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IMPLEMENTING EMPIRICAL KNOWLEDGE IN ANTHROPOLOGY AND ISLAMIC ACCOUNTANCY

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In 1999, the Supreme Court of Pakistan ordered the government to "Islamize" the country's economy by the summer of 2002. In June 2002, just a few days before the deadline, the court suspended that judgment.[1] The earlier decision had sought the elimination of all forms of interest charges, or *riba*, which the court had ruled was forbidden by Islamic law. While apparently reversing that earlier judgment, the court's decision in 2002 did leave open the possibility of Islamic economic reforms sometime in the future. The manner in which it did so speaks directly to a crisis in Islamic banking, one that strongly resonates with an analogous crisis in contemporary anthropology. Those crises motivate this chapter.

For Islamic banking, the impracticality of creating a financial system that does not rely on interest-bearing debt produces a crisis in knowledge, for the Qur'an is unequivocal in its outlawing of *riba*, and Islam is unequivocal in its acceptance of the Qur'an as the word of God. To accept that interest has practical necessity is thus to deny the Qur'an its status as universal knowledge. For anthropology, the act of creating new knowledge from others' practices, when those practices are themselves knowledge-producing, points up the "surfeit of forms of knowledge"[2] that throws open the pretension of anthropology to be the universal science of "man." The problem is particularly acute, and absorbing, when others' knowledge practices share with anthropology's a specific moral and epistemological form. In the end, the Pakistan Supreme Court decided that no "Islamic" reform of the country's economy would be possible until after "thorough and elaborate research and comparative study of the financial systems which are prevalent in the contemporary Muslim countries of the world."[3] In short, the court called for rigorous, empirically based comparison and synthesis, a knowledge practice of the sort an ethnographer, not a theologian, might conduct – although the contrast may turn out to be more apparent than real. Indeed, as this chapter argues, the moral form of empirical facts made by knowledge techniques such as anthropology and Islamic banking testifies to an uneasy unity that obviates any clean distinction between fact and value. I am interested in Islamic banking, and, in this chapter, Islamic accountancy, because its participants at times make that unity an explicit element of reflection on the status of the empirical and, in the same instant, the divine.

While Pakistan's effort to create an interest-free economy may have been put in abeyance, various movements to craft Islamic financial alternatives continue apace, and even in the sites of production of hegemonic financial knowledge (what Islamic bankers call "conventional finance"), and even after the events of September 11, 2001. The United States' Department of Treasury, for example, hosted a seminar titled "Islamic Finance 101" in Washington, D.C., in the spring of 2002.[4] And throughout 2002, the U.S. Federal Home Loan Mortgage Corporation ("Freddie Mac") expanded its underwriting of interest-free mortgage alternatives devised by a number of Islamic financial institutions in the country.[5]

The question of practicality and implementation continue to vex Islamic financial experiments, however, as it did the Pakistan Supreme Court. The taint of illicitness, too, before and after September 11, 2001, has also hindered the development of Islamic finance. Islamic banking professionals (and the regulators who look over their shoulders) have settled upon one knowledge-generating tool to address both problems: accounting standards-setting. Islamic banking professionals have been calling for clear Islamic accounting standards ever since the Bank of Credit and Commerce International scandal of the 1980s, linked in the business press to Islamic banking in Caribbean tax havens. Founded in 1990 as the Financial Accounting Organization for Islamic Banks and Financial Institutions (FAOIBFI) and renamed in 1991, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) disseminated Islamic accounting procedures in 1996–7 as part of this effort, and continues to revise and update them.

At its inception, the AAOIFI entered a field previously dominated by Shari'a Supervisory Boards (SSBs). Most Islamic businesses of any appreciable size rely on the seal of approval granted by an independent SSB made up of clerics and scholars. The AAOIFI has been careful not to tread on the toes of independent SSBs, and relies on their standards-setting to guide its own. The AAOIFI itself boasts an SSB made up of internationally prominent individuals. While the AAOIFI has drafted standards that are readily grasped by its counterpart non-Islamic organizations and agreements such as the International Accounting Standards Committee or the Generally Accepted Accounting Principles, it is not engaged in a struggle for authority with local, national, or regional SSBs. Indeed, the AAOIFI needs SSBs, and vice versa, for the AAOIFI relies on SSBs to provide the "data" from which it crafts universally applicable Islamic accounting standards. The AAOIFI collects information on already existing Islamic accounting practices and distills from the available empirical data the "best practices" that will have the most universal transferability and, ultimately, transparency to both Islamic and non-Islamic businesspeople and regulators. It is a process analogous to the establishment of the Uniform Commercial Code (UCC) in the United States during the early 20th century,[6] and the empiricist orientation of much anthropology. The name Karl Llewellyn, of course, underscores their shared institutional and personal histories.

Indeed, the way accounting in Islamic banking and finance creates particular kinds of facts and engages a specific rhetoric of rationality bears a family resemblance to the knowledge projects of the social sciences, including anthropology. Garfinkel early on asked scholars to appreciate the multiple ambiguities of the word "accounting," stressing the unity of the numerical and narrative forms of accounts-keeping that render organizational forms "tell-able." As he put it, "Any setting organizes its activities to make its properties as an organized environment of practical activities detectable, countable, recordable, reportable, tell-a-story-about-able, analyzable – in short *accountable*."[7] Although religion was not specifically within his purview, Garfinkel's comments illuminate the moral valence of accounting in its multiple senses, a valence that is integral to its form and forms of knowledge allied to it.

Accounting standards-setting and scholarship that seeks to understand it, such as the so-called critical accounting literature,[8] both rely on the same perspective-shifting analytics as anthropology and its underlying empiricism. Both create knowledge by abstracting general principles from discrete data that is understood to preexist the act of abstraction and the shift in perspective (that is, to "another level") that abstraction entails. For standards-setting, the principles are quite simply the standards that end up getting written down and disseminated. For critical accounting scholarship, which seeks to understand the accounting profession in terms other than the profession's own, the principles have to do with something else – politics, values, meanings – lying before or behind accounting practice. Critical accounting scholarship thus replicates the analytics of standards-setting at a different level of abstraction. It often does so by using anthropological tools such as ethnography. Many critical accounting scholars also want to reshape that content and create a new accounting, and from a new accounting, a new world.

Regardless of its transformative aspirations, critical accounting's recursivity should be familiar to anthropologists used to finding "culture" in winks. Drawing on the work of Mary Douglas, the influential accounting theorist Trevor Gambling argued that "accounting theory and culture are not readily separable"[9] and that " 'accounting theory *is* the culture' at least in the anthropological sense. Perhaps one could go further and define a society as a 'group of people who subscribe to a common accounting theory.' "[10] The idea that everything is accounting and accounting is everything plays on the ambiguity of the term in English (accounting as audit, accounting as narration, and accounting as religious or cosmopolitical judgment), an ambiguity made material in the transformations of scale that accounting in all of its senses permits. If accounting is everything, can analysis, itself a form of accounts-keeping, get a critical perspective on it?

This problem takes on a particular significance in Islamic accountancy. In Islamic finance, some very anthropological ideas – such as debate over the social construction of reality and the role of values and beliefs in bureaucratic practice – have become a terrain of struggle. As anthropologists have turned to bureaucratic forms such as accounting, the discipline has confronted the separation of text from context, form from content, and theory from data that stabilized its technique in the late 20th century. Those oppositions now seem to characterize the knowledge practices of those we study, and turn up in precisely those bureaucratic quarters to which we now direct our attention.[11] This places anthropology in an uncomfortable position, different from the reflexivity of an earlier era, because it is concerned less with the partiality of a particular observer's perspective than with the metapragmatics of analytics of parts and wholes that make perspectival knowledge possible, yet guaranteed very quickly to reach its own limits.[12] This chapter is thus concerned as much with the implementation of anthropology's empirical claims as it is Islamic accountancy.

Making Reasonable Accounts

The facts of accounting are special facts: they are supposed to help people make good decisions about the management of their assets. It is a textbook truism that the principal objective of accounting practice is to guarantee the "decision-usefulness" of the information that accountants collect, analyze, and present to auditors, shareholders, managers, and others. The underlying assumption of the decision-usefulness framework is that rational economic actors need information in order to make effective economic decisions that will serve their self-interest. Since, in this framework, the aggregate activities of self-interested maximizers create the most efficient allocation of resources, decision-usefulness is the cornerstone of the efficient functioning of markets.

Regulators and other observers not directly involved in Islamic banking cite a lack of accounting standards as one of their main concerns about the movement. *Euromoney* reports that Islamic banking's "long-term ambition" of "taking on world markets" may be hindered by a lack of "uniform and consistent accounting and auditing standards and ... proper regulation," and that "standardization is desperately needed."[13] A vice-president of the Federal Reserve Bank of New York attached the success of Islamic banking to decision-useful accounting standards. While stating before an audience of Islamic bankers that "issues of religion are not supervisory matters of concern,"[14] this official argued that "qualitative" considerations must be taken into account by supervisory agencies. He continued:

> it involves an assessment by bank examiners of the financial strength and managerial controls of the bank. This is done in a 'hands on' way by examiners looking at the bank's systems, books, and records on site and assessing the quality of its management. In addition, we rely on reports of the bank which are issued quarterly and made public

> to allow the public – investors, depositors and counterparties – to assess the credit-worthiness and risk profile of the bank.[15]

Concerns about standardization, decision-usefulness, and possible regulatory interference led to the establishment of the FAOIBFI/AAOIFI.[16] Here, certain "ceremonial" or "window-dressing" functions of accounting seem evident.[17] It is evidentiary, however, in the same way that the facts of accounting are: based on induction from the observation of a moment of social life, a process that delimits the accountant's, regulator's, and, just as importantly, social analyst's field of practice. It is evidentiary, too, only within the terms of an implicitly functionalist theory of culture (window-dressing, after all, functions to make something prettier, or to hide something else). This is a point to which I will return later.

Decision-usefulness criteria are supposed to mitigate information asymmetry and provide a means of bracketing the conflict of interests between the manager of a financial institution and the shareholders. In the accounting literature, this potential conflict is called the agency problem. The decision-usefulness framework only makes sense in a world in which a person can be called forth into social interaction as a maximizing individual; only in such a world would the agency problem manifest, and the decision-usefulness framework actually be useful. One would need to be possessed of (by?) the spirits of capitalist utilitarianism for conventional accounting to lessen information asymmetry and foster efficient markets.

The argument could be made that different spirits do or ought to possess Islamic economics, rendering conventional accounting irrelevant. A recent Western commentator on Islamic accountancy explicitly rejects the AAOIFI's approach to standards-setting – beginning with data from actual practices and "objectives established in contemporary accounting thought" tested against Islamic religious norms – in favor of proceeding from "objectives based on the spirit of Islam."[18] Others agree,[19] arguing that Islamic economics in general needs to be exorcised of its Western underpinnings so that its true spirit will come forth. In an e-mail post to the Islamic banking Internet listserv that generated heated, highly theoretical debate, a prominent Islamic economist argued:

> Islamic economics and finance being entrenched body and soul in mainstream economic doctrines has remained without a distinctive birth-pang of its own. Its epistemology... remained in foreign moorings just as the early rationalist Muslim scholars distorted the Qur'anic worldview with Greek thought. [It remains] subservien[t] to modernity rather than upholding [the] purity of human faculty to the Qur'anic worldview and its deep analytical vision...

In a later posting, the same scholar invoked *tawhid*, or "unity," a core element of neo-Sufi and neo-Platonist Islamic theology. He also directly addressed the accounting criterion of decision-usefulness as a core element of Western economics:

> What I am taking out of the Qur'an is the epistemology of *Tawhid* in which Allah is manifested as the Complete and Absolute in Knowledge Stock, from which premise

> emerges the immaculate premise of Unity as the Fundamental Unity. Yet this is a topological reality from which is derived the organization of flows of incomplete knowledge in the world-system, but that ever grows and unifies as it does so with the elements of the world-system . . . [The] essence of pairedness is the resemblance of universal complementarity within the acts of systemic realization. Hence, the essence of Qur'anic pairedness is combined with the incompleteness of knowledge to know, creatively evolve and organize in the framework of the self-same unification of relations. Such a Process negates all claims on the agent to have full-information. Terminality and scarcity, marginalism and optimality of neoclassicism are totally replaced by the process-oriented, creatively learning and evolving universally complementary process in this Qur'anic framework of *Tawhidi* [*sic*] epistemology.

Such an analytic move attempts to redraw the process of knowledge and the objects of the known. The *tawhid* approach demands a fundamental reconfiguration of epistemology – indeed, a dissolution of epistemology itself into the incompleteness of approaching but never reaching the overarching unity of divine thought, as if a mathematical limit-function.

Both within and outside Islamic banking circles, however, this sort of argument is often cast as mystical, irrational, and otherizing. More damning, it is considered impractical – it does not generate the kind of facts that economic practice needs in order to "work," much less to work "efficiently." And, as the Pakistan Supreme Court case that introduced this chapter made explicit, the criterion of practical workability is of signal importance in implementing economic rationality. As another prominent Islamic economics expert wrote, in countering the *tawhid* approach, "there is no point in trying to re-invent the wheel (especially if you don't end-up with a round one). The machinery of neo-Classical economics, and many of its assumptions, is mostly in harmony with the canonical Islamic texts . . . , as well as the opinions of Muslim jurists over the centuries."

Why, for Islamic banking adherents who reject *tawhid*, is their understanding of a convergence between neoclassical economic theory and Islamic jurisprudence not unnerving?[20] Do the facts of Islamic accounting invoke in outside observers, as well as devotees, trust and confidence in the stable entities and clear agents of Islamic banking? If so, they are less constitutive of an essential Muslim subject of economics than they are persuasive that the business practices from which they are distilled are sound, reputable, and consistent with a range of business practices that are not specifically Islamic. In that, they take on the same performative window-dressing functions as the facts of conventional accounting that Carruthers has discussed.[21]

Yet Islamic accountants must abstract the facts of Islamic accounting out of a field of practice. As is the case with conventional accounting that abstraction, like induction generally, is never straightforward.[22] A closer look at technical problems in Islamic accounting created by Islamic banking practices shows that the question of Islamic accounting being merely window-dressing, or the more classically anthropological question of Islamic accounting's difference from conventional accounting, is perhaps slightly beside the point.

Mudarabah Accounting in Theory

A *mudarabah* or profit-and-risk sharing contract is a ubiquitous financing mechanism in Islamic banking. In a classic (that is, medieval, not modern) *mudarabah*, the *rabb-al-mal* (henceforth, depositor–investor) provides money to an *mudarib* (henceforth, manager) who uses it to conduct an agreed-upon business, and then returns to the depositor–investor the principal and a preset proportion of the profits. Once she or he has turned over the money as an initial investment, the depositor–investor has the right to verify that the manager is complying with the terms of the contract. The manager is not liable for any loss that occurs in the course of the business except when such loss occurs because of a breach of trust. There is an understanding that the manager will act according to the customary practice of any businessperson. Further, the depositor–investor has a right to share the profits as agreed upon at the contract's commencement. Finally, the depositor–investor's liability is limited to the capital that he or she initially invested. The manager is not permitted to commit any sum of money greater than the capital in hand to the partnership without the depositor–investor's authorization. Similarly, once the depositor–investor has handed over the initial investment as specified in the contract, the manager has no right to demand any further financial liability or contribution from him or her.[23]

Modern Islamic banks can use *mudarabah* contracts to generate liquidity and turn a profit, acting as go-betweens between the depositor–investors and the managers of business ventures. In effect, modern Islamic banking takes the classic *mudarabah* contract and scales it up: the depositor–investor becomes the *rabb-al-mal* in relation to the bank, as *mudarib*, which manages the depositor–investor's money. At the same time, the bank assumes the position of the *rabb-al-mal* in relation to the business enterprise the bank invests in, which is the *mudarib* in relation to the bank. Under this scaling principle, the bank can accept money from many depositor–investors via the *mudarabah* contractual form and, in turn, invest it in several different enterprises through the same *mudarabah* contractual form. Should the enterprises turn a profit, the enterprises, the bank and the depositor–investors are entitled to a predetermined percentage of the profit. Should they turn a loss, the depositor–investors (and possibly the bank, depending on its operating principles) share in a predetermined percentage of the loss. The enterprises themselves (and also the bank) can pass off the loss onto their depositor–investors, since the enterprises are considered to have "lost" the expertise and labor invested in prosecuting the contracts.

Mudarabah provides a means for enterprise financing and a sort of consumer banking that are Islamically acceptable. Instead of financing its activities with interest-bearing loans, a business could accept funds from an Islamic bank and give up a predetermined percentage of its profits (and losses, effectively spreading some the risk of doing business). Rather than a depositor earning interest on a savings account, the depositor–investor would earn a predetermined percentage of the profits (or losses, effectively bearing the risk of market activities) of all the enterprises in which the bank had invested the pooled resources of its depositor–investors.

Mudarabah presents a number of problems for conventional accounting. First, consider conventional accounting's "entity theory," according to which accounting draws meaningful boundaries around business entities for the purpose of audit. Entity theory poses problems for Islamic banks using *mudarabah* accounts, especially when it comes time to account for *mudarabah* holdings on a balance sheet. *Mudarabah* contracts confound the clear boundaries between the entity taken into consideration for the purposes of accounting and its owners. In a *mudarabah* contract, the depositor–investor who contributes capital in return for a share of the profit or loss "owns" that capital. The bank is "managing" it and investing it in productive enterprises. The bank sees the depositor–investors on its own balance sheets, but the enterprises that receive the depositor–investors' capital from the bank do not. Yet the depositor–investors are the "owners" of the ventures the bank has invested in. And they are not merely financially responsible for them, but morally as well: should an enterprise engage in un-Islamic activities, then ethically the depositor–investors are just as at fault as the bank.

In conventional accounting, the entity concept effects a separation between owners and corporate entities, morally insulating the former from the decisions of the latter; if owners disagree with a particular decision, they can vote at shareholders' meetings to change policies, or, more simply, disinvest. Accounting and audits are supposed to help them make exactly these sorts of decisions. But *mudarabah* contracts are a moral/ethical form that demands a close relationship, indeed, an identity, between the morality of the business ventures and that of the depositor–investors. Depositor–investors are in a sense insulated from the business ventures they are invested in by the intermediation of bank, but they have no say in the activities of those ventures and have to rely on the bank's judgment to make wise investments. The bank's own venture, its own corporate status, meanwhile, is not a separate entity from the depositor–investors' capital, but rather an extension of the depositor–investors.[24] Given this, how should an accountant "entextualize," as it were, the entity for the purposes of an audit?[25] How should the accountant draw meaningful boundaries around and abstract from the business practices of the depositor–investors, the bank, and the enterprises in which the bank has invested depositor–investors' money?

The second problem that *mudarabah* poses for conventional accounting concerns the separation of ownership from management in the corporate form.[26] When corporations are managed by one set of individuals (managers) and owned by another (shareholders), the managers are obliged to act in the interests of shareholders. In other words, managers are the agents of the shareholders, who are the "principals" of the corporation. Yet (as was made abundantly clear by the Enron, WorldCom, and Arthur Anderson accounting scandals of 2001–2) the separation of ownership from management means that shareholders do not have access to the same information about the day-to-day operations of the corporation as the managers. Shareholders must take on faith that the information managers divulge to them is an accurate reflection of an underlying reality. The postulate of self-interested maximization would suggest that managers would attempt to act in their own interests, not those of the shareholders. The condition of "information asymmetry" that obtains between agents and principals opens a space of possibility for the free reign of managers' self-interest. Just as significantly, it also opens a space for the insertion of faith into finance: the faith that representations do suggest an underlying reality, and that that reality precedes the representation of it.[27]

An Islamic bank relying on *mudarabah*, however, has an agency relationship with potentially two kinds of investors – those who invest in the financial company itself as shareholders and have voting privileges on its board, and those who simply deposit their money into *mudarabah* investment accounts. Unlike an interest-bearing savings account, a *mudarabah* account carries no guarantee of return. The bank calculates the amount of profits (or losses) disbursed to investment account holders. At the same time, the bank calculates the amount of the profits (or losses) disbursed in the form of dividends to shareholders. In effect, the bank must take into consideration two sets of interests – those of the shareholders, and those of the depositor–investors – that are at odds with one another, since a loss to one is a gain to the other. For whom, then, is the bank the "agent?" For whose decisions should any information produced by an audit of the bank be "useful?" For some in the Islamic banking community, it makes sense to think of the bank as multiply agentive. This does not necessarily solve the agency problem, however, because it leaves open the question of how an accountant ought to delimit decision-useful information. In other words, as with entity theory, *mudarabah* creates an entextualization problem from the point of view of the accountant: how to delimit and bound and abstract from the field of practice the specifically relevant aspects of a bank's activity for depositor–investors and shareholders.

The third problem that *mudarabah* poses for conventional accounting has to do with income. To calculate income, one must first determine the value of an entity's assets. And there are different methods for doing so. For example, how should one determine the value of real property held by the bank? Should one enter a value based on what one originally paid for it, based on what one paid for it adjusted for inflation, or based on projections of its value at some future liquidation date? From the point of view of Islamic banking, most calculations of value of this sort introduce the possibility of *riba*. This is because each of these calculations adds a value to the real property that is not specifically tied to any of the risks involved in holding the property. They constitute paper-based augmentations of value. Conventional accounting theory does offer an alternative to these methods of valuation; namely, current cash equivalent valuation (CCE). CCE essentially demands that all assets be marked to market – based on the assumption that markets efficiently set prices and that the value of any item at any given moment in time is equal to the price of that item in an open and unrestricted market. Islamic accounting scholars recommend that CCE be used to value assets in any determinations of income.[28] Again, however, this is a particular kind of entextualization problem: How should the accountant literally record the value of real property in this case?

Consider the effect of *mudarabah* on the three legs of conventional accounting. Entity dissolves, or, rather, multiplies, into proprietors. Agency disperses into multiple agents. And income gets disaggregated and temporally fixed into contemporary assessments of cash equivalencies, in a continuous and real-time marking to market. Each leg undergoes a sort of fractal transformation: each component part of the account is a smaller version of the whole, in a potentially infinite reiteration at all levels of scale. Imagine a ledger for an Islamic bank. Contained within it would be ledgers for each *mudarabah* account and, within those, ledgers for each proprietor. Imagine the budget line for income: within each would be a constantly changing figure based on continuous and indefinite valuation through the marking of assets to the market. This marking to market is a recursive process that guarantees the perpetuation of the fractal pattern of the imaginary *mudarabah* account. The multiple agents constituted by multiple proprietors lend a scaling shape to the imaginary account. At whatever level the accountant looks, she or he will see "similar patterns at different scales"; "enlarging a tiny section will produce a pattern that looks similar to the whole picture, and shrinking down the whole will give us something that looks like a tiny part."[29] Our imaginary fractal account begins to resemble nothing so much as the knowledge-flows of *tawhid*, where epistemology dissolves into the unity of divine thought.

Mudarabah Accounting in Practice

I ask my reader to imagine a fractal ledger because there are no real ones to show. The fractal form was only revealed to me when, out of utter desperation and confusion over the multiple levels of ownership possible with nested contracts, I asked people to draw me the mechanisms of *mudarabah*. I discuss one such example below. But the accounting books of Islamic banks and the accounting standards put forward by the AAOIFI are hardly fractal or neo-Platonist. Indeed, what is so striking about the standards is that they are virtually silent on the practical and epistemological problems that *mudarabah* might pose for conventional accounting. In effect, they erase the oneness of *tawhid* in the *mudarabah* form. Like other documents of bureaucratic rationality, the AAOIFI standards provide clear rules, straightforward justifications for those rules, and guidelines for following the rules. The standards explicitly invoke the need for impartiality, consistency, universal applicability, and procedural precision. The very form in which they are presented embodies these principles: the standards are labeled with a letter or number and divided into sections, subsections, and paragraphs. In such form, they embody order and logic and hierarchy, appealing to bureaucratic reason and logic recast as fundamental human nature. AAOIFI Standard A section 4 subsection 1, headed "The importance of establishing objectives," begins as follows:

> Human experience proves that any work which does not have clear objectives encounters limitations, conflicts, and blurred vision in its implementation. Financial accounting and financial reporting are no exception to this precept. Accounting scholars and practitioners alike have found that the process of developing financial accounting standards without establishing objectives leads to inconsistent standards which may not be suitable for the environment in which they are expected to be applied.[30]

That said, the objectives of the AAOIFI standards are the same as for any set of accounting standards: the provision of decision-useful facts for large investors, not for small depositors or *mudarabah* account holders. *Mudarabah* accounts are treated exactly like any other liability, and *exactly* like deposit accounts in a conventional bank. The problems that *mudarabah* poses for conventional accounting are transformed into nonproblems, the practices of Islamic accounting are identical to conventional accounting, and the distinction between the two seems to disappear.

Two brief examples will suffice to illustrate the nonproblem of *mudarabah* accounting. The first is the 1999 Annual Report of Bank Muamalat Indonesia (BMI), the largest Islamic bank in that country (BMI 1999). Unlike most other financial institutions, BMI weathered Indonesia's recent financial crisis (1998–2000) rather well, and has entered the post-Suharto *era reformasi* in a better position than almost all other banks. Its success during the crisis was due in no small measure to fact that its consumer-based liabilities are in the form of *mudarabah* accounts rather than conventional savings accounts. When the Indonesian currency, the rupiah, lost 600 percent of its value against the U.S. dollar between August 1997 and February 1998, most banks could not meet their obligations to their depositors, and folded. BMI's investments in "real" assets, however much affected by inflation and the crisis, proved more stable than the debt-based investments of conventional banks. Profit-and-loss sharing investments in the export commodity sector, for example, brought *increased* profits as the rupiah's value fell. As a direct result of the crisis, cities in provinces that were heavily reliant on export commodity production became boom towns, and many rural producers suddenly found themselves rich. As one banker in Makassar (formerly Ujung Pandang), South Sulawesi, told me, "The monetary crisis was the best thing that ever happened to South Sulawesi."

BMI's ledger, however, hides the role of *mudarabah* accounts in its success by recording them as simple liabilities, exactly the way AAOIFI standards suggest it be done. They are treated under the category *Kewajiban*, "Obligations" or "Liabilities," and placed under the heading *Simpanan*, or "Deposits," as *Tabungan Mudharabah* or "*Mudarabah* Savings Accounts." *Tabungan* is derived from the word *tabung*, a "bamboo tube used for storage,"[31] evoking an image of money hidden in a sack in the rafters of a house rather than invested in productive enterprise. AAOIFI procedures thus convert living agreements into dead savings, skirting the problems of accounting for all the nested and hierarchical contractual agreements of *mudarabah*.

The second example is from a small Islamic cooperative credit association (ICCA) in Makassar, organized for the benefit of teachers and students at a local Muslim university. ICCA, in the words of its manager, "operationalizes the university's credit" as part of the university's government-mandated role to support local businesses. With seed money from a faith-based private foundation, ICCA provides two types of credit to members of the university community and small business owners in town. Small business owners – mainly street vendors – enter into *mudarabah* agreements with ICCA, while ICCA enters into *mudarabah* agreements with the university and the foundation, in a nested hierarchy. All the contracts stipulate a preset profit-and-loss sharing ratio of 60 percent to 40 percent. In a contract with a street vendor, the profits are divided on a 60:40 ratio in favor of ICCA. Of ICCA's 60 percent of the profits, 60 percent is returned to the university, while 40 percent is retained by ICCA itself. Of that 40 percent, 60 percent is returned to the foundation that originally granted the university funds to set up ICCA, and the remaining 40 percent is for the "prosperity and welfare of the staff" of ICCA.

In addition to this form of "productive credit," members of the university community can borrow from ICCA for consumption. Consumption loans are interest-bearing, in spite of ICCA's Islamic credentials. The interest rate is *back-calculated* from the effective rate of return of ICCA's productive *mudarabah* accounts with street vendors. In other words, in the example above, ICCA earns an effective rate of return of 9.6 percent. In a consumptive loan, then, ICCA would charge 9.6 percent interest. This is a calculation made possible by ICCA's ledger-books, which, like BMI's, enter *mudarabah* accounts as deposit-type liabilities. It is only by aggregating *mudarabah* accounts with street vendors into one balance-sheet item that they can be offset by consumption loans to university professors and students. Not only are the fractal accounting problems of *mudarabah* skirted here; so, too, is the prohibition of interest – a side-stepping made possible by AAOIFI standards that allow *mudarabah* accounts to enter the liabilities side of the double-entry account without acknowledging their different conceptual and Shari'atic status from that of regular deposits.

The accounting trick is made more dramatic by the fact that in 2000 ICCA had extended consumption loans totaling 700 million Rp, and shared productive *mudarabah* accounts with vendors totaling 100 million Rp. It had 700 clients with outstanding consumption loans, and only about 70 with *mudarabah* accounts. The AAOIFI standards have allowed ICCA to base a rate of interest for the 90 percent of its clients who borrow for consumptive purposes on the rate of return generated by only 10 percent of its clients and extrapolated into a general principle, into a literal "rate of return" without regard for the actual value of that return at any given point in time. In theory, and in the books, consumption loans are backed by productive *mudarabah*. This both helps ICCA extend credit and achieve Shari'a compliance. In practice, however, productive *mudarabah* could only cover about one-seventh of the outstanding loans.

Notice how closely the nested *mudarabah* accounts resemble the fractal transformation of accounting discussed earlier. There are similar patterns at every scale, both within the ICCA's structure of *mudarabah* accounts and between ICCA's structure and the pattern suggested by *mudarabah*'s in-folding and multiplication of the three legs of conventional accounting theory: entity, agency, and income. *Mudarabah* accounting in practice has the structure of the knowledge-flows of *tawhid*. It permits a detour to consumption-oriented, interest-bearing credit on the way to divine oneness. But then again, that detour is already built into the design.

Accounts of Islamic Accounting

For some, the procedures through which the AAOIFI extrapolates best practices out of existing practices and translates those into standards are highly suspect.

Complaining in an online forum about the changes in direction he saw Islamic finance taking to satisfy the demands of standardization, one Islamic accounting specialist argued, "If Islamic economics must make U turns to remain in business, I suggest that we cut the whole crap and join mainstream *riba* economics under the *fiqh* [legal] category of *dharurah* [necessity] and the modern criteria of efficiency." Another, however, responding to the demand that an Islamic accounting must somehow be "Islamic," replied,

> Accounting in whatever sense or use whether it be for Islamic purposes or otherwise is only meant to be used as a science to enable an organization to identify, assemble, analyse, calculate, classify, record, summarize and report transactions and other events ... Accounting is only a method of presentation of facts and figure [*sic*] about an organization in such a manner that the user can use that info according to his own needs whether the need is the promotion of welfare or something else.

A third replied, to this second interlocutor:

> I had the same thoughts as you a few years ago, insisting that Accounting is a technical subject and therefore there is no question of an Islamic or Christian or Buddhist Accounting... Unfortunately, modern corporate accounting is not a matter of just numbers but a whole philosophy. Accounting can lead to perceptions of reality... Ultimately, what accounting tells us [is that] what makes more money is the best thing. Over time, people will become mesmerised with this infactuation [*sic*] and act accordingly.

That the debate gets framed in the same terms as contemporary academic theorizations of the social construction of reality reveals a convergence between internal debates about Islamic accounting and modalities of academic knowledge production such as critical accounting scholarship. As one Islamic accounting scholar writes, citing a classic article in that scholarship, "Islam accepts the fact that accounting is a social construction[32] and itself constructs social reality but this social reality which the accounting constructs must conform to the dictates of Islamic belief."[33] Rifaat Ahmed Abdel Karim, one of the figures responsible for the creation of the AAOIFI, was a former student of the accounting theorist Trevor Gambling. The two coauthored the book *Business and Accounting Ethics in Islam*, a work deeply influenced by social accounting theories.[34]

What interests me is the convergence between the creation of AAOIFI international accountancy standards, the internal debate on Islamic accountancy, and ethnography. Like ethnographers (and like the early 20th century compilers of the U.S. Uniform Commercial Code, one of whom was an ethnographer), the members of the AAOIFI have observed, recorded, and compiled the "best practices" of Islamic accounting worldwide and abstracted from them a written set of proscriptive rules for Shari'a-compliant accountancy. Like ethnography, this process includes the debates about the process itself, embodied in the comments of Islamic accountants who echo critical accountants – or, rather, share the same field of discourse and citational authorities, and the same techniques for generating knowledge. Knowledge is produced through shifts in scale, levels of abstraction from a reality. In internal debates over Islamic accounting, as in critical accounting, there is a further instrumentalization of the knowledge thereby produced. As a construction, social reality is cast as a particular kind of resource, something that can be used for specific purposes, or struggled over like a terrain. At the same time it is something that can create or instantiate other things in people and social spaces: it is a construction that can make more constructions. It creates "values" and "behaviors," as well as, recursively, itself, a part of "social reality," even as it is the product, constructed out of, values, behaviors, and social realities. It has parts, which are related to other parts – either explicitly, by the actors in social worlds themselves, or implicitly, only to be drawn out by social analysts determining the distinctions between domains, between form and content, text and context, subjective from objective.

That the techniques of knowledge in Islamic accounting, critical accounting, and anthropology are homologous to one another should lead us to explore their metapragmatics in the debates and practices that call accounting forth as a topic of concern for differently positioned social persons. This means engaging in a sort of "triangulation" and studying the simultaneous entextualization and contextualization processes that produce social realities (and produce them as something both constructed and productive): here, Islamic accounting practice, Islamic accounting standards, critical accounting scholarship, and debates over the status of constructivism in Islamic accounting and social science.[35] These techniques of knowledge involve transformations in the scale of phenomena. They involve nested hierarchies of practice, as in the credit cooperative example, and both the erasure of those hierarchies, as in international Islamic accountancy standards and Bank Muamalat Indonesia practice, and the making explicit of those hierarchies, as in the internal debate over Islamic accounting. In that debate, recall, knowledge techniques make up the flows of divine knowledge into an always-already present unity that, paradoxically, is founded in its own unfolding incompleteness.

Toward Anthropological *Tawhid*

The fact that AAOIFI standards ended up mirroring conventional international accountancy standards does not mean that Shari'a compliance is simply standard practice with Islamic window-dressing. AAOIFI standards do not produce information that serves the rhetorical function of marking organizational practice as Islamic. Rather, AAIOFI standards and organizational practice exist in a coordinated relationship, and that relationship produces a nervous grammar that makes the distinction between rhetorical and technical, and Shari'a-compliant and conventional or non-Islamic, intelligible and real, albeit unstable. Is there a difference between Islamic accounting and conventional accounting? The answer depends on the analytic status of the unmarked (and implicit) terms in each: the (nonreligious) modern bureaucratic practices of standardization, and the (nonreligious) status of conventional accounting.

The Shari'a, after all, is not a book of rules but a system of rule-making, a meta-grammar for securing the conditions for the practice of Islamic virtues in a morally organized universe. Following those rules calls forth Shari'a compliance, even if the product looks exactly like conventional international accountancy standards, because the performative event here is the coordination of the AAOIFI standards with the accounting practices.

The AAOIFI standards do not so much replace religious authority as reveal the rhetoricality of conventional accounting practice. They do so through their own failure, a failure noticed by *tawhid*-oriented participants in the debate over Islamic accounting, just as critical accounting scholars note the failures of conventional accounting. The failure of the former, to the extent that it is a failure of Islam, is of cosmological significance. That failure does not derive from the act of trying to create standards, or from the bureaucratic standardization of Islamic principles. From the Islamic accounting standpoint – as for the critical accountants – bureaucratic standardization is a social and cultural process, embedded with and productive of social and cultural values. The task, as the Islamic accountant quoted earlier put it, is to construct an accounting knowledge that will create *different* values. So, the failure can be reversed, or changed, and the culture thus constructed anew.

At the same time, however, Islamic accounting makes explicit that which is only implicit in conventional accounting. The fractal form of *mudarabah* accounts and the fractal form of *tawhid* are of a unity with the techniques of knowledge of anthropology, conventional accounting, and critical accounting. Recently, scholars concerned with the status of accounting as a form of knowledge production have moved away from the critical accounting position that accounting possesses rhetorical functions. They instead put forward the idea that accounting is itself a form of rhetoric for making empirical facts, and the reality-effect that such facts precede their representation.[36] As a form of rhetoric, accounting renders itself a transparent practice of recording the empirical as already-there in the world. In the process, it denies own its status as a modality of argumentation constituted by various levels of scale: a set of techniques for making things; a set of rules for making things tell-able (in Garfinkel's sense); a toolkit for constructing those rules; and the metapragmatic *ad hoc* and *post hoc* relating of those rules to each other and to actual practices. Poovey is on the mark when she argues that the very separation of (mathematical) technique from (linguistic) rhetoric was itself an effect of the invention of double-entry accounting. And those who hold out *tawhid* as the unity of flows of incomplete knowledge are on the mark, too, in revealing the oneness of apparent levels of the cosmos, or, here, levels of analysis that make up a modality of social and moral argument.

Marilyn Strathern has observed that ethnographic research and anthropological comparison have traditionally proceeded through transformations of scale: the singular fieldworker apprehended "culture" by talking to multiple informants and abstracting general principles.[37] What emerged for the singular fieldworker was not just the particularity of each individual encounter or informant, but "more"; this more was generalized as the culture of a people.[38] The problem of perspective arose when the field of the ethnographer's vision came into question: it was necessarily limited, only one perspective on the flow of social life. With certain ethnographic subjects, Hagen flutes as well as accountancy, the problem gets compounded, as the anthropologist's "contexts and levels of analysis are themselves often at once both part and yet not part of the phenomena s/he hopes to organize with them. Because of the cross-cutting nature of the perspectives they set, one can always be swallowed by another."[39] In such cases the ethnographic object and ethnographic practice seem out of scale, and the logic of proportionality undergirding anthropological analytics seems to fall off-kilter,[40] or at least to be made explicit as an "organizational facility of Western pluralist cultural life."[41] Once it is made explicit, however, it can be put to use. Strathern argued that the fractal form could provide a way out of the sameness/difference and singular/plural frameworks of anthropology and create "maps without centers and genealogies without generations."[42] The distinction between data and theory collapses, or resolves itself into a self-same pattern at another level of abstraction.

The significance of Islamic accounting, then, is not its religious basis or veneer, the culture behind it, or the values it generates in turn. Instead, its significance is that in striving for Shari'a compliance, Islamic accounting throws itself into the open-ended metapragmatics that demonstrate the fractal form of accounting and its allied modes of social inquiry such as anthropology. Islamic accounting demonstrates that empirical facts are moral acts. The challenge for accounting, as for its anthropological accounts, is to be as open-ended and incomplete-yet-whole as *tawhid*, to dissolve its self-understanding as a reflection of reality, but not its appreciation as a very special kind of moral tool: to focus more on the implementation, perhaps, than the empirical.[43]

Notes

1 Pakistan Supreme Court, Civil Shariat Review Petition No. 1 of 2001; hereafter, C.SH.R.P. 1/2001.
2 Paul Rabinow, "Midst Anthropology's Problems," *Cultural Anthropology* 17(2), 2002, pp. 135–149, esp. p. 136; see also Paul Rabinow, "Midst Anthropology's Problems," Chapter 3, this volume.
3 C.SH.R.P. 1/2001, para 18.
4 "U.S. Treasury Hosts Islamic Finance Seminar," *Islamic Horizons* July/August 2002, p. 18.
5 "Islamic home financing starting in the nation's capital," *The Minaret* July/August 2002, pp. 19–20.
6 Karl N. Llewellyn, *The Bramble Bush: On Law and its Study* (New York: Oceana Press, 1951).
7 H. Garfinkel, *Studies in Ethnomethodology* (Englewood Cliffs, NJ: Prentice Hall, 1967), p. 33; original emphasis.
8 For example, A. Hopwood and P. Miller, eds., *Accounting as Social and Institutional Practice* (Cambridge: Cambridge University Press, 1994).
9 Trevor Gambling, *Societal Accounting* (London: George Allen and Unwin, 1974), p. 107.
10 Trevor Gambling, *Beyond the Conventions of Accounting* (London: Macmillan, 1978), pp. 2–3; original emphasis.

11 A. Riles, *The Network Inside-Out* (Ann Arbor: University of Michigan Press, 2000).

12 Marilyn Strathern, *Partial Connections*, ASAO Special Publications No. 3 (Lanham, MD: Rowman and Littlefield, 1991).

13 N. Dudley, "Islamic banks aim for the mainstream," *Euromoney* 349, May 1998, pp. 113–116.

14 Ernest Patrikis, "Islamic Finance in the United States: The Regulatory Framework," remarks by Patrikis, First Vice-President, Federal Reserve Bank of New York given to the Islamic Finance and Investment Conference, New York, May 23, 1996, p. 1.

15 Patrikis, "Islamic Finance," p. 4.

16 T. Gambling, R. Jones, and R. A. A. Karim, "Credible Organizations: Self-regulation v. External Standard-setting in Islamic Banks and British Charities," *Financial Accountability and Management* 9, 1993, pp. 195–207; F. Pomeranz, "The Accounting and Auditing Organization for Islamic Financial Institutions: An Important Regulatory Debut," *Journal of International Accounting, Auditing and Taxation* 6, 1997, pp. 123–130.

17 See B. Carruthers, "Accounting, Ambiguity, and the New Institutionalism," *Accounting, Organisations and Society* 20, 1995, pp. 313–328.

18 M. K. Lewis, "Islam and Accounting," *Accounting Forum* 25, 2001, p. 112.

19 For example, M. U. Chapra, *Towards a Just Monetary System* (Leicester: The Islamic Foundation, 1992); M. A. Choudhury, *Money in Islam: A Study in Islamic Political Economy* (London: Routledge, 1997).

20 After J. Pemberton, *On the Subject of "Java"* (Ithaca, NY: Cornell University Press, 1994), p. 9.

21 Carruthers, "Accounting."

22 M. Poovey, *A History of the Modern Fact* (Chicago: University of Chicago Press, 1998).

23 See F. Vogel and S.L. Hayes, *Islamic Law and Finance: Religion, Risk, and Return* (The Hague: Kluwer Law International, 1998).

24 T. Gambling and R. A. A. Karim, *Business and Accounting Ethics in Islam* (London: Mansell, 1991), p. 103.

25 M. Silverstein and G. Urban, "The Natural History of Discourse," in *Natural Histories of Discourse*, M. Silverstein and G. Urban, eds. (Chicago: University of Chicago Press, 1996), pp. 1–17.

26 A. Berle and G. Means, *The Modern Corporation and Private Property* (New York: Macmillan, 1932); B. Maurer, "Forget Locke? From Proprietor to Risk-bearer in New Logics of Finance," *Public Culture* 11, 1999, pp. 365–385.

27 See T. Mitchell, "Fixing the Economy," *Cultural Studies* 12, 1998, pp. 82–101.

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29 R. Eglash, *African Fractals* (New Brunswick: Rutgers University Press, 1999), p. 18.

30 *Accounting and Auditing Standards for Islamic Banks* (Manama, Bahrain: AAOIFI, 2000), p. A4/1; also at http://www.islamic-finance.net/accounting (September 29, 2000).

31 J. M. Echols and H. Shadily, *Kamus Indonesia Inggris*, 3rd edition (Jakarta: Penerbit PT Gramedia, 1997), p. 540.

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33 Ibrahim, *Review of Income*, p. 17.

34 Gambling and Karim, *Business and Accounting*.

35 See Silverstein and Urban, "The Natural History of Discourse," pp. 4–5.

36 Poovey, *A History of the Modern Fact*.

37 Strathern, *Partial Connections*.

38 Ibid., p. 9.

39 Ibid., p. 75.

40 Idem.

41 Ibid., p. xx.

42 Idem.

43 For further reading on the issues addressed in this chapter, see B. Carruthers and W. Espeland, "Accounting for Rationality: Double-entry Bookkeeping and the Rhetoric of Economic Rationality," *American Journal of Sociology* 97, 1991, pp. 31–69; T. Kuran, "The Genesis of Islamic Economics: a Chapter in the Politics of Muslim Identity," *Social Research* 64, 1997, pp. 301–337; M. Maududi, *The Economic Problem of Man and its Islamic Solution* (Lahore: Islamic Publications, 1975); B. Maurer, "Engineering an Islamic Future: Speculations on Islamic Financial Alternatives," *Anthropology Today* 17, 2001, pp. 8–11; R. Munro and J. Mouritsen, eds., *Accountability: Power, Ethos and the Technologies of Managing* (London: International Thomson Business Press, 1996); A. I. Qureshi, *Islam and the Theory of Interest* (Lahore: Shaikh Muhammad Ashraf, 1946); M. D. Rahardjo, "The Question of Islamic Banking in Indonesia," in *Islamic Banking in Southeast Asia*, M. Ariff, ed. (Singapore: Institute of Southeast Asian Studies, 1988), pp. 137–163; M. Strathern, ed., *Audit Cultures: Anthropological Studies in Accountability, Ethics and the Academy* (London: Routledge, 2000); and A. M. Tinker, *Paper Prophets: A Social Critique of Accounting* (New York: Praeger, 1985).

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