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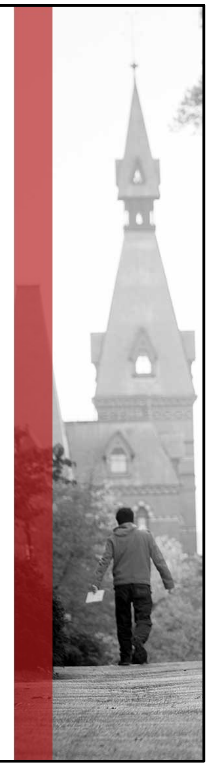
Moral Accounting & Moral Progress

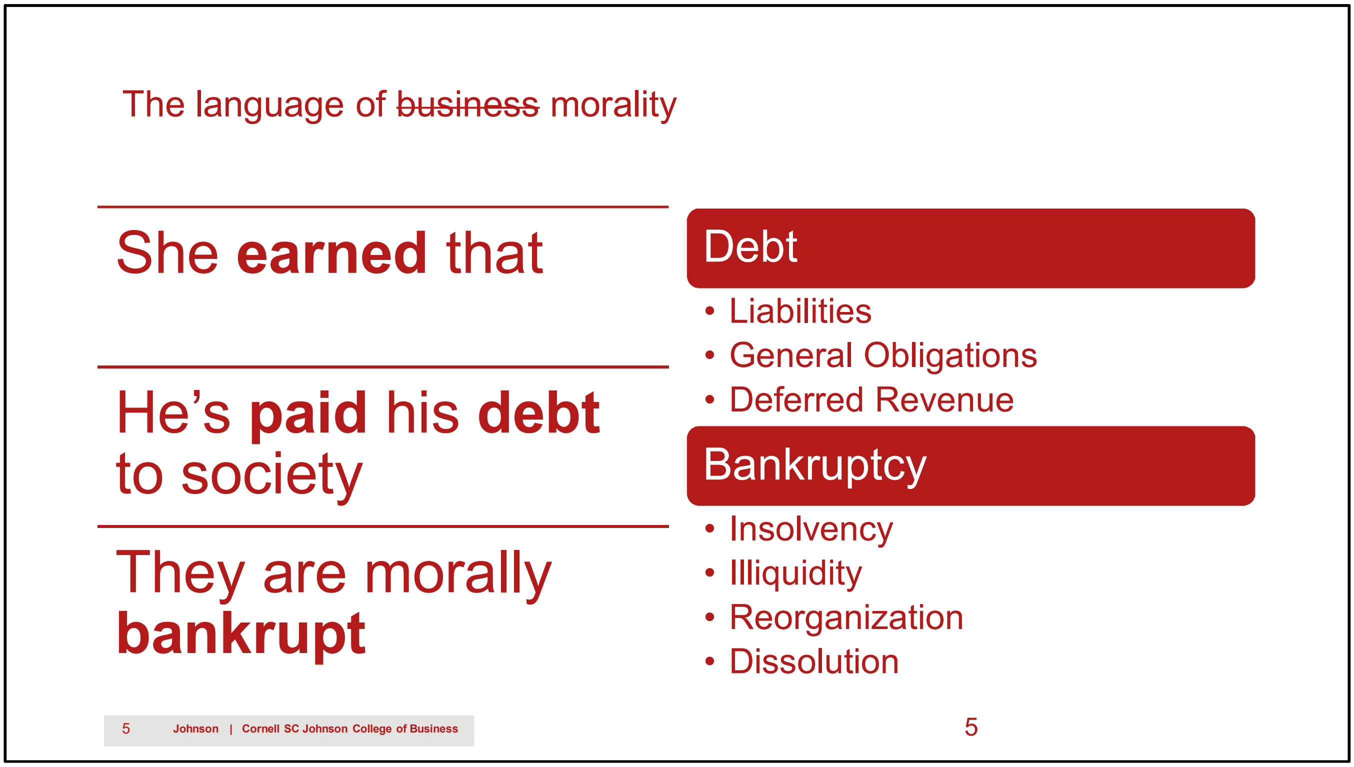
Robert Bloomfield
September 2021



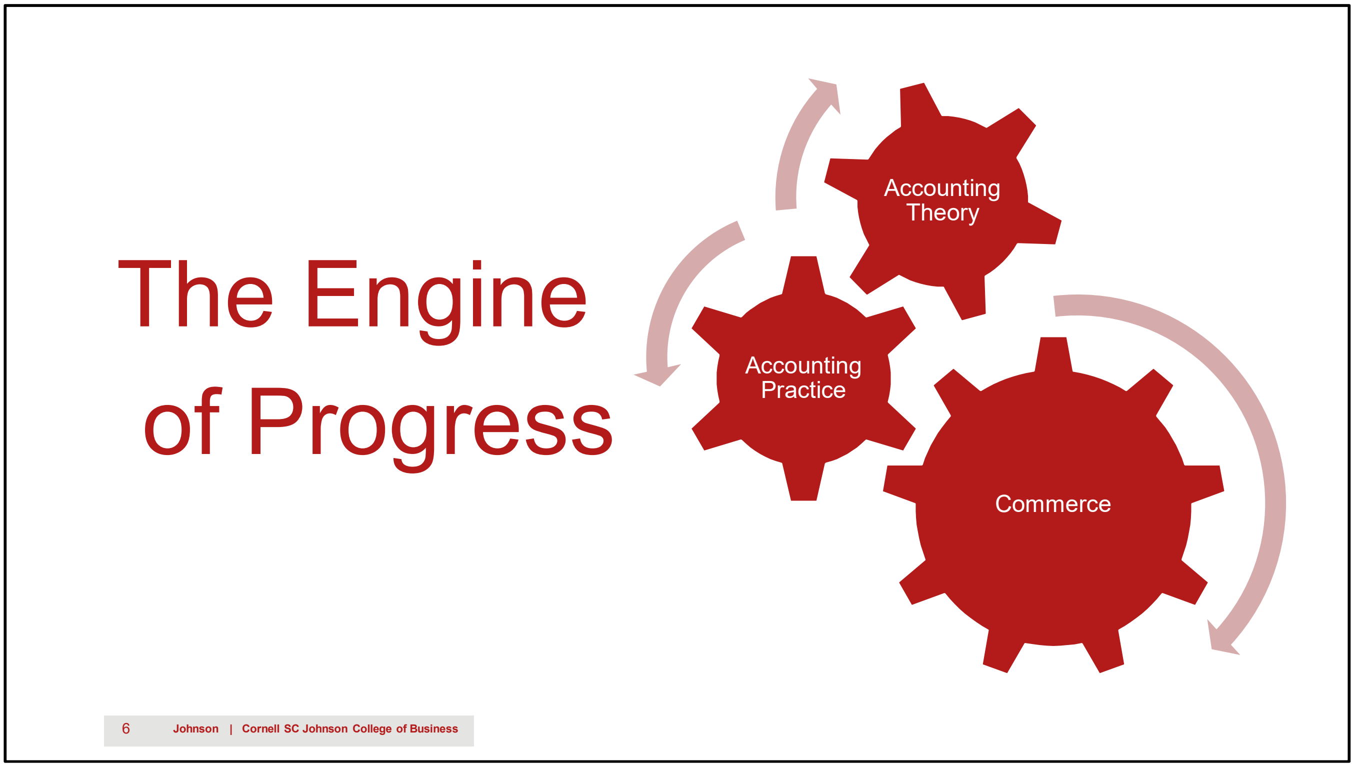
Hi. My name is Rob and… I'm an accountant. I can admit that now. For the past 30 years, I've been in denial. Like my accounting colleagues in academia, I've drawn my theories from economics, and psychology, and linguistics and philosophy. And I've been a taker, never a giver—I've hardly published anything that scholars in those fields found worthy of a citation. But the pandemic gave me the time and motivation to take stock of my academic life, and admit: I am an accountant, and it's time to make amends. To give back to the fields I've taken so much from. That's what I'm here to do today.

I'm going to show you that moral progress *is* possible, and accountants have the best tools to make it happen. Accounting practice helps us hold people morally accountable in a moral way, which is the best way to improve moral performance. And accounting theory helps us refine our moral intuition, which I'll show by taking a close look at moral licensing, trolley problems and moral pluralism.

There are people who say we can't make moral progress. They point to the massive disagreements from culture to culture, or even within a society, over what is moral. They point to the obvious moral failures of modern civilization, which seems intent on subjecting billions of people to heat stroke so a couple of billionaires can pretend to be astronauts. They argue that morality isn't a real thing, and thus there's nothing to be improved. And they argue that even if moral progress were possible, how could we know? It's just too hard to measure. But every argument against moral progress could be made about the forms of progress accountants foster every day. Still, we accountants have found ways to make progress, and even have that progress be verifiable, which accountants define as something that knowledgeable and independent observers largely agree on.



And the type of progress accountants deal with is hard to distinguish from moral progress. To see that, just look at how people talk. Accounting is often said to be the language of business. But it's also the language of morality. Decades ago, George Lakoff noted that when people talk about morality, they sound like accountants. They say things like "she **earned** that", "he's **paid** his **debt** to society", and "they are morally **bankrupt"**. Even moral philosophers write books with titles like "What We Owe to Each Other" or "The Social Contract". Lakoff says that accounting is metaphor for morality—"a way of understanding and experiencing one kind of thing in terms of another." But morality and accounting aren't different things, because they address the same questions: are people making good use of the assets we trust them with, and are they living up to the obligations that come with those assets? You might want to label some obligations moral ones, and others business ones, but that's a distinction without a difference.

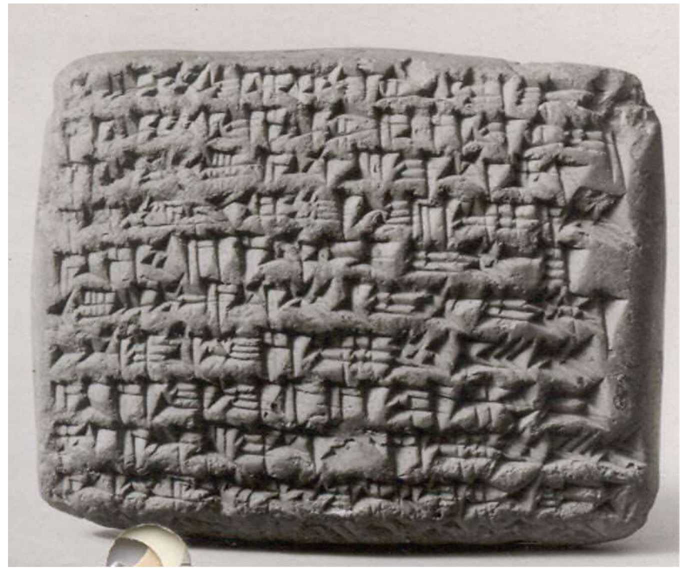


Now why is moral accounting theory such a good path to moral progress? Because we've been working on it for thousands of years, investing massive time and money, across a wide range of cultures, and in settings where the stakes are very high and conflicts are very deep. The stakes and conflict force a virtuous cycle between accounting theory and practice—we can't just build better systems, we have to explain to everyone why we're doing in the right way. That gives us theory that feeds back into better practice. That connects to another virtuous cycle between accounting practice and society's need to organize, and together these two cycles create an engine of progress, and it is *very* powerful.

From tokens to writing

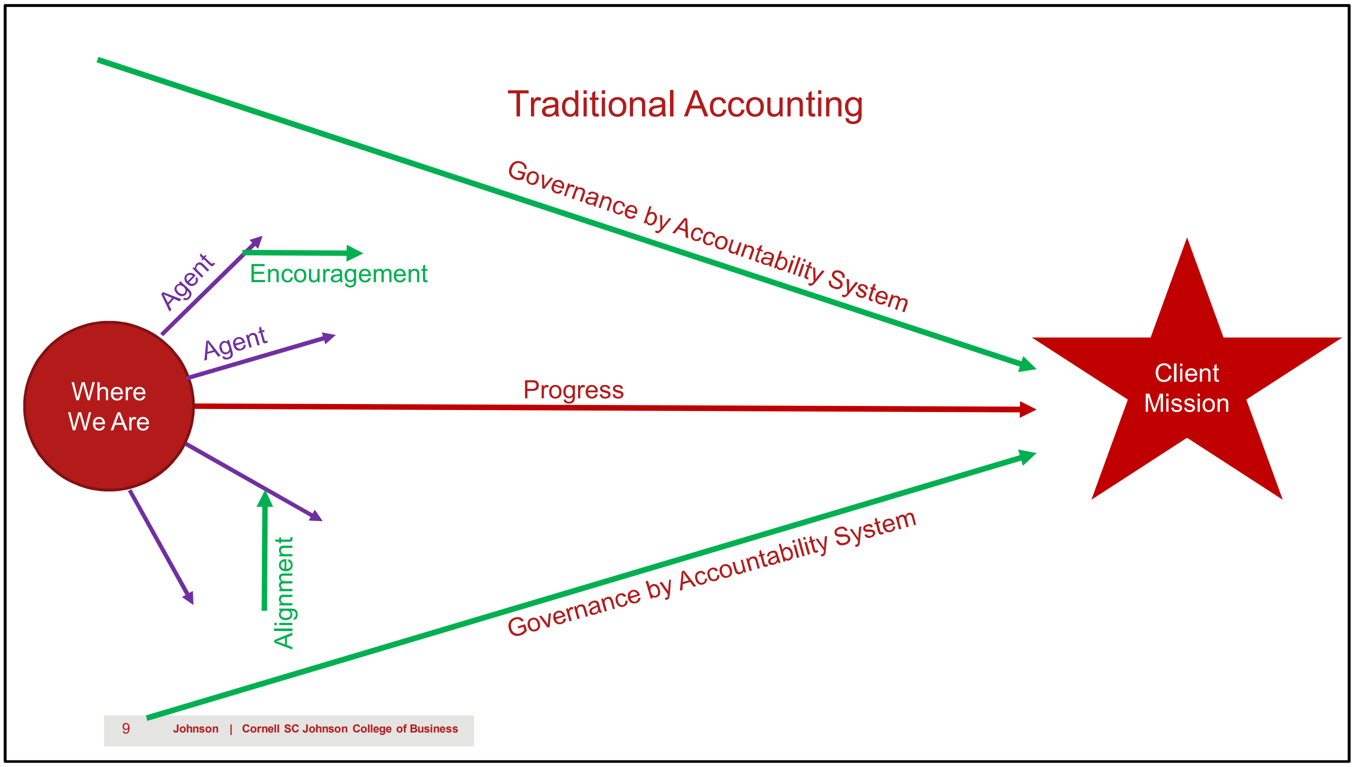
The first tangible evidence of accounting comes from ancient Babylon, where archeologist Denise Schmandt-Besserat found these tokens on the left. They were receipts for paying taxes to their King, who was also their God, whose vision of progress was to have people pay their taxes so that he could use it to build an empire. Is that moral progress, or some other kind of progress? Who cares? Either way, he needed an accounting system to hold people to their obligations. No accounting system is perfect, and this one had some pretty obvious problems. Tokens could get lost, stolen or counterfeited. So when accountants gave out a token, they started keeping a copy of each token in the treasury vault, storing them in clay balls like the one on the right, that would be marked to indicate the household name.

Inventories & Contracts



8 Johnson | Cornell SC Johnson College of Business

These markings soon led to the first writing system, Cuneiform, which led to inventory reports, like this one on the left, and contracts, like this one on the right. And once we had inventory records and contracts, people were able to organize society in more sophisticated ways, creating new roles and new ways to hold people accountable for their performance, which leads to more sophisticated social organization, and in turn to better accounting, and so on. This is what I mean by the engine of progress.



So here's today's traditional accounting in a nutshell. First, there's a division of labor between accountants and their clients. Clients tell us what constitutes progress—what is their mission, and what is their strategy for getting there? We work with the client to refine these, but the mission and strategy are still the client's, not the accountants. Missions are hard, so client's need to bring people in to help: not just workers, but suppliers, lenders, even customers. I'll call them all 'agents', and they all have their part to play. Now every agent has their own mission and strategy, so we need to align them toward our client's mission, and also encourage them to make progress toward it.

Client = Society

Mission = Moral Progress

Role Design

Role Assignment

Powers

Obligations

Reports

- Inform about past, present and future

Incentives

- Tie reports to rewards and punishment

Controls

- Make good behavior easier and bad behavior harder

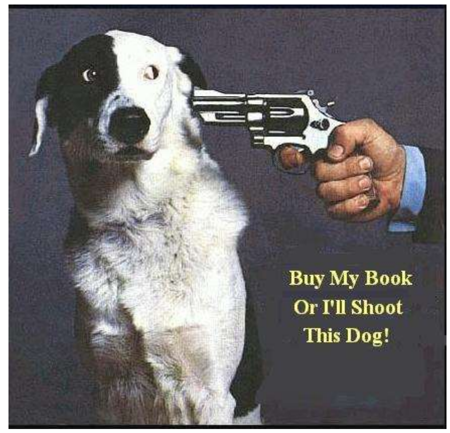
10

In moral accounting, the key change is that our client is "society", and its mission is moral progress. But otherwise, the accountant's role is the same: to help society define its mission and strategy, and to align everyone toward society's mission and encourage them to make progress toward it. We align and encourage with accountability systems. First we identify the roles agents can take on, and where possible, improve which powers they are given and which obligations come with those powers. Then we design reports, incentives, and controls to encourage people to use their power and live up to their obligations in the service of the mission. In short, the accountability system *governs*, so for the accountant, governance is usually just a synonym for accountability.

Twin Moral Aspirations of Governance

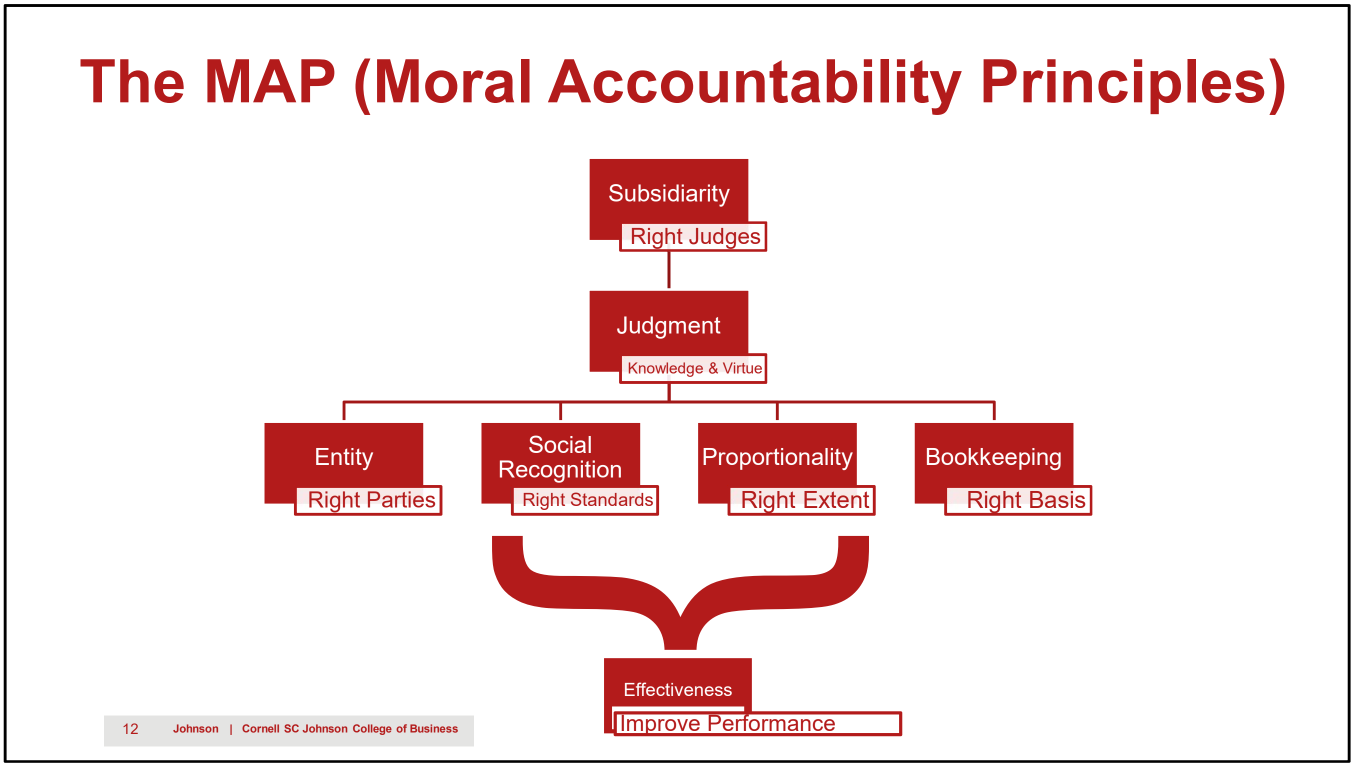
Improve Moral Performance

Treat the Governed in a Moral Way



At the end of the talk, I'll address the problem of multiple societies with different visions of morality. But for now, I'll just note that even a single society is a difficult client to work with, because we can only figure out its moral mission by talking with its members. And they have their own self-interested missions, and might represent self-interest as moral aspiration. Accountants deal with this by boiling issues down to separable principles, each spelling out a single aspiration that everyone can agree with—more is better, as long as you don't have to sacrifice something else. You can see this in the twin aspirations of moral governance. The more governance improves the moral performance of the governed, the better it is. And the more governance treats the governed in a moral way, the better it is. No one says "this governance system improves moral performance too much", unless what they really mean is "this system is buying effectiveness by treating the governed immorally". Good governance doesn't prevent litter by threatening to kill an innocent child's puppy.

People can disagree on how much to sacrifice one principle for another. But most of the time, someone who is arguing out of self-interest won't be able to offer a consistent, principled argument, so we can tell. And when there truly are true disagreements about how to balance two competing principles, accountants have a secret weapon: we can look for ways to improve governance in a way that lives up to both of them a bit better—we'll find ways to make the system improve moral performance more AND treat the governed in a more moral way.



And this takes us to the heart of moral accounting. The MAP is a set of seven Moral Accountability Principles, which points governance in the direction of moral progress. They all feed into the effectiveness principle, because often we fail to improve moral performance because we fail to hold the right parties accountable, under the right standards, to the right extent, or on the right basis. And we often fail on those because we are using poor judgment. And we often use poor judgment because we don't have the right people doing the governance—the ones who can live up to all of the other standards better than if they didn't govern.

Governance lives up to the MAP through its impact on the governed—intent and character are mostly irrelevant.

The MAP gives us an indirect path to moral progress, because it improves the performance of the governed by improving governance. But that turns out to be really helpful in a number of ways. As an example, I'll use an all too common problem: men demand sex from women, and punish them when they don't get it. Most people talk about this problem from the inside out. They'll start with the man's character and intent—he's a dog, he feels entitled—or they'll talk about the flawed morality of society: it's a patriarchy, enforced by misogyny. But it's rare these conversations are productive. We can't really know someone's character or intent, and character by definition is hard to change. And people feel attacked and they counterattack.

But we can also look at the behavior itself as a governance failure. Because punishment is governance, and a man who punishes a woman for not having sex with him is violating the Social Recognition Principle. Society determines what people owe, and society does not recognize women as having an obligation to have sex because a man wants her to. We don't have to argue about man's character, or his intent. Governance lives up to the MAP through its impact.

But the MAP works from the outside in, from flaws of governance. The problem we can address is that men are not punished enough for this type of behavior to prevent it, so we have a failure of effectiveness. And that we can work with, and without too much acrimony.

Moral Bookkeeping & Moral Intuition

For-Profit Bookkeeping

Balance Sheet	
Assets	Liabilities
	Equity

Now I'd like to turn to bookkeeping, because that's where accounting really helps our moral intuition. The MAP's Proportionality Principle requires us to judge people's moral performance, so we can govern them proportionally. And the Bookkeeping Principle of the MAP requires us to judge moral performance on the basis of moral books. So let's look at the books, starting with traditional for-profit books. These books are designed to capture the relationship between the owner of the firm and the manager he hires to run it. Following a long tradition in accounting, I'm going to call that manager a steward. On the left, we have the steward's assets, the items of value they control. On the right we have the steward's liabilities—obligations they can't get out of. What left over is equity—everything the owner gets to keep after liabilities are taken care of. The left always equals the right, and we judge performance by asking "How well did the steward use their assets and live up to their obligations, and generate equity for the owners?"

Mission-Driven Bookkeeping

Balance Sheet	
Assets	Liabilities Restrictions
	General Obligations

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16

We take a step toward moral bookkeeping by looking at books of a mission-driven entity, like Cornell. Cornell doesn't have owners who seek profit, they have donors who want to pursue a mission. This changes the right side of the balance sheet. In addition to liabilities, the steward also has restrictions—obligations NOT to do things. These restrictions arise due to specific requests by the steward, like 'don't invest any of my money in casinos'. Restrictions also arise because funds aren't fungible. If someone gives Cornell a million dollars for a scholarship fund, we can't use it to build a climbing wall. Finally, the owners don't have equity; any assets left over must be put to work in the service of the mission. These are general obligations because steward has some freedom here. Part of Cornell's mission is to discover, preserve, and disseminate knowledge; they can do that however they see fit, which might even include building a climbing wall.

Moral Bookkeeping

Balance Sheet	
Rights Capacities Authorities Influence	Liabilities Restrictions Social Debts
	General Obligations

17

Now we're ready for moral accounting, which just refines and relabels some accounts. Assets are power, which tends to come in four categories. First are rights to own, use and do things. Second are personal capacities, like strength, intelligence or beauty. Next are authorities to make decisions. And finally, the power to influence others. We can also add another type of obligation that is very common in morality—someone owes a debt to society because of their past misbehavior. The general obligation is owed to the beneficiary, who in moral accounting is society. But remember that this obligation offers a lot of flexibility—stewards get to decide how they are going to pursue society's mission, which often entails helping yourself before you help others.

Moral Bookkeeping Simplified

Balance Sheet	
Power	Demands
	Liberty

So you can think of this general obligation as being liberty: the ability to use your assets, after you've lived up to all of the specific obligations to do or not do things. You can also see aspects of positive and negative liberty here. Positive liberty is captured reasonably well by the assets, the steward's power to take control of their life and realize their fundamental purpose, as one definition has it. Negative liberty is captured reasonably well by the absence of specific liabilities, restrictions and social debts, or as the same source describes it, the absence of obstacles, barriers, or constraints.

Moral Licensing & Social Debt

19 Johnson | Cornell SC Johnson College of Business

To show how moral accounting can refine our moral intuition, let's talk about moral licensing and social debt.

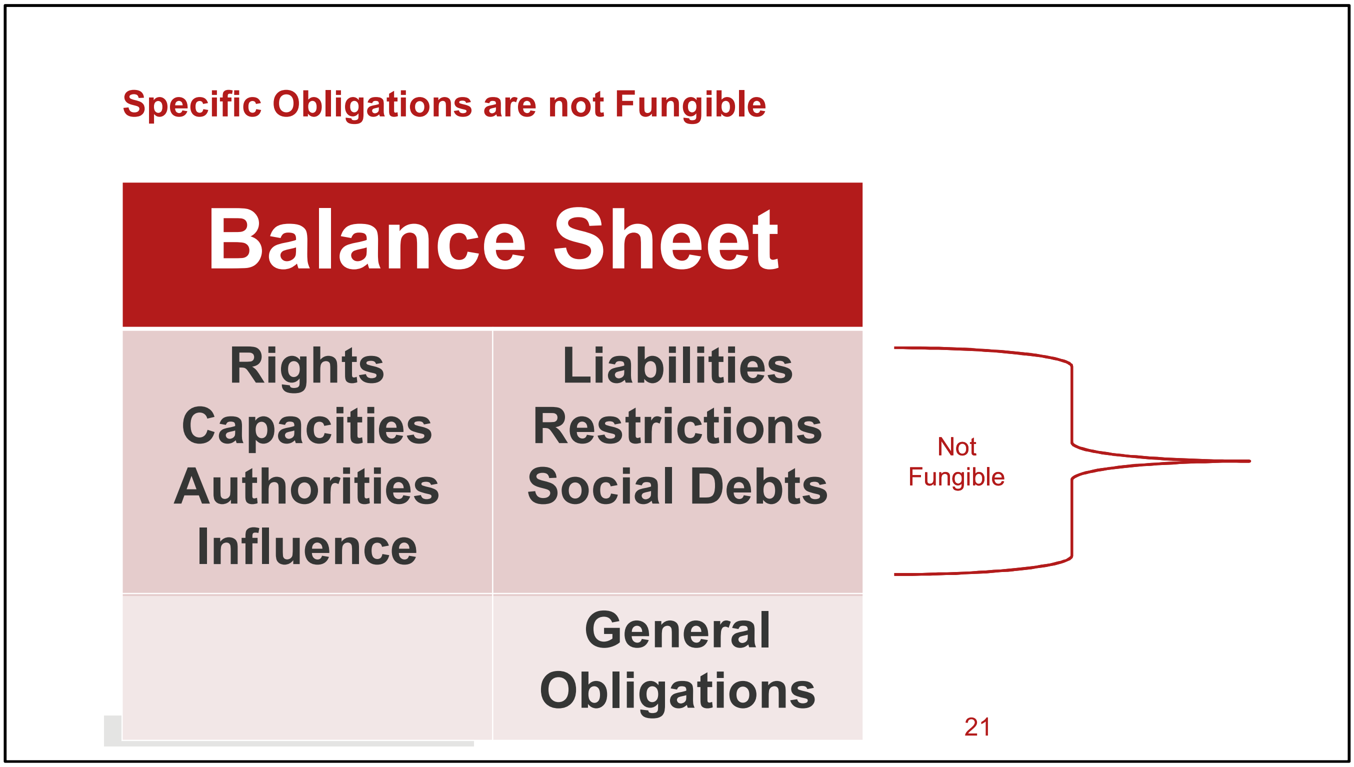
Moral Licensing & Social Debt

Does doing good give me license to do bad?

Does doing bad give me a duty to do good?

Can moral accounting refine these intuitions?

Moral licensing is the tendency for people who have just done something good to do something not so good. It seems to be mostly unconscious, which makes sense because most people think it’s not easily justified. Social debt is the practice of demanding that someone who does something bad do something good to make amends. This is usually quite conscious, and people tend to think it is justified. But why should the order of good and bad matter? And how can moral accounting help us sort through this?



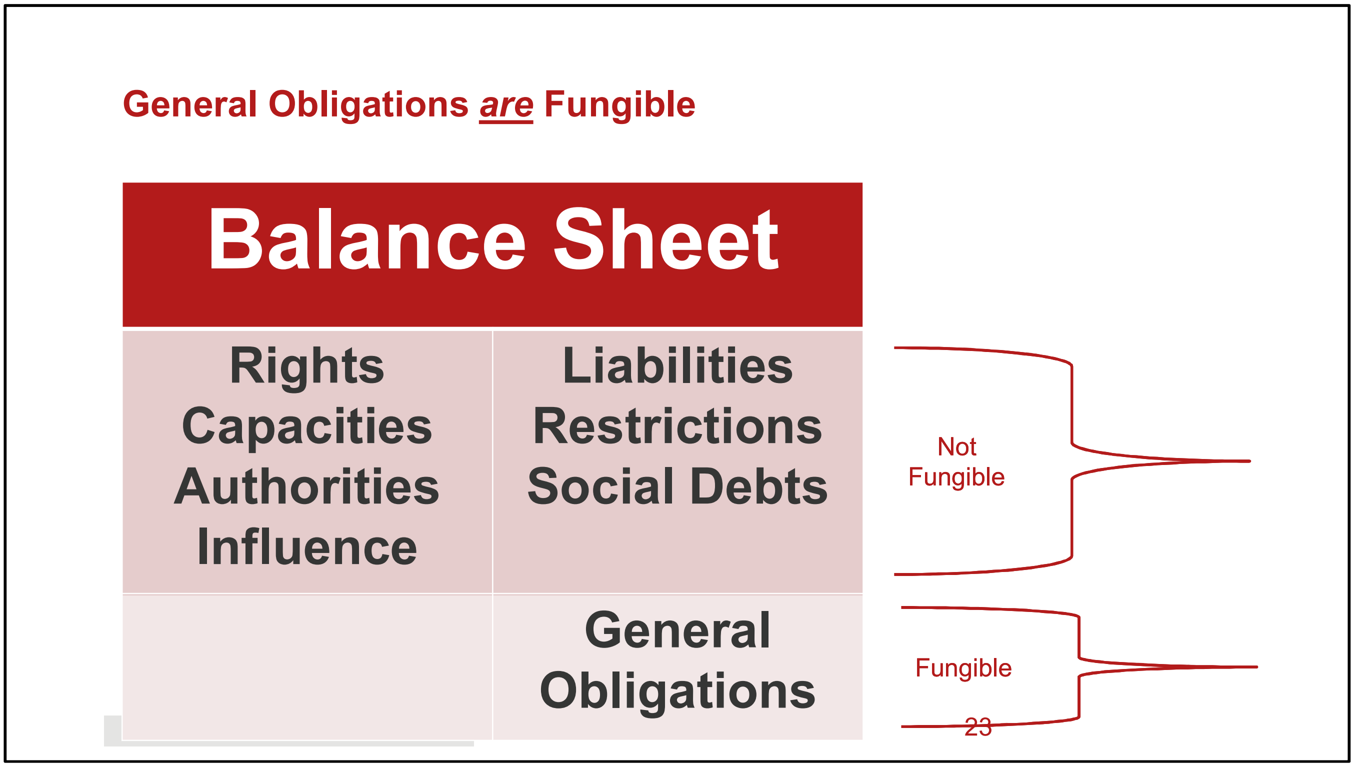
First, accounts in non-profit accounting are rarely fungible, and so the same is true in moral accounting. If someone trusted you with an asset, so you have an obligation to *them*, you can't use that asset to live up to your obligation to someone else. And if you live up to one specific obligation, it doesn't absolve you from living up to others. So if you go all out to live up to a tough specific liability or restriction, that's good moral performance, but you're not allowed to steal candy from a baby. So you can't justify this type of moral licensing in moral accounting.

Social Debt & Making Amends

Balance Sheet	
Rights Capacities Authorities Influence	**Don't steal** **Social Debt**
	General Obligations

22

But you *can* justify saying that if you first do bad, it does force you to do good afterwards. Say someone steals candy from a baby. They've violated a specific restriction, so it's bad behavior, and given that they overrode any controls to keep them from stealing, they would probably need to be given new obligations if governance is to be effective in preventing it from happening again. This is the role of social debt: keeping people to their obligations by forcing them to make amends, restitution, or penance. This is a good moment to point out that governance is not just about govern*ment*—we all govern all the time in daily life. So social debt might just be "we're giving you the silent treatment until you apologize."



So we've seen that moral accounting doesn't allow moral licensing, but does allow social debt, when it comes to specific obligations. But the story is different for general obligations. The general obligation account is a big one, and all of its subaccounts *are* fungible with other ones. Let's say you help a stranger who is suffering. You don't have a specific liability to do so. You've used your liberty to do that. It's very close to what philosophers call a supererogatory act—it's good to do, but you don't have a specific obligation to do it. In accounting, it's more like you have an obligation to do *something* good with your liberty, but you get to choose what it is. So if you help one stranger, your liberty is more limited, and you don't have to give as much to charity, or whatever good deed you might have in mind. So you *can* justify this type of moral licensing in moral accounting.

Moral Bookkeeping

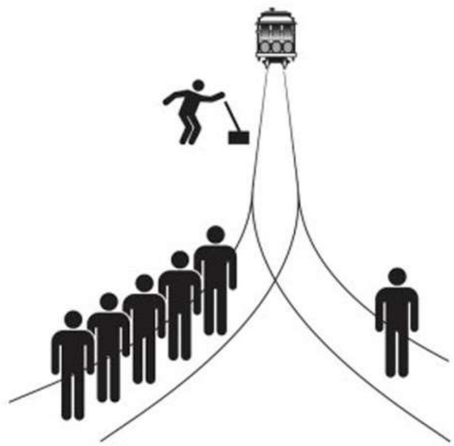
Balance Sheet	
Rights Capacities Authorities Influence	Don’t steal Social Debts
	Liberty to help A Liberty to help B

24

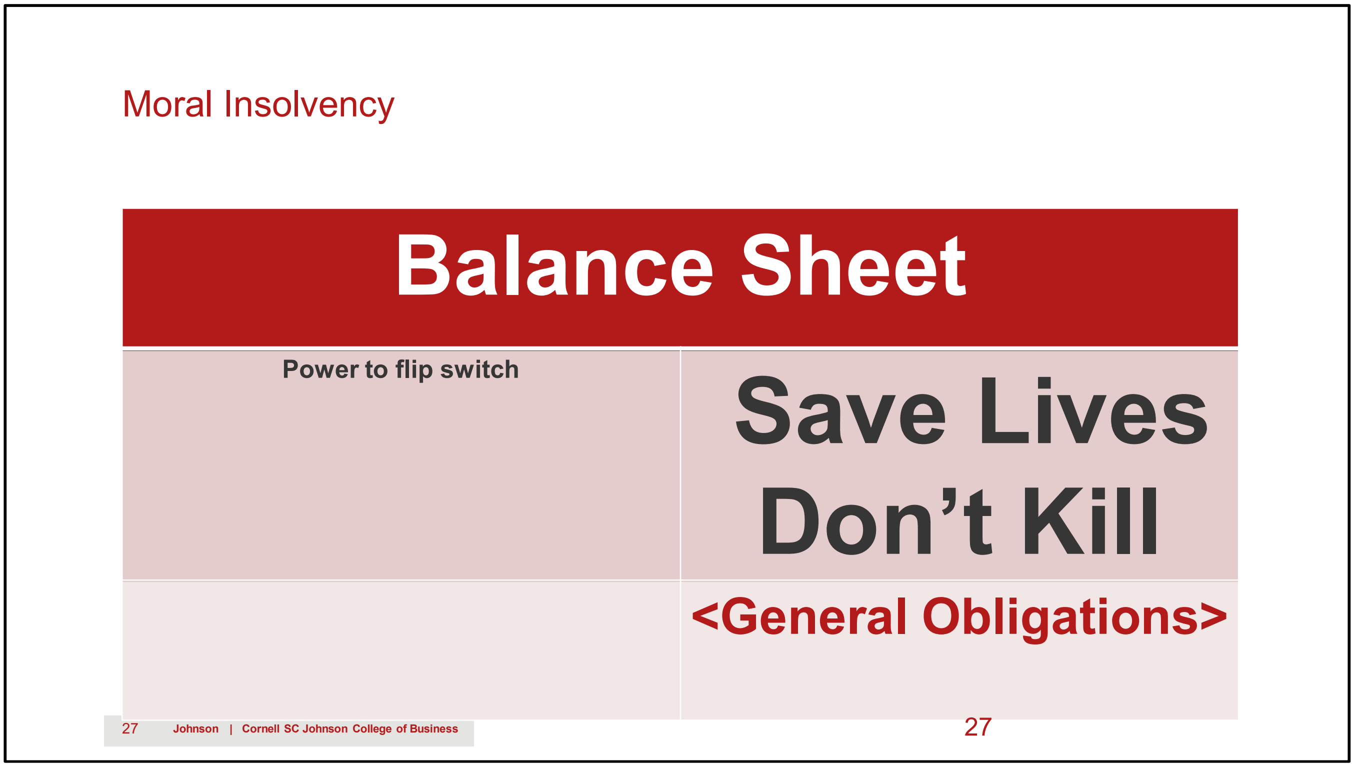
On the other hand, what if someone *declines* to help a suffering stranger? If they don’t have a specific obligation to help, but it’s just a use of their liberty, it’s not appropriate to impose any social debts. Maybe they could serve society’s moral mission by using their liberty to help someone else instead. So we end up with a symmetric reverse of moral licensing—they saved their liberty this time, so they have an obligation to do something else with it later.

Trolley Problems

Bystander Trolley Problem



Now let's move on to Philippa Foot's famous trolley problem. An out-of-control trolley is going to run over 5 people, unless some bystander, Pat, pulls a switch that diverts it to a ramp where it will kill only one person. This sets up a dilemma between two moral aspirations pretty much everyone agrees with: it's better for fewer people to be killed, and it's better for fewer people intentionally kill. But living up to one aspiration means Pat can't live up to the other.



Let’s refine our intuition with some moral bookkeeping. As soon as she sees what’s going on, Pat gains one relevant power: the option to pull the switch. She also has two large, pressing and immediate obligations thrust upon her: a specific liability to pull the switch, since she is the only one who can save five lives , and a restriction against pulling the switch since it would intentionally kill someone. Now we can argue which of those obligations is the bigger one, but first we have to deal with a problem: Pat’s books show that she is insolvent: she lacks the assets to live up to both obligations, so her general obligation account goes negative—it’s not just that she has no liberty, its that whatever she does, it’s going to be immoral. That doesn’t seem right, but accountants have a fix for this.

Moral Reorganization

Balance Sheet

Power to flip switch	Save Lives
	~~Don’t Kill~~
	<~~General Obligations~~>

28

What we do in cases of insolvency is we reorganize the books. We prioritize the obligations from highest to lowest, and write off all of the obligations that can’t be met. In this form of the trolley problem, most people see it as a higher priority to save 4 lives than to avoid killing 1. A lot of philosophers disagree, but even in this life or death situation, these disagreements don’t matter all that much. With few assets, major liabilities, and no liberty, no steward could perform well in this situation. So it’s hard to argue that she performed poorly, which means if we want to live up to the MAP, we can’t reward or punish her much, whatever she does.

Redirecting our Focus to Governance

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

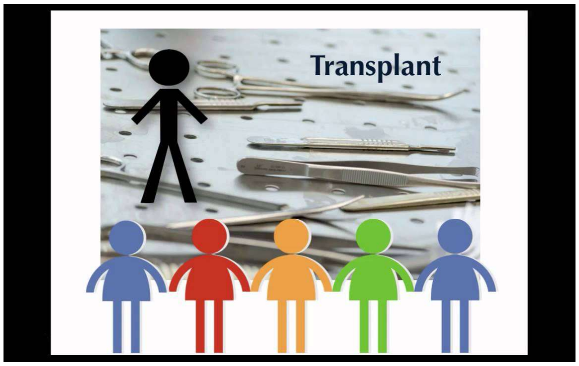
Incentives that would reward and punish people well in advance if they were risking a horrible situation like this

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

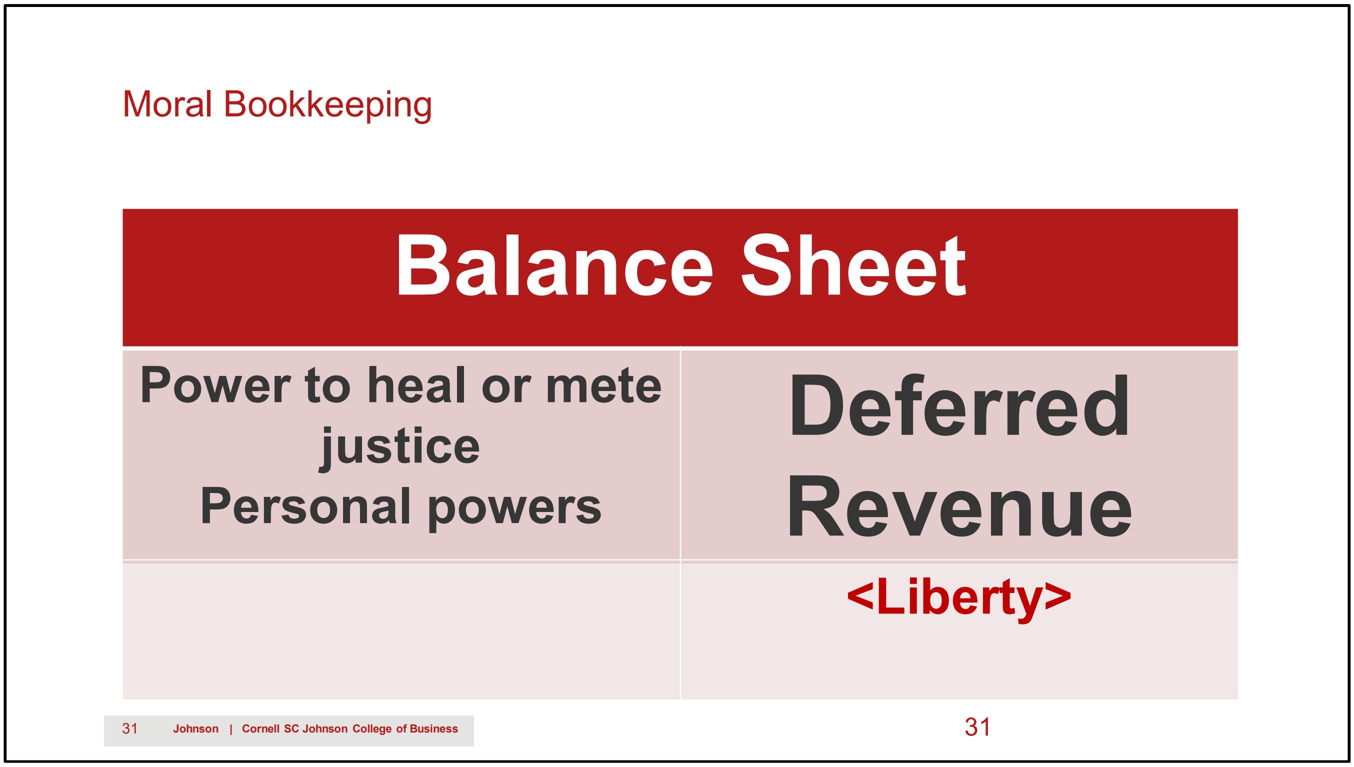
29

But if we press on with the MAP, we can see lots of opportunities for moral progress. How can we create reports that would warn people a trolley was coming, and warn the trolley driver there were people on the tracks? How can we create incentives that would punish people for being on the tracks, and reward maintenance staff for keeping the trolley's brakes working? How can we impose controls that make it hard for people to get on the tracks when trolleys are coming, and easy for the driver to avoid them? And what about the people who failed to make these improvements already. Someone was given the power to improve that system, and if we really want moral progress, we are going to want to look at *their* books!

On the Other (Philippa) Foot



And that takes us to Phillipa Foot’s other problems. Should a doctor kill one person to distribute their organs and save five lives? Should a judge intentionally sentence an innocent defendant to death because otherwise terrorists will kill 5 hostages? How are these different from the trolley problem? Well, again accounting offers some clarity. Because the judge and the doctor didn’t just walk by a switch and have power and obligations thrust upon them. They went out of their way to become entrusted with that power, knowing full well what obligations would come with it.



So now we bring a new distinction to bear. The obligation of a judge to mete out justice fairly, or of a doctor to heal patients while doing no harm, is what accountants call deferred revenue—a central and ongoing obligation to those who entrusted them with assets in exchange for performance. And few things are more damning than stiffing your customers. So it's no surprise that most people think that the judge and doctor should sacrifice 5 lives, while also thinking Pat the bystander should not intentionally kill someone.

Moral Dissolution

Balance Sheet	
~~Power to heal or mete justice~~ Personal Powers	~~Deferred Revenue~~ Social Debt
	<~~Liberty~~>

32

If they do breach their deferred revenue obligations, we're not just going to reorganize their books like we did with poor Pat. Instead, we're likely to declare them morally bankrupt: they can't be trusted with the power and obligations of their role. So we'll turn to dissolution, taking the power of the role away from them, and maybe demand they make amends and slap on some social debt.

Moral Pluralism

Now let's turn to some difficult issues I've saved for the end. How should moral accounting handle the fact that different societies have different moral views? One the one hand, I don't want to seem like I'm endorsing sexism, racism, caste structure, and other views that are very different from my own morality. On the other hand, I don't want to be the classic ugly American who blunders into a foreign country assuming everyone immoral because I have all of the answers.

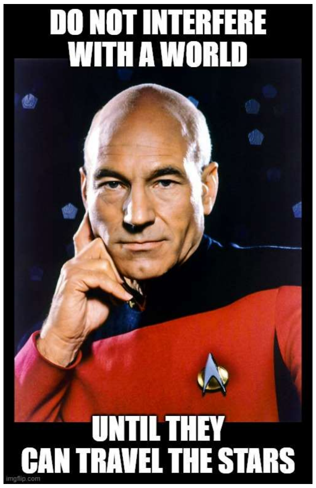
Aranda Culture

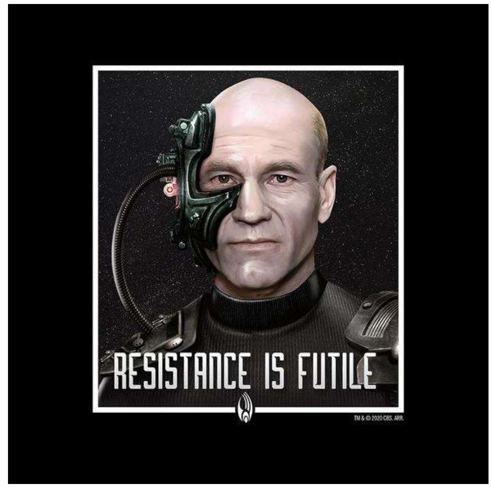
A recognized rule is that when a woman marries a man she becomes his absolute property, with the right to treat her as his slave, and to beat her as he likes until she conforms to his wishes.

- Yale Human Relations Area Files(Chewings, Charles. 1936)

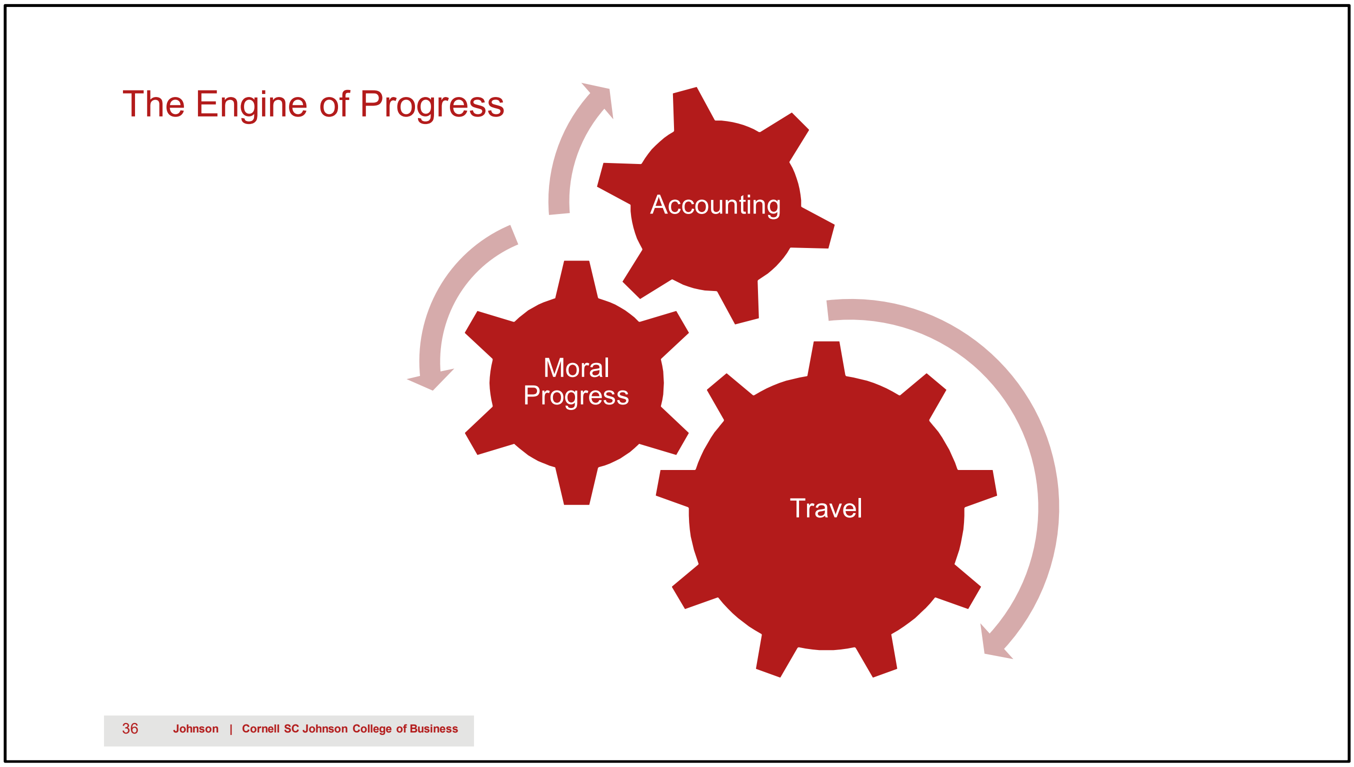
The Social Recognition Principle says that society determines who has what assets and obligations. But there are a lot of societies out there, and they recognize things pretty differently, especially when it comes to roles people are born into. Some societies recognize girls as the property of their fathers until they become the property of their husbands. That means that men have a lot of assets, and women have very little liberty. Moral accountants can't simply reject this view, even if they think it is deeply wrong, but we can push for moral progress in several ways. First, we it can help refine the society's mission. Is it really their moral aspiration for women to be owned by men, or is it just a practice that is serving other moral aspirations. If so, are there other practices that would better meet those aspirations? Second, we can help them address inconsistencies in governance. For example, if men own women, the Bookkeeping Principle requires that great power to come with great obligation, and the Entity Principle requires them to be held accountable for their daughters' and wives' moral performance. Are they being held accountable appropriately, or just abusing their power without consequence? Women with very limited power should have limited obligations. Are they being asked to do the impossible, and then punished for not doing it?

The Prime Directive vs. The Borg





Moral accounting threads the needle a lot like the Federation does in Star Trek. Star Trek and moral accounting have a natural affinity, because both are so aspirational. Star Trek's Federation expresses all sort of aspirations, from lauding knowledge and wisdom to eradicating poverty and war, but the Prime Directive overrides all of them–don't interfere with outside cultures until they have developed warp drive and can travel the stars. This makes Borg Collective the perfect Star Trek villain, because their entire purpose is to assimilate all cultures into its own, and resistance is futile. Moral accounting's prime directive is that we don't try to change a society's morality. That causes problems in the same ways we see in Star Trek—there are always problems we could fix if we just interfered. But we simply can't risk becoming the Borg.



I'll close by pointing out that warp drive serves as yet one more driver of moral progress. As commerce and accounting develop, so does interaction across societies. That interaction forces every society to accommodate some moral pluralism into their own moral aspirations. They need to let merchants with strange customs travel and even live among them, which means incorporating into their own society an aspiration to live and let live. The need to travel and even live in strange lands, which often means adopting strange customs—when in Rome, do as the Romans do. When we feed these new aspirations into the engine of commerce, accounting practice, and accounting theory, to me it is one more force driving us toward moral progress.

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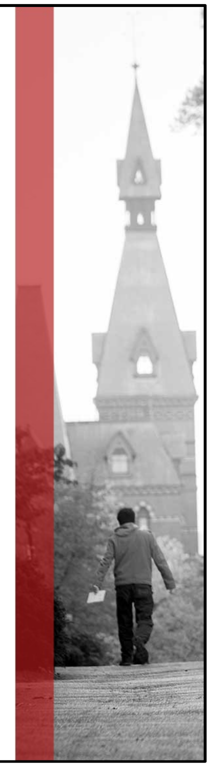
Moral Bookkeeping

Robert Bloomfield
2022



Two facets of governance

Take account of performance

- What assets does an entity have available? What obligations must they fulfill?
- How well did they handle their assets and obligations?
- What does it mean to handle assets and obligations well?

Hold to account for performance

- How should we steer them toward better performance
- How should we treat them once performance is revealed?

The language of ~~business~~ morality

She **earned** that

He's **paid** his **debt** to society

They are morally **bankrupt**

Debt

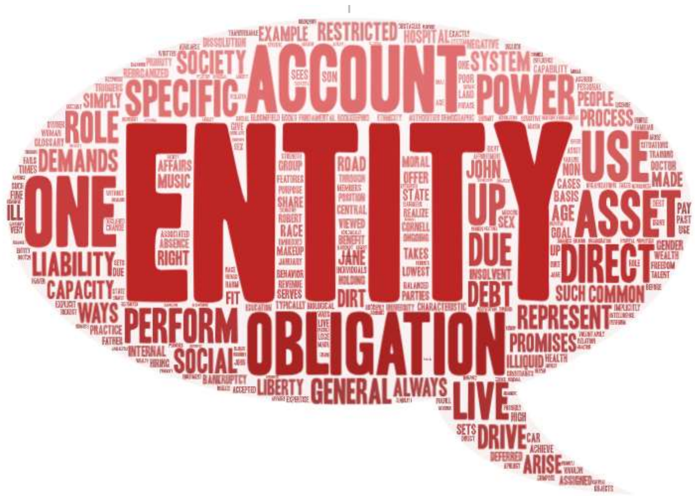
- Liabilities
- General Obligations
- Deferred Revenue

Bankruptcy

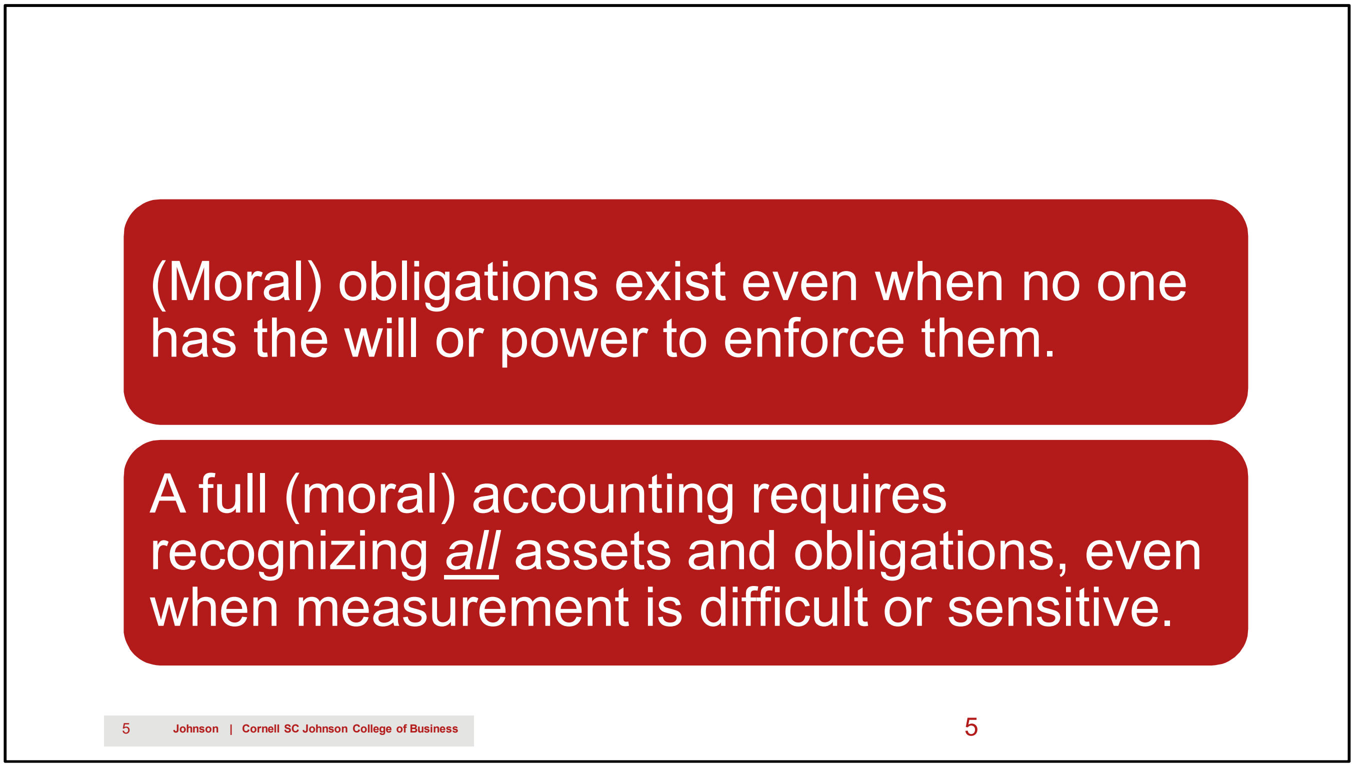
- Insolvency
- Illiquidity
- Reorganization
- Dissolution

Accounting is called the language of business, but it's also the language of morality. Decades ago, linguist George Lakoff pointed out that when people talk about morality, they sound like accountants. They say things like "she **earned** that", "he's **paid** his **debt** to society", and "they are morally **bankrupt"**. Lakoff says that accounting is metaphor for morality—"a way of understanding and experiencing one kind of thing in terms of another." But morality and accounting aren't different things, because they address the same questions: are people making good use of the assets we trust them with, and are they living up to the obligations that come with those assets? You might want to label some obligations moral imperatives, and others business imperatives, but that's a distinction without a difference. The distinctions that *do* matter are built right into accounting, as you'll see when I break down moral debt into specific liabilities and general obligations, and when I break moral bankruptcy down into moral insolvency, reorganization, and dissolution.

Moral Bookkeeping Glossary



To drive the point home, in the Session Materials module, you'll see a Moral Bookkeeping Glossary. It defines all of the key terms for the types of assets and obligations we need to take account of moral performance. But it uses the term "moral" only once, in the title. The terms and definitions are just pure accounting language. So, for example, in moral bookkeeping, when we say "obligation" we mean "moral obligation", but we don't have to say the moral part, because it's the accounting distinction that matters, not the fact that we label it morality.



That said, we will change two rules for when we recognize assets and obligations in moral bookkeeping. First, in traditional accounting, we typically represent obligations only when they are enforced. But moral obligations exist even when no one has the will or power to enforce them. In fact, that's the ordinary meaning of moral obligation.

Second, to take account of moral performance, we need to take a full picture of all of the assets someone has to work with, and the obligations they face at the moment of evaluation. In traditional bookkeeping, we often omit assets and obligations that are hard to measure, like a strong culture, or that are just too sensitive to make public, like the health of a firm's CEO. But we are going to make moral books as complete as we can.

For-Profit Bookkeeping

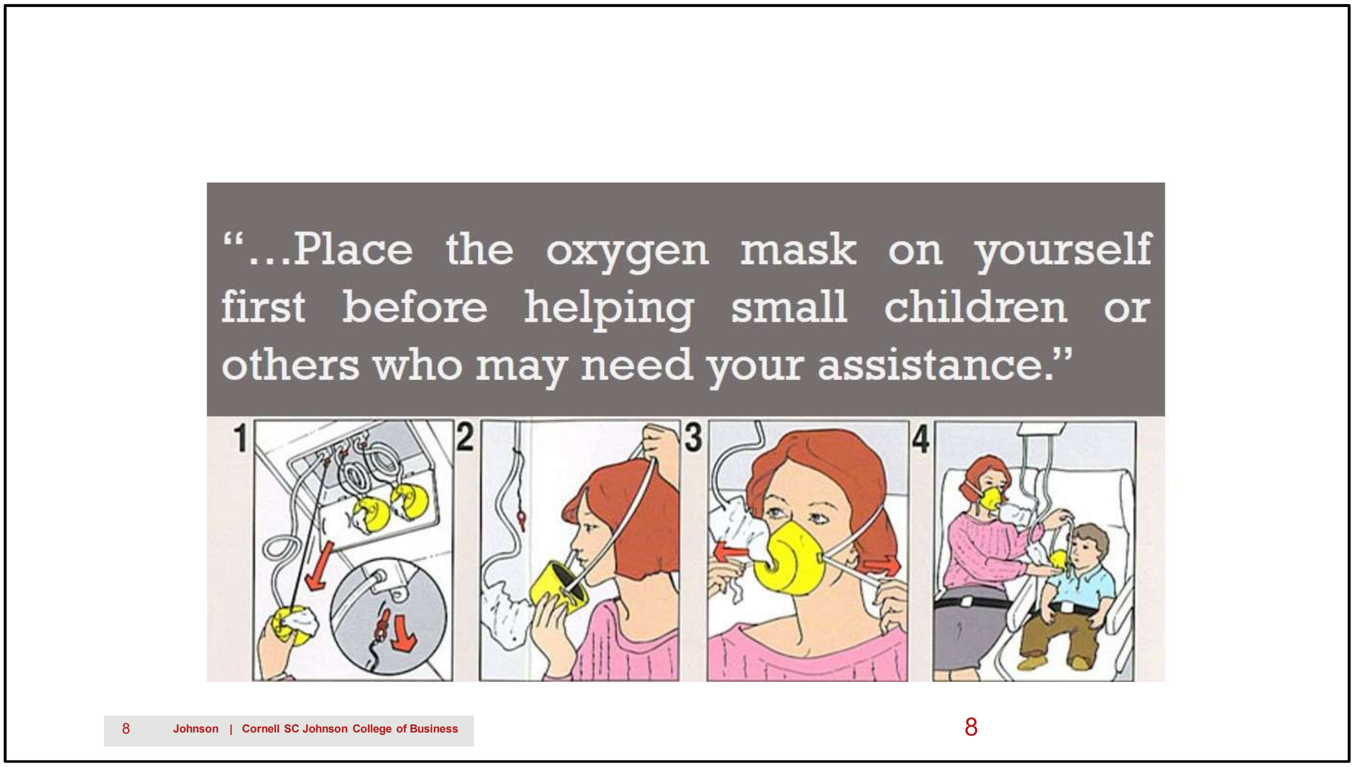
Balance Sheet	
Assets	**Liabilities**
	Equity

With that in mind, let's start with traditional for-profit books, which capture the performance of a steward who is hired by an owner to run a business. On the left, we have the steward's assets, the items of value they've been given control over. On the top right we have the steward's liabilities—obligations they'll be held to. What's left over on the bottom right is equity—everything the owner gets to keep after liabilities are taken care of. The left always equals the right, and we judge performance by asking "How well did the steward use their assets and live up to their obligations, and generate equity for the owners?"

Mission-Driven Bookkeeping

Balance Sheet	
Assets	(Specific) Liabilities & Restrictions
	General Obligations

We take a step toward *moral* bookkeeping by looking at books of a mission-driven entity, like Cornell. Cornell doesn't have owners who seek profit, they have donors who want to pursue a mission. This changes the right side of the balance sheet. In addition to liabilities, the steward also has restrictions—obligations NOT to do things. If someone gives Cornell a million dollars for a scholarship fund, we can't use it to build a climbing wall. Finally, the owners don't have equity; any assets left over must be put to work in the service of the mission. These are *general* obligations because the steward has some freedom here. Part of Cornell's mission is to discover, preserve, and disseminate knowledge; we can do that however we see fit, which might even include building a climbing wall, if we have unrestricted assets to build it.



The general obligation offers a lot of flexibility, and that's going to be important in moral accounting, because the steward whose books we are keeping is working on behalf of society, and the mission is to do what society thinks is moral. That sounds a bit oppressive, doesn't it. Is it really true that when we have dealt with all our specific obligations, we have to use all of our remaining assets on society's behalf, not our own? Well, not really. Stewards get to decide how to use their net assets to benefit society, and that often entails tending to ones own needs—putting on our own oxygen mask before helping others, and more generally, building our own capacities and pursuing our purpose in life.

Moral Bookkeeping Simplified

Balance Sheet	
Power	**Demands**
	Liberty

So you can think of this general obligation as being liberty: the ability to use your assets as you see fit, after you've lived up to all of the demands to live up to specific obligations. Assets are like positive liberty, the power to take control of your life and realize your fundamental purpose. The absence of demands is like negative liberty, the absence of obstacles, barriers, or constraints to the that power.

Moral Bookkeeping

Balance Sheet	
Rights Capacities Capabilities Authorities Influence	Liabilities Restrictions Social Debts
	General Obligations

10

Now we're ready for moral bookkeeping in its full glory. Assets are power, which tends to come in four categories. First are rights to direct how things are used, like cars and land. Second are personal capacities, like strength, intelligence or beauty. We also have capabilities, which reflect the ability to create capacities. Most 2 year olds lack the capacity to read, but they do have the capability to learn how in a few years. Next are authorities to make decisions, and the power to influence others. We can also add another type of specific obligation that is very common in morality—someone owes a debt to society because of their past misbehavior. Maybe they have to spend time in jail, or apologize, or make restitution. And then, of course, we have our general obligations.

Moral Licensing & Social Debt

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Now let's use bookkeeping to refine our moral intuition on two related matters: moral licensing and social debt.

Moral Licensing & Social Debt

Does doing good give me license to do bad?

Does doing bad give me a duty to do good?

Can moral accounting refine these intuitions?

Moral licensing is the tendency for people who have just been good to feel they have the license to be not so good. It seems to be mostly unconscious, which makes sense because its hard to justify. Social debt is the tendency for people who have just been not so good to face demands to be good to make amends. This is usually quite conscious, because people think it is justified. But why should the order of good and bad matter?

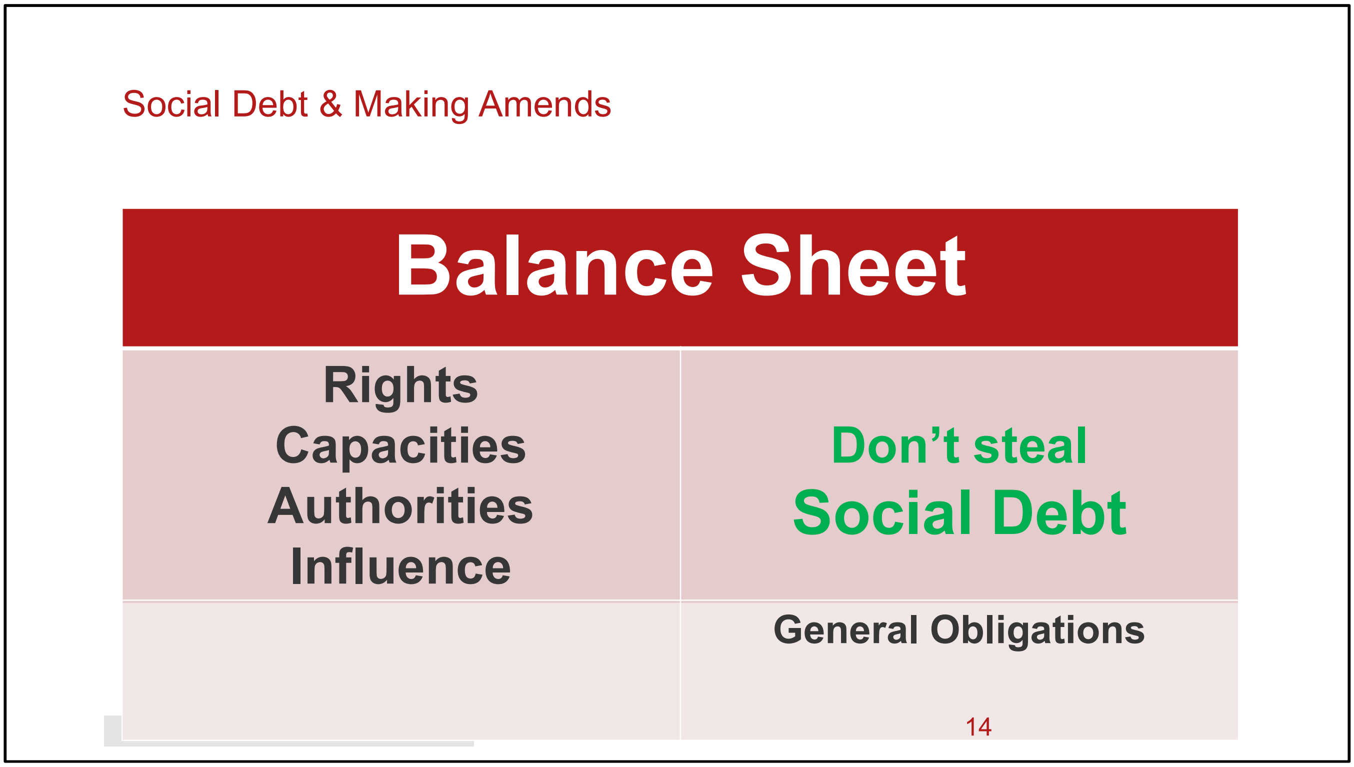
Specific Obligations are not Fungible

Balance Sheet	
Rights Capacities Authorities Influence	Liabilities Restrictions Social Debts
	General Obligations

Not Fungible

13

First, specific obligations are not fungible—you can't just swap one for another. If someone trusted you with an asset, so you have an obligation to *them*, you can't use that asset to live up to your obligation to someone else. And if you live up to one specific obligation, it doesn't absolve you from living up to others. So if you go all out to live up to a tough specific liability or restriction, that's good moral performance, but it doesn't let you steal candy from a baby. So moral accounting shows that this type of moral licensing is not justified.



But you *can* justify saying that someone who’s been bad can face demands to be good. Say someone steals candy from a baby. They’ve violated a specific restriction, so it’s bad behavior, and given that they overrode any controls to keep them from stealing, they would probably need to be given new obligations if governance is to be effective in preventing it from happening again. This is the role of social debt: keeping people to their obligations by forcing them to make amends, restitution, or penance. This is also a good moment to point out that governance is not just about govern*ment*—we all govern all the time in daily life. So social debt might be giving someone the silent treatment until they apologize.”

General Obligations *are* Fungible

Balance Sheet	
Rights Capacities Authorities Influence	Liabilities Restrictions Social Debts
	General Obligations

Not Fungible

Fungible

15

So we've seen that moral accounting doesn't allow moral licensing, but does allow social debt, but we focused only on specific obligations. The analysis is different for general obligations, which require us to do *something* good with our liberty, but we get to choose what it is. These obligations *are* fungible. Let's say you use your time and effort to a stranger who is suffering. You've used up assets, so your liberty is more limited, and you don't have to give as much to charity, or whatever good deed you might have in mind. So you *can* justify this type of moral licensing in moral accounting.

Moral Bookkeeping

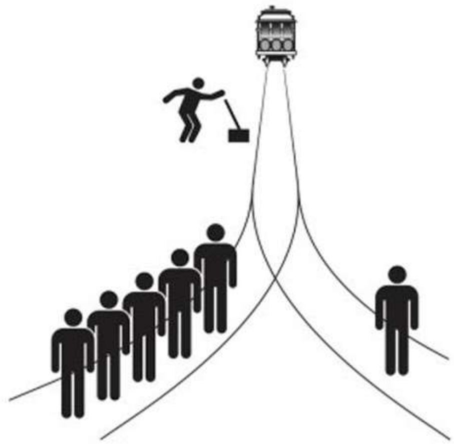
Balance Sheet	
Rights Capacities Authorities Influence	Don’t steal Social Debts
	Liberty to help A Liberty to help B

16

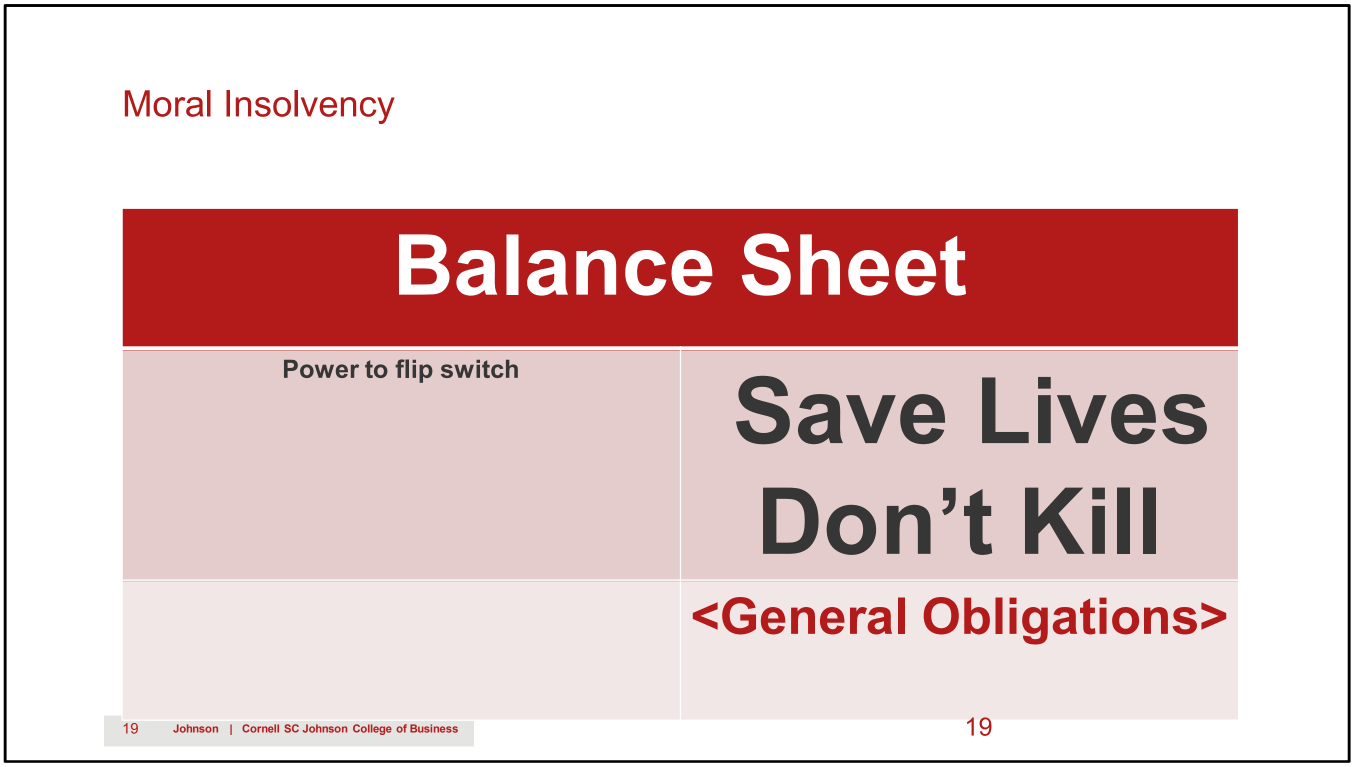
On the other hand, what if someone *declines* to help a suffering stranger? If they chose to reserve their liberty for another time, it’s not appropriate to impose any social debts. Maybe they can serve society’s moral mission by using their liberty to help someone else instead. So with general obligations we do end up with a symmetric reverse of moral licensing—they saved their liberty this time, so they have an obligation to do something else with it later.

Trolley Problems

Bystander Trolley Problem



Now let's move on to Philippa Foot's famous trolley problem. An out-of-control trolley is going to run over 5 people, unless some bystander, Pat, pulls a switch that diverts it to a ramp where it will kill only one person. This sets up a dilemma between two moral aspirations pretty much everyone agrees with: it's better for fewer people to be killed, and it's better for fewer people intentionally kill. But living up to one aspiration means Pat can't live up to the other. How should we govern Pat for her choice?

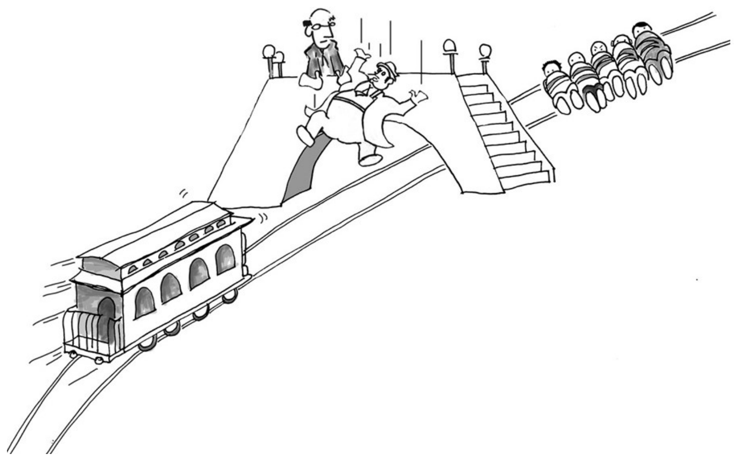


Let’s look at Pat’s books. As soon as she sees what’s going on, Pat gains one relevant power: the option to pull the switch. She also has two large and pressing obligations thrust upon her: a specific liability to pull the switch, since she is the only one who can save five lives, and a restriction against pulling the switch since it would intentionally kill someone. Now we can argue which of those obligations is the bigger one, but first we have to deal with a problem: Pat’s books show that she is *insolvent*: she lacks the assets to live up to both obligations, so her general obligation account goes negative—it’s not just that she has no liberty, it’s that whatever she does, it’s going to be immoral. That doesn’t seem sensible, but accountants have a fix for this.

Moral Reorganization

Balance Sheet	
Power to flip switch	**Save Lives** ~~Don't Kill~~
	<~~General Obligations~~>

What we do in cases of insolvency is we reorganize the books. We prioritize the obligations from highest to lowest, and write off all of the obligations that can't be met. In this form of the trolley problem, most people see it as a higher priority to save 4 lives than to avoid killing 1. A lot of philosophers disagree, but even in this life or death situation, these disagreements don't matter all that much. With few assets, major liabilities, and no liberty, no steward could perform well in this situation. So it's hard to argue that she performed poorly, which means if we want to live up to the MAP, we can't reward or punish her much, whatever she does.



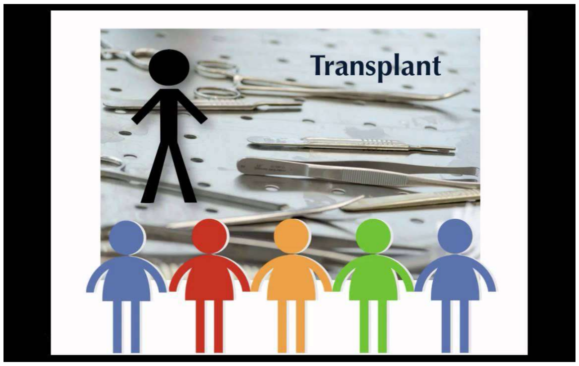
There's another version of the trolley problem in which the bystander's power isn't to throw a switch, it's to throw a fat man onto the tracks to save 5 people. Most people think that's wrong, and moral accounting provides a reason. The problem is that here the bystander is governing the fat man, and is violating the MAP's Subsidiarity Principle—don't govern if you can pass governance off to someone who can live up to the MAP more fully. In this case, Pat should let the fat man govern himself. He could use his liberty to sacrifice his own life. Pat doesn't have enough information to govern here, to say 'throw yourself off the bridge or I'll do it for you'. For all he knows, the fat man is a brilliant surgeon and is going to save 50 children in the next week.

Redirecting our Focus to Governance

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.

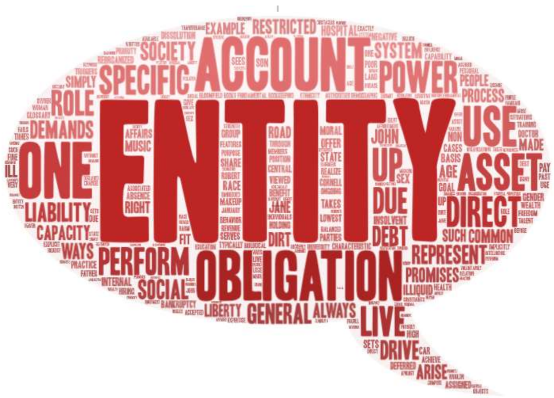
Whichever trolley problem we look at, though, the MAP helps us see that we're looking in the wrong direction for moral progress. The bystander is not the problem here. How can we create reports that would warn people a trolley was coming, and warn the trolley driver there were people on the tracks? How can we create incentives that would punish people for being on the tracks, and reward maintenance staff for keeping the trolley's brakes working? How can we impose controls that make it hard for people to get on the tracks when trolleys are coming, and easy for the driver to avoid them? And what about the people who failed to make these improvements already. Someone was given the power to improve that system, and if we really want moral progress, we are going to want to look at *their* books!

On the Other (Philippa) Foot



And that takes us to Philippa Foot's other problems. Should a doctor kill one person to distribute their organs and save five lives? Should a judge intentionally sentence an innocent defendant to death because otherwise terrorists will kill 5 hostages? How are these different from the trolley problem? Well, again accounting offers some clarity. Because the judge and the doctor didn't just walk by a switch and have power and obligations thrust upon them. They went out of their way to become entrusted with that power, knowing full well what obligations would come with it.

Entities & Roles



So now I want to define the term that shows up most often in the glossary, and introduce a new one. An Entity, or more fully an accountable entity, is the thing whose performance we are taking account of. An entity can only be accountable if it is directed by an internal accountability system. Organizations are accountable entities, but a group of people who simply share some characteristic (like age, race, sex, gender, ethnicity, wealth, education, or other common demographic features) is not an accountable entity, because they do not direct members' behavior through an accountability system. Living individuals, like a person, or a cat, are always accountable entities, because their biological makeup serves as an internal accountability system.

The new term is **role**. Just because everyone is a steward acting on behalf of society doesn't mean they have do everything society needs all by themselves. Societies carve their needs up into roles, which are narrow sets of obligations, that come with the assets to fulfill them. A waiter doesn't need to solve global hunger, and they don't have the assets to do it. But they do have the obligation to serve their patrons with a smile, and that's also something society needs. Of course that's not enough. That's why we have roles like mother and father, priest and teacher, janitor, surgeon and judge.

Moral Bookkeeping

Balance Sheet	
Power to heal or mete justice Personal powers	Deferred Revenue
	<Liberty>

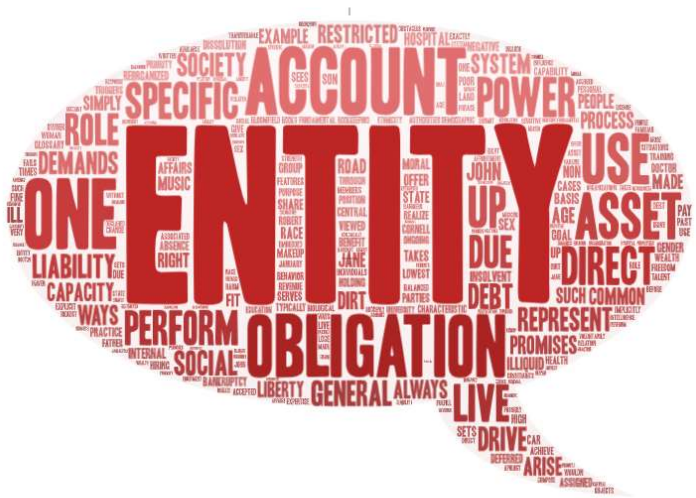
So now we bring a new distinction to bear. In the trolley problem, Pat's just a bystander, and that's a role that comes with few assets and few obligations. And for them, the obligation to deal with the trolley is just an incidental part of their life. But the obligation of a judge to mete out justice fairly, and the obligation of a doctor to heal patients while doing no harm. And those aren't just incidental, they are what accountants call deferred revenue obligations—central and ongoing obligations to those who entrusted them with assets in exchange for that specific type of performance. And few things are more damning than stiffing your customers. So it's no surprise that most people think that the judge and doctor should sacrifice 5 lives, while also thinking Pat the bystander should not intentionally kill someone.

Moral Dissolution

Balance Sheet	
~~Power to heal or mete justice~~ Personal Powers	~~Deferred Revenue~~ Social Debt
	<~~Liberty~~>

26

If they do breach their deferred revenue obligations, we're not just going to reorganize their books like we did with poor Pat. Instead, we're likely to declare them morally bankrupt: they can't be trusted with the power and obligations of their role. So we'll turn to dissolution, taking the power of the role away from them, and maybe demand they make amends and slap on some social debt.



To close, I want to circle back to where I opened. Accounting is the language of business, but it’s also the language of morality, because taking account of someone’s performance and holding them to account for it is pretty similar, whether they are a steward on behalf of stockholders or society. It just has very different implications, and very useful ones when we are trying to figure out how we can get people to do the right thing—or at least a somewhat better thing, somewhat more often.

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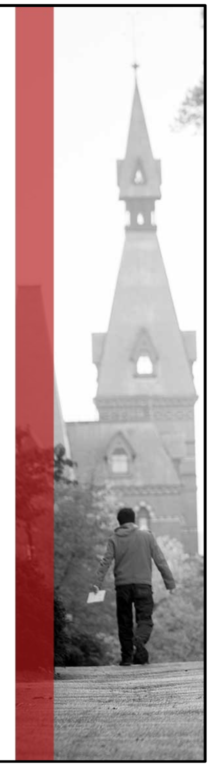
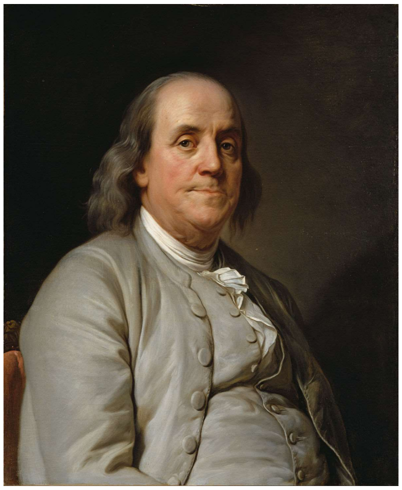
Moral Bookkeeping: Statement of Activities

Robert Bloomfield
2022



“Do well by doing good”



Doing Well

- Gaining Liberty (More Assets, Less Specific Obligations)

Doing Good

- Helping Society (More Benefit, Less Cost)

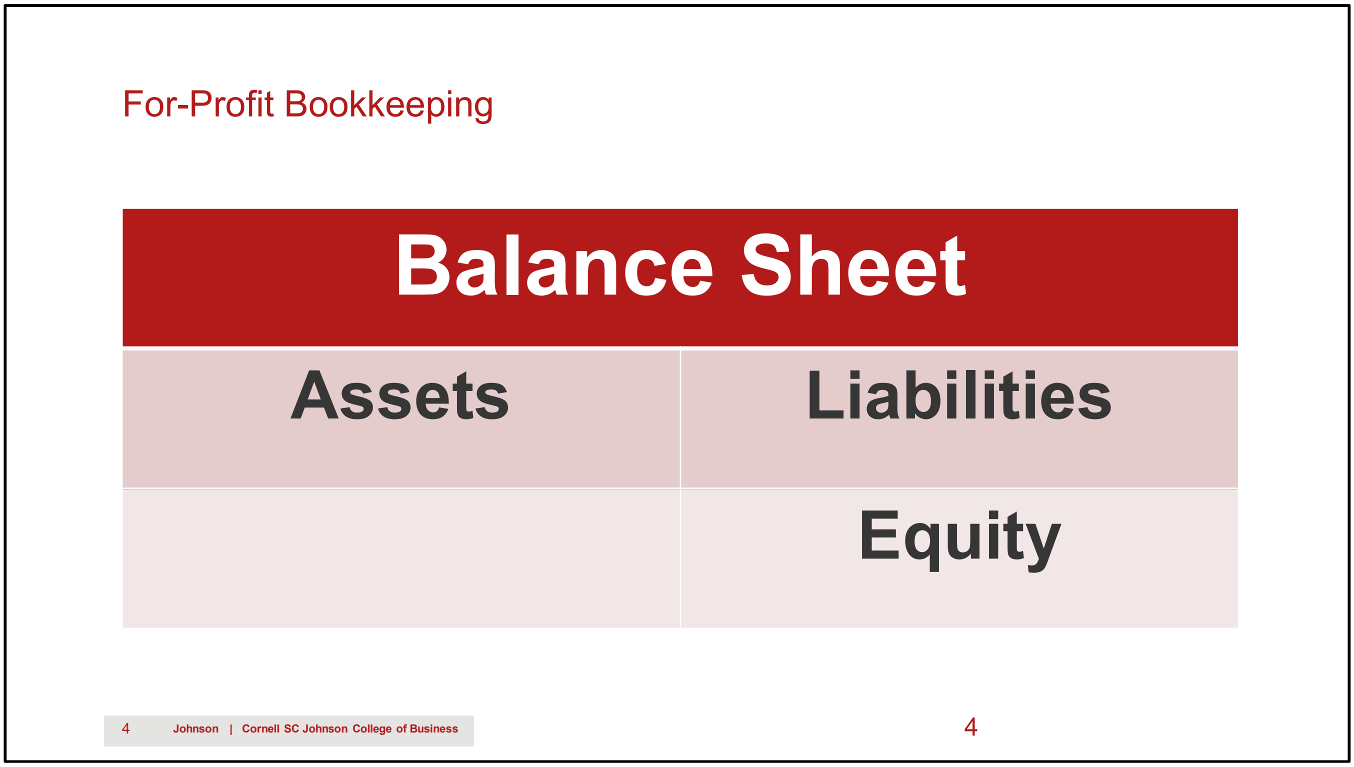
The Aspirations of (Moral) Bookkeeping

Take account of performance

- What assets does an entity have available? What obligations must they fulfill?
- How well did they handle their assets and obligations?
- What does it mean to handle assets and obligations well?

Hold to account for performance

- How should we steer them toward better performance
- How should we treat them once performance is revealed?



With that in mind, let’s start with traditional for-profit books, which capture the performance of a steward who is hired by an owner to run a business. On the left, we have the steward’s assets, the items of value they’ve been given control over. On the top right we have the steward’s liabilities—obligations they’ll be held to. What’s left over on the bottom right is equity—everything the owner gets to keep after liabilities are taken care of. The left always equals the right, and we judge performance by asking “How well did the steward use their assets and live up to their obligations, and generate equity for the owners?”

Moral Bookkeeping Simplified

Balance Sheet	
Power	**Demands**
	Liberty

So you can think of this general obligation as being liberty: the ability to use your assets as you see fit, after you've lived up to all of the demands to live up to specific obligations. Assets are like positive liberty, the power to take control of your life and realize your fundamental purpose. The absence of demands is like negative liberty, the absence of obstacles, barriers, or constraints to the that power.

Financial Stewards Keep Power Because Distributions are Rare

Income = Benefit to Owners = More Assets, Fewer Liabilities

Assets are rarely distributed to owners—instead, they are accumulated by steward

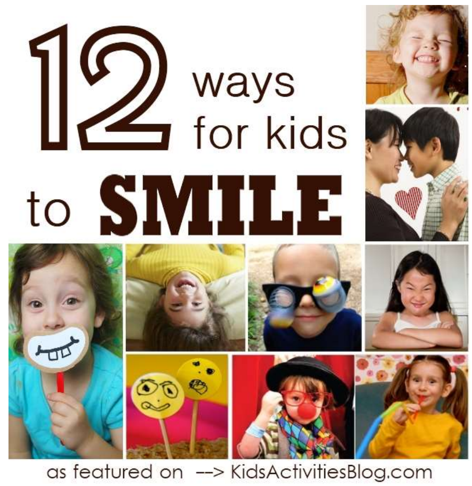
This is why income and assets grow together

- Short run: credit income, debit assets
- Long run: growing assets generate growing returns

Moral Stewards Quickly Distribute Benefits to Society

Making someone smile is a benefit to society (doing good)

But it doesn't generate power (doing well), because the benefit is immediately distributed to society.



We can do well by doing good in two ways

Directly:

Build an asset, like a personal capacity (strength, education)

Credit Benefit, Debit Asset

Indirectly

Do good, be entrusted with new assets (a position of power)

Credit Benefit, Debit Distribution

Debit Asset, Credit Contribution

Analogs Statements for Income and Changes in Stockholders' Equity

Statement of Benefits
Revenue
<Costs>
Gains
<Losses>
Net Benefit

Statement of Changes in General Obligations
Beginning Gen. Obligations
Net Benefit
<Distributions>
Contributions
Ending Gen. Obligations

Reminder: Moral Accounting is not a System, it is a Set of Aspirations

General aspirations are for accounting to

- Steer people toward moral ends
- While governing with moral means

More specific aspirations are laid out in the MAP

- The Bookkeeping Principle captures the aspiration to take account of moral performance on the basis of balanced moral books
- But within that are many additional aspirations common to all bookkeeping, such as good classification and timeliness.

Standard Costing Analog

The goal of standard costing is to recognize benefits of efficiency as soon as they arise—don't wait until inventory is sold.

Moral accounting already fulfills this aspiration: benefits are always recognized when they occur.

Aspirations of Bookkeeping don't change even if

- Standards are hard to set
- Performance is hard to measure

Moral Bookkeeping Glossary

Robert Bloomfield, Cornell University, January 2022

Entities & Roles

Accountable Entities (or simply **Entities**) are parties that are directed by an internal accountability system. Organizations are accountable entities, but a group of people who simply share some characteristic (like age, race, sex, gender, ethnicity, wealth, education, or other common demographic features) is not an accountable entity, because they do not direct members' behavior through an accountability system. Living organisms are always accountable entities because their biological makeup serves as an internal accountability system. That is true even for organisms that lack the capacities that would justify judging their morality.

Roles are sets of assets and obligations associated with a social position. Roles can be assigned through explicit social processes, such as hiring or appointment, and can be accepted voluntarily, but can also be assigned implicitly on the basis of personal characteristics or situations, as in the cases of "man", "father" or "father figure". Parties commonly take on roles by consenting to them, but sometimes circumstances thrust roles upon them.

Balance Sheet

Assets are powers that an accountable entity can uses to achieve a goal, and are always exactly balanced by obligations. Assets can also be viewed as positive liberty, the power to direct one's affairs and realize one's fundamental purpose.

Specific obligations are demands that an accountable entity use or not use assets in specific ways. The absence of assets is like negative liberty, the absence of obstacles, barriers, or constraints to the power to direct one's affairs and realize one's fundamental purpose.

General obligations are demands that an accountable entity use the assets that are not balanced by specific obligations to benefit society. General obligations can be viewed as liberty, the freedom to benefit society as one sees fit.

Capacities are assets that represent non-transferable powers. Health, strength, intelligence, and expertise are capacities.

Capabilities are assets that represent the power to generate capacities. Musical talent is a capability that, with training and practice, can generate the capacity to perform or compose music.

Rights are assets that represent the power to direct the use of objects that are not accountable entities (like land and equipment).

Authorities are assets that represent the power to direct the performance of accountable entities by holding them to account for that performance.

Influence is an asset that represents the power to change how accountable entities perform without holding them to account for that performance.

Liabilities are specific obligations that represent demands to use assets to perform in specific ways, often at specific times and in relation to specific people. Liabilities can arise due to promises made or be embedded in one's role. For example, John might have the liability to drive Jane to the hospital because he promised he would do so, or because John is Jane's only son and no one is available to drive her to the hospital when she suddenly takes ill.

Restrictions are specific obligations that represent demands ***not*** to use assets to perform in specific ways. Restrictions can arise due to promises made or be embedded in one's role. For example, John might be restricted from driving a car on a dirt road because he promised the owner he wouldn't, or because society has declared the dirt roads ecologically sensitive.

Social Debts are liabilities and restrictions that arise due to poor performance (as in the familiar phrase "debt to society"). Common social debts include demands to submit to incarceration, relinquish the right to drive, pay a fine, offer an apology, or offer restitution.

Deferred Revenue Obligations are liabilities to fulfill the central and ongoing demands of one's role. These obligations are typically give a very high priority.

Reorganization

Illiquidity is the state in which an entity cannot live up to all of its liabilities and restrictions.

Insolvency is the state in which an entity's general obligations are negative.

Bankruptcy triggers reorganization and possibly dissolution of an entity, typically because the entity is too illiquid or too insolvent to live up to its obligations. Bankruptcy is often triggered by social debts accrued due to past failure of the entity to live up to obligations.

Reorganization is the process by which the specific obligations of an entity are prioritized from highest to lowest, with the lowest priority specific obligations written off. Books of illiquid or insolvent entity's must always be reorganized before taking account of a bankrupt entity's moral performance.

Dissolution is the process of reducing an entity's assets in response to bankruptcy. Dissolution is most common when an entity fails to live up to the deferred revenue obligations. For example, a doctor who violates the central and ongoing obligation to "do no harm" to their patients may lose the assets entrusted to doctors, such as a license to practice medicine, authorization to direct medical care at a hospital, and so on.

Statement of Benefits

Benefits are the good an entity generates for society (its beneficiary). Net benefits are reported on the Statement of Benefits, as Revenue and Gains minus Costs and Losses.

Revenues are the benefits an entity generates by fulfilling its central and ongoing deferred revenue obligations. Revenue obligations usually arise through promises, but can be thrust upon an entity by circumstance.

Costs are the bad an entity generates for society (its beneficiary) as it fulfills central and ongoing deferred revenue obligations.

Gains are the good an entity generates for society through incidental activities.

Losses are the bad an entity generates for society through incidental activities.

STATEMENT OF CHANGES IN GENERAL OBLIGATIONS

Net Benefits are revenues minus costs plus gains minus losses, and are added to the beginning balance of general obligations on the statement of changes in general obligations.

Distributions are reductions in general obligations that arise because benefits have been distributed to society. If a doctor eases someone's pain, the benefit is distributed immediately to society.

Contributions are increases in general obligations that arise because the entity has accumulated assets or has been relieved of specific obligations. If a doctor is given a job treating patients (perhaps because they have benefited society in that way very well in the past), that is a contribution.

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Managerial Reporting & Cost Accounting

Robert Bloomfield
2021

Moral Accounting Engagements

What is (Traditional) Mediation?

Two parties are in conflict

The parties control the outcome

- No judge or arbitrator
- Just a BATNA (Best Alternative to a Negotiated Outcome)

The mediator controls the process

- Defuse tension
- Encourage resolution

Traditional Mediation Process

Identify the conflict	Why are the parties unhappy?
State and clarify positions	What do they (initially) demand?
Translate positions into interests	What do they hope to get from their demands?
Search for integrated solutions	Are there options that make both parties better off?
Secure agreement	Get clear commitments from all parties

Right and Wrong

Traditional mediation is never about who is right and who is wrong

- It is only about interests

A Moral Accounting Engagement is all about right and wrong

- But not about the people or society
- Just how the accountability system can better live up to the MAP

Moral Accounting Engagements as Principle-Based Mediation

Identify concerns	What is the problem? What other problems might arise in fixing it?
Identify MAP Violations	What principles of moral accounting are being violated?
Document accountability systems	What reports, incentives & controls are relevant to the concerns? Where are they too weak, too strong, just right?
Document moral standards	What does society ***aspire to***?
Search for solutions	How can systems be improved to fulfill all moral standards more completely?
Advice	Summarize recommendations for system changes

MAE Scope limitations

No judgments of character

- Character judgments become character attacks
- Unproductive!

No judgments of intent

- An accountability system lives up to the MAP through it's impact
- Intent is irrelevant and often non-existant

No judgments of society

- Accept society's determination of morality
- Work from there

Roles

Sponsors	Raise concerns about some type of immoral behavior. These concerns provide the impetus for the MAE.
Funders	Define the scope of the MAE, select someone to oversee it, and provide funding to conduct it.
Moral accountants	Control the process of the MAE and issue a report.
Witnesses	Provide the moral accountants with relevant information.
Advisees	Receive an MAE's recommendations because they are in a position to act on it.

Guidance for Instigating Concerns

Choose something recurring

- Not “One person did one bad thing one time”
- But “People keep doing this bad thing”

Choose something manageable

- The issue should be narrow: not just “pollution” but “carbon emissions from trans-oceanic flights”
- An identifiable and (ideally) approachable set of advisees
- Something controversial (so that there is conflict among principles)

Stewardship & Governance

Analyzing Performance as Stewardship

- A party is entrusted with assets
- Assets come with obligations
- Is the party using their assets wisely? Are they living up to their obligations?

Analyzing Performance as Governance

- An accountability system is shaping stewardship
- Is it improving stewardship?
- Is it doing so in a moral way?

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
Total Assets =	**Total Claims**

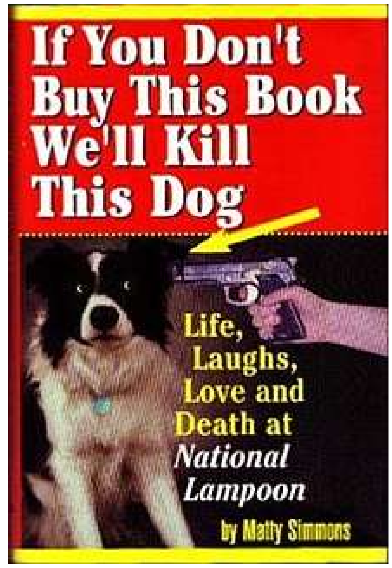
Moral bookkeeping is a form of stewardship accounting, because it treats everyone as a steward acting on behalf of society. So if we want to analyze someone's moral performance, we ask pretty familiar accounting questions: how did they use the assets society entrusted to them—their rights, capacities, authorities and influence? And are they living up to their obligations—not just liabilities to do certain things, but also any restrictions against misusing their assets, and any debts to society for past misbehavior? And finally, are they using the assets left over to serve society?

In for-profit accounting, any assets left after settling your liabilities become equity, and owners can do whatever they want with it. But a steward has a mission, which is to serve society, so excess assets still come with obligations. This doesn't mean you have to wear burlap bags and live in a yurt. Society recognizes that we all have an obligation to foster our own welfare, and like any non-profit, you can pursue your social mission as you see fit. But there are limits—you can't buy up COVID vaccines and burn them in a parking lot. Think of it as a tweak on The Spider-Man principle—with greater power comes greater obligation.

Reports

Incentives

Controls



Of course, one of the greatest assets you can have in society is the power to hold others accountable. Here again, accounting can do better. Because if you pick up a managerial accounting textbook, it will tell you everything you need to know about how to hold people accountable in an effective way. But you won't learn how to do it in a *moral* way. Sure, you might get someone to stop littering by threatening to kill a puppy, but that falls short of the second aspiration of moral accounting—to hold people accountable *in a moral way*.

Moral Accounting Principles (The MAP)

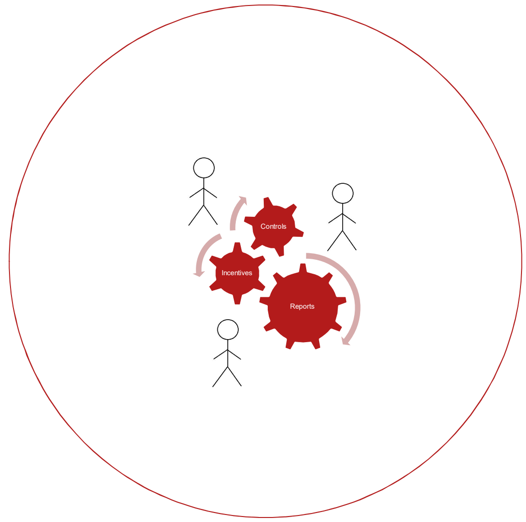
How should governance affect society?

The **Effectiveness Principle** states that governance should improve the moral performance of a society's members, ensuring that powers are used morally and obligations are upheld.

Who should be held accountable?

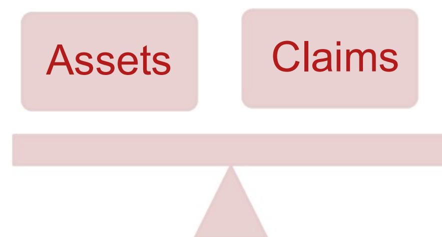
The **Entity Principle** states that only accountable entities should be held accountable. An accountable entity is defined as a party or group of parties connected by an internal system of governance.

- People, animals YES
- The group of left-handed people NO
- The Left-hander's Advocacy Group YES



On what basis should performance be evaluated?

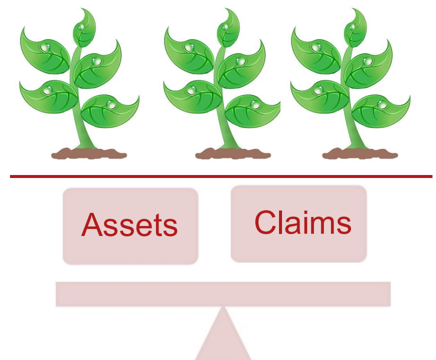
The **Bookkeeping** Principle states that an accountable entity's moral performance should be evaluated on the basis of their moral books.



Who determines the powers and obligations of the governed?

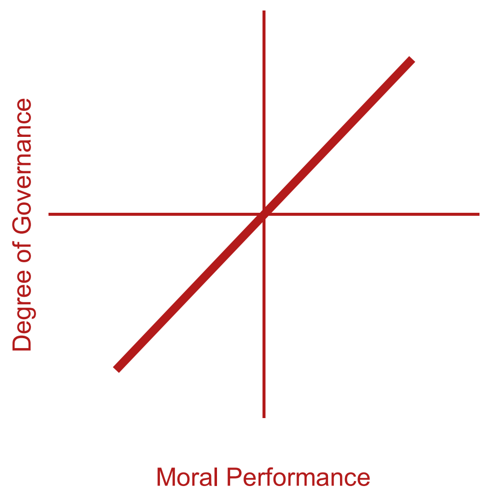
The **Social Recognition** Principle states that every entity's assets and obligations are recognized (entered into their books) as determined by the societies of which they are a member.

A society is a group with a shared mission. We are all members of many societies.



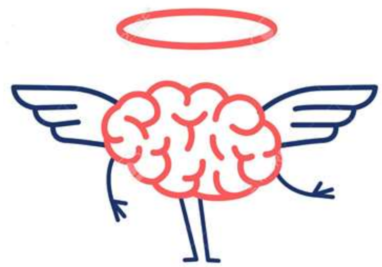
How should governance be tied to performance?

The **Proportionality Principle** states that governance should be suited, in both nature and extent, to the moral performance it is governing. "Let the ~~punishment~~ governance fit the crime."



What qualities should governance reflect?

The **Judgment Principle** states that people should be governed with knowledge, competence, diligence, neutrality, and courage.



Who should govern?

The **Subsidiarity Principle** states that a party should govern only to the extent that:

- they cannot avoid doing so, or
- their governance upholds the complete set of Principles more completely than would otherwise occur.

Some Examples

Consumer Fraud

System fails to prevent problem (***Effectiveness***);

employees are rewarded for behavior society views as immoral (***Social Recognition***);

punishment does not reflect existence of obligations to consumers (***Bookkeeping***) and/or

is too small relative to degree of immoral performance (***Proportionality***).

Pollution

System fails to prevent problem (***Effectiveness***);

employee accountability is based on measures that fail to capture impact of pollution (***Judgment***);

employees are rewarded for behavior society views as immoral (***Social Recognition***);

punishment is inadequate to moral failings (***Proportionality***).

Team Rob’s Example: Gender Bias on Wall Street

Instigating Concern: Women CFAs are not being promoted up the ladder

Possible MAP violations

- **Entity:** Women CFAs are held accountable based on the past performance of other women
- **Social Recognition:** Women's family obligations are not being recognized
- **Proportionality**: Women are not rewarded equally for equal performance
- **Effectiveness**: Firms are not preventing hostile and harassing behavior toward women

Competing concerns:

- **Proportionality:** Women should not be given preference in hiring or promotion out of proportion to their business performance
- **Social Recognition:** Firm's shouldn't have an obligation to help workers with family obligations
- **Subsidiarity:** Outsiders shouldn't be telling firms how to evaluate and promote employees—they don't know enough

Breakout 1

Choose an instigating concern

Identify possible MAP violations

Identify competing concerns and MAP Violations

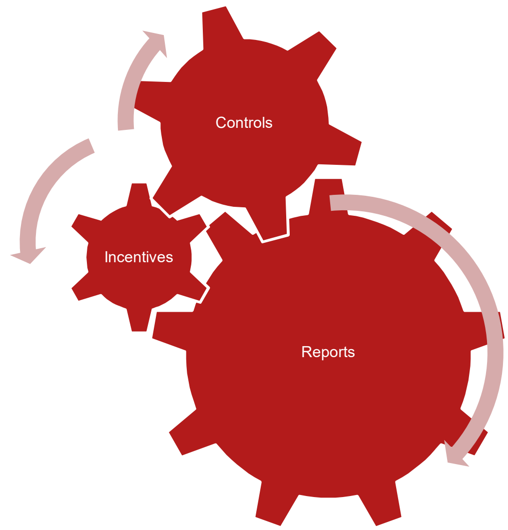
Breakouts Part 1:

Documenting Accountability Systems

Reports:
- What happened, is happening, will happen?

Incentives
- Make good performance attractive and bad performance unattractive

Controls
- Make good performance easy and bad performance hard



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Since this is a pretty simple situation, we won't need to bring in all of the moral accountability principles. But we'll start with the one that tells us "an accountability system is a web of reports, incentives and controls that shape behavior". To hold Joe accountable, we'll need reports on Joe's situation, whether he pulled the switch, and how many people died. We'll reward him if we think he did good, and punish him if we think he did bad. But it's always dangerous to rely on incentives, so we also add in some controls that make it easy to do good and hard to do bad. Sadly, we don't have those here, other than that it's easy to pull the switch.

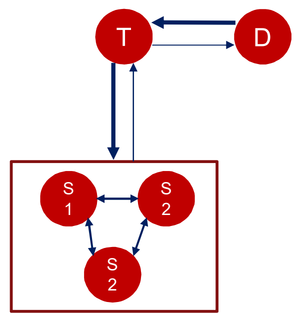
Documenting Accountability Networks

Teacher (T) governs students

Dean (D) govern teacher

Students (S) govern teacher

Students (S1-S3) govern one another



Brainstorming

- Bring a brick, not a cathedral
- “Yes, and…” not “Yes, but…”
- I’m not following
- Brilliant!

Use all the tools of *What Counts* to fulfill all competing principles

Documenting ***Aspirational*** Moral Standards

Who ***should*** be recognized as having what powers in this society?

What obligations ***should*** come with those powers?

Aspiration, not expectation: in an ideal society, if this principle didn't conflict with another, would we agree with it?

Documents

- Values statements
- Mission statements
- Civil and religious leaders
- Hypocrisy
- Law

Testing and Reporting

If we had time, teams would test recommendations by presenting them to witnesses, trial runs, etc.

If you cannot resolve a disagreement about aspirational moral principles, offer alternative recommendations

Team Rob's Part 2 Breakout

Accountability system and network

- Senior management uses a great deal of judgment to evaluate who is promotable—it isn't all numbers, it's also effort, creativity, persistence, and so on.
- Accountability isn't just top-down: every portfolio manager must pitch strategies to a big team, which recommends for or against it.

Hypothesizing

- Gender bias may creep into subjective judgments
- Women may face more family obligations that detract from work performance

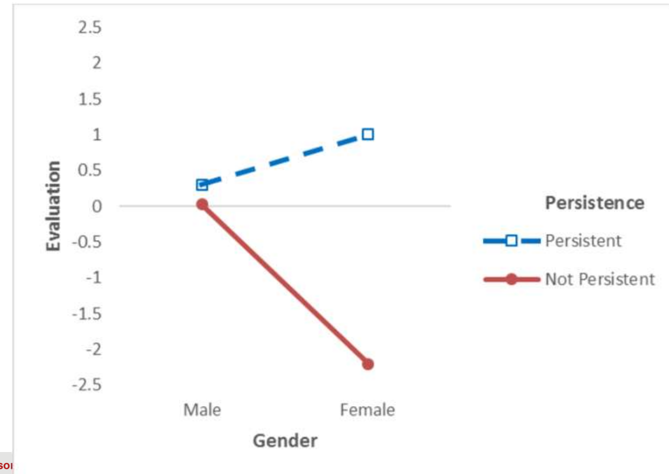
Hypothesis 1: Bias in Subjective Evaluations

- 2 x 2 between-subjects design
  - 179 Professional Investors and Research Analysts

		Gender: Male	Gender: Female
Persistence	Persistent	"After the vote, John arranged to meet with Bill Thomas, the Portfolio Manager, to make his case again."	"After the vote, Jennifer arranged to meet with Bill Thomas, the Portfolio Manager, to make her case again."
	Not Persistent	"John decided not to pursue the matter further, and did not bring it up in subsequent meetings."	"Jennifer decided not to pursue the matter further, and did not bring it up in subsequent meetings."

Results – Hypothesis 1 and 2

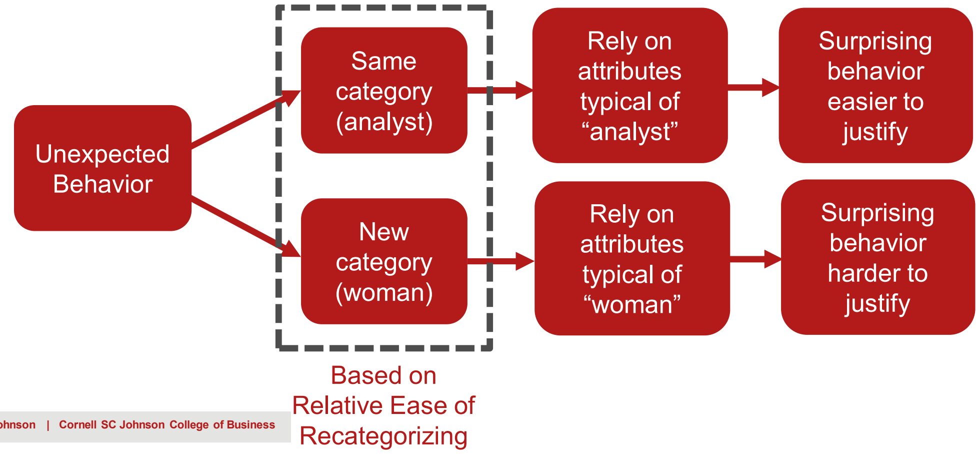
In your view, do the events summarized above help or hurt Jennifer's (John's) case for promotion?



Categories, Near and Far
"Analyst" is more similar to "Man" than "Woman"

- Descriptive Norms for Men are "Agentic"
  - Achievement-Oriented, Aggressive, Decisive
- Descriptive Norms for Women are "Communal"
  - Socially-Oriented, Cooperativeness, Kindness
- Prototypical Analyst is Characteristically "Male"
  - Non-agentic and communal behaviors are unexpected, triggering reconsideration of category

Theory: Categorization
Response to Unexpected Information



Recommendation

Different expectations of men and women are not aspirational moral standards

- They are deviations from those standards, so a violation of social recognition

Do Your Homework!

- Gather better data, so that a single surprising event doesn't drive an annual review

Possibility 2: Competing Obligations

Moral standards are controversial here:

- Everyone agrees families should be supported
- Disagreement about who should bear the cost—employer, women, all adults, employers, or taxpayers?

Alternative recommendations:

- Add flexibility to job roles without harming business performance (win all around)
- Consider government programs that offer family support
- Encourage shared responsibility among adult family members

Breakouts Part 2

- Document key parts of accountability system & network
- Hypothesize about causes and brainstorm solutions
- Check assumptions about moral standards
- Summarize recommendations

Remote Work Surveillance Discussion Questions

Robert Bloomfield, Cornell University

January 2022

In the article below, workers and their advocates express a number of concerns about governance of remote work through surveillance.

- Loo5 Case king at the remote workers' concerns, what principles of the MAP are law firms falling short on?
- Where you see a shortfall on one principle, can you identify one or more competing principles that explain why it hasn't already been addressed? Note that every principle has many dimensions, so competition can occur within principles. For example, making governance more Effective at one thing can make it less Effective at another.
- Can you propose improvements to the governance of these remote workers that would allow it to fulfill all competing principles more fully, or at least fulfill one more fully at little cost to the others?

Contract lawyers face a growing invasion of surveillance programs that monitor their work

From https://www.washingtonpost.com/technology/2021/11/11/lawyer-facial-recognition-monitoring/

Camille Anidi, an attorney on Long Island, quickly understood the flaws of the facial recognition software her employers demanded she use when working from home. The system often failed to recognize her face or mistook the Bantu knots in her hair as unauthorized recording devices, forcing her to log back in sometimes more than 25 times a day.

When she complained, she said, her bosses brushed it off as a minor technical issue, though some of her lighter-skinned colleagues told her they didn't have the same problem — a common failing for some facial recognition systems, which have been shown to perform worse for people of color.

So after each logout, Anidi gritted her teeth and did what she had to do: Re-scan her face from three angles so she could get back to a job where she was often expected to review 70 documents an hour.

"I want to be able to do the work and would love the money, but it's just that strain: I can't look left for too long, I can't look down, my dog can't walk by, or I get logged out," she said. "Then the company is looking at me like I'm the one delaying!"

Facial recognition systems have become an increasingly common element of the [rapid rise in work-from-home surveillance] during the [coronavirus] pandemic. Employers argue that they offer a simple and secure way to monitor a scattered workforce.

But for Anidi and other lawyers, they serve as a dehumanizing reminder that every second of their workday is rigorously probed and analyzed: After verifying their identity, the software judges their level of attention or distraction and kicks them out of their work networks if the system thinks they're not focused enough.

Contract attorneys such as Anidi have become some of America's first test subjects for this enhanced monitoring, and many are reporting frustrating results, saying the glitchy systems make them feel like a disposable cog with little workday privacy.

But the software has also become a flash point for broader questions about how companies treat their remote workforces, especially those, like contract attorneys, whose short-term gigs limit their ability to push for change. The attorneys also worry that it could become the new norm as more jobs are automated and analyzed: If the same kinds of law firms that have litigated worker protections and labor standards are doing it, why wouldn't everyone else?

"There's always going to be a desire to control more of the workplace, just because you can … and because the cost of all the heavy-handedness comes down on the employee," said Amy Aykut, a contract attorney in the D.C. area.

The monitoring is a symptom of "these pervasive employer attitudes that take advantage of these technologies to continue these really vicious cycles … that treat employees as commodities," she said. "The irony in this situation is that it's attorneys, who traditionally advocate for employee rights or justice when they're made aware of intrusions like these."

[Keystroke tracking, screenshots, and facial recognition: The boss may be watching long after the pandemic ends]

Contract attorneys sift through thousands of documents entered as potential evidence during a lawsuit, redacting sensitive information and highlighting relevant details lawyers may need while arguing a case, and they have become a backbone of the legal economy: Law firms hire them on an as-needed basis — such as when a complicated lawsuit involves lots of internal records or emails — and ditch them when they are no longer necessary.

Legal recruiters say the job's flexible schedules and outsourced contracts have opened more opportunities for work in the saturated legal profession. But contract attorneys say their short-term contracts ensure they work without benefits, at reduced hourly rates, and with no expectations of job security after the work is complete. Many said they pursued the job only because firms weren't hiring for the kinds of full-time work they'd need to pay off law school debt.

"An underclass had been created to perform the mundane tasks without the incentive of being mentored and trained for more sophisticated legal work," one contract attorney in Texas said. "And the members of this class could be discarded as soon as a litigation was over — sometimes literally on a moment's notice."

The Washington Post spoke with 27 contract attorneys across the United States who had been asked to use facial recognition software while working remotely. The pandemic pushed many of them out of secure document-review offices and into remote work, and many expected some additional security, since they look at sensitive files for legal cases with strict confidentiality rules.

But most of them hadn't expected anything like the facial recognition monitoring they've been asked to consent to. The software uses a worker's webcam to record their facial movements and surroundings and will send an alert if the attorney takes photos of confidential documents, stops paying attention to the screen or allows unauthorized people into the room. The attorneys are expected to scan their face every morning so their identity can be reverified minute by minute to reduce potential fraud.

Here are all the ways your boss can legally monitor you

Some attorneys welcomed the monitoring, arguing that they liked trying out cutting-edge software, that the bugs weren't all that bad, or that the hassle was worth it if they could keep working from home. But many others said the systems were finicky, error-prone and imprecise thanks to general weaknesses in facial recognition systems, which can show wild swings in accuracy based on factors such as a room's lighting, a person's skin color or the quality of their webcam.

Lawyers said they had been booted out of their work if they shifted slightly in their chairs, looked away for a moment or adjusted their glasses or hair. The systems, they said, also chastised them for harmless behaviors: holding a coffee mug mistaken for an unauthorized camera or listening to a podcast or the TV.

The constant interruptions have become a major annoyance in a job requiring long-term concentration and attention to detail, some lawyers said. But the errors also undercut how much work they could do, leaving some fearful it could affect their pay or their ability to secure work from the same firms later on.

Several contract attorneys said they worried that their performance ratings, and potential future employability, could suffer solely based on the color of their skin. Loetitia McMillion, a contract attorney in Brooklyn who is Black, said she'd started wearing her hair down or pushing her face closer to the screen in hopes the system would stop forcing her offline.

"It crashes all the time and says it doesn't recognize me," she said, "and I want to just tell it: Actually, no, it's the same Black face I've had for a few decades now."

Some contract attorneys said they felt the burden weighed especially heavily on people of color, who fill an outsize portion of the short-term legal roles. People of color make up about 15 percent of all lawyers in the United States but about 25 percent of the "non-traditional track/staff attorney" jobs, which include contract attorneys, according to recent statistics from the American Bar Association and the National Association for Law Placement.

Cheating-detection companies made millions during the pandemic. Now students are fighting back.

Attorneys of color also worried that the facial recognition systems' varying performance on different skin tones left them disadvantaged from the start. One attorney said he filed a complaint with New York City's Human Rights Commission last year, arguing that he was being denied the right to work by refusing to consent to being monitored. He worries that the facial recognition scans could threaten his legal license or livelihood if it falsely led to accusations that he had compromised client data.

"As a black male in America I am constantly under surveillance the moment I step outside," he wrote in July to one of the agencies in an email he shared with The Post. "I will not subject myself to this indignity and the invasion of my privacy in my own home."

Contract attorneys are far from the only American occupation to undergo enhanced monitoring. Delivery workers, call-center representatives and Uber drivers are increasingly assessed by face- or voice-analyzing software, which their employers say can help the companies verify worker identity, performance or productivity.

Those fields have faced their own frustrations: A former Uber driver has filed a legal claim in the United Kingdom alleging that the company's facial recognition software was racially discriminatory against him and other Black drivers because it worked less effectively on darker skin.

Verificient Technologies, one of the companies selling such work-monitoring software, also offers a similar "online proctoring" service that colleges are increasingly using to monitor students during exams. The systems have led some test-takers to urinate in their seats for fear of being punished or flagged as cheaters if they stepped away and have sparked a backlash on campuses nationwide.

The company's "on-demand monitoring" software, RemoteDesk, can track workers' "idle" and "active" time; record their screens and web-browser history; patrol their background noise for unauthorized music or phone calls; and use the webcam to scan a worker's face or room for company rule-breaking activity, such as eating and drinking or "suspicious expressions, gestures, or behavior."

Nada Awad, the company's chief sales officer, said suspicious behaviors include working for too long without a break or looking away from the monitor for extended periods of time. In an online guide on "the ethical complexity of remote workforce monitoring," the company wrote that its software identifies "various levels of deceit and misconduct based on the guidelines defined by the corporation."

An example screenshot of the RemoteDesk interface for employers, which the company shared with The Post, logged every online activity a worker had done during the workday, with each classified as "productive" and "unproductive," as well as an overall "productivity score." It also showed data on total hours worked and a "webcam feed" that included snapshots of violations, such as when a worker opened a social media website, used their phone or blocked the camera's view.

Rahul Siddharth, Verificient's co-founder and operations chief, said the company has seen rapid growth during the pandemic from companies worried about "being hosed" by deceptive or unproductive employees who might be working half-mindedly, slacking off or working two jobs at once.

“Abuse happens, and that’s a fact of nature — not for everyone, but a significant enough amount that companies and employers want to manage it as best they can,” Siddharth said. “It’s not for Big Brother to watch them. It’s to say you cannot be compensated for a two-hour break.”

Workers are putting on pants to return to the office only to be on Zoom all day

Attorneys’ document-review work had almost always been an in-person job, and the offices they worked in had strict rules around security. But Cathy Fetgatter, the senior vice president of analytics and managed review services for Innovative Discovery, a legal recruiting agency based in Arlington, Va., said the pandemic changed everything: Every office closed in March 2020, shifting all of the agency’s document-review jobs to remote work.

Their law firm clients were given the option to remotely monitor and verify the identities of those attorneys with facial recognition software, Fetgatter said, and about 5 percent of the agency’s clients have chosen to do so in the past year.

That number is growing. Other firms have opted for even more “robust monitoring,” in which the webcam software looks for other rule-breaking behavior, such as whether anyone else can be heard or seen near the computer screen.

The agency, Fetgatter said, has a database of 10,000 contract attorneys who are assessed based on “performance indicators” that track their demeanor and productivity. She declined to say which facial recognition software attorneys working with Innovative Discovery were expected to use.

The technology isn’t perfect, Fetgatter said: One law firm client recently complained that the number of false positives made it “honestly more of a nuisance than it was worth.” But much of the attorney feedback about the system so far, she said, has “been positive because of how much attention we put on keeping the team engaged.” Attorneys who are uncomfortable with that level of monitoring, she added, can decline the job.

Some attorneys, however, feel like it’s not a real choice. While jobs with the facial recognition requirement are still the exception, many attorneys said they expect that more law firms will grow interested as the technology becomes cheaper and easier to deploy, forcing workers to tolerate the monitoring or lose out on jobs.

Managers turn to surveillance software, always-on webcams to ensure employees are (really) working from home

Hope Weiner, a contract attorney in New York, said she has embraced the technology, technical quirks and all. Because the software requires the worker to keep their head within a limited space in view of their webcam, she said, “you do find yourself swishing your face around like a tetherball so that the computer does not shut down on you.”

But other lawyers said they felt infantilized or distrusted by monitoring software that gave no weight to their experience or careers. One attorney said the software treated “people who have taken oaths as if they are common criminals." Said another: "Didn't my work record speak for itself that I had integrity?"

One 10-year contract attorney in Arlington, whose contract required that he use the security software SessionGuardian, said the minute-to-minute need to be constantly looking at his computer made him feel "treated like a robot." Another said he felt exhausted after 10 hours of sitting like a "gargoyle," knowing any shift in position might log him out.

Jordan Ellington, SessionGuardian's founder and chief executive, said that companies can set their own rules — employee facial scans, for instance, can be as frequent as once a second — and that the enhanced at-home security can be worth it for those frustrated by office work.

"That contract attorney would have otherwise spent time commuting to a location that has cameras and people walking around, looking at screens, to maintain their security," Ellington said. "Wouldn't you prefer to save on that commute?"

Some attorneys said they worry that this is only the beginning for work-from-home surveillance. Call center workers in Colombia told NBC News in August that they had been asked to consent to in-home camera monitoring. Google and Microsoft already offer tools that employers can use to automatically gauge their workers' productivity. And some companies, including Amazon, have considered monitoring workers' mouse movements and keyboard strokes as a way to detect impostors.

But some attorneys said they see a silver lining in this oversight. Anne Ditmore, a freelance document-review attorney in Dallas, said that at first having her face scanned "felt like I was giving away such a unique identifier, and so impersonal. I felt untrusted." But she now says she feels a "sense of pride" in contributing to the early days of a technology reshaping how people work.

The boom in facial recognition scans and other productivity software "now makes me work harder and longer than when I worked in an office," she said. "There is no live human interaction, aside from scheduled video meetings, as there once was between co-workers in an office environment. That saved time is spent working."

(Moral) Accounting for Climate Change
Robert Bloomfield, Cornell University, 2022

Bob Kaplan (who brought us the Balanced Scorecard and Activity-Based Costing), together with a former Harvard PhD student, Karthik Ramanna, has proposed a new approach to reporting social costs, with particular attention to Greenhouse Gases (GHG). Here's a quick summary, along with some questions about how well it lives up to the aspirations of moral accounting.

A Value-Added Tax (VAT) Structure for E-Liabilities

In their 2021 *Harvard Business Review* article, "Accounting for Climate Change", Kaplan and Ramanna (KR) refer to GHG emission as giving rise to an "E-Liability", with the E for Environmental. They measure E-Liabilities in tons of GHG emissions, and track them using a system very similar to a Value-Added Tax (VAT). In a simple VAT system, each firm tracks what they pay for inputs, and what they receive for outputs, and the difference is the "value added" basis for their tax liability. The additions to the VAT basis are recorded by each firm. KR reporting is similar. Every input product or service comes with a report of the GHG emissions already embedded in it. The firm then adds their own GHG emissions and passes the full amount on to their customers. A figure from their article (included at the end of this document) illustrates how this works.

KR argue that their approach is superior to other forms of environmental reporting, because it is more easily familiar (many countries have had VATs for a long time), auditable (VAT reporting is heavily audited), can be tied to taxation, and is "rigorous" accounting. Rather than comparing KR's reporting system to other approaches for reporting on environmental impact, the following discussion questions are designed to help you compare it to the aspirations laid out in moral accounting.

Questions for Discussion

Recall that the Entity Principle of the MAP states that people should be held to account for all—and only—the performance they shape, whether directly or indirectly. KR propose taking account of a firm's GHG emissions by adding up all of the emissions "upstream" of them in the supply chain (emitted by their suppliers, and the suppliers of their suppliers, and so on). But they ignore all of the downstream emissions (emitted by their customers, and the customers of their customers, and so on).

- Does the choice to use inputs from the supply chain mean a firm is shaping all of those emissions directly?
- Do firms have enough power over upstream suppliers that they should be viewed as shaping their performance indirectly?
- Is it right to ignore the emissions of downstream consumers, or should they be viewed as 'enabling' (and thus indirectly shaping) those emissions?

KR's system uses "normal costing", in that each firm reports and passes along their *actual* GHG emissions. As an alternative, one could set up a standard costing system that distinguishes between the actual emissions and the emissions that 'should have been' if best practices had been followed. As an example, consider transportation—one party in a supply chain moves goods from point A to point B. Rather than passing on that actual addition to GHG emissions, one could estimate the emission that would result from the most carbon-efficient mode of transportation (the standard), and the difference between actual and standard (the variance). One could even split the variance into two parts, by adding in a standard for the mode of transport actually used. This would give a "Mode Variance" to capture the excess emissions that come from using trucks vs. rail, and then an "Efficiency Variance" to capture whether the transporter is less efficient with trucks than they could have been.

- How helpful would it be to report standard emissions and variances from that standard separately? How might it help investors and other stakeholders live up to the MAP more fully as they hold firms to account?

Standard costing can also used to change how much cost is transferred from a supplier to a customer. In most firms that use standard costing, one department transfers only the standard cost to the next department, while keeping any variances. This incentivizes the upstream department to be efficient, while also preventing the downstream department from being held to account for performance they had no hand in shaping (thus upholding the Entity Principle). But customers in supply chains have far more power to choose their suppliers than departments in a firm.

- Would KR's system live up to the MAP more or less fully if only standard costs were transferred from suppliers to customers?

KR start their article by referring to GHG emissions as a "cost to society", but then call them "E-Liabilities". In moral bookkeeping, costs and liabilities are very different concepts. Costs are reductions to the net benefits reported on the Statement of Net Benefits. Liabilities are obligations—demands to do or not do things—reported on the Balance Sheet. While it is increasingly clear that GHG emissions impose a cost on society, it is far less clear what obligations society recognizes as being associated with emissions. One obligation might be a demand for entities to remediate the damage of the emissions they can be held accountable for. Another obligation might be to pay a social debt for failing to live up to their prior obligations not to emit GHG.

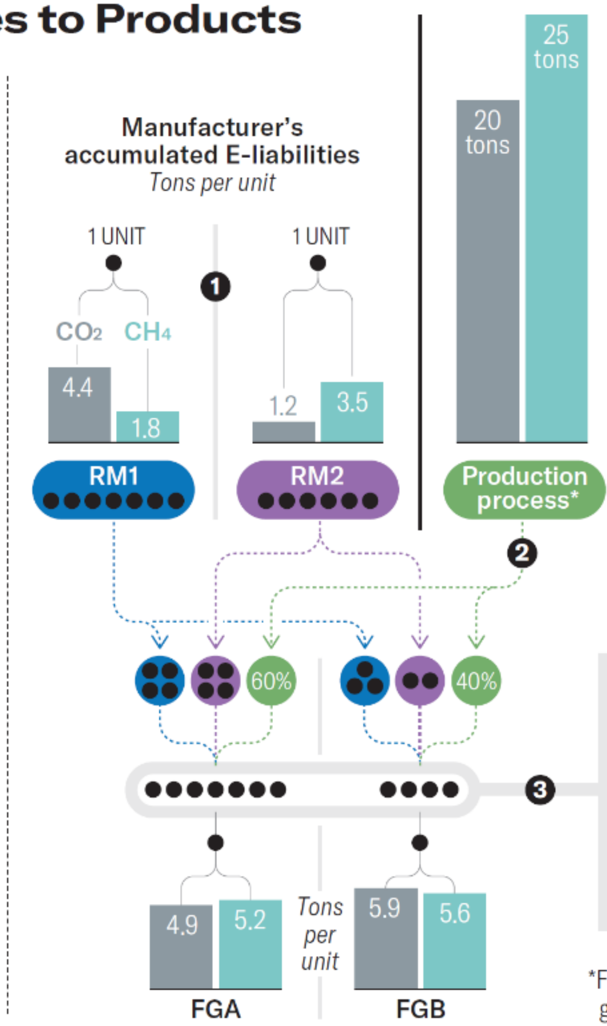
- How does the liability for remediation differ from the costs of GHG captured by the "E-Liability"? When would you expect an entity's liability for remediation to be greater than their cost, and when would you expect it to be less?
- What obligations does our society currently recognize regarding GHG emissions? Does everyone have a moral obligation to emit none at all, or some baseline level? How would those obligations vary across parties and their circumstances?

Allocating E-Liabilities to Products

This exhibit shows how cost accounting would assign to two finished-goods products the E-liabilities associated with their raw materials and production process. For simplicity, we focus on two finished products and two greenhouse gases (CO_2 and CH_4), but the method can be scaled to multiple products and gases.

1 The manufacturer's beginning-of-period E-liability includes that of two purchased raw materials (RM1 and RM2), created through the extraction, production, and distribution processes used by upstream suppliers.

2 The manufacturer's production process converts 7 units of RM1 and 6 units of RM2 into 7 units of finished good A (**FGA**) and 4 units of finished good B (**FGB**). This process itself generates 20 tons of carbon dioxide (CO_2) emissions and 25 tons of methane (CH_4) emissions, which include E-liabilities purchased from the manufacturer's electricity supplier and depreciation of E-liabilities associated with capitalized equipment.



3 The calculations below show how the E-liabilities of inputs RM1 and RM2, plus the E-liabilities from the manufacturer's production process, are transferred to the E-liabilities in CO_2 and CH_4 tons/unit of the two finished goods, **FGA** and **FGB**, as a function of input quantities and proportion of production time. As these finished goods are sold to the manufacturer's customers, **FGA**'s and **FGB**'s E-liabilities for CO_2 and CH_4 are subtracted from the manufacturer's E-liability accounts (see the exhibit "The E-Liability Statement") and added to those of its customers.

Finished Good A

RM1 RM2 PRODUCTION

CO_2: (4.4 x 4 + 1.2 x 4 + 0.6 x 20) / 7 = 4.9

CH_4: (1.8 x 4 + 3.5 x 4 + 0.6 x 25) / 7 = 5.2

Finished Good B

CO_2: (4.4 x 3 + 1.2 x 2 + 0.4 x 20) / 4 = 5.9

CH_4: (1.8 x 3 + 3.5 x 2 + 0.4 x 25) / 4 = 5.6

*Figures shown represent total greenhouse gases produced during production process.

Johnson
Cornell
SC Johnson College of Business

Managerial Reporting & Cost Accounting

Governing Speech

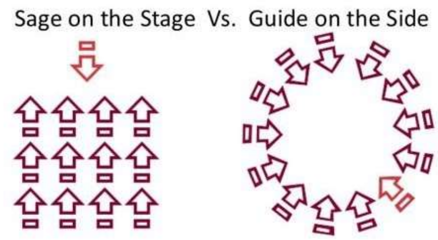
Robert Bloomfield
2022

Moral Bookkeeping Refresher

- The power to speak is an asset (like every other power)
- Every asset comes with obligations
  - Specific Liabilities (“shoulds”)
  - Restrictions (“shouldn’ts”)
  - General Obligations (“cans”, but for society’s benefit)
- Obligations exist even when no one has the power or will to enforce them.
- **What obligations come with the power of speech?**
- **How do we hold people to account for them?**

Tools for governing speech in any venue

- Agenda
- Audience
- Venue
- Procedure
- Norms



Let's start with the last question. We govern speech every day, with a toolkit you'll all find familiar. We set agendas to limit the topic of conversation. We choose who gets to speak or even listen. We create venues that keep some people from talking, either through psychology or technology. We can choose a room like this, which imposes a real psychological barrier to speaking up from where you are sitting, vs. where I am standing. Or we can choose a videoconference, and have everyone muted by default until we choose otherwise. We set procedures, like Robert's Rules of Order, which allow us control the conversation. And finally, we make sure people understand conversational norms that shape what people say when they actually get to open their mouths. Most people understand that norms like "don't express romantic interest during a business meeting." A lot of people don't even think of these tools as governing speech, but they do, and they are everywhere.

The idea of governing speech might make you feel a bit uncomfortable. We don't want to be tyrants, right? But we only have to look at Facebook and Twitter to see the problem with *not* governing speech. Imagine trying to decide between two job candidates on Twitter. What a terrible idea…It only takes one tweet to see there's no way this will go well.

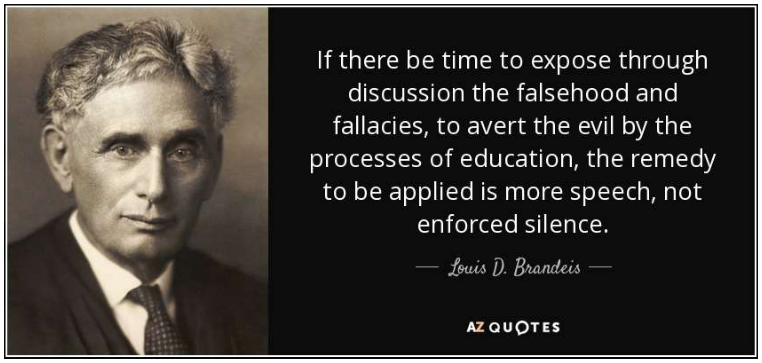
Universal Declaration of Human Rights

Article 19

Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.

But some discomfort with governing speech is a healthy thing. The United Nations declares freedom of expression a universal human right. The United States is somewhat of an outlier, with free speech not just enshrined in our legal system, but in our culture. That leads to a lot of confused arguments suggesting that we can never govern speech. So let's clear that up now.

That Brandeis quote comes with a major caveat.



A lot of times you'll hear people argue for free speech by paraphrasing a famous Supreme Court opinion by Justice Louis Brandeis: "the remedy to bad speech is more speech, not enforced silence." But that leaves out a major exception to the rule. The full quote starts: "***If there be time*** to expose through discussion the falsehood and fallacies, to avert the evil by the processes of education, the remedy to be applied is more speech, not enforced silence." And often ***there be*** **<u>not</u>** ***time***! Think about a team of doctors trying to save a patient's life. If one is asking another about vital signs, that's not the moment to be debating whether people who say they like craft beer are being pretentious. They have an obligation to talk about the patient in a productive way, and an obligation not to talk about things that are irrelevant or counterproductive. And the hospital will govern accordingly, firing them if they have to.

Two frames for free speech

Enlightenment frame

- Can **someone** say that **somewhere** **sometime**?

Cultivation frame

- Can **you** say that right **here** right **now**?

More generally, we can ask two different questions about freedom of speech. The first is 'can someone say that somewhere sometime?', and the answer to that is almost always 'yes' because the question itself suggests that time isn't very precious. But when time is precious, we ask 'can you say that right here, right now?,' and the answer is pretty frequently 'no'. I call these the enlightenment frame and the cultivation frame, and let me explain why.

Immanuel Kant & the Enlightenment Frame

"Have the courage to use your own understanding," is therefore the motto of the enlightenment.

Immanuel Kant wrote that Enlightenment was about rejecting what he called 'willful minority'—that's minority as in a minor child. We shouldn't willingly obey tradition like a child would obey a parent. Instead, we should develop our own views like an independent adult, through evidence and reason. The only way to make this happen is to allow everyone very broad freedom to speak their minds, no matter how offensive to religion, radical in politics, or divorced from evidence and reason, as long as their speech doesn't cause imminent harm. That's why I call this the Enlightenment frame of free speech.

“Are we now living in an enlightened age?

the answer is, No, but we live in an age of enlightenment.”—Kant, 1784

But even back in 1784, champions of the Enlightenment were already having their doubts about whether the enlightenment was succeeding, or ever could. The time was filled with charlatans hawking bogus medicine, and claiming to speak with the dead. Evidence and reason were not seeming like a great solution. It wasn’t clear that we were ending up with, say, better medicine, by encouraging doctors to cast off the shackles of tradition and come to their own views. Modern social media takes very much an enlightenment frame, and it’s given us flat earthers, anti-vaxxers, and no end of baseless conspiracy theories. But let me ask you: how much of that goes on in your workplace? Is Ray from logistics proposing different shipping routes because the earth is flat? Is Jane from marketing proposing that you advertise through the microchips that come inside COVID vaccines? That’s rare, because few business meetings use the enlightenment frame.

Moses Mendelssohn & the Cultivation Frame

Many truths there are, which, however useful to men as men, may sometimes prove injurious to them as citizens.

Instead, they use the cultivation frame. Moses Mendelssohn, also writing in 1784, argued that enlightenment must be balanced by what he called cultivation. Enlightenment improves people as *individuals*. Cultivation improves the people as *citizens*, encouraging them to improve the material and social world around them. Enlightenment means thinking about medicine for ourselves; cultivation means actually improving the practice of medicine. And if we want to improve the practice of medicine, we want to hear from people who know what they are talking about, and are contributing in good faith. In the Cultivation frame, we demand good speech, not free speech.

GAAP governs what you can say in financial statements

If you can't express it in debits and credits, you can't say it in financial statements.

The cultivation frame let's us see that, when you are talking about speech in a specific venue—right here, right now—we should govern it. And I know you agree with me, because a classroom is one of those places—our time is precious, and that's why you have been mostly sitting quietly and letting me speak, raising your hands rather than just interrupting, and when you do talk, keeping to the topic at hand. But we haven't yet answered the question: what exactly are the obligations that come with the power of speech? To answer that, I'm going to start with GAAP, Generally Accepted Accounting Principles. GAAP spells out what you can and can't say in financial statements. You can only use those statements to talk about events and transactions that can be expressed in debits and credits. And you have to debit and credit the right accounts. If someone gives you money that you have to pay back, you can't credit revenue, you have to credit debt. You can't talk about revenue in this year's income statement if you aren't doing work for the customer until next period. We have a very rich language for describing exactly what you can and can't say.

Crebit: a turd in the punchbowl of conversation

Crebit

- What you can’t say

Crebitry

- Saying it anyway

LAAP (L for ‘Local’)

- Rules governing who can say what right here, right now, like GAAP governs financial statements

If you say something that violates GAAP, you can expect to be punished for it. I’m going to call everything you can’t say under GAAP “crebit”. I coined the word because crebit is a confusion of debit and credit, so you can’t talk about it in financial statements—debits and credits only, no crebits, please! It helps that ‘crebit’ sounds like someone dropped a turd in the punchbowl of conversation. Because just as GAAP governs what you can and can’t say in financial statements, every conversation has a LAAP, with the L for Local, which governs what you can and can’t say right there, right then. And every LAAP treats some speech as crebit. You don’t want people dropping turds in the punch bowl of your conversation, so you call it crebit, and punish them for crebitry.

Desirable qualities of speech governed by GAAP

Relevance	Faithfulness	Neutrality
Materiality	Freedom from Error	Verifiability
Understandability	Comparability	Timeliness

More of one quality is always more desirable, holding the others constant

But getting more of one often requires sacrificing another

We accountants have also developed another, separate language for debating what GAAP should look like. We call this our Conceptual Framework. It spells out the goal of our conversation, so that we ensure that GAAP is actually fulfilling the right purpose. It also spells out the desirable qualities of the speech we are overseeing. Financial statements should be relevant and faithful. They should speak to material matters that will actually change someone's decision. They should be complete, verifiable, and accurate. They should be understandable. This might sound trite, but it turns out to be a very useful way to debate GAAP, because firms always want to say things in their financial statements that make them look good, but that's not one of the desirable qualities. The Conceptual Framework focuses debate on what will further the conversation, not what will help some particular speaker. So my next step is to introduce you to a Conceptual Framework that will help us debate the appropriate LAAP for your conversation, and what should be excluded as crebit.

Desirable qualities of speech governed by a LAAP: **Contribution**

- Intelligible
- Relevant
- Faithful

Crebitry

- Being confusing or empty of content
- Misusing terms
- Going off topic
- Being wrong
- Being dishonest
- Speaking in bad faith

Expanding on the framework accountants have set up, I've organized the desirable qualities of speech into three categories. First, speech makes a **contribution** by being intelligible, relevant and faithful. Speech is intelligible to the extent that we can understand exactly what someone is saying; this is like knowing when to say 'revenue' and when to say 'gain' or 'debt'. Relevance is how closely the speech hews to the agenda. Speech is faithful when it is honest, accurate, and offered in good faith. The more intelligible, relevant and faithful speech is, the more it contributes to the conversation.

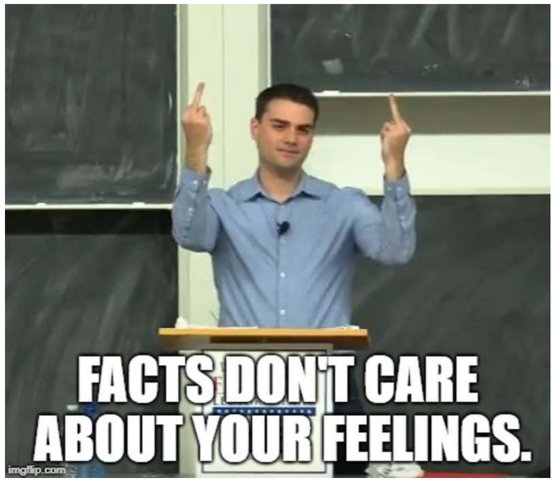
Desirable qualities of speech governed by a LAAP: **Procedural Impact**

- Efficient
- Engaging
- Diplomatic

Crebitry:

- Taking too long to make a point
- Preventing others from talking
- Being redundant
- Being boring
- Being offensive

Contribution isn't everything, as we see in the next category, **Procedural Impact**. Whenever there be not time, we want people to be efficient and engaging, even if maybe we have to be a little loose with definitions, so a bit less intelligible. It's also better to be diplomatic, because offending people derails the conversation. I want to emphasize that in this framework, we prize diplomacy not because we're worried about people's feelings, but because offensiveness undermines the conversation. Everyone wants to see themselves as competent, good and valued people, and if you say something that threatens that view, they are going to defend themselves, and now we're pulled away from our agenda. Or maybe they hold their tongue, but they'll be distracted and find it very hard to engage with the conversation.



...but the fact-finding process sure does!

There are people who say 'facts don't care about your feelings'. Maybe not, but the fact-finding *process* sure cares. So if you are going to be offensive, you'd better make a heck of a contribution. Again, you can see that LAAPs are based on principles that aren't absolute, but are aspirations. Just like we might sacrifice some relevant information because it's not faithful enough, we might sacrifice honesty for diplomacy, or the other way around. It all depends on the situation.

A good LAAP is shaped by context

- How precious is time?
- Who is how sensitive to what?
- How immediately will the outcome of the conversation be used?
- Are there alternative venues?

So we need to ask a bunch of questions about the context in which we are speaking. How precious is time? How much will offensiveness derail the conversation? Do we need to act on the outcome of our debate right away, like in an operating room, or do we have time to reconsider? Are there other venues people could use to make their points, or is this pretty much it?

Desirable qualities of speech governed by a LAAP: **Substantive Impact**

Helpful

Supportable

Crebitry

- Harming your audience
- Harming others
- Harming those who support the venue (e.g., customers, clients, donors, Deans)

Our last category of qualities captures the **substantive impact** of our speech, dividing it into two targets. The first is that we want speech to help people, not harm them, and anything that causes imminent harm is definitely crebit, even under the Enlightenment frame. The second is much more interesting. What we say can enhance or undermine support for our venue. Venues are expensive, they require support. Media outlets need readers, viewers and advertisers. Conferences need hosts and sponsors. Classrooms need students. If you say something that undermines support for the venue, it might well be treated as crebit. This leads to some uncomfortable tradeoffs, but just because they are uncomfortable doesn't mean we can ignore them.

From *taking account* to *holding to account*

- It's not enough to ask "what obligations come with speech"
- We also need to hold people to account for those obligations
- Our governance toolkit:
  - Reports
  - Incentives
  - Controls
  - Role Design
  - Role Assignment

Now we need to turn from the obligations of the speaker to the challenge of holding them to account for how they perform on those obligations. Remember this picture from Weekend 1: We hold people to account for speech just like we do for driving. We can give them road signs so they know the LAAP and use radar to report whether they are being reckless, and tie that report to incentives, and put in calming devices that make it easy to stay on track and hard to go wrong. We can design roles with clear powers and obligations, and assign them to people we trust.

Refresher: The MAP

- Steer parties to the right ends (**Effectiveness**), by
- Holding the right parties accountable (**Entity**)
- On the right basis (**Bookkeeping**)
- And according to the right standards (**Social Recognition**)
- To the right extent (**Proportionality**)
- With good judgment (**Judgment**)
- With all parties governed by those who can best fulfill all of these principles (**Subsidiarity**)

If all we care about is a productive conversation, we need to make sure our governance is effective. But if we take a more socially minded view, we need to live up to all of the moral accountability principles in the MAP, so that we don't just steer people to stick to the LAAP, but we treat them well, too. (Of course, treating them well is also a good way to steer them well.)

Some tricky questions

- When do we give people freedom to speak and punish for crebitry vs. control what they can say in advance?
- How do we identify and address
  - Weaponized LAAPs dedicated to disinformation or evil ends, and
  - Strategic sensitivities that disguise self-interest as susceptibility to harm?

Governing speech forces us to confront a lot of tricky questions. First up is how much we rely on holding people accountable after the fact, rather than getting in front on the problem with controls. Controls can be soft, like the design of a meeting room, or hard, like muting everyone's mic and preventing chat and screensharing in Zoom. When the cost of bad speech is high, it might be best to shut it down, but it comes with other costs, like shutting certain people out of the conversation we might really need to hear from.

And of course many people who govern speech are pursing self-interested ends, not moral ones. You can weaponize a LAAP, like authoritarian governments do when they prohibit speech criticizing the government and its leaders. And don't think that governance always comes from the top down. If can come from the bottom up, or from peer to peer. Every time you scowl at a colleagues tasteless joke, you are governing, because you are steering what they do. People can steer by taking sincere offense at what someone says, but they can also use that as cover for self-interest, just like an authoritarian leader.

How do we deal with speech offered in one venue and leaked to another?

- Speech requires shared background understanding (hidden content)
- The shorter the speech, the more content is hidden
- Jokes (and Tweets) are like trust falls: when they work, they build more trust, but when they don't…..

Here's an even trickier issue: leaky venues. Every venue has its own LAAP, so speech that is fine in one venue might be crebit when it leaks into another. The problem is pretty easy to understand when we're talking about, say medical or financial information. Two doctors can talk about a patient's health in private, but they can't leak it onto Facebook. But the problem goes beyond confidentiality. Often the problem is that speech always relies on shared understanding of background information—the circumstances you face together, the history of related conversations, shared views on what is relevant to what you are trying to accomplish. Shared background helps us speak far more efficiently, but it often comes across as rude to those who don't share the background. This is why so many people get publicly shamed when they tell a joke or write a Tweet intended for a small audience, and then it gets shared to a broader audience.

So here's a joke: Who were the first people to ignore the Apple terms and conditions? Adam and Eve! It's not that funny even at it's best, but it's not funny at all if you don't know what terms and conditions are, that people routinely ignore them from Apple or any other tech firm, and that Adam and Eve disobeyed God when they ate an apple in the Garden of Eden. There's a great article called Twitter, the Intimacy Machine, which argues that when people distill their thoughts into a very short statement, like a joke or a tweet, they are essentially engaging in a trust fall, trusting that someone else has shares their background knowledge. If they do, you build trust up even more. If not, you fall flat. And if that joke or tweet leaks into another venue where they have very different background knowledge, you might end up having to explain yourself, or being punished for crebitry.

https://ravenmagazine.org/magazine/twitter-the-intimacy-machine/

Online “mobs” rarely live up to the MAP

- A typical story
  - Someone says something
  - The speech is shared on social media, especially among those who see it as crebit
  - Each individual governs as they see fit.
- This leads to failures of:
  - Proportionality (a 1000 tiny cuts)
  - Social Recognition (wrong standards being applied)
  - Subsidiarity (leave governance to those who can govern best)

And that brings us to the online mob. How many times have we seen thousands of people calling someone out for something they said. But these pile-ons rarely live up to the MAP. First of all, even if what they said was pretty bad, it probably wasn’t so bad that they should suffer death from a thousand cuts. So pile-ons violate the Proportionality Principle. And a lot of the time, the speech only became crebit when it leaked from one venue to another with a different set of rules. Sure, some people try to follow the rule “never say anything you wouldn’t want quoted in the New York Times”. But that rule makes for pretty unproductive speech in most settings, and society understands that. So you don’t have a moral obligation to avoid speech that might be crebit in some other venue—just in the venue you are in. When hold someone accountable for an obligation that society doesn’t recognize, we’re violating the Social Recognition Principle. And finally, someone who hears a snippet of a conversation they weren’t part of isn’t in a very good position to hold someone accountable. If they want to live up to the Subsidiarity Principle, they should really be leading governance to someone who knows the full story.

If you are still uncomfortable with governing speech, keep in mind:

The question is not whether we limit speech, but how and how much.

- Limiting speech too much tends toward tyranny
- Limiting speech too little tends toward chaos

If we don't talk about how to do it well, we are sure to do it poorly

The alternative to governance is not "no governance" but "***bad*** governance."

Some of you might still be uncomfortable with the idea of governing speech. And that's probably pretty healthy, since limiting speech too much causes a lot of problems. But when it comes to questions of who gets to say right here, right now, the question isn't whether we limit speech—we always do. The question is how and how much. And if our discomfort leads us to ignore the question, we'll just govern speech poorly. Because, in speech, just as in every other domain, the alternative to governance is not "no governance" but "bad governance".

Basecamp and the Challenges of Governing Speech in the Workplace

Robert Bloomfield, Cornell University, February 2022

OVERVIEW

Basecamp started when Jason Fried figured out that his company's internal project management software had more value than the web design projects they used it for. He founded Basecamp in 2004, which now offers a project management platform (Basecamp) that has Ruby on Rails, its own open-source programming framework, as its heart and soul. CEO Jason Fried, with his cofounder David Hansson, touted their management expertise by writing five books "about what we've learned running our own business…filled with practical advice you won't find elsewhere." But in the last week of April, 2021, they learned a new lesson the hard way. On Monday, Fried posted some new policies limiting what employees could talk about on the company's internal platforms. By Friday, a third of its workforce had resigned.

LIMITING SPEECH AT BASECAMP

Monday's key event was Fried's public announcement that the firm was eliminating 360 employment reviews, several committees, and replacing 'paternalistic benefits' for fitness and continuing education with a profit-sharing plan. But what caused the firestorm was this rule:

> **No more societal and political discussions on our company Basecamp account.**
>
> Today's social and political waters are especially choppy. Sensitivities are at 11, and every discussion remotely related to politics, advocacy, or society at large quickly spins away from pleasant. You shouldn't have to wonder if staying out of it means you're complicit, or wading into it means you're a target. These are difficult enough waters to navigate in life, but significantly more so at work. It's become too much. It's a major distraction. It saps our energy, and redirects our dialog towards dark places. It's not healthy, it hasn't served us well. And we're done with it on our company Basecamp account where the work happens. People can take the conversations with willing co-workers to Signal, Whatsapp, or even a personal Basecamp account, but it can't happen where the work happens anymore.

Hansson elaborated on the reasoning behind the new policy:

> As cliché as it may sound, these are very difficult times in many places of the world, and in America in particular. We're constantly confronted with terrible tragedies, pulled into polarized political fights, and egged on by social media to engage.
>
> There are many places to be involved, exposed, and engaged in those conversations. Basecamp shouldn't be one of those places.
>
> Basecamp should be a place where employees can come to work with colleagues of all backgrounds and political convictions without having to deal with heavy political or societal debates unconnected to that work.
>
> You shouldn't have to wonder if staying out of it means you're complicit, or stepping into it means you're a target. That is difficult enough outside of work, but almost impossible at work.

THE ***BEST NAMES EVER*** LIST

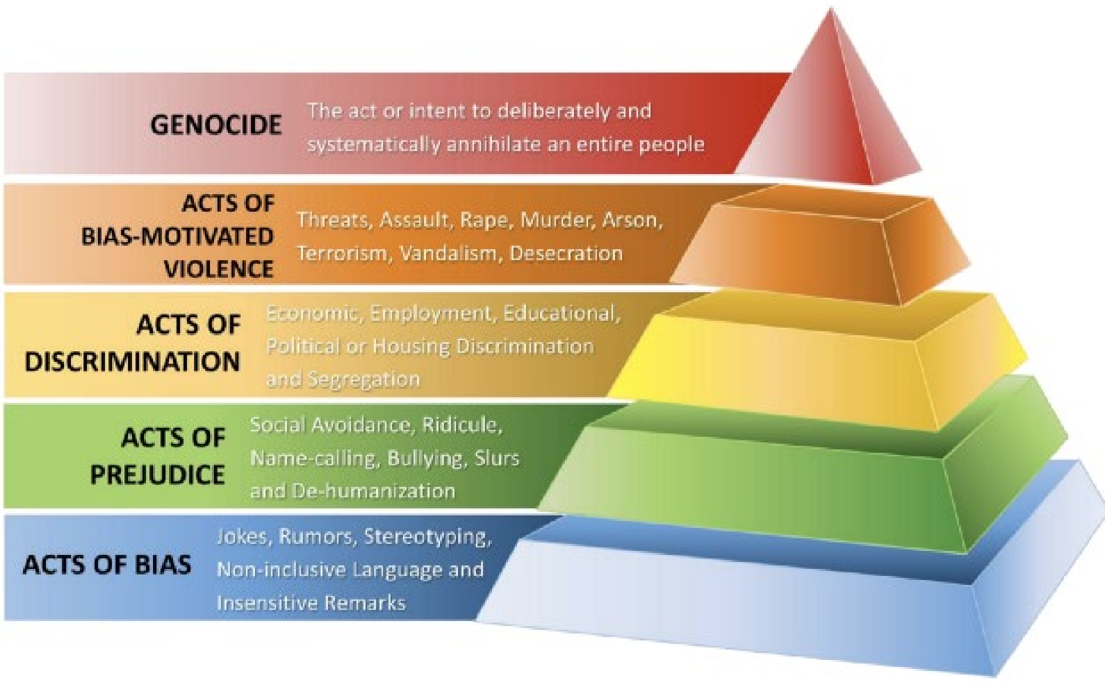
According to The Verge, "Employees say the founders' memos unfairly depicted their workplace as being riven by partisan politics, when in fact the main source of the discussion had always been Basecamp itself." Much of the discussion centered on a list of customer names:

> Around 2009, Basecamp customer service representatives began keeping a list of names that they found funny. More than a decade later, current employees were so mortified by the practice that none of them would give me a single example of a name on the list. One invoked the sorts of names Bart Simpson used to use when prank calling Moe the Bartender: Amanda Hugginkiss, Seymour Butz, Mike Rotch.
>
> Many of the names were of American or European origin. But others were Asian, or African, and eventually the list — titled "Best Names Ever" — began to make people uncomfortable. What once had felt like an innocent way to blow off steam, amid the ongoing cultural reckoning over speech and corporate responsibility, increasingly looked inappropriate, and often racist.
>
> Interviews with a half-dozen Basecamp employees over the past day paint a portrait of a company where workers sought to advance Basecamp's commitment to diversity, equity, and inclusion by having sensitive discussions about the company's own failures. After months of fraught conversations, Fried and his co-founder, David Heinemeier Hansson moved to shut those conversations down.

Fried and Hansson owned up to the fact that the *Best Names Ever* list was a corporate failure. After news of the list leaked to the press, Hansson posted this response:

> The long-running existence of the "Best Names Ever" list that [employee 1] described yesterday represents a serious, collective, and repeated failure at Basecamp. One that we need to learn from together by transparently tracing its origin and history.
>
> Not only was it disrespectful to our customers, and a breach of basic privacy expectations, but it was also counter to creating an inclusive workplace. Nobody should think that maintaining such a list is okay or sanctioned behavior here.
>
> Furthermore, Jason and I should have caught this list. We are ultimately responsible for setting the tone of what's acceptable behavior at Basecamp, and in this instance we didn't. I'm sorry.

But they were also upset by the arguments being made by critics of the list, and especially invocations of the Pyramid of Hate created by the Anti-Defamation League to show "how the most extreme acts of extremist violence are enabled by a foundation of biased attitudes and acts of bias."



Again from The Verge:

> [Hansson] told me today that attempting to link the list of customer names to potential genocide represented a case of "catastrophizing" — one that made it impossible for any good-faith discussions to follow. Presumably, any employees who are found contributing to genocidal attitudes should be fired on the spot — and yet nobody involved seemed to think that contributing to or viewing the list was a fireable offense. If that's the case, Hansson said, then the pyramid of hate had no place in the discussion. To him, it escalated employees' emotions past the point of being productive.
>
> Hansson wanted to acknowledge the situation as a failure and move on. But when employees who had been involved in the list wanted to continue talking about it, he grew exasperated. "You are the person you are complaining about," he thought.
>
> Employees took a different view. In a response to Hansson's post, one employee noted that the way we treat names — especially foreign names — is deeply connected to social and racial hierarchies. Just a few weeks earlier, eight people had been killed in a shooting spree in Atlanta. Six of the victims were women of Asian descent, and their names had sometimes been mangled in press reports. (The Asian American Journalists Association responded by issuing a pronunciation guide.) The point was that dehumanizing behavior begins with very small actions, and it did not seem like too much to ask Basecamp's founders to acknowledge that.

Blurred Boundaries of Work and Politics

Making the controversy even more difficult to handle was the fact that some political matters were also business matters. In the same Verge article just quoted, a worker wondered how she could talk about parenting issues: "How do you talk about raising kids without talking about society?" the employee said. "As soon as I bring up public schools, then it's already political." And not all politics were out of bounds:

> Basecamp employees are encouraged to discuss the company's own political positions — or, perhaps more accurately, the founders' political positions — as much as they like. Keeping track of which issues of the moment are up for discussion thus becomes one more chunk of mental overhead for employees who are already struggling.

Another employee wrote about the political nature of Basecamp's policies regarding both their product and the compensation schemes: Can employees debate whether Basecamp prohibit should hate speech and harassment on their platform? Can they discuss potential inequities in profit-sharing, since most of those being granted the largest shares were white men?

LESSONS LEARNED?

On the Wednesday after announcing the new speech policies, Basecamp offered a severance package to any employee who wanted to leave:

> Yesterday, we offered everyone at Basecamp an option of a severance package worth up to six months salary for those who've been with the company over three years, and three months salary for those at the company less than that. No hard feelings, no questions asked. For those who cannot see a future at Basecamp under this new direction, we'll help them in every which way we can to land somewhere else.

After a contentious meeting on Friday to discuss the new policies, a third of Basecamp's employees took them up on this offer. Fried wrote one more update the following Monday:

> Last week was terrible. We started with policy changes that felt simple, reasonable, and principled, and it blew things up internally in ways we never anticipated. David and I completely own the consequences, and we're sorry. We have a lot to learn and reflect on, and we will. The new policies stand, but we have some refining and clarifying to do.

Questions for Discussion

Using the framework offered in Sunday's presentation on "Governing Speech", which is also summarized in https://blogs.cornell.edu/moralaccounting/2021/04/22/governing-speech/, discuss the following questions:

1. What obligations come with the power ***to speak***? Where in this summary do you see Basecamp's employees failing to live up to these obligations?
2. What obligations come with the power ***to govern speech***? Where in this summary do you see Basecamp's leaders (Fried and Hansson) failing to live up to these obligations?
3. How might Basecamp have distinguished more clearly between allowed and disallowed topics? Is there a better way than ruling out "societal and political" speech?
4. What tools could Basecamp have used to encourage better speech in company forums?

Remarks for Management Accounting Section Panel on Moral Accounting, January 2022

Welcome to this panel of moral accounting. I'm Rob Bloomfield, from Cornell University, and I delighted to have this chance to share this new and excited project with all of you. I started working on moral accounting almost 2 years ago, and now I'm pulling together a full treatment of the topic, which is on track to becoming a published AAA monograph. This has been a fascinating project to work on. Every day I learn something new about accounting, or morality, or both—it's more like reading a book than writing one. I've gotten input from a lot of people, but I want to highlight Tamara Lambert and Marietta Peytcheva of Lehigh University, because we've been talking about this constantly since the pandemic hit. There's a lot they don't buy—yet, anyway—so blame me for all any shortcomings. But they've helped me find and address countless issues, and get moral accounting where it is now, and I'm very grateful for their insights and support.

I'm going to start the panel by laying out the basics of moral accounting *theory*. Margaret Christ, from the University of Georgia, is going to respond to one of my key claims: that moral accounting theory can help us address a topic we almost never talk about: how governance might *treat* the governed better, rather than just *steer* them toward better behavior. Andrea Romi, from Texas Tech University, will talk about how that claim applies to participants in cannabis markets, who are not treated particularly well by governance.

I will then come back to talk about moral accounting *practice*—how we can use moral accounting theory to help people improve governance, especially for social issues. Marietta Peytcheva, from Leigh University, will talk about whether good moral accounting practices can limit bias and contentiousness in debating governance. Jennifer Joe, of University of Delaware, and a triple-A Presidential Scholar, will talk about whether moral accounting can offer a more inclusive form of accounting. And then we'll open the floor to Q&A.

I'll also be moderating the session. I won't use slides, so I can keep a better eye on the audience. Please turn on your cameras, and feel free to put questions and comments in the chat as we go, so we can be prepared when we dive into Q&A.

OK, let's get started.

Panel Remarks Part 1: Theory

My primary goal in these opening remarks is to highlight a topic that accounting scholars have almost completely ignored. We write lots of papers looking at how governance might *steer* the governed to behave better, but we almost never look at how governance might *treat* the governed better. To see what I mean, let's talk about remote work. The Washington Post published an article about the surveillance of lawyers who review contracts, but work remotely. It's understandable that law firms worry about the security and diligence of remote workers. But the lawyers complain that surveillance treats "people who have taken oaths as if they are common criminals." "Didn't my work record speak for itself that I had integrity?" They feel "untrusted" and "treated like a robot", and are forced to sit like a "gargoyle" knowing any shift in position might log them out. They pee in their seats to avoid being punished for heading to a toilet. These are not concerns about whether the governed are living up to their obligations to their governors. These are concerns about whether governance is living up to the obligations owed to the governed themselves.

I’m going to argue that we don’t study the obligations owed to the governed, primarily because we don’t have a language for articulating them clearly. And then I’m going to argue that moral accounting gives us the language to address these concerns and many others, which will open up a lot of opportunities for new research. It also gives practicing accountants new services to offer, which, just like traditional accounting, help us earn a living while making the world a better place. And best of all, moral accounting is all 100% homegrown accounting. It doesn’t import ideas from other fields, it relies entirely on our existing expertise, modified just enough broaden its scope.

Now, the scope of traditional accounting is already very broad. I define accounting as the theory and practice of governance, a term that comes from the Greek for ‘steering’. Anywhere people are designing systems that govern with reports, incentives, and controls, that define and assign roles, that hold people accountable for making good use of their assets, and living up to their obligations, that’s accounting. It’s broad because people govern in such a wide range of settings, and for such a wide range of purposes. Accountants don’t just help businesses steer employees toward better financial performances. We help hospitals steer surgeons to wash their hands more effectively, we help journals steer authors to report more reliable results—anywhere someone has a mission, accountants are there to help them govern those who can play a part in achieve it.

But as broad as traditional accounting is, it is still too narrow, because it defines the accountant’s client too narrowly, as the individual or organization that hires us. In moral accounting, regardless of who hires or pays us, our client is society—a group of people who, through their interactions have a mutual impact on one another, and as a result have moral obligations to one another, which support a shared mission to help all of its members thrive. Taking society as our client adds two aspirations to moral accounting that you won’t see in a traditional accounting textbook. First, it isn’t enough to make sure governance helps some particular individual or organization—it needs to help those individuals and organizations do what *society* thinks is right. I call this an aspiration for *moral ends*—not just business ends. But moral ends aren’t enough. When the governed are themselves members of society, we must also aspire for governance to help them thrive as well. I call this an aspiration for moral *means*.

Now, accountants tend to shy away from talking about morality, partly because it seems so contentious and intractable. But moral obligations aren’t that different from business obligations. And we accountants have spent a long time coming up with ways to get people to live up to their business obligations, investing a lot of time and money, across a wide range of cultures, and in settings where the stakes are very high. Business obligations are also pretty contentious and intractable, so we’ve had to lots of theory to justify how we do it. The foundational logic of moral accounting theory is that traditional accounting offers the most successful theory we’ve found for holding people to their business obligations, so let’s modify it just enough to the same for moral obligations.

To show you what I mean, let’s walk through the concerns about how remote workers are governed, and tie them to the MAP. The MAP is a set of seven Moral Accountability Principles that governance needs to live up to if it is to steer people toward moral ends, and treat the governed in a moral way.

The **Effectiveness Principle** is that governance should be effective in steering people toward moral ends. This is almost exactly like traditional accounting—the only difference is that the desired ends have to be in the social interest, not just the firm’s interest. The article highlights two ends: for the remote workers to be productive, and to keep documents secure. Society has an interest giving people legal representation of high quality and security, so the only real challenge here is how to be effective. It’s not an easy problem—we have entire managerial textbooks devoted to the Effectiveness Principle, and as I said before, almost all of our research is devoted to making governance Effective.

But we almost never talk about the principles that aspire to treat the governed in a moral way. For example, no one has a moral obligation just because someone holds them accountable for it. The **Social Recognition** Principle says that *society* is the standard setter in moral accounting, and is the one who determine what obligations show up in someone's books. And I just don't think society recognizes contract lawyers as having an obligation to pee in a bottle in front of the computer that is tracking their every move. Punishing them for not living up to this obligation is a violation of the Social Recognition Principle, and one way these workers are being governed immorally.

The **Proportionality Principle** says that the burdens of governance should be proportional to the moral stakes being addressed. Are the stakes productive contract review really so high that lawyers need to be locked into their chairs, heads on swivels, never moving their eyes from the screen? That's a big burden to place on the governed, for relatively little social benefit. Do we really need people to log in multiple times an hour to keep documents secure? That's a stronger case, but at least the Proportionality Principle helps us debate clearly whether this is another way in which these workers are being governed immorally.

To save time, I'll jump to the **Judgment** and **Subsidiarity** Principles. The judgment principle requires us to govern with knowledge, competence, diligence, independence, and courage—it's basically a modified version of basic professional standards for accountants. Bad judgment isn't itself an immoral end or means, but it's often their cause. And judgment is really the root problem of this surveillance system—if it can't distinguish camera from a knot in someone's hair, if it thinks a dog walking by is a security risk, it's not using very good judgment.

The **Subsidiarity Principle** is a modified version of the familiar principles surrounding centralization and decentralization. Governance should be handled by those who can best live up to the other 6 principles of the MAP. Recall the complaints that surveillance treats "people who have taken oaths as if they are common criminals." And: "Didn't my work record speak for itself that I had integrity?" These are basically complaints about Subsidiarity: these people think that if left to govern themselves, they would do a better job living up to the Effectiveness Principle, and treat themselves more morally to boot! They might be wrong, but again, at least the MAP gives us a language for debating the issue.

To wrap up my comments, I want to hammer home my key point. We almost always talk about whether we are steering the governed effectively. Even when we talk about problems like disproportionate punishment, or excessive centralization, we tend to ask: will instilling fear or robbing people of their autonomy make governance less effective? We almost never ask whether those are problems in their own right, because they treat the governed badly. I claim that we've avoided those questions because we didn't have a language for debating them, and that moral accounting gives us that language.

PANEL REMARKS PART 2: PRACTICE

Now I'm back to talk about moral accounting practice. The practice of moral accounting uses moral accounting theory to find improvements to governance so that it fulfills the aspirations of the MAP, and allows moral accountants to mediate a conversation that will persuade people to adopt those improvements.

Let's start by naming some of the players. First is the advisee, the party with the power to change governance. We also have a sponsor. Someone needs to pay for this work. But neither our advisee nor our sponsor is our client—society is our client. To figure out what society wants, we can rely on lots of documentation, but we also need to listen to people—witnesses—who can express society's moral aspirations, and concerns about how governance is falling short.
Before getting into the nuts and bolts of practice, let's take a closer look at what we mean by society. Society is not only our client, it's also our standard setter. We recognize an obligation in someone's moral books not because we moral accountants think it should be there, or because someone feels owed, but because society itself recognizes the obligations.

But what is a society? I find it most helpful to start from the ground up. If two or more people interact, they have a mutual impact on one another. That mutual impact gives rise to moral obligations, which become the interacting group's social mission. This is true even if the interaction isn't consensual. Babies don't consent to being born into a family, but once that happens, the family owes the baby obligations, and the baby will come to have obligations, once they have the assets to fulfill them.

We are all members of many societies, some consensual, and some not. Families, neighborhoods, communities, nations, and also employers, fan clubs, Facebook pages, and, well, all of us here together in this session are a society. Our interaction means we have mutual impact on one another, and thus obligations to one another, which all combine to form a shared mission.

When we actually do moral accounting in practice, our first question is typically: which society is our client part of? That's going to depend a lot on the reason people called in moral accountants in the first place. Who are those people interacting with and mutually impacting? What moral problems do they see in governance? What aspects of governance can we actually help change? So one of the first steps in a moral accounting engagement is to limit the scope to the interactions and mutual impacts most pertinent to the problems brought to us, and to the governance systems our advisee can actually change.

Next we face the problem of understanding what that society wants. That's tough, because no society speaks with one voice to tell us what obligations it recognizes. People disagree for all sorts of reasons. How do we tease out that core, shared, social mission? Well, again, moral accounting is just a tweak on traditional accounting, so we do what traditional accountants do. We create aspirational principles that everyone can agree with, taken separately. Then we try to figure out how changes to governance can help us live up to all of those principles more fully, or if we need to, how to sacrifice a little on one principle to get a lot more on other. So for example, everyone aspires to remote legal work being more productive and more secure. But if governance pushes too hard on those, we might end up falling short on proportionality. Ideally, we find some way to improve governance so we are more effective at getting productivity and security, AND we treat the governed in a more moral way. Or if necessary, we debate how much we are willing to sacrifice on each front. Either way, we have a principled debate, which helps to weed out positions that really just reflect self-interest. It's hard for people who are just looking out for themselves to build a persuasive, principled argument for why their position is good for society.

Now I want to turn to two concerns moral accounting practice can address. First are concerns about inclusion: who is part of society, and how fully? Being a member of a society matters not just because you have a voice in what society recognizes as moral, but also because members of society are the ones who are owed the obligation of good governance. I find it helpful to think of society as a sphere nested inside another sphere, the environment.

In the environmental sphere, we can advise on the ends of governance: Is governance getting agents to limit pollution and use natural resources sustainably, so that society can thrive today and survive in the long run? We can also advise on the ends of governance in the social sphere. Is governance putting members of society to good use, giving roles to the people who can best fill them, and steering them to work in society's interest? But we're not done, because we also have to advise on the means of governance: is governance allowing the governed to thrive? We ask this only when the governed are members of society, because only then is their thriving part of society's thriving.

Societal membership isn't quite as binary as two spheres. Think about the New World in the 17th century. At the outside, you have the sphere of nature—we must still be good stewards of nature on behalf of society, but we don't ask whether a mineral deposit is treated with moral means. At the center you have the sphere of landed white male aristocracy, who are owed the fullest set of obligations to be treated well by governance. But moving out from the center, we have other partial members of society—commoners and women—whose treatment isn't quite as protected. And then slaves, who are viewed mostly as property—they might be somewhat protected against immoral means, but mostly only when people can make the case that treating slaves well is a more effective way of steering them. And even further out, we have the indigenous peoples, who to the society of the Europeans, are pretty much just environment.

Gradually, and with a fair bit of backsliding, most European societies in the new world have granted fuller membership to people who were once merely partial members, or property, or the environment. Now, it's not our role as moral accountants to insist that society be more inclusive—that is society's call! But we can use moral accounting practice to guide the discussion, and make sure that governance lives up to the aspirations that everyone says they agree to, like that all men are created equal.

Finally, I want to talk about role design and assignment. A role is a set of assets and obligations we can hold someone accountable for. But those roles can be designed quite badly. In many societies, a woman's role is to be held accountable for lots of obligations, but without the assets needed to fulfill them. That's a violation of the Bookkeeping Principle.

Roles can also be assigned badly. Ideally, roles are assigned to use existing assets in the best possible way. That's tricky, because there are certain assets that are not transferrable from one person to another. These are called capacities, things like strength, intelligence, beauty, persuasiveness, wisdom. Society benefits most when we let the strong put their strength to good social use. But sometimes we assign roles on the basis of some characteristic, like sex, or gender, or skin color, or ethnicity, or age, that isn't actually tied to a capacity relevant to the role. For example, we might assign a women menial service job, even when she has the capacity to be a great executive. That's a failure of effectiveness, because we aren't using her capacities to the fullest. It's also a failure to treat the governed well. In a phone call the other day, Marietta called this "belittling", which I think is a great term: this flaw in role assignment makes the woman's assets smaller, because she isn't allowed to use her full capacities.

To close, moral accounting practice is a method for articulating clearly the problems of governance, and the opportunities to address them. And that language is 100% homegrown accounting. I didn't think, two years ago, that we could discuss how to address the moral problems of slavery or sexism purely in accounting terms. But we can, and that's a real opportunity for research, teaching, and our profession.