

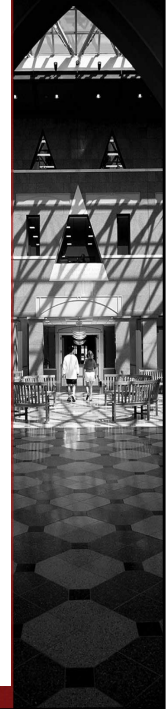
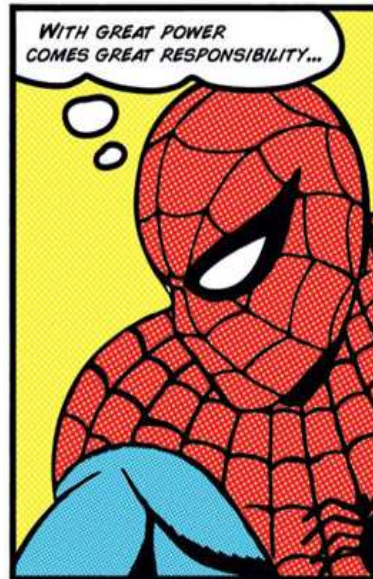


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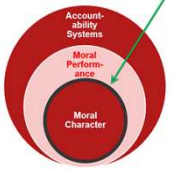


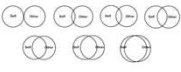
**The MAP:  
Moral Accountability Principles  
for  
Moral Accounting Engagements**

*Robert Bloomfield  
April 2021*

[blogs.cornell.edu/moralaccounting](https://blogs.cornell.edu/moralaccounting)



Good morning, or afternoon or evening, depending on where you are. This is my first public talk on moral accounting, so I'm really looking forward to hearing your comments and questions. This is very much a work in progress. I've posted these slides on my blog, and you can find a clickable link in chat.

<p>Opportunities</p> 	<p>Background &amp; Aspiration</p> 	<p>A New Perspective</p> 
<p>Morality</p> 	<p>Trolley Solutions</p> 	<p>Groups, Societies &amp; Entities</p> 

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I've split this talk up into 6 sections. Each one is pretty short, so here's how I'd like to run things. I've asked Mohammed to open up the chat, so feel free to share any questions or comments in the chat at any time, or respond to others. I won't mind at all if you are having a back-and-forth in chat while I'm talking—that's how I teach online, and it works quite well. If you want to ask a question in voice, I prefer that you wait until I've finished a section, and we'll have a Q&A after each one.

Thanks to Tamara Lambert & Marietta Peytcheva of Lehigh University  
(and many others!)



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Before I start, I want to introduce two great colleagues from Lehigh University, Tamara Lambert and Marietta Peytcheva. I really couldn't have done this project without them, and we also have some empirical research I'll be talking about later. And they may be piping up to share items from the chat when we get to each section.

# Opportunities



OK, I want to start by emphasizing the opportunities moral accounting provides. For our profession, think of this as a new line of services accountants can offer—a way to help clients address moral accountability failures. Good accountability systems hold people to a code of conduct. Large corporations have really powerful systems to do this.

## Moral Accountability Failures & Moral Accountability Engagements

Held accountable for an immoral code of conduct



Held accountable in an immoral way



But what if they fire someone for looking out for the social good, instead of focusing entirely on profit. In that case, we can say they are using their systems to enforce a code of conduct that is immoral. That's one type of accountability failure. The other is a problem with *how we hold* people accountable. For example, Amazon is in the news this week for allegations that they are forcing their workers to urinate in bottles. There's nothing immoral about a code of conduct like "be efficient at your job". But if they are punishing people for normal and unavoidable bodily functions, they are demanding the impossible, and there is something immoral about that.

Fixing these two types of accountability failure is like a mix of a Corporate Social Responsibility audit and an internal controls audit. I call it a Moral Accounting Engagement, or MAE. Like CSR audits, we're looking at the social impact of the accountability system—are they enforcing a moral code of conduct, and doing so in a moral way? But the actual process is more like an internal control audit, because we're documenting the accountability system itself, not just its impact.

## Testable Claims About Moral Accounting

MAE's are feasible.

MA accommodates almost all views of morality.

The MAP is universally accepted.

MA increases insight & reduces contentiousness.

MA renders moot many factors, including intent.

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Next are the research opportunities, and there are lots of them! I make a number of claims about moral accounting that could be tested empirically. First, I argue that a moral accounting engagement is feasible—that we can do it, and agree on the results. That's actually a host of testable claims, because every little feature of an MAE could be examined and improved.

I also claim that my conceptual framework for moral accounting is flexible enough to accommodate just about any moral framework. Along with that, I present a set of Moral Accountability Principles—the MAP—that you need to live up to if you are to hold people accountable in a moral way. And I claim that everyone will accept those principles. Those are both testable claims.

I also claim that the structure of a moral accountability engagement makes it easier for people to come to a consensus, because it focuses on accountability systems, rather than on moral character. That's testable too, and later on I'll talk about how I'm trying to test it.

Finally, I argue that we can have a comprehensive system of moral accounting without worrying about people's intentions—instead, we can just focus on what people do, and how people are held accountable. Again, that's testable.

## Q&A



# Background & Aspiration



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I see moral accounting not just as an opportunity, but as an aspiration for what accounting can and should be. I started this about a year ago. In early March 2020, my wife was scheduled to spend a week in Pittsburgh to handle a one-week day-care gap for our grandkids. As you might guess, a week stretched into 3 months, leaving me isolated in an empty house in Ithaca. That gave me a lot of time to think, while events outside gave me lots of inspiration. First the pandemic itself highlighted two fundamental questions of both ethics and accounting—what do we owe to one another, and how do we hold people accountable for their debts? Are we obligated to stay home or wear a mask when we go out? If so, how do we make that happen? Then we had the killing of George Floyd, yet another black man, by a white police officer, and the ensuing protests, which raised very similar questions. What obligations do police have to deescalate conflict? How do we hold them accountable? To me, these seemed like moral questions, but they also seemed like accounting questions.



## Hard Work: Business or Moral Imperative?



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That line of thinking led me to my first insight into moral accounting: There isn't nearly as much separation between morality and accounting as we tend to think. A big chunk of managerial accounting is dedicated to the question: how can we get people to work harder? We usually think of hard work as a business imperative, but hard work can also be a moral imperative—think of the Protestant Work Ethic. Does that change how managerial accountants should encourage hard work? I don't think it does. The same tools we use to improve business performance, we can use to improve moral performance.

Once we see this link between accounting and morality, we can be a lot more ambitious than we typically are, as researchers and as a profession, about making the world a better place with our own work. And that's my next big goal in this talk—to encourage you to be more aspirational, and to show how moral accounting itself spells out what those aspirations should be.

## Accounting Definitions that are too narrow

### Wikipedia

- Accounting or Accountancy is the measurement, processing, and communication of financial and non financial information about economic entities, such as businesses and corporations....
- The terms "accounting" and "financial reporting" are often used as synonyms.

Our first step is to define traditional accounting. Most definitions don't seem very satisfying. This one from Wikipedia is typical, because it views accounting and financial reporting as synonyms. So they exclude tying reports to incentives, or implementing internal controls. So to me it's way too narrow.

Also too narrow!

**REJECTED**

Editors and reviewers seem to adopt overly narrow definitions as well—we might not know what they are, but we know they are narrow when they reject research because it “isn’t accounting”. That’s what happened to Ball and Brown 1968 at *The Accounting Review*, and I bet many of you have a story like that. I know I do. But my favorite story is about a paper that actually got published. Christiansen, Floyd, Yao Liu and Maffett ([2017](#)) presented work at the JAE conference, showing that mining safety incidents were reduced by a provision in Dodd-Frank requiring firms to disclose them in Form 10-K. Of course you had the usual concerns about causality and robustness. But a lot of the conversation was: Is this really accounting? Why should we care?

Think about this for a minute. Here’s a paper literally showing that we can save lives with a minor addition to what is included in the most central accounting report in the US—a corporation’s annual report. And for a lot of people, their big concern is whether this should fall in our domain? And people wonder why accounting research gets ignored? We can aspire to more than this, right?

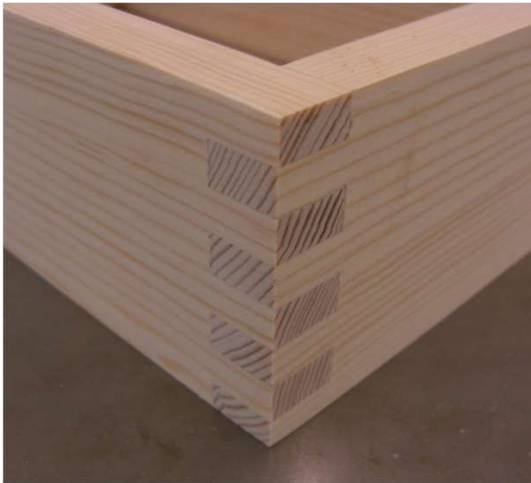
Too Vague



“Accounting  
is what  
Accountants  
do”

Now at the other extreme we have definitions of accounting that are too broad, like Anthony Hopwood’s, which basically amounts to “accounting is what accountants do”. But that’s not very helpful either. Sure, accounting changes all of the time, and we want to avoid ruling out what accountants might do tomorrow. But we need some sort of boundary. You know, accountants very often become Deans—look at Srikant Datar, Mark Nelson, Doug Shackelford, Frank Hodge—but that doesn’t mean Deaning is Accounting

Just right!



### What we make:

- Accountability systems
- Webs of reports, incentives & controls

### Our purpose

- To improve behavior

### Our skills

- Look at our curriculum!

But Hopwood gives us a really helpful starting point, which is that accounting isn't a science, or an art, or a theory, it's a craft—it involves *making* something that has a *practical purpose*, and that requires *skill*. Hopwood sort of throws up his hands at that point, saying that the craft has “no essence”, but I think we can do better than that. The things we make are accountability systems: webs of reports, incentives and controls that shape performance. Reports offer information; incentives tie reports to reward and punishment. And controls make things easier or harder. And the practical goal is to improve performance according to some code of conduct—something that spells out good and bad performance. Our systems change, and so do our codes of conduct. But we are still crafting accountability systems to improve performance.

## Traditional accounting with two aspirations

- Performance is defined according to a moral code
- People are held accountable in a moral way

OK, now let's define moral accounting. Again, this is a matter of aspiration. If we are crafting accountability systems to improve performance, what are we hoping for? Moral accounting give us two goals. First, the code of conduct we use to define good and bad performance must be a moral one. And second, the accountability system has to hold people accountable in a moral way. These two requirements should seem familiar—they're what prevent the two types of accountability failures I mentioned before.



Now I want emphasize that this project is specifically about the aspirations of accountants, and accounting itself. So I've tried very hard to derive everything, as much as possible, from accounting. I don't just want to say "hey fellow accountants, let's do better...so here's a bunch of insights from psychology, or philosophy, or political science, or whatever, that we can use." No, my point is that we can use accounting itself to do a lot more good than we are currently doing.

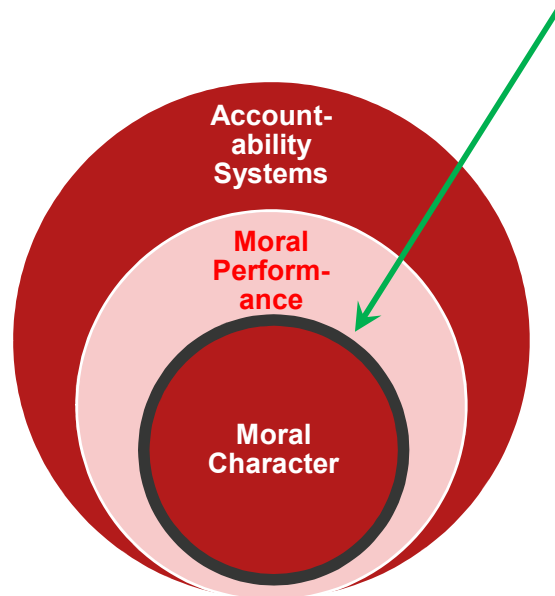
So my methods, and my sources, are very much accounting through and through. And you can see this in the structure of the paper. Once I've defined traditional and moral accounting, I introduce the notion of a Moral Accounting Engagement, which is much like any other accounting engagement, but it's designed to evaluate whether a client is holding people accountable for their moral performance, not just their business performance, and whether they are doing so in a moral way. Then I offer a conceptual framework and a bunch of principles, much like you see from FASB, GASB, IMA, or whatever. And for all of it, I've tried to do as little new as possible. So what you'll be seeing today are the most minimal tweaks to familiar accounting concepts and principles, changed just enough to accommodate moral issues, rather than just business issues.

## Q&A





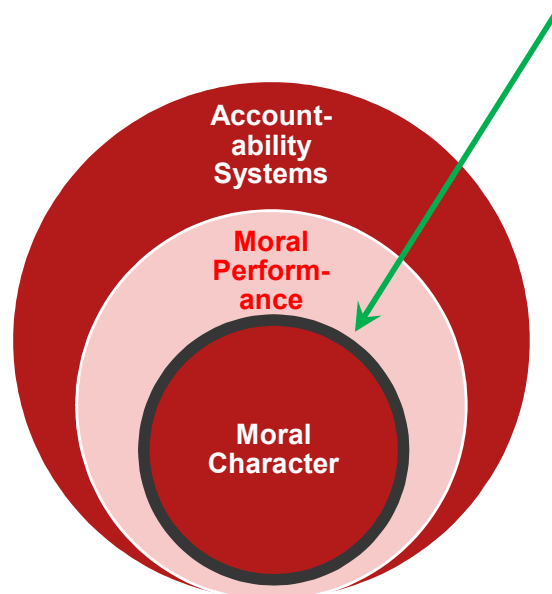
# A New Perspective



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Now I want to turn to one of my big empirical claims about moral accounting engagements, and one that offers a lot of opportunities for testing. Moral accounting isn't the only field that tries to improve moral performance. But it's distinctive because it works from the outside in, as I've shown it in this diagram, starting with the accountability systems that shape behavior, and largely ignoring, or at least deferring, discussions of moral character.

## System-first (or “outside-in”)



That’s more or less the opposite of everyday moral intuition. People are very quick to see moral performance as a matter of character, falling into what psychologists call the Fundamental Attribution Error—they never even think about the outside circle. The notable exception is that when they themselves behave badly, they’ll blame it on their situation. Academic psychologists increasingly adopt a view called “situationism”, which says that moral performance—good and bad, ours and other peoples—is shaped more by situation than character. But when they talk about accountability, they don’t talk about accountability systems—the reports, incentives and controls that actually create the situations people are in. For psychologists, accountability is a mental state of feeling like others are paying attention to what you do, and you might need to explain yourself. So they still aren’t taking an outside-in approach.

Moral philosophers also take an inside-out approach, especially the virtue ethicists, who see character as the primary driver of moral performance. But even the ones who reject that view don’t talk much about accountability. They start in the middle, arguing about what constitutes moral performance, and since everyone disagrees, they bog down there, and never get to the question: how do we hold people accountable?



In contrast, moral accounting starts with accountability systems. The first goal of a Moral Accountability Engagement is to infer the code of conduct that is implied by an accountability system. Moral character, and even moral performance, come in only as small elements. To see what I mean, imagine our client is The Accounting Review, and we're trying to improve the moral aspects of publication. So we're concerned about things like authors cherry-picking results to highlight, rewriting hypotheses after they know their results, or even fabricating data. Everyday intuition leads a lot of people to start right in talking about how academics are so dishonest or corruptible. But an MAE starts by saying: how is TAR holding authors accountable for their performance. What does their editorial system imply about what conduct is good and bad. And the answer is, there is very little in the system suggesting that it's bad to cherry pick, rewrite hypotheses, or even fabricate data. Authors don't need to report all of their analyses, or the evolution of their hypotheses, or even share their data.

- **Accounting Professor Who Specialized in Ethics Cheated on Lots of His Papers**



## CASH HANDLING:

SEGREGATION OF DUTIES

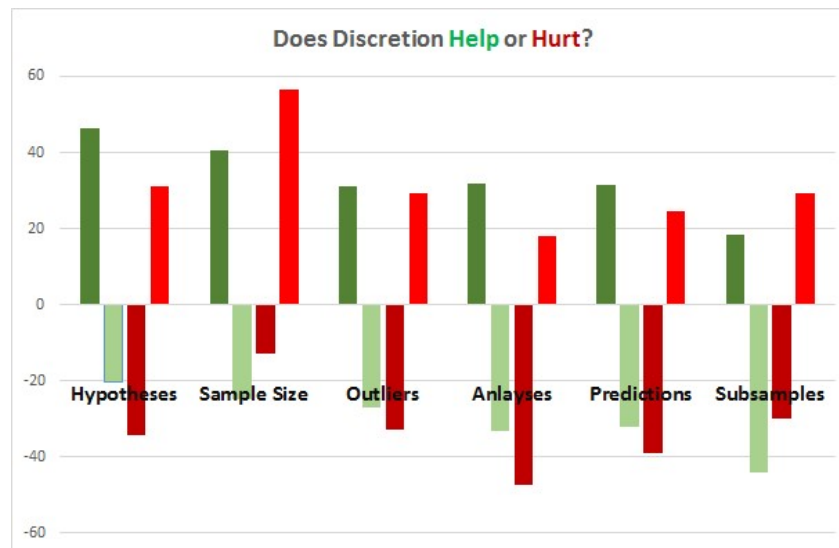


Now we can't stop there and say it's all the fault of the editorial system—that's just one part of the whole accountability system. You really have to look at the full accountability network, which includes authors and readers. Someone figured out that a paper by Jim Hunton couldn't possibly be legit, because there weren't as many audit offices in the US as his paper claimed. The paper ended up being retracted, but then everyone started combing through Hunton's other papers, and over 30 of them ended up being retracted.

You also need to think about the accountability systems authors use with one another. One of the reasons Hunton could fabricate data for so many papers is that he controlled all aspects of data gathering, from the email list for soliciting subjects to the excel file that had the final data. There was basically no separation of duties. But what if we treated data more like accountants treat cash handling? If Hunton provided the emails to a coauthor who collected the data, or sent the original data to a coauthor to put into excel, his schemes would have been way harder to pull off.

Now, we haven't said anything about anyone's character, which should defuse some of the tension around these issues. But we can talk about it indirectly—if our system lacks the features that would reduce some type of behavior, but it's still rare, people might have strong internal forces preventing them from doing it. But that's about it.

## What do our colleagues think about discretion?



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And note we also haven't talked much about whether cherry-picking and revising hypotheses are bad things to do. This turns out to be a pretty contentious issue itself. If you look at my paper "No System is Perfect" on SSRN, you'll see a lot of people think cherry-picking is a good way to get the most from your data, and revision hypotheses is good way to write a clear paper. But in the MAE, we've put that debate off to end. We don't have to decide what is good and bad before determining whether the accountability system and network *imply* it is good or bad. So we don't have to get bogged down in moral debate before we ask how we might change the accountability system.



## Moral Accounting Working Group

Holding people morally accountable in a moral way



### MORAL ACCOUNTING ENGAGEMENTS

# FAQs on Pilot MAEs

By [rjb9@cornell.edu](mailto:rjb9@cornell.edu) April 1, 2021 No Comments

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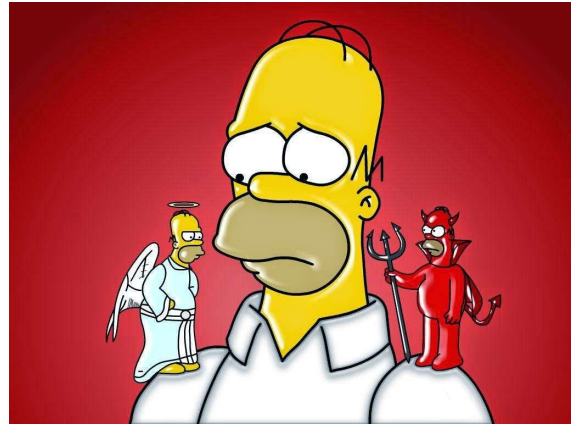
There's a lot more work to do spelling out exactly how to conduct a moral accountability engagement. Right now the challenge is coming up with feasible pilot studies. Just yesterday I wrote a post about this on the Moral Accounting Working Group site. For now I'll just say that a first step could be as simple as giving people a case study to figure out why some organization did things that were widely acknowledged as immoral, and manipulate whether or not they also have a engagement plan, or what that plan looks like.

If you are interested in this type of work, let me know.

## Q&A



# Morality



OK, now let's talk about morality. One of the tricky aspects of moral accounting is that I don't want to claim that accountants are experts on what is moral. We need to rely on people who are experts on the topic. But this is familiar territory for us. Accountants aren't experts on what it takes to run a successful business—that's what businesspeople do. We work with them by imposing some structure on how we talk about business performance, to make sure that it works well with the accountability systems we are expert in. So I want to impose some similar structure on moral performance, and here it is: **We are all stewards acting on behalf of our society.** This doesn't demand one particular moral view over another.





Pure moral subjectivists reject “the sheer size of morality”, and condemn themselves to “a state where, although intelligence can still function, there is no sense of community with others, **no shared wishes, principles, aspirations or ideals**, no mutual trust or fellowship outside, no preferred set of concepts, nothing agreed on as important”. (Midgely 1993, p. 10).

Well, there is one moral view this doesn't accommodate, which philosophers call pure moral subjectivism. That's the idea that everyone's morality is entirely their own, and no one can tell anyone else what they should or shouldn't do. Ayn Rand's philosophy is one of the more famous examples. I'm not too worried about the moral subjectivists, for several reasons. First, they basically reject the notion of moral accountability in the first place, so I'm never going to win them over. Second, and related, this is a very extreme view. The late Mary Midgely wrote a withering critique of subjectivism, arguing that they allow for **no shared wishes, principles, aspirations or ideals**. She also points out that there really aren't any pure moral subjectivists, because as soon as they say “you should be a subjectivist”, they reject their own cause.

## Moral Bookkeeping 101: Everyone is a steward acting on behalf of society

Moral Balance Sheet	
Assets	Claims
Civil & Property Rights	Specific Liabilities
Personal Capacities	Restrictions
Decision-Making Authorities	Social Debts
Powers to Influence	General Obligations
<b>Total Assets</b>	<b>Total Claims</b>

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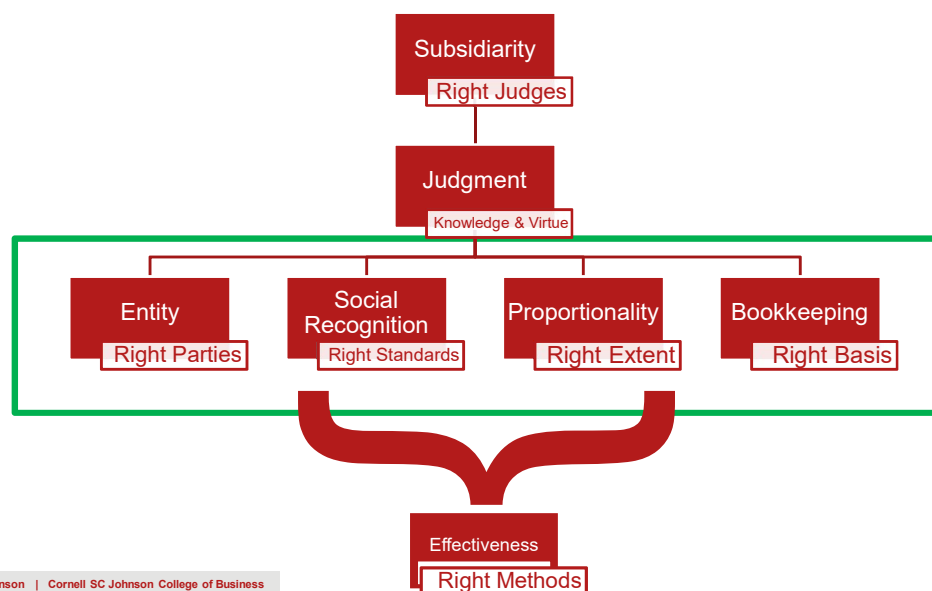
The other great thing about the stewardship view is that it fits so well with the accounting we already know so well. If we want to analyze someone's moral performance, we can ask pretty much the same questions as in traditional accounting: how did they use the assets society entrusted to them—their rights, capacities, authorities and influence? And are they living up to their obligations—liabilities to do certain things, restrictions against doing others, paying debts to society for past misbehavior? Are they using the assets left over to serve society? This last part makes moral bookkeeping like non-profit bookkeeping. In for-profit accounting, net assets become equity, and you can do whatever you want with it. But if you are a steward, who's going to think it's moral to use your excess wealth to buy up COVID vaccines and burn them in a parking lot? Instead, net assets are balanced by a general obligation to serve society, just like in a nonprofit they have an obligation to fulfill their mission.

## Moral Bookkeeping 101: Everyone is a steward acting on behalf of society

Statement of Moral Activities
Moral Revenue
<Costs of Revenue>
<Social Debts Incurred>
Gains
<Losses>
<u>Net Moral Activity</u>

We can also create a moral income statement—or, since a steward is a non-profit, a statement of moral activities. Moral revenue, like financial revenue, is what we get from living up to our ongoing and central obligations to the people who count on us most—our customers. Revenue comes with costs, either because we’ve used up assets or incurred more obligations, and we also have moral gains and losses from incidental activities. I walk through these financial statements to underscore the big point, which is that moral accounting isn’t that different from traditional accounting. We can analyze these books to evaluate moral stewardship just like we’d do for financial stewardship. And I still haven’t said anything that embraces one moral perspective over another, because I haven’t yet said what exactly our obligations are.

# The MAP



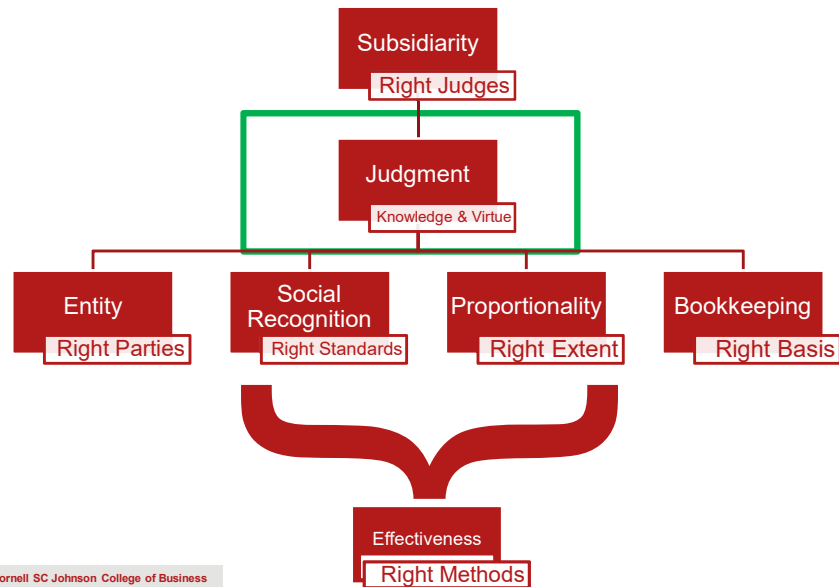
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So now let's talk about the MAP, a set of 7 Moral Accountability Principles that, if upheld, guarantee that people are held morally accountable in a moral way. Think about something controversial, like prosecutions and other sanctions related to the killing George Floyd. We may disagree on a lot of things about this, but I'm pretty sure we can agree on seven points. I'll start with the four in the middle.

First, we should hold the right people accountable, and hold them accountable under the right standards. We should hold them accountable to the right extent, and on the right basis, by which I mean our response should reflect the assets they had to work with, and the obligations they faced. If anyone wants to argue we should hold the wrong parties accountable, under the wrong standards, to the wrong extent, on the wrong basis or under the wrong standards, now would be a good time to speak up.

If you think these are just word games, that I've somehow framed this strategically in a way that makes them hard to disagree with, I say 'you bet'. That's exactly why accountants settled on principles defining reporting entities, recognition, proportionality, and bookkeeping—so that we can debate principles and application, rather than just engaging in a power struggle.

# The MAP

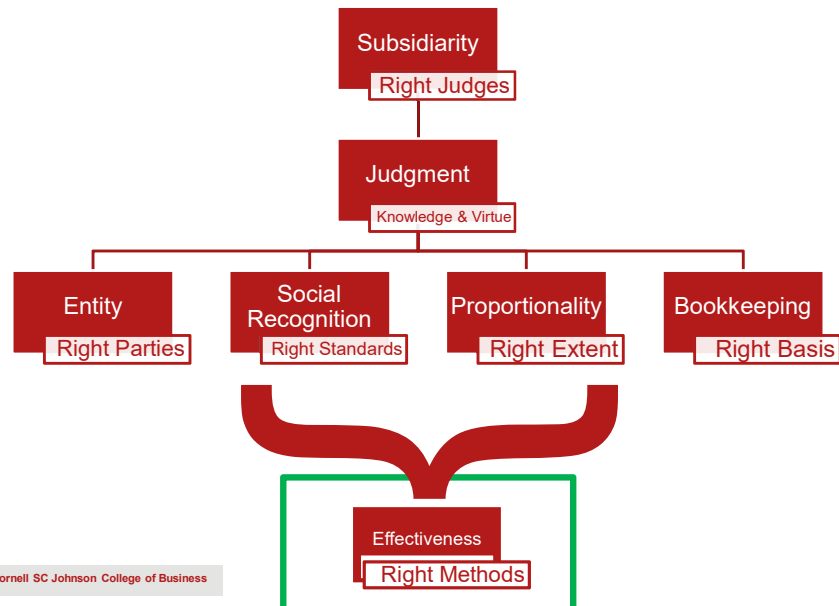


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Now, how do you make sure these four principles in the middle of the MAP are upheld? You need to exercise good judgment, which if you look across a range of standards, boil down to a mix of having good knowledge, like you would get by conducting a good analytical review, and gathering data from well-planned substantive testing, and by demonstrating what I will call the accounting virtues—expertise, independence, professional skepticism, and so on. These are just basic auditing principles, and I just don't think many people are going to say 'we should hold people accountable with poor judgment!'

Now for some people, it just isn't feasible for them to be knowledgeable, expert, or independent, or it might just be that no one trusts them to be so. So we also need parties to be held accountable **by** the right people. This is basically a decentralization principle—give the job to the people in the best position to do it well. I follow the political scientists by calling it Subsidiarity.







# The MAP



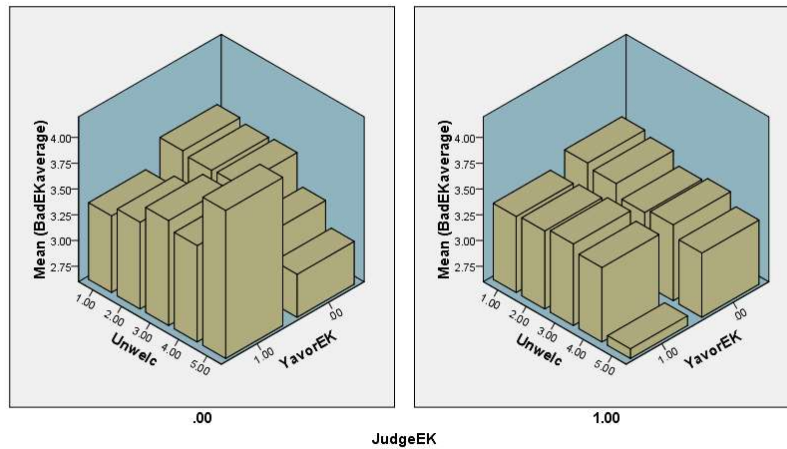
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Finally, we get to the principle of effectiveness. Accountability sounds like it means punishment, but it's more forward looking than that. In accounting, moral or otherwise, we want to encourage good performance and discourage bad performance. If you get the other six principles right, you are well on your way to effectiveness—if people know they will be held accountable well, they will behave well. Again, I'm not saying we will all agree on how these principles apply to the killing of George Floyd. But again, if you want to argue we should hold people accountable with bad judgment, or by the wrong people, or in an ineffective way, now's the moment to speak up.

## Morality as Cooperation (MAC)

	<b>Kinship</b>	<ul style="list-style-type: none"> <li>•special obligation to kin</li> <li>•the duties of parents to children</li> </ul>	<i>Blood is thicker than water</i>
	<b>Mutualism</b>	<ul style="list-style-type: none"> <li>•loyalty</li> <li>•teamwork</li> <li>•conformity</li> </ul>	<i>United we stand, divided we fall</i>
	<b>Exchange</b>	<ul style="list-style-type: none"> <li>•reciprocity</li> <li>•guilt</li> <li>•forgiveness</li> </ul>	<i>One good turn deserves another</i>
	<b>Hawk</b>	<ul style="list-style-type: none"> <li>•bravery</li> <li>•generosity</li> <li>•noblesse oblige</li> </ul>	<i>With great power comes great responsibility</i>
	<b>Dove</b>	<ul style="list-style-type: none"> <li>•respect</li> <li>•deference &amp; obedience</li> <li>•humility</li> </ul>	<i>Blessed are the meek</i>
	<b>Division</b>	<ul style="list-style-type: none"> <li>•fairness</li> <li>•equity</li> <li>•compromise</li> </ul>	<i>Let's meet in the middle</i>
	<b>Possession</b>	<ul style="list-style-type: none"> <li>•property rights</li> <li>•territory</li> <li>•prohibition of theft</li> </ul>	<i>Possession is nine-tenths of the law</i>

I'm not the only one to claim I have found some universal moral principles. Oliver Curry, an anthropologist, also has a set, which he derived from the biology of cooperation. He's also tested their universality by using a database compiled by Yale, called HRAF. It documents the norms and practices of 60 cultures around the world, which are pretty well-understood and independent from one another. Curry shows that basically every culture supports his principles and none oppose them. Tamara, Marietta and I have been looking into doing something similar for the MAP. This is a big project, because it involves coding thousands of documents. If you are interested in collaborating, please let me know.



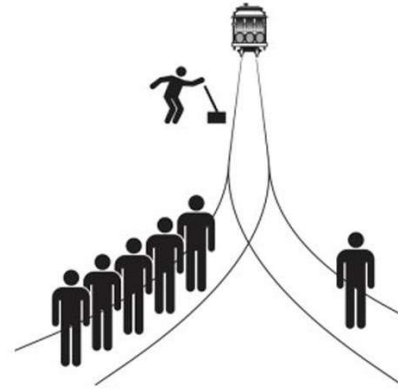
I also want to share some data showing indirectly that the MAP lends itself to more universal thinking. Tamara Lambert, Marietta Peytcheva and I presented 7 scenarios to a representative sample of 1000 US residents. Each scenario involved someone cooking fish in an office kitchen. For half the respondents, the person behaving badly was named Tom, a familiar American name. But for the other half they were named Yavor, a distinctly foreign name. Our thought was that those who don't feel kindly toward foreigners would view Yavor as behaving worse than Tom. But we also manipulated whether the role Tom or Yavor was playing. For half of the subjects, the bad action was bad stewardship--someone actually smelling the place up by cooking fish. For the others, the bad action was bad governance--smelling the place up by doing a bad job holding someone else accountable. What we found was people who, by other measures, didn't feel kindly toward foreigners did indeed see Yavor as behaving worse than Tom, when the problem was bad stewardship. But when the problem was bad governance, that bias went away. So this is some early evidence that bias doesn't contaminate evaluations of accountability so much, compared to evaluations of stewardship. We're now planning a follow-up to see if it's happening for the reason we think, which is that when people evaluate stewardship they focus on character, while when they evaluate governance they focus on systems.



## Q&A

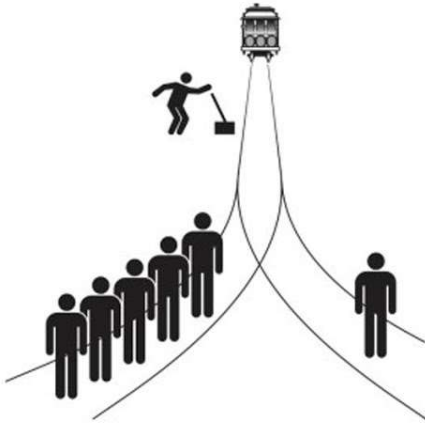


# Trolley Solutions



Now, I want to apply moral accounting to Philippa Foot's famous trolley problem. This simple thought experiment has stumped moral philosophers for decades, and entertained the public, even being featured on the TV show *The Good Place*. I'm going to argue that, to a moral accountant, the trolley problem is actually pretty straightforward.

## Illustration: The Trolley Problem



### Case 1

- If Joe does nothing, 5 people die
- If Joe pulls the switch, 1 person dies

### Case 2

- If Joe does nothing, 1 person dies
- If he pulls the switch, 5 people die

There are many versions of the trolley problem, but here's the simplest one. A runaway trolley car is barreling down a track with 5 people on it. Someone, let's call him Joe, is manning a switch that can divert the trolley on to another track. If Joe does nothing, 5 people die. If he pulls the switch, 1 person dies. Most of the time people pose the trolley problem, they ask "What should Joe do?" Moral accounting changes our focus to "How should we hold Joe morally accountable for this action?" Do we reward him for pulling the switch and punish him for doing nothing? Or should it be the other way around?

## Joe's Moral Books

### Assets

- Ability to throw the switch (or not)

### Claims

- Save 5 Lives
- Save 1 Life
- Don't Kill anyone

The MAP forces us to hold Joe accountable in proportion to moral performance, and to evaluate that performance using the right basis—Joe's moral books. So let's look at Joe's moral balance sheet.

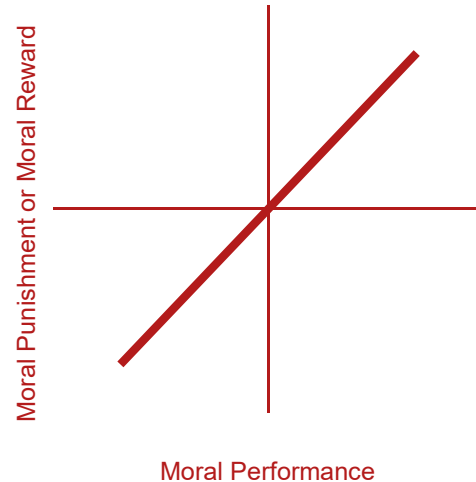
In the trolley problem, Joe has one asset: the ability to throw the switch, or not. That asset is balanced by two liabilities: He has an obligation to save 1 life, and another obligation to save 5 lives. If that were it, the trolley problem wouldn't be so famous. Its fame comes from the fact that many people think Joe's asset comes with a restriction: he can't use the switch to kill anyone.

So for the moral *philosopher*, it's hard to know what Joe should do. Should he abide by the restriction to not kill anyone, but allow 4 extra people to die? Or should he save 4 lives, but also use the switch to kill someone?

## Proportionality Principle

Judge Joe in proportion to his moral performance

- Did he make good use of his assets?
- Did he live up to his claims?



But for the moral accountant, this is a much easier problem, because the MAP forces accountability to be proportional to performance, and whatever Joe does, his performance as a steward hardly changes. Joe has almost no assets—all he can do is flip a switch. But he has two big and pressing liabilities for sure, and he can't live up to both of them. And he also has the restriction not to pull the lever to kill someone. However we prioritize these claims, there won't be any assets left over to be balanced by general obligations—in fact, that account would need to go negative.

## Joe's Moral Books (Reorganized)

### Assets

- Ability to throw the switch (or not)

### Claims

- Save 5 Lives
- ~~Save 1 Life~~
- ~~Don't Kill anyone~~

In traditional accounting when a firm is in a situation like this, we reprioritize all of the claims: which ones should Joe actually settle? And then we write down the value of the ones that won't be settled. And that's what we do in moral accounting as well. Now we might disagree on which claim gets priority—maybe Joe should save more lives, or maybe he should abide by the restriction not to kill. But either way, we can't reward or punish Joe much at all based on his moral performance, if we want to be moral ourselves. Sure, it's a life-and-death situation. But with almost no assets, and 3 pressing claims, who could possibly perform well in that situation.? So the MAP analysis supports many critics of the Trolley problem. To quote an article by Rennix and Robinson, "If I am forced against my will into a situation where people will die, and I have no ability to stop it, how is my choice a "moral" choice between meaningfully different options, as opposed to a horror show I've just been thrust into, in which I have no meaningful agency at all?"

<https://editor.currentaffairs.org/2017/11/the-trolley-problem-will-tell-you-nothing-useful-about-morality/>

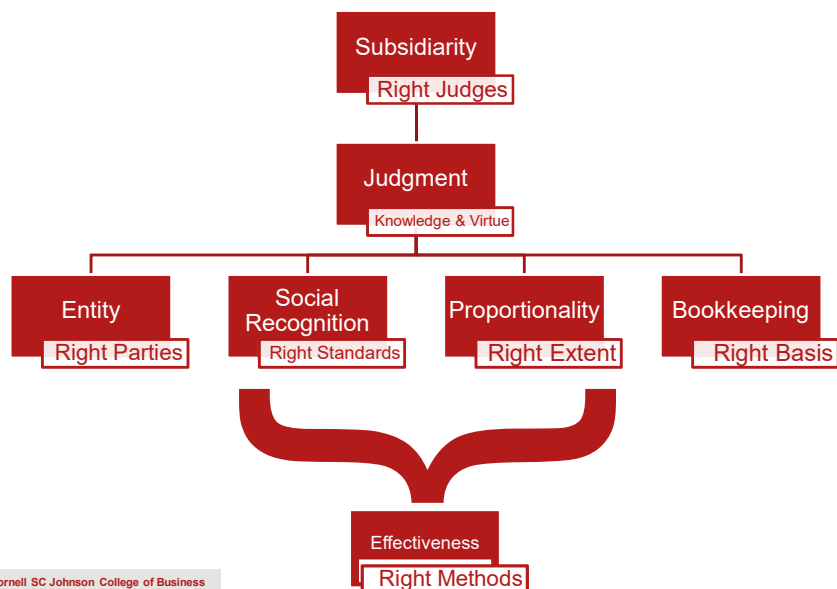
**Reports** that would warn people a trolley is coming, and warn the trolley driver there were people on the track

**Incentives** that would reward and punish people well in advance if they were risking a horrible situation like this

**Controls** that would make it hard for people to get stuck on the tracks, and easy to stop or divert the train quickly.

So what do we do now? Well, remember, our real focus is on judging the morality of accountability systems, not on judging Joe. So we have a whole host of questions we can ask now about accountability system that put him in this horror show in the first place. Why didn't someone create reports that would warn people a trolley was coming, and warn the trolley driver there were people on the tracks? Why didn't they create incentives that would punish people for being on the tracks, and reward maintenance staff for keeping the trolley's brakes working? Why didn't they have controls that would make it hard for people to get on the tracks when trolleys are coming, and easy for the driver to avoid them?

# The MAP



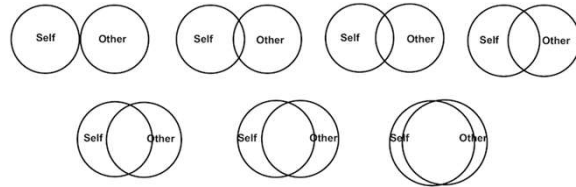
Now you might say that I'm giving up on the trolley problem, and dealing with a different and easier one. But that's the way moral accounting works—it focuses us on the systems that encourage good behavior and discourage bad behavior. That's how we make the world a better place. We might face some new tough ethical questions—maybe we have lousy reports, incentives and controls because someone was willing to risk lives to save some money. But it might simply be that someone didn't know how to design an effective accountability system. And that's a moral failing, and a big one. Even if we all agree on what's good and what's bad, we still need to be good accountants to make the world a better place.



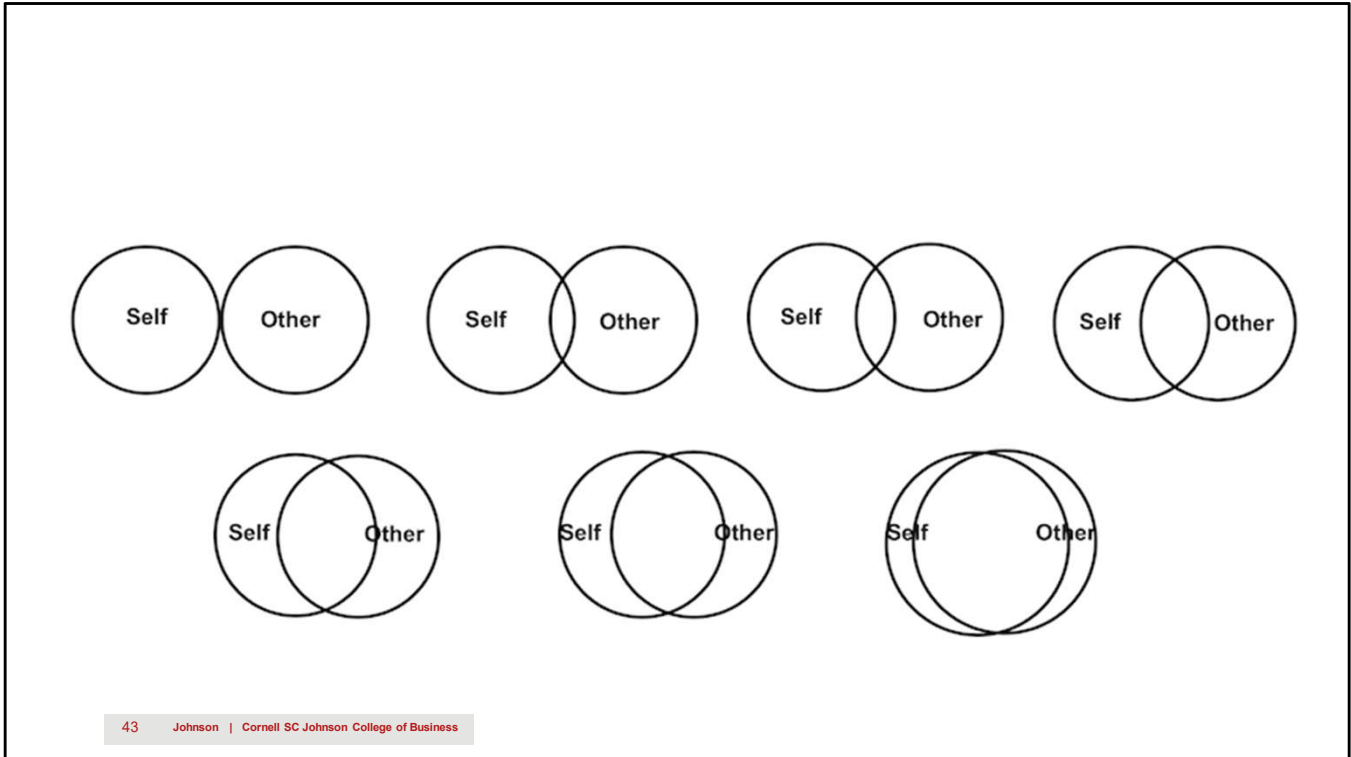
## Q&A



# Groups, Societies & Entities



I want to close by talking about some of the trickiest issues in moral accounting—that the world is divided into groups, societies and entities. This causes no end of conflict and confusion, in the real world and in moral accounting.



A group is just a collection of people that share some common feature. Psychologists measure group identities using the Interconnectedness of Self and Other scale, or the IOS. You show someone an image like this, and tell them “ok, this time the “other” refers to “women”, or “Sikhs,” or “immigrants” or “left-handed people”, and ask them to choose the pair of circles that best captures their relationship to that particular group. If someone chooses the pair that isn’t overlapping at all, they see themselves as very different; if they choose the mostly overlapping ones, they see themselves as similar and connected. There’s a very interesting tweak to the IOS, which asks not about relationship or connectedness, but about communal coping, whether a problem is “our problem” or your own and their own problem.

<https://journals.sagepub.com/doi/abs/10.1177/0265407519848491>

## Moral Bookkeeping 101: Everyone is a steward acting on behalf of society

Moral Balance Sheet	
Assets	Claims
Civil & Property Rights	Specific Liabilities
Personal Capacities	Restrictions
Decision-Making Authorities	Social Debts
Powers to Influence	General Obligations
<b>Total Assets</b>	<b>Total Claims</b>

That communal coping idea is a useful one for talking about society. A society is a group of people who share a common mission. So for example, this Zoom room is a group, because we share the feature that we're all here. And we are also a society, of a rather minimal sort, because we share the mission of wanting to have a productive conversation about accounting. That's enough of a shared mission to create some social recognition standards about who has what assets and what obligations come with those assets. I've been given a lot of assets here—the power to share my screen and hold the floor. That comes with the obligation to deliver a good talk. You have the power to unmute and speak up, or write in the chat, but that comes with the obligation to say something productive. This is the heart of the Social Recognition Principle, which says that it is this society, not me, and not you, who determines who has what assets and obligations.

Don't look at this slide,  
look at the Zoom gallery!

But we are also members of other societies. My host, and presumably many of you, are part of Egyptian society, which imposes its own obligations, and some of those are quite different from the obligations imposed by American society. Many of us are part of religious societies that impose yet other obligations. So while the MAP is universal, it's application has to be local, and we'll always have the problem of convergence, as FASB and the IASB call it, when people from different societies come together, even temporarily.



An accountable entity is a group of parties connected by an internal accountability system that shapes the performance being evaluated.

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We also have a lot of groups represented here that do not constitute societies—they just reflect shared features, not shared missions. And all too often, people are held accountable differently based on the group they belong to. I say “too often” because this violates the Entity Principle. Just like the entity principle in financial reporting, this one rests on the power to direct activities. We can hold a group accountable if they are connected by an internal accountability system that shapes the performance being evaluated. So for example, we can’t hold all left-handed people accountable as a group, because we left-handers don’t have an accountability system that directs our collective behavior. But if a group of people form the Left-Hander’s Advocacy Group, we can hold them accountable as a group because an organization like that will surely have an internal accountability system. We might even hold one person accountable for the Advocacy Group’s behavior, if they had a direct hand in shaping the group’s behavior.

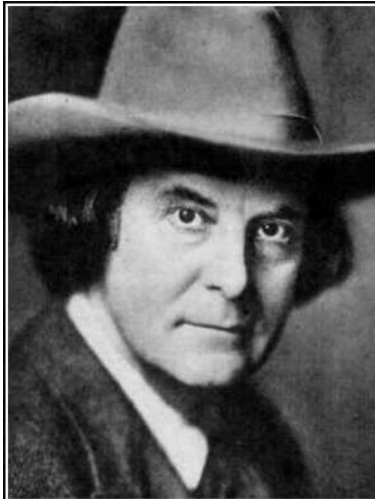


I want to close this last section by circling back to my early call for aspiration, and put some limits on what we can aspire to, at least in the short run. While the principles of the MAP are universal, I argue, their application must be local—they must be specific to a particular society. And different societies treat groups in very different ways when it comes to recognizing assets and obligations. I've been diving in to the Yale's cross-cultural HRAF database, and you can see this very easily. In one society, women are given the power to find another husband if their own doesn't provide them with enough salt. In another society, women are effectively slaves, first of their fathers, and then of their husbands. What does this mean for moral accounting?



Moral philosophers often argue about moral relativism. Could it actually be moral to treat women as slaves in one society, but treat them as free in another? Some say this fine, but others say there is one morality out there, we just need to figure out what it is. What does moral accounting say? I'm still struggling with this one, but I think the best way to think of it is that moral accounting is not relativist, it is simply local. Accountants have no expertise to say that one society is more moral than another, and even if we did, what society is going to listen to us? This is actually built into the Subsidiarity Principle, which says that if you can't uphold the other principles of the MAP as well as someone else, let someone else handle accountability. And I think that's what we need to do. We don't have the judgment to evaluate whether women in some society should be allowed to own property or have other powers. Instead, we have to limit ourselves to documenting the social recognition standards that society actually has.





The sculptor produces the beautiful statue by chipping away such parts of the marble block as are not needed - it is a process of elimination.

— *Elbert Hubbard* —

AZ QUOTES

But we still have a lot of power to a society a bit more moral, even if we disagree with their social recognition standards. This goes back to that outside-in approach. Maybe we think some society is immoral for keeping assets out of some groups hands, or for viewing execution as proportional for offenses that seem minor to us. But it's not the job of the moral accountant to change that—that's a more activist role. Instead, moral accountants need to rely on the fact that even that society will think that the right people should be held accountable, under the right standards, to the right extent, and so on through the MAP. So like a sculptor, we can chip away at the edges of immorality, and make sure people are held accountable in a moral way, even if we disagree with a societies moral code or social recognition standards.

## Q&A



I could go on forever, but I'll just stop here and open the floor for questions.