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Book review

Putting the people in charge of economic destiny



Title: **Anarchist Accounting: Accounting Principles for a Participatory Economy**
 Author: **Anders Sandström** Publisher: **Glowbox Design**

Despite its common associations with chaos and misrule, the political philosophy of anarchism has noble roots. Its modern incarnation dates back roughly to the 1848 revolutions in Europe, when it meant the desire for egalitarian, self-governed societies without the trappings of hierarchy and authoritarianism.

More often than not, anarchists have rejected unfettered capitalism, putting them at odds with most financial professionals.

After all, accounting and capitalism were already inextricably linked. The German economist Werner Sombart argued in his 1928 masterwork *Der moderne Kapitalismus* that capitalism could not have thrived without the mediaeval creation of double-entry bookkeeping and the develop-

ment of modern accounting principles in the 19th century.

So what is the relationship between anarchism and accounting? A Swedish public accountant, Anders Sandström, has written an outline of a system for an alternative to modern capitalism. The ultimate goal, Sandström writes, is to replace “an economic system based on greed and competition with one based on democracy and justice.”

Sandström’s disillusionment with conventional accounting turned him into a disciple of participatory economics, a system proposed by the American economists Robin Hahnel and Michael Albert in the 1990s (see author interview next page). Participatory economics is designed to

address both the inequities of capitalism and the failures of communism through decentralized democratic planning.

This would involve producers and consumers creating a plethora of replacement bodies, particularly workers’ councils and industry federations that liaise on the allocation of resources, production, research and development, pricing, sales and distribution and other basic matters.

Participatory economics is no quick fix. Establishing such a system would require an overhaul of virtually every economic and social institution existing today. As Sandström notes, “... it is the consumers and the producers themselves who propose and revise their own consumption and production.”

Such a radical system requires its own system of measurement, although much of Sandström's accounting model is recognizable. For example, transactions on the producer side would use conventional double entry accounting. However, Sandström says there is no need to closely identify and monitor consumers' assets and liabilities. "We use a... form of single entry accounting to follow up and register consumers' transactions."

The system is detailed, including accounting for environmental costs and the secondhand goods trade. However, there are also concerns about its overarching reach: each consumer would be assigned an account for registration of economic transactions. Barter is possible, but there is no room for a grey market in this economic utopia.

Sandström concedes there is no single, one-size-fits-all planning model. As he writes, "consumers will design and organize their decision-making routines entirely at their own discretion, and the routines in different councils and federations are likely to differ from each other."

It's not clear from Sandström's summation how much participation he expects from any given population, or whether an active and engaged elite would shoulder most of the decisions. No one is suggesting free-market democracy is perfect, but it is worth noting Sandström's caveat that economic planning "must be possible to perform in a way that is not too detailed, and therefore too cumbersome and time-consuming for consumers."

Given the crises that accounting has weathered in recent decades – and the many calls for audit reform across the globe – it is a sign of the profession's intellectual strength and creative vigour that there has been such deep academic discussion of its role in the economic system and society as a whole. Sandström's book, though likely to evoke horror in many free-market adherents, adds fuel to the debate that even the most basic financial tenets are worthy of scrutiny.

Author interview: Anders Sandström

The career path of Anders Sandström was trod in Sweden but is familiar to most Hong Kong Institute of CPAs members. After obtaining an accounting degree (in his case from Uppsala University), he started as a KPMG audit junior, gradually climbing the Big Four firm's ladder before taking his first corporate job.

That position – with the Swedish unit of a European instrumentation company – gave Sandström his first misgivings about the system. "There I had a first-row seat to company politics, and this is when things started to bother me," he tells A

Plus from his office at Parecon Sverige, a participatory economics advocacy group that he cofounded.

A later role, as head of accounting at a bus manufacturer, turned out to be the tipping point. "It was the time of deregulation in Sweden and the company had been bought out and was now managed by a very aggressive group of people," Sandström recalls.

"They would streamline production and sell it on at a huge profit in two or three years," he adds. "It was the way top management argued and acted – their means and goals, their callous insensitivity to the employees' situations – that made me seriously start to question things."

Sandström went on sabbatical – living in a Greek village for a year – to evaluate neoliberal free enterprise. He read critiques of capitalism,

alternative economic systems and libertarian socialism, exploring books by linguist-philosopher Noam Chomsky and Marxist theorists Anton Pannekoek and Rosa Luxemburg. "It made me change my outlook on the world completely."

Modern works on his list included *Of The People, By The People: The Case for Participatory Economics*, Robin Hahnel's 2012 distillation of his economic theories. "It described a democratic and just modern economy based on libertarian socialist values, and it helped convince me that there are viable alternatives to our present economy," says Sandström.

Although participatory economics appealed to Sandström's sense of justice, he believed that its principles lacked a thorough technical underpinning in terms of application. "It answered a lot of my questions, but had some concerns and that is the reason for writing the book," he says. "And I have always felt that

every economy will need some form of accounting system."

Nevertheless, Sandström expected criticism of his book from the accounting establishment. "I couldn't see them being very friendly towards ideas about alternatives to capitalism," he says. "However, since publishing the book I have become a little more confident that there may be some interest in theoretical and technical discussions about accounting principles for an alternative economic system."

