a difficult concept to measure and define, and there has been
little agreement about what exactly income is and there is substantial differences in income in ordinary business usage, the law, economics, and in accounting.

Income, as an abstract notion, resulting from various measurement procedures, does not take the form of any particular asset acquired, and cannot be separately identified and proved. Income is really a derived measure of a surplus or is the additional wealth generated after maintaining capital intact. The measurement of income, of course, runs into two difficulties, namely, the difficulties of measuring stock of assets and liabilities at two dates, and the problem of dividing wealth into two notional parts. This leads to the valuation of wealth problem and the capital maintenance problem.

The valuation of wealth faces, at least four challenges, including quantities of assets and liabilities, the measurement properties of the dollar, the asset valuation base, and the wealth and income measurement systems, each of which can give a different measure of income and of wealth.

To maintain capital intact, is to divide the end-of-period wealth into the base component and the incremental component. The value of all resources used up must be a first charge on the resource inflow, to enable replacement of their value. Here the recovery of capital is the basis of the matching principle of income determination, where income is the process of deducting all expenses from revenue. Thus the
resources gained from operations are separated into the return of capital and the return on capital.

This presents two problems. The first concerns the measurement of the resource inflows from sales and measurement of the firm's own resources used up in the process. Stock of assets are usually heterogeneous rather than homogeneous. The second problem is that the specific interpretations of the concept of capital maintenance vary according to the valuation system used.

Other problems, particularly in practice, also pose an obstacle to the measurement of income. The problem of capital gains which is neither income nor capital, the separation of income from capital where income must be severed from the base for it to be recognised, the criteria of the necessity of realisation before income is recognised, the problem associated with the intention of acquiring an asset and with expected changes in value as being treated as income, bear stark testimony to the inability of defining what income is in accounting. Indeed, there are several concepts of income. Styles and titles of income have been constructed in accounting.

There is no shortage of income concepts. This is compounded by the number of net asset valuation bases and the criteria for the division of wealth; between income and capital maintenance. This is accentuated by arbitrariness where income is not an all-inclusive concept.
Barton sums up by saying that,

... it should be recognised that in realistic circumstances there is no universally correct measure of periodic income. A limited number of answers is possible according to the specific valuation principles and dollar measurement properties selected. The choice between the income concepts to be measured should depend on the purpose for which the measurement is required (1990, p. 447).

The conditions that would make income a reality, are in fact improbable. These conditions would require terminating the firm, or the on the firm carrying on its business, on the condition that it is operating in the ideal conditions of the stationary state, which is unrealistic.

10.6 Income in accounting standards

Income in accounting, is defined as, "increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants." (ASA and ICAA, 1994, p. 135).

Income, and the definition of it, encompasses both revenue and gains. Revenue arises in the course of the ordinary activities of an enterprise, while gains represent increases in economic benefits, which are in essence no different in nature from
revenue. The International Accounting Standards Committee (IASC) in their International Accounting Standard (IAS) Framework is clear about the recognition criteria that must be applied in the recognition of income. Paras 92 and 93 of the IAS Framework, under the Accounting Conceptual Framework state:

Income is recognised in the income statement when an increase in future economic benefits related to an increase in an asset 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 liability.

and,

The procedures normally adopted in practice for recognising income, for example, the requirement that revenue should be earned, are applications of the recognition criteria in this framework. Such procedures are generally directed at restricting the recognition as income to those items that can be measured reliably and have a sufficient degree of certainty.

Para 77 of the IAS Conceptual Framework, further states:

Various kinds of assets may be received or enhanced by income; examples include cash, receivables and goods and services received in exchange for goods and services supplied. Income may also result from the settlement of liabilities. For example, an enterprise may provide goods and services to a lender in settlement of an obligation to repay an outstanding loan.

It is accounting that regulates and brings into existence 'income'.

Chapter 10: The Genealogy of Income
10.7 Social security as regulator

In Australia, the concepts of income used to control the rates of payment, are rigidly financial - a characteristic which can activate unfairness by itself, since income, upon which, social security bases its rates of payment, includes income to which a person may have no practical access or it ignores the social dimensions of income, including kinship obligations.

In Australia, all pensions, benefits and allowances are subject to an income test, with most attracting an assets test. These tests are not added on but apply one without the other. The test that produces the lower rate of payment is the one that the Department of Social Security applies. There are, of course, a variety of income and asset test specific to the pensions, benefits and allowances. Each of these tests allow for a degree of freedom, which does not take income and assets below a defined threshold. The income test is less generous than the assets test.

Carney and Hanks (1994) provide a useful summary of income as conceived by the Department of Social Security, but state that they are an 'imperfect substitute'. And yet, despite the imperfections and the inadequacies of the definition of income, it is and remains the cornerstone of the Australian social security system.
Within this scheme, some income sources get special treatment, to cater for certain policies. The examples of the aged, the disabled, the abandoned wife, the carer and the sole parent pensions all include the income test, that treats income with special emphasis on 'maintenance income'. This income has a degree of freedom, where up to a certain amount of income is taken to be of no further account, and only maintenance income above this amount counting. Any surplus maintenance income will join any surplus of 'non-maintenance or ordinary income' with its own degree of freedom. Both are then added up to calculate the rate of pension payable. In calculating this rate, any assets test calculation will then be made, with the lower of the two, providing the rate payable.

Under the *Social Security Act* 1991, income is an aggregate concept, which comprises mainly the sum of the various gross amounts from all sources. No deductions are allowed and losses from one activity cannot be offset against profits from another. The Act also does not allow any discretion about what is counted as income. Apart from business and investment income in which special rules about deductions are introduced, and about how returns are to be calculated, income from all other sources is to be totalled. Business and investment income, along with maintenance income, is treated differently from all other income.

The *Social Security Act* 1991, defines 'income' in relation to a person, as:

(a) an income amount earned, derived or received by the person for the person's own use or benefit; or
(b) a periodical payment by way of gift or allowance; or
(c) a periodical benefit by way of gift or allowance;
but does not include an amount that is excluded under
Subsections (4), (5) or (8).

The 'income amount' is taken to mean (a) valuable consideration; or (b) personal earnings; or (c) moneys; or (d) profits; whether of a capital nature or not. Further, 'income from personal exertion' means an income amount that is earned, derived or received by a person by way of payment for personal exertion by the person but does not include an income amount received as compensation for the person's inability to earn, derive or receive income through personal exertion. Ordinary income means income that is not maintenance income.

Such a view of income is a multi-layered concept and broadly inclusive. Such a definition includes monetary derivations, entitlements or receipts, including receipts from sources which are of a capital in nature. Income, for Social Security, is valued in money terms, is a gain or increase over time, which can or has been realised.

The only restrictions on the concept of income, is that income is to be earned, derived or received and is counted once it meets these conditions. Thus, income is said to have been earned when the work or service which gives rise to the right of payment has been completed in accordance with the contract of employment, whether or not the money is then paid.
For example, if the contract provides for the rate of payment to be determined after
the work is performed (e.g. after assessment of the quality of work), then income is
not earned until this later point. Income is said to have been derived once it accrues
as a matter of legal right, whether that right has been exercised or the funds can be
speedily realised. Income is said to have been received where funds come into a
person's possession or moneys are credited to the person's local or overseas account.
Income from a business source is taken as the 'net figure after deducting the costs of
generating that income'. Any differences in book value of trading stock on hand
constitute profits or losses which must be brought into account.

Maintenance income consists of several ingredients. It catches both the amount of a
payment (such as a cash transfer) and 'the value' of a benefit (such as rent or
education expenses, which is received in one of three forms: (1) child maintenance
from a parent; of a dependent child, in the form of a transfer 'for the maintenance of
the child'; (2) direct child maintenance from a parent (or partner or former partner of
the parent) of a dependent child, in the form of a transfer 'for the child's own
maintenance' or (3) partner maintenance from a partner or former partner for the
person's own maintenance. Capitalised maintenance income is also brought into
account.

All these forms of income are the knowledge outcomes of a system of power which
regulates and controls. The definitions are discoursed to suit and lead to much
confusion. Can we not candidly ask the question: Is not the Department of Social
Security that regulates the practice of income?

10.8 **Forms by which self is determined**

Social Security uses income, as a tool, as an instrument, to draw a line in society to
distinguish between 'rich' and 'poor'. Indeed, ‘the poor’ and ‘poverty’ are created
only through the regulation of income.

Prior to the creation of 'the poor' and 'poverty', Australia stood as an economic whole.

With the introduction of accounting and the regulation of 'income', a process was set
in motion that could not be reversed. It brings into existence an object known as
'income'. Thus Australia and Australian society, with the acceptance and application
of the concept of 'income' has never been a whole.

The term welfare in itself is not easily identifiable. Welfare captures all collective
interventions made to meet certain needs of the individual and/or to serve the wider
interests of society (Titmuss, 1958), and those social arrangements, patterns and
mechanisms that are typically concerned with the distribution of resources in
accordance with some criterion of need (Mishra, 1981).
Foucault has shown that human beings are both the object of knowledge and the subject of knowledge. Bentham's Panopticon is a typical example. Prisoners are not only kept in line from the outside, but also by themselves, where they fear that they are being watched by the all-seeing eye of centralised surveillance. If this is the case, following Foucault, then, the 'poor' in modern society, experience the sensation of being 'poor' from the outside as well from the inside. Clearly, with the use of income, Social Security, makes and gives the experience of being 'poor' from the outside, with the poor, believing and telling themselves that they are indeed, poor.

If human beings are the object of knowledge, and then become the subject of this knowledge, then, clearly, 'poverty' and the experience of poverty, is made possible only with wealth, excluding the poor by confining the poor.

Thus the 'poor' are not only led to believe that they are 'poor' from the outside, by Social Security, by means of making payments and insisting on certain modes of behaviour that Social Security demands from their clients, but the 'poor' also occupy themselves, in determining self, with the qualities of being in 'poverty'. The 'poor' then are constantly told from the outside that they are in fact, in poverty and experience this feeling of being in 'poverty'. The physical conditions that surround them, their living in crowded quarters, without privacy, alcoholism, physical violence against wife and children, early initiation into sex, high incidence of the abandonment of mothers and children, a sense of resignation and fatalism are all
internalised by the 'poor'.

Thus a two way process occurs. Wealth, through social security, marginalises, excludes, controls, victimises, represses and oppresses, and 'the poor' are "led to focus their attention on themselves, to decipher, recognise, and acknowledge themselves as subjects ... bringing into play between themselves and themselves a certain relationship that allows them to discover ... the truth of their being" (Foucault, 1990, p. 5).

10.9 Conclusions

It is often alleged that some people are poor because they do not work hard. In reality it may be found that poor people work harder than those who earn higher incomes. In the broadest sense, exclusion results in any society where the range of opportunities open to some individuals differ from persons to persons. Exclusion is also possible when some groups are relegated to a position below, as in establishing the poverty line. Two groups worth mentioning are the Aboriginal community and women (Podder, 1978).

There is a great body of literature that has, over the past two hundred years or so, in
Australia, analysed the manifestation of the symbols of poverty. Such analysis, on their own are necessary since they provoke thought. However, the real issue with an analysis of poverty is **income**. That indeed is the real, the original cause for the manifestation of poverty. A genealogy using Foucault's axes has made clear the interrelationships between the birth of sciences that make reference to income, a system of power that regulate its practice and forms within which individuals are able and obliged to recognise themselves as subjects. Clearly, accountants bring into reality the object of income. The Department of Social Security regulates the practice of income, and in this process, has created 'the poor', which has obliged individuals to recognise themselves as subjects of income.

If, as this analysis shows, the true problem with the study of poverty and of 'the poor', stems from a particular, perhaps positivist view of wealth and a definition of wealth through accounting, along with the increasing amount of human suffering that such a view begets, then should we not return to wealth itself, to see if we cannot redefine what indeed, true wealth is. We may find that in this whole experience known as wealth, that true wealth consists of something more than the material.

In the material physical world, excellency, adornment and perfection is judged by the fruits that nature bears, in its mineral, vegetable and animal manifestations. For the human, however, the honour and excellency, adornment and perfection cannot be found in the material riches that are possessed. Human wealth must be more than the
material. It may be found in good attributes and virtues, such as wisdom, intellectual perceptions, discoveries, justice, equity and service.

Foucault's archaeology and genealogy has the potency to liberate knowledge from its shackles, leading us to the removal of those elements of past knowledge codes that now constitute obstacles to the emergence of an inclusive and reconstructed human society.
Thus draws to a close an archaeology and a genealogy of income. Income springs from a point in history which is a result of a discourse that is founded in accounting. This thesis has attempted to contribute to an explanation of the history of the present - of how society has come to be the way it is, of how we have come to be the way we are as individuals, in the ways we silently think, in terms of wealth and poverty. This thesis has also sought to explain how 'the poor' have come to be a part of Australian society. This thesis has argued that accounting will never explain what income is because it is not accounting that holds the key to an understanding of income, but rather it is income itself that holds the key to the existence of accounting.

With the advent of limited liability in 1844 in the UK, a desire to account and determine income came into existence. With this new need to measure income, a whole new set of discourses attempted to articulate and measure income, providing an understanding to the view that income holds the key to accounting. Income was also widely discoursed in the discipline of economics.

However it was not until 1862, that income was used in Australia to marginalise and exclude a section of society through the creation of poorhouses. In these poorhouses, the body was confined and became the object of confinement. By 1901, the
confinement of the body progressed to subtle ways of exclusion through the birth of social welfare. Social welfare adopted income as a tool, and used it to create a divided Australian society. This is how 'the poor' and poverty have come into existence in Australia.

This thesis had set out to do the following:

The thesis had presented a set of arguments as to why the application of science and the scientific method in accounting is an inappropriate method of research in accounting. With decades of research in accounting using the scientific method, accounting has no theory, no philosophy and no conclusions. The obvious reason is that accounting is a human science requiring human reasoning for it to exist, which provides the argument that accounting is a social construction and an invention.

Accounting research, with its application of the scientific methods of research, has yet to inform us. In adopting such a method, accounting has not been enriched by its theory constructions nor has accounting been able to explain or predict accounting phenomenon or practice. This is simply because science and its methods are ahistorical and do not take into consideration the two elements of time and space. History is therefore the appropriate method to use in accounting research.

Following on from the argument that history is the method most appropriate to apply to accounting research, I deliberately chose Foucault as a guide in conducting
research in accounting. A brief history of Foucault and his writings, in particular two of his earliest works, namely, *Mental Illness and Psychology (1976)* and *Madness and Civilization (1967)* are presented to sample Foucault's method. Having grasped the key elements of Foucauldian archaeology and genealogy, this thesis has attempted a rethink of accounting history.

From its earliest days, in the history of civilisation, the concept of wealth existed. However, there are no explanations as to how concepts such as wealth and poverty came to exist. How and why did they come about? From where did these concepts spring forth? I have submitted that the idea of wealth came into existence through some form of counting. When people began to count their possessions, wealth was experienced. For periods in history, this was the dominant theme which separated wealth from poverty. But in this relationship between counting, wealth and poverty, the experiences of wealth and of poverty were inclusive. The wealthy and 'the poor' mingled with each other and for centuries, an undivided society existed. In this Primitive Age, counting released the concept of wealth simultaneously with the concept of poverty, and a general poverty could be recognised.

An analysis of a summary of studies conducted in poverty have shown that all studies conducted in regard to poverty were based on income. The act of counting, and later accounting, have set the course for the existence of wealth and poverty.
Returning to accounting income and examining the concepts of income, I have argued that income is a social construct with numerous definitions of the concept of income to suit. Income is neither found in nature, nor is part of nature. It is a human construct brought into existence through discourse. Such discourses have occurred in the 'sciences' such as accounting and economics. Income had now became the new tool to be used for the creation of systematic poverty.

1844 marks the year when this entire scheme in society changed with the creation of the concept of limited liability. Limited liability requires that the liability of investors in business enterprises is only extended to and up to the amount they had invested. This allows investors to invest and not involve their personal belongings to be implicated in the event that the business failed. Limited liability however, also required that investors are no longer managers of these enterprises. The new enterprises are now managed by a team of professional managers who act as agents for investors. With the need to report back to investors within an enterprise, managers undertook to present financial statements and produce an income figure of that enterprise for a particular period. This was the beginning of the Formative Age. Prior to this, the balance sheet was the basis for determining wealth. From 1844, a new set of statements were introduced, namely, the profit and loss statement which determines income for a particular period. Income was then discoursed and debated in both the disciplines of accounting and economics.
In Australia, in 1862, concepts of the poor laws as applied in Great Britain were exercised. Income was used to subject a section of the population to the poorhouses that were constructed in Sydney and Melbourne. For the first time in Australia, the poor were confined and excluded. Income provided for systematic poverty to become a reality. I have called this period, the Iron Age as it was a period when the body was confined.

With the founding of the Federation of Australia in 1901, social welfare based its practice of the regulation and control of society through the use of income. In just short of a century, the practice of income has created a marginalised, excluded and divided Australian society. I have identified this era to be the commencement of the Transitional Age.

I have attempted to explain how a concept such as income, found in accounting is used as an mechanism for social control. It has been instrumental in creating the divides of systematic poverty and wealth. In other words, our entire experience of wealth and of poverty stems from the functioning of accounting and of income. The systematic marginalisation of the Aboriginal community and of the migrants provide evidence of the use of the yardstick of income.

In using Foucault’s method of genealogy, income, found in accounting is discoursed, constructed and becomes 'knowledge'. It is taught, and perpetuated, described and analysed, disagreed with and remains firmly rooted. Income, brought into existence
by accounting, becomes fixed as ‘knowledge’. The practice of income by a power structure such as the Department of Social Security where it is used as a mechanism of control leads to an understanding of the self as being ‘poor’.

Such an explanation is not necessarily confined to accounting alone. Society’s experience of good and ill health, of being white and black, of being producers and consumers, of being employers and employees, of being knowledgable and being in ignorance are all made possible through the practice of a profession and a ‘science’. In short, our entire experiences may be brought about by knowledge professions and the sciences.

An extension of such a study could be to conduct an archaeology of income found in Income Tax Legislation and the discourses that the Department of Taxation undertakes in the creation of income as self-enclosed truths, and provides the appearance of universality in history. A genealogy would provide the axis that is required to draw a connection between accounting income as a source of knowledge and the Department of Taxation as a mechanism of power that practices and uses income. The result of such a genealogy would be to provide an understanding of how human beings become subject to an object known as income. It will also show how income determines the taxpayer and creates the taxpayer. Fundamental to such a study is that all these experiences will be found to be the result of confinement.
Such a history of income, of its archaeology and genealogy suffers from a single view of history. In this view of history, repression, exclusion and marginalisation dominate. It is a repressive hypothesis. This thesis explains the existence of accounting, and why and how income marginalises society. In such an analysis and interpretation, new evidence may be unearthed, that may refute the findings of this interpretation.

This thesis contributes to accounting thought in that it explains that accounting is not and no longer a social science, but a human science. It has redefined accounting to be a ‘discourse about wealth’. The method of history has redefined accounting in terms of social transformations. It explains why society is the way it is, and how it has come to be. It has also explained the role of accounting, and in particular the function of income in the creation of a divided Australian society. Accounting can now be seen as a means that affects the type of world we live in.

That Golden Age that must come into existence from the undoing of professions, ‘sciences’, and power structures must also witness the unification of society and its peoples and will be the coming of age of the human race. It must also bring about a new world civilisation.


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Sunday Times, 16 February 1896.


The Economist, (1865) Vol XXIII, February 4, p. 126.


# APPENDIX 1

Table showing recipients of Pensions, Benefits and Additional Family Payment by Country of Birth. Payments made in Australia as at 30 June 1993.

<table>
<thead>
<tr>
<th>Birthplace</th>
<th>Total Pensioners</th>
<th>Total JSA, NSA, Sickness Allowance and Special Benefit Recipients</th>
<th>Additional Family Payment Total</th>
</tr>
</thead>
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<td>640,493</td>
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<tr>
<td>New Zealand</td>
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(continued next page)
Table showing recipients of Pensions, Benefits and Additional Family Payment by Country of Birth. Payments made in Australia as at 30 June 1993.

<table>
<thead>
<tr>
<th>Birthplace</th>
<th>Total Pensioners</th>
<th>Total JSA, NSA, Sickness Allowance and Special Benefit Recipients</th>
<th>Additional Family Payment Total</th>
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<td>Netherlands</td>
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<td>2 633</td>
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<td>1 163</td>
<td>740</td>
</tr>
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<td>121</td>
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<td>606</td>
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<tr>
<td>Yugoslavia (a)</td>
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<td>11 851</td>
<td>6 113</td>
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<tr>
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<td>9 990</td>
<td>4 233</td>
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<td>595 323</td>
<td>117 879</td>
<td>68 860</td>
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<td>2 571</td>
<td>1 748</td>
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<td>Kenya</td>
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<td>193</td>
<td>152</td>
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<tr>
<td>Mauritius</td>
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<td>945</td>
<td>633</td>
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<td>2 110</td>
<td>1 295</td>
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<td>Zambia/Zimbabwe</td>
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<td>406</td>
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<td>971</td>
<td>643</td>
</tr>
<tr>
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<td>1 742</td>
<td>1 257</td>
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<td>604</td>
</tr>
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<td>197</td>
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<td>2 842</td>
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<td>-</td>
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<tr>
<td>Other Stts/Central America</td>
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<td><strong>Total Number</strong></td>
<td><strong>2 443 023</strong></td>
<td><strong>963 295</strong></td>
<td><strong>810 219</strong></td>
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</table>

(a) The Department is gradually updating its country of birth data to reflect the emergence of new states from the previous Socialist Federal Republic of Yugoslavia.

(Source: Department of Social Security. Annual Report 1992-93, pp. 300-301)
Table showing Additional Family Payment - Maximum Fortnightly Payments, Income-Free Areas and Income Limits for Part-payment by Family Size and Age Group of Child.

<table>
<thead>
<tr>
<th>Number of Children in Family</th>
<th>Children Aged under 13 Years</th>
<th>Children Aged 13-15 Years</th>
<th>Children Aged 16+ Years</th>
<th>Maximum Fortnightly Payment $</th>
<th>Taxable Income Free Area $</th>
<th>Income Limit for Part-payment $</th>
</tr>
</thead>
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<tr>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td>61.90</td>
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<td>87.40</td>
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<td>-</td>
<td>2</td>
<td></td>
<td>34.00</td>
<td>20 950.00</td>
<td>22 710.00</td>
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<td>1</td>
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<td>-</td>
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</tr>
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</tr>
<tr>
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<td>28 952.80</td>
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<td>22 822.00</td>
<td>38 349.20</td>
</tr>
<tr>
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<td></td>
<td>242.80</td>
<td>22 822.00</td>
<td>35 447.60</td>
</tr>
</tbody>
</table>

* These annual income limits for additional Family Payment increase by $1 508 for sole parents. For families paying rent, the limits increase by $260 for rent of $60 a fortnight and by a further $260 for each $10 of rent above $60 a fortnight, to a maximum increase of $4 368 for fortnightly rent of $218. *

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