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THE PHILOSOPHY OF HISTORY COMPARED TO AUDIT INQUIRY

by

Carl W. Brewer, Ph.D., CPA
Assistant Professor of Accounting
Sam Houston State University

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Abstract

This paper examines the philosophical underpinnings of inquiry in the field of history. Assumptions, methodology, and evidence relating to historical inquiry are examined. Historical sketches are reviewed. Historical inquiry and audit inquiry are contrasted.

Introduction

To the extent any field of inquiry is concerned with what occurred in the past, it is similar to inquiry in the field of history. Since auditing probes for the underlying realities of financial statements, statements of what happened in the past, it should exhibit these similarities. The purpose of this paper is to present a summary of the philosophy of history, in particular the structure of inquiry in the field of history. The paper will indicate relationships between inquiry problems in history and auditing. The philosophy of auditing inquiry per se is not the purpose of the paper.

The Philosophy of History

The underlying structure of inquiry in history has been put forth by Collingwood [1965, p. 49]:

The philosophy of history, therefore, is the study of historical thinking: not only the psychological analysis of its actual procedure, but the analysis of the ideal which it sets before itself. Historical thought is one among a number of attitudes taken up by the mind toward the objective world; it is an attitude which assumes that there exists a world of facts – not general laws, but individual facts – independent of the being known, and that it is possible, if not wholly to discover these facts, at any rate to discover them in part and approximately.

In many ways this definition is unsatisfactory because there is not complete agreement on what the philosophy of history is or should be. The above definition does, however, provide a framework and indicate the spirit in which such inquiry progresses.

Assumptions of History

Inquiry must rest upon certain methodological assumptions conclusions drawn from such inquiry are to possess meaning. Several assumptions of historical inquiry have been identified.

The Linkage of Human Events: Causation

Perhaps the fundamental assumption is that human events, like other events, are in some way connected. Results have causes. A certain event in history is the result of some influence.

Patterns of Historical Development

Historical inquiry has assumed in the past varying positions on the course of human destiny. From earliest to most recent these are:
* The theory of human degeneration. The theme of man's downfall and degeneration has exercised a powerful influence on historical inquiry. The assumption is that man's glory is in the past.

* The cyclical view of history. This view believes that history reveals a series of cyclical fluctuations with some segments marked by general progress and others by degeneration with neither trend capable of indefinite extension.

* The liberal interpretation of history. Generally, this view is a belief in the progress of man, that our glory is before us. As more and more of the promises of the nineteenth century have failed to materialize, this view of progress has been perhaps loosened and a new pattern as yet not completely formed is evolving to replace it.

Factors in Historical Development

The historian assumes that the course of history is affected by the following factors; the geographical factor (the effect of environment); the biological factor (the influence of man being a specific type of organism with certain characteristics, population); the great men of a given age (the leadership influence that provides impetus for the generation of history; perhaps currently under refute but historians still attempt to identify the "great" men of an age around which to weave history).

Given that the above influences on history are pervasive, the historian is faced with the problem of how to approach the study of the past. There is difficulty in investigating what has happened in terms of geography, biology, leadership, since each of these is a one-factor term and each influence operates in a complex of forces. This gives rise to various approaches to the study of history.

Approaches to Historical Inquiry

In addition to the above, various other one-factor approaches to history have been attempted (e.g., political, psychological, economic). Each was found lacking in comprehensiveness. In an effort to overcome these "one-sided" drawbacks, a multidimensional approach to the search for patterns of historical analysis has been formulated. It is by no means fully accepted by historians, but it does provide an adequate frame of reference for inquiry effort. The essence of this approach, the institutional approach, is the insistence that man is an animal which learns ways of thinking, feeling, and doing and continues to act in these learned ways. As Cohen [1961, p. 229] notes: "Institutions are human arrangements through which learning takes place and through which learned forms of conduct are maintained." Examples of such characteristic institutions would be the city, the social division of labor, the social contract (e.g., the United States Constitution), and science.

Relation to Auditing

In terms of basic assumptions and concepts, auditing is advanced over history. While the main effort of identifying assumptions in auditing may lie in the future rather than in the past, still of those already known there does not appear to be the extreme diversity of opinion that is found in history. The possibility of arriving at "the assumptions of auditing" appears, therefore, much more likely than for history. Perhaps this is due to the more definitive task levied upon auditing than on history.

Each field has made attempts to identify those essentials that it feels must be made known so that a foundation on which to build methodology can be established.

Methodology

History is knowledge of the past. The problem with this is that the past no longer exists. What no longer exists cannot be perceived. What is known of it cannot be derived from
observation nor verified by experiment. How then is the past to be known? Such is the inquiry problem of history. How is it overcome?

The past is known, not immediately, but by interpreting evidence. This evidence is something that exists in the present and can be perceived. Evidence (data) must be interpreted. To do so requires principles and these principles constitute historical method or technique. Some are scientific and pertain to specific groups of evidence (e.g., to archeology, palaeography), and some are philosophical (apply universally to evidence) and compose the logic of historical method. Data and the principles of interpretation are the two elements of all historical thought.

Overall Methodology

Generally, historical inquiry proceeds when the historian has a problem in mind. Only then can the search for data bearing on the problem begin. The historian does not first collect data and then seek a problem to which the data applies. Collingwood [1965, p. 137] notes:

Anything whatever may serve him (the historian) as data, if he can find out how to interpret it. The historian's data are the entire present.

The beginning of historical research is therefore not the collection or contemplation of crude facts as yet uninterpreted, but the asking of a question which sets one off looking for facts which may help one to answer it. All historical research is focussed in this way upon some particular question or problem which defines its subject.

Hypothesis in History and Auditing

Hypothesis formulation then is very different in history and auditing. In auditing the general hypothesis or proposal is always known, i.e., the presentation of the financial statements reflecting fairly, etc. The location of the needed evidence, if it exists, can be readily obtained. History is different. There is no "given" proposition to pursue. It must issue from the mind of the historian involved. Historians have attempted a "generalized" approach to hypothesis formulation; but there is not complete acceptance of this generalized "law".

The Hempel Covering-Law Analysis of Historical Explanation

Collingwood [1965, p. 14] explains Hempel's law as follows:

The explanation of the occurrence of some specific kind E at a certain place and time consists, as it is usually expressed, in indicating the causes or determining factors of E. Now the assertion that a set of events – say of the kind C1, C2, ..., Cn – have caused the event to be explained amounts to the statement that according to certain general laws, a set of events of the kind mentioned is regularly accompanied by an event of the kind E. Thus, the scientific explanation of the event in question consists of

(1) a set of statements asserting the occurrence of certain events C1...Cn at certain times and places,

(2) a set of universal hypotheses, such that

(a) the statements of both groups are reasonably well confirmed by empirical evidence.

(b) from the two groups of statements the sentences asserting the occurrence of event E can be logically deduced.

Hempel's proposal has been attacked by historians primarily on the identification of what the "certain general laws" specifically are, reference the difficulty of history in arriving at basic assumptions mentioned earlier.
Historical Evidence

Inquiry in history proceeds by the interpretation of evidence: "where evidence is a collective name for things which singly are called documents, and a document is a thing existing here and now... (H)istorians will agree that historical procedure... consists essentially of interpreting evidence" [Collingwood, 1946, p. 10].

While the passage of time destroys some evidence (making the historian's job more difficult), it is also possible that with the passing of time evidence unavailable to a contemporary inquirer will be uncovered (here time is on the side of the historian and against the auditor who cannot wait for evidence which may not appear?). Facts it must be remembered do not change.

To be useful, evidence must be relevant to the proposition under study, it must be authentic, and it must be unbiased. The scrutiny of evidence is one of the historian's most important tasks, as it also is for the auditor. Both must possess critical discrimination.

Events

When studying events, historians distinguish between the outside and inside of the event. The outside is everything that can be described in terms of bodies and their movements. The inside of the event is that which can only be described in terms of thought. The historian investigates not merely events but actions. Actions are the composition of the outside and inside event. There is a parallel here also between auditor and historian. The experienced auditor tries to analyse the thoughts behind transactions to determine where most likely errors, cover-ups, etc. would be found.

It may be that more than one explanation of an event will be made by historians given the same facts. There may be a question as to which is more "correct" and, of more interest, can one decide which is more correct. Perhaps a better statement of the problem would be: are the two explanations equivalent? And how is this determined? There is no clear cut answer. If either explanation satisfies the need requiring inquiry then they would appear to be equivalent for that purpose.

Summary of Methodology

Inquiry in history begins with a general hypothesis to be proved or disproved (historians generally pick those they expect will be proved). They then search for facts upon which to base a judgment. They search for facts in the present to substantiate what happened in the past. Judgment conclusions for them are never at a level of certainty. Except for the time frame involved and the pre-existing hypothesis for auditing, these two fields are very similar. Interpretation is a central function of each. Both are conducted with the same "spirit of inquiry" in that both are based on the researcher being independent and unbiased in their search. Each involves a good amount of creativity. They are different in two fundamental ways. While both serve society and provide an extremely important function (without trying to indicate one as more important) one -- auditing -- carries with it a terrible penalty for not being "correct" in its conclusions. The other difference is the manner in which conclusions are given to the public.

Historical Sketches

The product of the historian's art is called the "historical sketch." This sketch is more properly termed an "explanation sketch" since, as some historians believe, historians do not produce full blown explanations but rather provide a sketch consisting of "a more or less vague indication of the laws and initial conditions considered as relevant (to the problem under study). (The sketch needs) 'filling out' in order to turn into a full-fledged explanation. This filling out requires further empirical research, for which the sketch suggests the direction" [Newman, 1968, p. 16].
Historians frequently explain an action by offering a description of that action. This description (sketch) does not attempt to be a total description. The filling in is left to others. The sketch is in narrative form and much of the creativity and art of history bloom forth in the composition of this "story."

But Walsh [1967, p. 176] offers a warning:

There is, if we like to use a dangerous term, a subjective component to every story; or to put the point less misleadingly, every narrative is someone's narrative, told, we may add, to some other party. To treat a narrative without reference to narrator or audience is to leave something of real importance out of account.

**Reporting in History and Auditing**

History attempts to give the results of its inquiry in terms of a narrative description of what it believes. These results are not asserted to be the most complete description that can be made. The historian aims to give a unitary picture, and this requires the filling in of gaps in our verifiable knowledge. "It requires engaging in a synthesis that depends on imaginative constructions. A good deal of historiography is necessarily speculative" [Cohen, 1961, p. 23].

The auditing report seems much more "negative" in that a description of what the inquiry found is not given directly, but rather in the manner of stating exceptions. There is a standard format for the report and, to an extent, for the exceptions to the standard report. Things not stated have an assumed meaning. The wording of the audit report is stripped bare of all unnecessary verbage (to a great extent, the wording of all audit reports is universal).

While the value to society of a historical sketch is open to speculation, the value of the audit is more defined and is based on the historical "facts" which make up the financial statements. As Elliott [1994, p. 107] notes "... the value of the attest service depends ultimately on the usefulness of the assertions reported on."

**Conclusions**

This paper has given a summary of the philosophy of history. Historians are by no means in agreement as to what this philosophy of inquiry is. This paper reflects a synopsis of the important concepts of methodology many historians consider essential.

History and auditing are very similar in their inquiry efforts. Both make causation one of the foundations of their disciplines. Each uses a multidimensional approach in the search for evidence, reflecting that the more sources you have, the greater will be the resulting credibility of the conclusions. Neither field claims certainty for these conclusions, although it appears that the amount of uncertainty is much more critical for auditing.

Both fields study the past and search for clues of what occurred in the past. Auditing by the nature of the scope of its problem is more precise than history. To study the past, each makes use of formulating hypothesis, searching for evidence, and reaching conclusions.

Evidence for each is whatever is relevant to the proposition under study. Anything that will influence the conclusion can be evidence (so long as the "evidence" is verified and unbiased). History seems more flexible than auditing as to types of evidence utilized.

Reporting results of inquiry is much more structured for auditing than for history, and this is the greatest distinction between the two fields.
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