

Rule-Based Moral Reasoning and CPAs' Political Ideology

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ABSTRACT

Certified Public Accountants (CPAs) tend to be very rule-based in their moral reasoning relative to non-accounting groups. Prior research suggests that the rule-oriented nature of accounting and auditing practice may explain a CPA's preoccupation with resorting to rules when faced with resolving an ethical issue. Related studies determined that political liberals tend to be more principled in their moral reasoning whereas political conservatives are less principled and more rule-oriented. This study sought to provide empirical evidence as to one plausible factor behind CPAs' bent toward rule-based moral reasoning. Findings show that CPAs' rule-based moral reasoning is strongly related to their political ideology. Moving from conservative to moderate to liberal, politically, CPAs are less rule-based in moral reasoning. The findings are highly salient to accounting regulators, educators, and recruiters who are working to move the CPA profession toward exercising more principled accounting and auditing judgments.

Introduction

Accounting researchers who have used the Defining Issues Test (DIT) to measure the ethical reasoning processes of CPAs have consistently found CPA respondents, relative to non-accounting groups, to exhibit a tendency to resort to rules when trying to morally reason out resolution of an ethical issue (Rest and Narvaez, 1994). Rest (1979) discusses the development of his widely-used DIT as a measuring device for capturing a respondent's moral reasoning. Using the DIT, Lampe and Finn (1992) suggested that CPAs' tendency to use rule-based moral reasoning, compared to non-accounting groups, is likely a result of the rule-oriented nature of accounting and auditing practice (i.e. generally accepted accounting principles, or GAAP, generally accepted auditing standards, or GAAS, IRS codified rules and regulations, etc.). That is, the very nature of learning compliance with so many rules translates into a bent toward depending on rules when trying to resolve an ethical situation.

While Lampe and Finn's notion is intuitively appealing, it reveals the need for empirically supported factors that delve into why CPAs, as a group, are slanted toward using rule-based moral reasoning relative to other groups. That is, it may make common sense that CPAs are rule-based in moral reasoning due to a preoccupation with following rules derived from a profession inundated with them but the need for empirically testing for a statistical goodness of fit remains. Alternative reasons exist for the rule-oriented moral reasoning that characterizes the CPA profession. For instance, the rule-based structure of an accounting curriculum may appeal to a particular type such that future CPAs have actually been extracted from a group that was rule-oriented long before they

actually started college and met with the need to learn and comply with numerous accounting and auditing standards. Perhaps the CPA profession is circular in that it attracts a particular moral reasoning type and then continues to promote a culture of the same via curriculum and recruitment.

The purpose of this paper is to empirically investigate a potential alternative explanation to the intuitive notion offered by Lampe and Finn as to why CPAs have a strong rule-based moral reasoning slant. This study is viewed as dealing with a most timely and essential issue facing the CPA profession. The public perception of the ethics of CPAs has been tarnished by numerous accounting scandals over the past decade. Following rules cannot guarantee an ethical response.

CPA oversight organizations have been working hard to communicate among their rank and file the need to be principled in exercising moral reasoning during accounting and auditing engagements. Nobe (2005) acknowledges the desire of standard-setters (Financial Accounting Standards Board or FASB, International Accounting Standards Board or IASB) to follow a more principles-based approach to accounting standard-setting to help mitigate problems in the CPA profession deriving from rule-based standards. He suggests that part of the need for rules themselves is the absence of an underlying principle or the existence of inappropriate ones. This sort of thinking implies that CPAs can be changed to become more principled and less rule-based by making rules more principle-based. Such thinking results from assuming that CPAs tend to resort to rules when resolving ethical accounting and auditing matters because they are inundated with rules.....as Lampe and Finn (1992) surmised. What if it is not the rules that are the reason for rule-orientedness in CPAs but something else? If it's something else, accounting regulators, educators, and recruiters may be "barking up the wrong proverbial tree."

Problem and Research Question

The problem addressed by this study is that while the CPA profession acknowledges the need to be more principled in its moral reasoning and less rule-based, there is a glaring lack of empirical evidence that attempts to look into why CPAs are so rule-based in their moral reasoning. Again, Lampe and Finn (1992) may have offered an intuitively appealing notion toward explaining how CPAs become rule dependent in resolving ethical issues. However, the empirical data that is available merely reveals that DIT test results profile CPAs to be more rule-based in moral reasoning than non-accounting groups without revealing empirical evidence as to why.

The research question here is to determine whether CPAs' tendency to be rule-oriented in moral reasoning is statistically related to a variable where established priors exist to support an expected relationship.....a relationship that might help explain why CPAs tend to use rule-based moral reasoning and thereby expand upon the intuitive notion provided by Lampe and Finn. Specifically, the research question is:

Is a CPA's political ideology related to her/his tendency to resort to rules when resolving moral issues (i.e. to be rule-based in moral reasoning)?

Literature Review

Barnett (1985) summarized studies using the DIT to measure moral reasoning in respondents and reported that individuals holding conservative political positions

consistently are more rule-based in their moral reasoning than are individuals holding liberal political positions, the latter being more principle-based in moral reasoning. (Note that the DIT will be explained in detail under the METHOD section of this paper). Nie, Verba, and Petrocik (1976) determined that the U.S. population can be classified according to the pattern of political positions. Asher (1980) found that traditional definitions of conservatism and liberalism are useful when considering attitudes toward political choices. Some researchers have tried to ascertain whether a trichotomy of the electorate into conservative, moderate, and liberal is most descriptive (Fleishman, 2001), or an oversimplified dimensional scheme (Knoke, 1979). Yet, it remains today that the popular view is to trichotomize political ideology into conservative, moderate, or liberal. Ennis and Allen (2009) used the trichotomy of conservative, moderate, and liberal to stratify CPA respondents in capturing the political ideologies of those respondents in order to compare political ideology to the CPAs' support for expanding governmental intervention into the corporate governance of non-public entities.

A central study which prompts this study is that of Lampe and Finn (1992). It leaves an empirical void that needs to be filled and this study attempts to help partially fill that void. These two researchers, in their 1992 work which used the DIT to measure moral reasoning, reported that accounting students and CPA practitioners tend to reflect lower principled moral reasoning than do college-aged students, college-educated students, and other professional groups such as law and medicine. Further, the accounting respondents tended to reflect higher rule-based moral reasoning than those reported by Rest (1986). Lampe and Finn (1992) concluded that accountants "may" develop a strong tendency to reason out moral issues using rules due to the rule-oriented nature of accounting and auditing practice. Further, they concluded that the DIT's profile measure for rule-based moral reasoning may be a better measure when studying professional accountants and auditors than the principled moral reasoning profile measure within the DIT. (See DIT under METHOD for explanation of profile scoring).

Method

The current study investigates the relationship between the political ideology of CPAs and their tendency to use rule-based moral reasoning to resolve ethical issues. This paper has offered literary evidence that establishes that CPAs tend to be rule-based in moral reasoning. Further, it has cited literature reporting on the tendency of political conservatives to be more rule-based in moral reasoning than political liberals who tend to be more principle-based in moral reasoning. Finally, published works documenting the stratification of political ideology into conservative, moderate, and liberal have been cited.

Hypothesis

Coupling the need for identifying potential factors to explain why CPAs tend to be more rule-based in moral reasoning than other groups along with previous works that show political conservatives to be more rule-based in moral reasoning than are political liberals, the following hypothesis is established:

A CPA's tendency to use rule-based moral reasoning will be different, based on her/his political ideology. Specifically, as CPAs' political ideology moves from conservative to moderate to liberal, their moral reasoning will become less rule-based.

Data Collection

A mail survey collected data for this study. A random sample of 941 CPAs belonging to the American Institute of Certified Public Accountants (AICPA) resulted in achieving 292 usable responses, or a response rate of 31 percent. By comparing responses of late respondents from a second mailing to the responses of early respondents from the initial mailing, it was determined that nonresponse bias was not present. A questionnaire and the DIT were both included in the survey to provide the data needed to test the hypothesis. CPAs were asked, via the questionnaire, to select the political ideology that most closely described self...conservative, moderate or liberal. CPAs completed the DIT in order to provide their level of rule-based moral reasoning.

The DIT and How it Measures Moral Reasoning

Rest (1979) discusses the extensive evaluation of his DIT as a measure of moral reasoning to assure the scale's reliability and validity. Rest and Narvaez (1994) present the numerous documented studies among the different professions which have used the DIT to measure a respondent's moral reasoning. This 1994 book includes a chapter which exclusively covers studies performed involving the accounting profession.

While some researchers like Thorne (2000) are critical of using the DIT in accounting settings, again, the test has been used extensively in such settings. Further, the current study would be an "apples to oranges" research application without use of the DIT. Lampe and Finn's (1992) intuitive conclusion as to why CPAs might be more rule-based in moral reasoning than non-accounting groups forms the basis for this current research. Lampe and Finn's conclusions were founded upon the DIT as a measure of rule-based moral reasoning. Thus, it is essential that this study use the DIT in its attempt to delve into the gap opened by Lampe and Finn's "intuitive" explanation.

The DIT profiles individuals, describing moral reasoning types, each type representing a different developmental stage of reasoning. These stages are patterned after Kohlberg's (1976) six-stage set. At stage 1, a person tends to resolve an ethical dilemma by following the type of reasoning that seeks to avoid punishment. At stage 2, the individual seeks to derive an outcome favorable to self. The stage 3 type tries to measure up to expectations of the group in order to gain acceptance. The stage 4 type (the one that is central to this study) turns to compliance with traditional norms, namely laws and rules, to reason out resolution of ethical issues. The stage 5 person follows her/his own opinions in addition to seeking to comply with democratically established norms of society. Finally, the stage 6 type follows a more abstract set of self-chosen ethical principles in her/his moral reasoning, even when those principles disagree with democratically established norms.

To "stage-type" a respondent, the DIT presents the individual with several hypothetical narratives, each representing a different ethical dilemma. This study used the most widely used DIT version, the three narrative one. After reading each dilemma, the respondent ranks 12 items in order of their relative contribution toward resolution of the dilemma. The DIT provides a score based on the 4 highest ranked items selected following each of the three ethical dilemmas presented. The p-score, or principled moral reasoning score, is the most commonly used profile score in studies using the DIT. It represents the relative importance a respondent assigns to stage 5 and stage 6 items.

Lampe and Finn (1992) concluded that profiling professional accountants and auditors by measuring the relative importance respondents assign to stage 4 DIT items may be more important in studying this professional group than is using the p-score. The authors concluded this due to the fact that studies involving professional accountants and auditors had routinely found their stage 4 scores to be significantly higher than the stage 4 scores reported by Rest (1986). Lampe and Finn also reported that, among professional accountants and auditors, DIT stage measures like the stage 4 measure were better predictors of ethical choice on the ethical scenarios than was the p-score. Recall that the stage 4 score represents the relative importance a respondent has put on resorting to traditional norms, namely laws and rules, when reasoning out resolution to an ethical dilemma.

Data Coding

Two variables were measured to test the hypothesis in this study. The DIT stage 4 score was captured to measure the degree to which a CPA used rule-based moral reasoning to resolve ethical issues. A higher stage 4 score represents higher rule-based moral reasoning while a lower stage 4 score indicates a reduced tendency to use rule-based moral reasoning. Rest (1990) describes the process involved in tabulating a respondent's stage 4 score. The score can range from 0 to 90, inclusive.

A CPA's political ideology was captured by asking respondents a simple question as to their political affiliation preference. Choices included conservative, moderate, or liberal. In this study, conservative was coded as 1, moderate as 2, and liberal as 3.

Correlation Analysis AND ANOVA

While Lampe and Finn (1992) drew conclusions that warranted further research into factors that might help empirically explain the strong tendency of professional accountants and auditors (CPAs)' to use rule-based moral reasoning during resolution attempts of ethical scenarios, any causal relationship by them was merely implied. By surmising that CPA's rule-oriented moral compass is developed from close association to the rule-oriented nature of accounting and auditing practice, Lampe and Finn implied causality. While this study does not research the effect of a "rule-oriented accounting and auditing practice" on the rule-based moral reasoning of CPAs, as implied by Lampe and Finn, it does seek to offer an alternative partial answer for the relatively high rule-based moral reasoning of CPAs.

This study recognizes former research showing that political conservatives tend to be far more rule-based in moral reasoning than do political liberals. Accordingly this study investigates whether there is a significant relationship between the political ideology (conservative, moderate, or liberal) of CPAs and their tendency to favor rules to resolve ethical dilemmas. While it is difficult to say which would be the cause and which would be the effect with regard to political ideology as it might relate to level of rule-based moral reasoning of CPAs, Lampe and Finn implied that there is something behind CPAs' tendency to use rule-based moral reasoning more than other groups. To test the hypothesis in this study, both correlation analysis and ANOVA were run to examine the (relational) impact of the CPA's political ideology factor on the extent of her/his rule-based moral reasoning.

Results

Table 1 shows the frequency of CPA responses on both variables in this study, namely political ideology and level of rule-based moral reasoning. Of the 292 respondents, 148 indicated a political position of conservative, 100 indicated moderate, and 44 showed liberal. The mean stage 4 scores (rule-based moral reasoning score which can range from 0 to 90, inclusive) are reflected by the table as 46.0582 for conservatives, 37.9665 for moderates, and 33.2577 for liberals, with a weighted average mean score for the sample of 41.3582.

Political Ideology	Number of:	Mean stage 4 DIT score
Conservative	148	46.0582
Moderate	100	37.9665
Liberal	44	33.2577
Total	292	41.3582

From Table 1, it can be seen that a majority of the 292 respondents are conservatives, politically speaking. Conservatives and moderates together constituted 85% of the respondents in the study.

Table 2 shows the correlations between the political ideologies of CPA respondents and their stage 4 DIT moral reasoning scores. As previously stated, the stage 4 score of the DIT proxies for rule-based moral reasoning. Pearson's R analysis resulted in a coefficient of -.318 while the Spearman's correlation coefficient measured -.310, both significant at the .001 level.

	Coefficient Value	Coefficient Value
Pearson's R	-.318	.000
Spearman Rank	-.310	.000

Table 3 shows the results of ANOVA, assuming that the level of rule-based moral reasoning of the CPA, as measured by the DIT stage 4 score, is the dependent variable and that the CPA's political ideology is the independent variable. The analysis yielded an F value of 16.65, significant at the .001 level.

	Sum of squares	df	Mean square	F value	significance
between	7306.92	2	3653.46	16.65	.000
Within	63410.30	289	219.41		
Total	70717.22	291			

The results of correlation analysis reveal a very significant negative relationship between CPAs' political ideology and their level of rule-based moral reasoning. Assuming a directional move in political ideology from conservative to moderate to liberal, it is shown that the level of rule-based moral reasoning declines. ANOVA reveals

a significant outcome assuming the level of a CPA's rule-oriented moral reasoning is dependent on her/his political ideology. The statistical analysis in this study defends acceptance of the hypothesis that based on political ideology, CPAs will reflect a different level of rule-based moral reasoning...specifically that rule-based moral reasoning will decline as political ideology moves from conservative to moderate to liberal.

Conclusions and Suggested Further Research

In this study, CPA respondents who identified self as politically conservative reflected the highest tendency to use rule-based moral reasoning relative to CPA respondents who described self as either politically moderate or politically liberal. As respondents moved from politically conservative to moderate to liberal, they reflected less and less tendency to use rule-based moral reasoning.

Lampe and Finn (1992) prompted this study through their research finding that CPAs reflect a higher tendency to use rule-based moral reasoning than do non-accounting groups. That finding caused them to surmise that this tendency to be rule-based in moral reasoning derives from the rule-oriented nature of accounting and auditing practice. This current study sought to provide some empirical evidence with regard to where the rule-based moral reasoning tendency of CPAs might derive.

Lampe and Finn used the DIT to measure rule-based moral reasoning to reach their conclusions. Thus, the current study employed the DIT to measure rule-based moral reasoning in order to assure a consistent follow-up research effort.

In light of the numerous accounting scandals of the last decade or so, accounting regulators have acknowledged the need for the CPA profession to be more principles-based in its practice and less rules-based. However, this assumes that a rules-based moral reasoning type person can be converted to a principles-based moral reasoning type. Accountants and auditors work in an environment where ethical issues are central and moral reasoning is constantly in play. Thus, accounting regulators have to identify the source of the rule-based tendency, or they may just be trying to treat symptoms only.

This study reveals that a significant component behind CPAs' tendency to be rule-based in moral reasoning may be steeped in their political ideology. The majority of respondents in this study were political conservatives. A random sample was collected from across the United States, so the results point to a profession that is largely conservative, politically speaking.

Political ideology is likely being formed long before a person heads to college. Studies not involving accountants have previously found that political conservatives tend to be much more rule-based in moral reasoning than are political liberals (Barnett, 1985). So the results of this study follow suit in suggesting that there's something going on between the political ideology of CPAs and their tendency to use rule-based moral reasoning. Apparently, political conservatives are "more comfortable" with rules than are political liberals. If true, then among political conservatives, moderates and liberals, it seems reasonable to suggest that conservatives would be most attracted to the CPA profession since the nature of accounting and auditing practice involves a rigorous structure in the form of rules, regulations and standards to be followed. The frequency distribution of CPA responses on political ideology in this study is consistent with the idea that the CPA profession reflects a politically conservative bias.

This study may indicate the need for regulators to “rethink” their approach to seeing the CPA profession become more principles-based and less rules-based. If a person is rule-based in moral reasoning because she/he is politically conservative, that person is not likely to move away from being rule-based. Instead of trying to reform the existing GAAP rule structure to make the rules more “principled” and thereby to require rewriting the college accounting curriculum, it might prove more efficient and effective if, initially, colleges were encouraged by accounting regulators to screen potential entrants to college accounting programs, using the DIT, for example. Rule-based (DIT stage 4) moral reasoning scores could be collected from applicants to business programs and used, for example, to structure incentives toward those with lower rule-based DIT scores, but academically strong based on traditional college entrance exams, to select accounting as their major. Privacy laws and equal opportunity laws would make screening by political ideology difficult, but the profession, at the same time needs to recognize whether its membership is reflective of the population, politically speaking, or not. Iron sharpens iron. The findings of this study suggest that the CPA profession is rule-based, at least in part, due to its high concentration of politically conservative members.

This study reflects the importance of further research to identify variables that may explain why CPAs, as a group, tend to be so rule-based in moral reasoning, relative to non-accounting groups. This study implies that the profession may appeal to political conservatives by the rule-oriented nature of its practice. Further, it implies that the CPA profession may be saying that it wants to be more principles-based while doing little to appeal to those that might enter accounting programs with a lower tendency to heavily depend on rules to reason out the best moral judgments.

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