

## ARTÍCULOS DOCTRINALES / ARTICLES

**'SYSTEMS OF VALUES', 'ETHICAL SYSTEMS', AND SUSTAINABILITY. THE ECONOMIC SOCIAL 'ENTITY' VALUES****Giuseppe Galassi**

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**Abstract:** The paper aims to explore the relationships between 'ethical systems' and 'systems of values', offering also semantic and epistemological issues from which ethics cannot be divorced. Although ethics is a branch of philosophy that has its roots in ancient Greece, it experienced a remarkable revival in recent decades not only in philosophy but also in the social and applied sciences. And this deserves wider recognition and appreciation. A considerable amount of ethical thinking can be found in the current and previous literature of *economia aziendale*, entity economics, general economics, management, and social philosophy. Ethical principles are coextensive with principles of rational behavior and all ethics are contextual in the sense that surrounding circumstances, environmental conditions and situations are involved.

The reference to science and mathematics for ethical arguments partially depends on methodology based on a postulated outside 'natural world' with statistical relative uniformities. Behavioral economists and management scientists prefer, as primitive foundations, scientific methods with their observations and prediction of economic and sociological relative regularities. The 'received view' that language itself conditions all aspects of reality includes now the topic that persuasion and rational arguments can support 'ethical systems'.

Realization of *common welfare* is a prerequisite for establishing a 'master values system' and for meeting the 'specifics' which compose ethical principles. The historical research and anthropological analysis are necessary for constructing suitable 'system of values' for every entity, economic and not.

The coordination of specific 'systems of values' and directives is a necessary condition for social welfare. Consequently, any society must compose every kind of conflicting 'values systems' and ends into a coherent framework. *Neoclassic economics* traditionally neglected 'environmental and social issues'. Different variations of *environmental ethics* have been developed; beyond many questions, there are the issues of cause and remedy of the global as well as local ecological crisis. To-day, in times of crisis and *pandemia* the market paradigm is exhausted, it does not meet the 'ethics of reciprocity'. In *socialist economics* exchanging goods at their 'socially necessary labor cost' would operate as a satisfactory surrogate. Also, *entity economics* does not completely escape the *labor value identification* of classical economics.

**Keywords:** 'systems of values', 'ethical systems', anthropological analysis, scientific methods, *economia aziendale*, 'neoclassic economics', sustainable management, social welfare.



## "SISTEMAS DE VALORES", "SISTEMAS ÉTICOS" Y SOSTENIBILIDAD. LOS VALORES DE LA "ENTIDAD" ECONÓMICA SOCIAL

**Resumen:** El artículo tiene como objetivo explorar las relaciones entre "sistemas éticos" y "sistemas de valores", ofreciendo también cuestiones semánticas y epistemológicas de las que la ética no puede divorciarse. Aunque la ética es una rama de la filosofía que tiene sus raíces en la antigua Grecia, experimentó un notable resurgimiento en las últimas décadas no solo en la filosofía sino también en las ciencias sociales y aplicadas. Y esto merece un reconocimiento y reconocimiento más amplios. Se puede encontrar una cantidad considerable de pensamiento ético en la literatura actual y anterior de economía aziendale, economía de entidades, economía general, administración y filosofía social. Los principios éticos son coextensivos con los principios del comportamiento racional y toda ética es contextual en el sentido de que están involucradas las circunstancias circundantes, las condiciones ambientales y las situaciones.

La referencia a la ciencia y las matemáticas para los argumentos éticos depende parcialmente de la metodología basada en un "mundo natural" exterior postulado con uniformidades estadísticas relativas. Los economistas del comportamiento y los científicos de la gestión prefieren, como fundamentos primitivos, los métodos científicos con sus observaciones y predicciones de regularidades relativas económicas y sociológicas. La "opinión recibida" de que el lenguaje en sí mismo condiciona todos los aspectos de la realidad incluye ahora el tema de que la persuasión y los argumentos racionales pueden respaldar los "sistemas éticos".

La realización del bienestar común es un requisito previo para establecer un "sistema de valores maestros" y para cumplir con los "detalles" que componen los principios éticos. La investigación histórica y el análisis antropológico son necesarios para construir un "sistema de valores" adecuado para cada entidad, económica o no.

La coordinación de "sistemas de valores" y directivas específicos es una condición necesaria para el bienestar social. En consecuencia, cualquier sociedad debe componer todo tipo de "sistemas de valores" y fines en conflicto en un marco coherente. La economía neoclásica tradicionalmente descuidaba las "cuestiones ambientales y sociales". Se han desarrollado diferentes variaciones de la ética ambiental; más allá de muchas preguntas, están las cuestiones de la causa y el remedio de la crisis ecológica global y local. Hoy, en tiempos de crisis y pandemia, el paradigma del mercado se agota, no cumple con la "ética de la reciprocidad". En la economía socialista, el intercambio de bienes a su "coste laboral socialmente necesario" funcionaría como un sustituto satisfactorio. Además, la economía de entidades no escapa completamente a la identificación del valor trabajo de la economía clásica.

**Palabras clave:** *"sistemas de valores", "sistemas éticos", análisis antropológico, métodos científicos, economía aziendale, "economía neoclásica", gestión sostenible, bienestar social.*

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## 1 Introduction

The investigation is concerned with general ethical questions, that is to say with the general framework for exploring issues about ethics, though many specific books and articles in several domains - included general economics, entity economics, *economia aziendale*, management science, accounting and control - are devoted to ethical topics. The reference to economic disciplines is designed to clarify ethical issues rather than a limitation of scope. Although dealing primarily with questions of general ethics, the inquiry goes on the real problems of ethical behavior in institution such as economic entity, *azienda* in Italian literature, particularly on the relationships between ‘ethical systems’, and ‘systems of values’, representing not only a system of economic financial conditions – but also cultural conditions, such as political, environmental, moral, religious and ritual, esthetic and so forth – tightly connected to ethical behavior, and ‘common good’.

The coordination of specific ‘systems of values’ is a prerequisite for ‘social welfare’. Consequently, any society must compose every kind of conflicting *values* and *ends* into a coherent whole. In ‘capitalist economics’ the market and its *ethos* has been extended inside the *azienda*, the entity, where it is possible to conjugate production of value in wide sense, economic efficiency, ‘*social environmental sustainability*’, which fosters ‘corporate social responsibility’. ‘Neoclassic economics’ with the overriding influence of a single aim of wealth maximization, traditionally neglected *environmental and social issues* and its value maximization became short-term instead of long-term maximization, with the disastrous consequences that can be seen everywhere in the economic social life (for the expectations and needs of recasting economics cf. Becchetti *et alii* 2020). To-day, in times of crisis and *pandemia*, the market paradigm is exhausted in its innovative and civilizing force (see Bruni 2012). In market perspective business and management positivists generally assign little attention to ‘ethical systems’ as dynamic factor in business management and rules selection; the conflicts of ‘values systems’ are neglected as long as ethics of free market system is not violated.

Ethics cannot be divorced from semantics and epistemology. Valuation, decision, and action connect values to facts. Consequently, valuation and ethics must somehow be related to epistemology. The sociology of knowledge emphasizes social factors. No doubt about the influence of cultural and social pressures, and the force of ideology on all persons. In ‘entity economics’, *economia aziendale*, and ‘management science’ the relationships are between ethical principles and social functions, social conduct (cf. Argandona 1998: 1096-7; Caselli 2020: 1-2, *passim*).

The ‘values system’ and ethical principles are necessary conditions for weighing, ordering and merging valuable purposes; entities, accountabilities, responsibilities, disclosures need, valuation principles, determination methodologies, and representations of classes of interest, stakeholders, that is the all structure, is founded on definite assumptions of human nature and human beings (extensively in Masini 1964; Caselli 2020; Rusconi 2019).

*Economia aziendale* and ‘entity theory’ have served a multiplicity of purposes and interested stakeholders, allowing more than overall economic efficiency magnitudes of the *azienda*, economic entity, *e. g.* ‘periodic exercise net income’ as well as the general system of values, composed of many particular sub-systems. It is inside the economic entity, *azienda*, where it is possible to conjugate production of value, economic efficiency, social environmental sustainability (Caselli 2020: 4), which promotes ‘corporate social responsibility’ (Becchetti *et alii* 2020; Coda 2020b: 9-18; Turker 2020).

## 2 ‘Ethical systems’ and ‘values judgements’. The influence of cultural and social pressures

The word ‘ethics’ could cover all relationships among persons, entities, stressing that ‘ethical principles’ (*ethical systems*) are not ‘values’ (*values systems*) although some relation does exist in between. The knowledge of appropriate theories, predicted results of behavioral guidelines, allows, with the help of rationality assumption, to *infer* the ‘values system’. On the contrary, the knowledge of the relative values of an entity (where ‘entity’ refers not merely to things but also to facts, properties, relations, processes, and so on) along with the predictive apparatus, may approximate its appropriate set of ethical rules.<sup>1</sup>

A debate on ethics must deal with the much discussed related problem of ‘free will’.<sup>2</sup> The rise of quantum theory, the work of Heisenberg on indeterminacy and of Gödel at formal level (‘incompleteness theorem’), gave support for a partially indeterminate world with space for some degree of individual choice. Even though certain aggregations are known to obey semi-deterministic scientific laws, individuals are subjected to many chance factors in a more or less random movement.<sup>3</sup>

Ethical argument sometimes is in the form of semantic topics, but theoretical broad semantic terms (such as honesty, truth, justice, fairness, equity and so on) clearly avoid specific details that ‘ethical systems’ are designed to control (see Galassi 2019); they are helpful when include operational instructions for a suitable perspective and a methodology for assessing competing values.

Without some degree of freedom and correlate responsibilities, ethical behavior has no meaning.<sup>4</sup> Ethics arises only in interpersonal and inter-entities relations and is a system of behaviors appropriate for accomplishing aims and valued positions; ethical principles, unless the meaning is purposively restricted, are coextensive with principles of rational behavior – school of ‘ethical naturalism’<sup>5</sup>, where ethical judgments are subsets of judgments in general.

<sup>1</sup> Although one of the most relevant classes of value are *economic values*, with subclasses such as ‘historical cost values’, ‘market values’, ‘present values’ and so on, one must not neglect *cultural values*, such as political, moral, religious and ritual values, esthetic values, entertainment values and so forth. See Signori and Rusconi 2009: 312.

<sup>2</sup> The question of ‘free will’ is complex and precarious. A fuller answer should be in light of both the randomness of ‘quantum theory’ and the new uncertainties recently revealed in ‘chaos theory’. In syntheses, from the viewpoint of our fragmentary frame of reference, we are free to choose, but with relatively narrow boundaries: the more global an outlook, the more this ‘freedom’ becomes identical with ‘the combination of randomness and lawfulness inherent in the universe’. But the range and limits of freedom of choice must be carefully circumscribed. In any case, the ‘scientific fact’ that men and their manifestations are an integral part of cosmic evolution (the entire spectrum from physical to mental and social, even political evolution) can hardly be denied. And many people shy away from considering the ‘relatively narrow boundaries’ of a ‘free will’ when it comes to the cause of individual actions – or even more so to collective actions (cf. Mattessich 2014:7.1).

<sup>3</sup> Some general references to the broad field of determinism and ‘free will’ are already in John Stuart Mill, *A system of logic* (Harper & Brothers edition, 1882); John Locke, *An Essay concerning human understanding*, vol. two, ch. XXI (Dover edition, 1959); David Hume, *An inquiry concerning human understanding* (Liberal Art Press edition, 1955).

<sup>4</sup> From an anthropocentric standpoint doubtless men have intentionality, as they have ‘free will’. But from a cosmic-cultural perspective their intentionality is as restricted as is their ‘free will’; even seen from such a higher and wider angle, man’s ‘free will’ is nothing but the relatively narrow ‘winkle room’ of decision process, granted by innumerable chance events, probabilities and degrees of freedom.

<sup>5</sup> According to the legal philosophy, ‘naturalistic ethics’ rejects the ‘deontological approach’ based on moral laws as well as the ‘consequentialist approach’, founded on the consequences of human choices. Kauffman

These are recognizably similar whether they are concerned with moral issues,<sup>6</sup> with the adequacy of hypotheses, or with the degree of assurance for believing the truth of a statement. Differences in values are usually tied to cultural classes and divisions (see Devine 1986, vol. 5, essay five; *Wikipedia*, ‘cultural relativism’).

The sociology of knowledge emphasizes social factors, while, for instance ‘sociobiologists’ and others stress hereditary and connected factors. The utilitarian and relativistic ethics (Rusconi 2019: 153) is reasonably free from absolutist dogmatic ethical principles, often advocated by ‘moralists’ (based on Kant 1788, 1797). ‘Positivists’ too refuse superior codes but debate the probable consequences of alternative guidelines when side situations are specified. The ‘existentialists’ are perhaps the less deterministic; the decision is always available and is always a choice. They assume that the world presents little that is deterministic or even rational (curiously enough, the existentialists believe in the basic irrationality of all valuations and decisions) and place, together with many non-traditional relativists, the person at the core of the universe, with his judgement about the congruent ethical behavior in each case. ‘Existentialists’ are against absolute ethical standards, group decisions and group rules, grounding on Bentham (1789). On the other hand, it is generally accepted that all individuals are subject to physical and social constraints (obviously processes like *concretization*, *objectification*, and *institutionalization* are fundamental for comprehending social reality) that limit their options.

### 3 Value judgements, ‘domain’ objectives, social welfare and sustainability

Complete independence, or ‘neutrality’ or ‘objectivity’, is an impossible, and perhaps undesirable purpose for many fields, domains, certainly for economics, entity economics and accounting; no doubt about the influence of cultural and social pressures, and the force of the ideology on all persons.<sup>7</sup> For instance all economic controllers look for facts, evaluate

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(2008: 260), quoted by Mattessich (2014:140), considers cultural evolutionary changes, so ethics results from evolution, not something artificially imposed by men and this is in line with a promising thoroughly cosmic-evolutionary viewpoint.

Some philosophers distinguish *laws of nature* (for more details cf. Swartz 2009), that refer to moral as well as legal matters, ‘prescribing’ the actual causal forces of reality as a necessity, from *scientific laws*, ‘scientific law statements’ in Mattessich’s terminology, describing the contingent capability of science to formulate and describe them (see *Stanford Encyclopedia of Philosophy*, first published June 1, 2006; substantive revision May 30, 2018, ‘Moral naturalism’).

<sup>6</sup> ‘Moral’ has wider application and applies to relations between the person and his superior moral force. There is also a relationship between ‘morals’ and ‘laws’; although it might be a linguistic coincidence that corporations are not only called ‘legal persons’ or even ‘moral persons’, the expression may be quite fitting when it comes to the terminology of ethics. Hence, an ethical system has, from the ontological viewpoint, some affinity with a legal system; even corporations have ‘moral status’ and ‘ethical obligations’.

There is a terminological problem. The terms ‘ethics’, ‘morals’ and ‘morality’ are normally used synonymously. A differentiation is offered by Schweitzer and Galassi (2012: 64-5): ‘morals’ are defined as a ‘system of rules’, norms and values set up in common by a group of persons, and accepted as binding *per se*, while ‘morality’ is considered to be as ‘the will to be good’. ‘Norms’ are taken to be ‘general prescriptions (value judgments, imperatives, instructions and affirmations of duties) for human behavior’. ‘Ethics’, on the other part, is defined as ‘a system of statements relating to moral decisions and actions’.

<sup>7</sup> For ‘socialist economics’ there is, in the old platonic sense, an ideal set of institutions and structures, but the present condition is simply that there is a moving social reality that somehow remains objective even though it changes and must be observed from an historical perspective, which is based on a definite pattern, the ‘dialectic’. Marx was certainly one of the founding father of ideology and was in the forefront of those trying

evidence, draw inferences, and reach conclusions. They recognize ‘objective evidence’, internally and externally generated, and contrast it with subjective support. The controller’s independence, usually in the narrow meaning of free from external pressures, is extremely disciplined, if not restricted.

All ethics are contextual in the sense that surrounding circumstances, environmental conditions and situations are involved.<sup>8</sup> The field of *environmental ethics* concerns human beings’ ethical relationship with the natural environment; the main paradigms are anthropocentrism and ecocentrism, called also physiocentrism. A large number of different shades and variations of ‘environmental ethics’ have been developed during the last half century or so. Beyond many questions, there are the issues of cause and remedy of the global as well as local ecological crises.

There is no ethical problem without some perceived conflict of interests between interpersonal entities. To the extent that some classes of interest, stakeholders, are sacrificed, the authority becomes a process by which the implications of ethical guidelines is shown consistent with the aims of a more relevant ‘entity’ or ‘need’.<sup>9</sup>

The value judgements that determine the essential orderings, rankings and valuations between different interested parties lead to ‘field’ objectives, which in turn indicate behaviors congruent for their realization; these orderings may vary from time to time and change from culture to culture. This position is relativistic in the meaning that goals may be flexible but have to be specified or specifiable at any time;<sup>10</sup> a person chooses, directly or indirectly, his

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to establish the relevant force exerted by the environment (for the history of capitalism, marxism and a new ethical direction cf. Bruni 2012).

<sup>8</sup> It is fruitful to distinguish clearly between *environmental ethics* and *evolutionary ethics*. The former is concerned with ethical issues of the biosphere, while the focus of the latter, at least in its descriptive form, is the ‘origin’ of ethical norms. The traditional approach accepts Immanuel Kant’s absolute or categorical imperative, while the recent trend tries to derive moral principles from empirical studies of different *species* and their evolution, according to Jeremy Bentham’s utilitarian philosophy. Sometimes one distinguishes between ‘descriptive vs. normative evolutionary ethics’.

<sup>9</sup> In its broadest sense the entity includes everyone with an interest in the operations of an economic unit. Postmodernism regards social reality, even physical and biological reality, as a *social construct* and not a true or verifiable reflection of ‘something out there’ (see Mattessich 2014: 2.4). Representatives of postmodern philosophy are Jacques Derrida, Michel Foucault, and especially Richard Rorty (1989). In Rorty’s logic the aim of ‘objectivity’ is realized as a wish to reach *as much consensus on one’s community as possible*.

In the framework of Rorty and more traditional pragmatists, we can only hope that some events work for us, that is a specific entity. In physics and other disciplines the ‘truth’ of many assertions and hypotheses can be inferred only from the result of the entire structural system and not by verification of individual statements. Conflict, with its Hegelian dialectic, did not reject the system approach, but the ‘newer orientation’, founded on disagreement and contrasting interests, is more individualistic and more aware.

<sup>10</sup> Mattessich’s ‘Conditional Normative Accounting Methodology’ (1995: 6; 11) recognizes that, depending on the objective, each of the value base (for example historical costs, current entry values, current exit values, present values and so on) could be acceptable, as illustrated for different capital maintenance objectives. Value judgements are incorporated in the theory proper, which in turn is the prerequisite for any applied science, that can neither ban norms from its premises nor disregard the relationship between means and ends.

This theory generates business and accounting models for a variety of purposes, tailor-made, or at least customized to frequently encountered needs. Mattessich separates the formal theoretical model from the applied aspects that deal with values and ends in view. In this two steps methodology the first step is the construction of a value free general theory (basic assumptions); in the second step, users may apply their own specific objectives, pointing the way to congruent means (auxiliary or instrumental hypotheses).

‘values system’ by selecting his reference group, his masters, which is different for instance in capitalist or collectivist societies or in the case of ‘existentialists’. In an ‘open society’ there is not a one-value system (Popper 1966, I, II). On the other hand, too much pluralism, without some degree of shared ideology, signifies that every guideline, professional and not, fade and the whole people becomes ungovernable; it has to be stressed the difference between pluralism and ‘ethical relativism’, particularly its *unacceptable point* that in ethics does not exist an objective truth.

The point is that the ethics of the reference group usually prevails and thereby govern the relationships between the parties. The ‘fields’ of general economics, business economics, accounting, and auditing utilize ethical principles, but such systems may differ widely from stakeholder to stakeholder and between sub-group of the same class of interests (see extensively Rusconi 2019). With many different groups with conflicting ‘values systems’ it is perhaps necessary an appropriate subdivision.

In a society with different faiths and values between its constituents it is simply not feasible to eliminate or reduce general and professional, specialist, pluralism; nevertheless, it is essential a common shared ‘system of values’. It has been pointed out that institutional pressure is more efficient when it leads to customary answers without reward or penalty (Wittgenstein 1961/1922, is one of many philosophers who felt that ethics should be separated from positive reinforcements and punishments; cf. Bunge 1989: 176, ff.) and this immediately fosters the education process towards greater homogeneity of faiths and attitudes.

A great deal of trusts, judgements, and turns are necessary for the functions to be performed, to predict the consequences of alternative actions and to take account of new conditions and changes. Ethical guidelines favor the achievement of group aims, and ethical systems are set of such guidelines, which tend to supplement the more general ‘legal regulations’ (cf. Ferrando 2020: 8-9); designers of such principles evaluate acceptable traditions and give them informal codifications. In this way the system of ethics becomes an explicit statement of the ‘values system’ of a ‘domain’ (general economics, entity economics, management, control, and so on) with sufficient authority to ask for conformity, that is a formalized set of congruent behaviors in order to achieve coordinated purposes. In all fields the homogeneity of shared reliances is likely to be greater than in the general population; certainly, an ethical system involves activities more predictable, improves stability, planning and control, so that the reduction of uncertainty is a positive ‘social value’ (see Caselli 2020: 1-4).

The coordination of specific ‘values systems’ and superior directives is a necessary condition for ‘social welfare’ and *sustainability* (thoughtful reflections on economic data about a reliable picture of social welfare and sustainability are in Hartwick 2020). Consequently, any society must compose every kind of conflicting ‘values systems’ and ends into a coherent framework, considering the great relevance of the teleological problem of choice among different competing classes of interest (stakeholders), different parties and different needs;<sup>11</sup> the composite values perspective helps to determine individual costs and

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Management scientists and entity economists often integrate ethical and other value judgements into one stage logic, whose results are fundamentally similar as, sooner or later, value judgements must be introduced into decision process.

<sup>11</sup> Teleologic view involves seeking the ‘common good’ that requires recognition of the merits and benefits; it replaces the simpler moment of accepting responsibilities, the simple functional actions. ‘Functional’ requires well defined responsibilities while ‘teleological’ demands a ‘discernment of the good’ as a value frame that helps in the valuation of interpersonal values, promoted or neglected; it is a selection between competing

benefits. The realization of the ‘common welfare’ is a prerequisite for establishing a ‘master values system’ and for meeting the ‘specifics’ which compose ethical principles (in this regard see Pope Francis (2020)).<sup>12</sup> All this reminds the difference between ‘shareholders view’ (by Freeman *et alii*, 2010, named ‘dominant view’), and the ‘stakeholders approach’; doubtless, in other words, the ‘separation thesis’ between ethics and business, highlighted in some quarters and wide literature, is not coherent with a successful entity, the ‘common good and welfare’ (cf. broadly Rusconi 2019).

#### 4 Ethical systems, historical research and anthropological analysis

There could be conflicts among different ‘entity economics’ and controlling ethical principles (cf. Bunge 1989: 111-12, for conflicts of interest, of values, of norms). All functions are not derived directly in a one-one relation with many groups, economic decision makers; for instance, public economists and controllers have responsibilities to the public not necessarily shared by other interested groups (see Turker 2020). The more complex a society, the larger the number of systems of principles’ prevailing in it; and the more divided the society, the less compatible the various codes are with one another.

More visible are conflicts between ‘system of principles’ in different cultures. The crisis charges of recent years (cf. Mattessich and Galassi 2016) are directly traceable to the circumstance that many principles of business and economic ethics do not agree with codes of other Countries; the question is a long documented one with reference to international law and jurisdictional debates between States. Neither the difficulty disappears with a proposal for a universal code of ethics applicable to all cultures, which in some way would narrow the differences.

‘Values systems’ and ethical judgments are prerequisites for weighing, ordering and merging valuable worthy aims. Richard Mattessich insisted that the aims of a profession are exogenous and determined by the aims of outside groups; but consistency between ends of outside groups and ends of management members has no answer unless to privilege the ‘independent value structure’ that is congruent for all classes of interest, stakeholders. In these circumstances ethics is little more than a set of duties, regulations and responsibilities for internal relations, whose probable consequences further these exogenous objectives, which become dominant, close to imperatives. In other words, the *ends* are specified, and reliable management rules become sub-objectives that operate as *means*, such as for instance, intermediate ends (Mattessich 1995: ch. 11, 187, ff.).

The older and more established the ‘field’, the stronger its independence and its dynamic power. Certainly, the individual conscience represents a system of ethics at its lowest level (cf. Mattessich and Galassi 2015) and usually is composed of ‘values’ from different sources and pressures from government and territory. A single operator’s own interpretation offers his conscience and intuitive opinion for right and wrong to which all ‘systems of ethical

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groups with their own semi-independent ‘values systems’ and conflicting purposes (Cf. Hendrickson and Williams 2004: 1; Masini 1960: ch. II, 1964: *passim*, 1979: §3; Tettamanzi, 2009).

The anthropologic issue engraves heavily on the relationships between ethics and economics (Caselli 2020; Masini 1964: §§ 3, 5, 6; Rusconi 2019: *passim*).

<sup>12</sup> On the ethical foundations of market economy in a religious perspective see Bruni 2019; for the implications of religion on *economia aziendale*, entity economics, and accounting cf. Costa and Ramus 2012; Ma, L., *et alii*, 2020; Signori and Rusconi 2009.

principles' must conform.<sup>13</sup> An interesting concept of human nature is based on the hypothesis that the human condition has a strong element of conflict. It is a 'natural law' concept (cf. Bunge 1989: 231-33, 308) applied as an intrinsic behavioral feature, having to be recognized in any setting of 'values systems' and ethical systems.<sup>14</sup>

Relevance often is on ideal conditions for individuals, but many humanists ask for the 'common good', the general welfare, so individual values are subordinated to 'social welfare'. Sometimes the development of individual 'ethical systems' covers the position of the dominant culture. This argument may be considered a split of the more general paradigm, with the limiting hypothesis that the knowledge of past cultures offers an acceptable ethical base. Historical research and anthropological analyses are relevant instruments for constructing 'values systems' suitable for small and great entities. Of course, as much as this values base comes from existing social conditions, this view is unallowable by the 'new left philosophy'.<sup>15</sup>

Contemporary social structures are enormously complex and the use of historical perspective, a kind of 'social darwinism', is a widely employed simplification. This doctrine assumes that what exists is good and therefore should be valued and maintained; the historical simplification tends to decrement the need for aware ethical judgements and for ethics itself. As a matter of fact, the 'simplification method' follows the framework of legislative decisions, and then accepting the legal guidelines as appropriate ethical standards (for family of legal codes' and family of 'moral codes' see Bunge 1989: 128-32). Some business economists and controllers have insisted that responsibilities, over great extensions, can be gratified by politically confirmed laws or directives.

In the strong ethical influence of 'capitalist economics', both business economists and controllers traditionally looked to 'economic entities' as their reference group and role model (Signori and Rusconi 2009: 306, ff.). The needs of 'economic entities' to reconcile mainly the interests of 'capital contributors' and laborers (see widely Masini 1960, 1964, 1969), brought to concentrate on the sources and growth of the present wealth, and value the potentials for future wealth through cooperation and convergence in the interest of all the stakeholders, concerned with the economic concept of wealth.<sup>16</sup> Furthermore in a plural market next to the

<sup>13</sup> Bunge's (1989) work about 'the good and the right' is consistent with the 'naturalistic, dynamicist, emergentist and systemist ontology. The *natural law* theorist claims that moral rights and duties are absolute, i. e. context-free. See also Mattessich 2015: 132-42.

<sup>14</sup> Richard Mattessich has been a leader in axiomatic construction of formal theorems. The deduction approach starts with an assumed *natural law*, called the 'duality principle', clearly founded in the hypothetical-deductive methodology of science. He (2015: 139) reminds us of the duality in general: "Beyond the more 'earthly dualities of assets and equities, revenues and expenses, day and night, pleasure and pain, good and bad, love and hate, birth and death, there are also those of existence and nothingness, of positive and negative electric charges, the polarities of magnetism, of energy and information, and so on. Is not duality the name of the game, and God its master accountant?"

<sup>15</sup> In the 'new left' perspective most institutions are *per se* wrong as they try to control and inhibit individual behavior. The 'values system' for national governments, states, countries, cities and also universities are therefore suspect (see Tinker 1985; Tinker, Merino and Neimark 1982).

<sup>16</sup> One is reminded of Sen's (1987: 4-10; 78-79; *passim*) distinction between the *ethical* and the *engineering* approach to economics. Sen emphasizes the political, moral, and human aspects, whereas the 'engineering' approach stresses the efficiency and profit maximizing aspects. For Sen (2009) *the problems of wealth are not merely 'engineering' questions but also those of justice*.

As to controversial hypotheses of mainstream economics, there is the maximization of utility by consumers and profits by entrepreneurs. This problem has been repeatedly raised, but perhaps the defensive stance comes from Friedman's (1953, chapt. 1) conjecture that firms behave *as if* they would maximize profits, and,

capitalist enterprise can be expressed and rooted, *ceteris paribus*, cooperative and mutualistic entities (Galassi 1969; Stout 2019), with all their economic, social, and ethical implications.

### 5 *Economia aziendale*, entity economics, neoclassic economics, and market ethics

The *entity theory*, at least in Paton, Schmalenbach and Zappa versions, has served a multiplicity of interests and objectives and gave more than overall economic efficiency magnitudes of the *azienda*, 'economic entity', for instance 'periodic exercise net income'; at first approximation, the 'entity theory' appears as if it restricts the economic perspective to a narrow general concept of an operating coordinated unit (an entity, with *income capacity* and a successful *economic capital*, benefits all its stakeholder members, included laborers, public agencies, public at large, suppliers, customers and so on), but such was not the intent of the above mentioned Founders Fathers; for instance, it disclosed the remunerations of capital contributors, with laborers easily incorporated into the entity framework (both classes constitute institutional or internal interests) and the contribution of various divisions, 'relative economic units', as well (for harmonies and conflicts between productions factors in business enterprises cf. Zappa 1956-1957, tome II: § 88). The consequent economic financial reports were not only fruitful in controlling many aspects of the entity but also in planning and coordinating the economic processes and combinations.

*Neoclassic economics*, with some exceptions in 'welfare economics', assumes that free market values, or its proxies, meet significant ethical standards (for the market ethics and its shortcomings see Bruni 2012, Caselli 2020). This substitute for comprehensive ethical standards has been used by modern positivism and empirical research; they argue that market operations can be a welcome surrogate for a reliable ethical system. The ethical judgements behind market values include the satisfactory distribution of income and wealth, the sufficient knowledge of all participants, members of the society, and some degree of rationality (see extensively Raymond Chambers 1966; Galassi 2020). In other words, the market matches individual beliefs, values, aspirations, wealth and so on.

In this logical framework 'ethical systems' are not relevant, and values enter the equation only as one of many influences affecting market allocations. All business ends are controlled and actualized through market transactions<sup>17</sup> (a complete framework of business aims, values, and principles of entrepreneurial philosophy is in Coda 2020b). In a capitalist economy the market and its *ethos* has been extended inside the economic entity, *azienda*, to

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in more general sense, apply the 'rational choice model'. Friedman takes into account also *ethical customs* even if there are no specific assumptions in the free market hypothesis.

The long standing traditional position of Italian *economia aziendale*, entity economics (cf. greatly Signori and Rusconi: 2009) is clearly for an adaptation and equilibrium of contrasting but convergent different multiple classes of interests, internal (institutional) and external to the business unit. See Zappa (1956-1957, tome II: ch. 3; tome II, § 88); Masini (1960: ch. II, 1964: § 6, 1979: § 3); Zappa 1962: §§ 14-25); Onida (1963: ch. II, §§ 21, 27); Ferrero (1968: chs. 4-6); Amaduzzi: 1978: § 21); Saraceno (1978: ch. 6); Azzini (1982: §1.4). Generally the society works when men are able to cooperate in many different ways. See widely Becchetti *et alii* 2020.

<sup>17</sup> Positivism excludes value judgments from the proper theory, except for 'prescientific' ones, necessary for scientific research in general; value judgements cannot be accepted as normative premises but can only incapsulate them in observed facts: the 'end' is a value-laden premise for determining the means.

'Positive accounting theory' and 'critical interpretative' views reveal features characteristic of the American Continent and Europe. The philosophy behind this approach, e. g. materialism versus humanism, appears to reflect the tradition prevalent in North America or Europe respectively. There is reason enough to stress once again the more basic issues of ethics and accountability.

cover conflicts between classes of interest, stakeholders, and the results of this interest reconciliation are viewed as significant substitutes for entity and business ethics; 'ethical systems' for stakeholders are incorporated as simply one among many factors (Signori and Rusconi 2009: 311-13). The conflicts of 'values systems' are neglected as long as the ethics of free market system is not violated.

Market advocates, business and accounting positivists generally, assign little attention to 'ethical systems' as dynamic factors in business and controlling rules selection. Presumably there is a traditional liberal sense of values in which the individual is assumed to be of great relevance; the economic and business environment is arranged to control his supposed features. The market perspective does not necessarily demand a self-interest foundation for its ethical explanation; in collectivist view, exchanging goods at their 'socially necessary labor cost' would operate as a satisfactory surrogate. Certainly the 'principle of treating others as you want to be treated', *ethic of reciprocity*, is a maxim that is met in many religions and cultures, related to innate features of human nature; it varies from situation to situation, and from society to society, however some aspects of the principle seem to be socially unavoidable, according to anthropologists and sociologists.

## 6 Scientific methods, ethical argument, and economic-social business values

The reference to science and mathematics for ethical argument partially depends on methodologies based on a postulated outside 'natural world', with statistical relative uniformities, expressed as 'natural laws' that must be obeyed;<sup>18</sup> confidence can be either in sensual observations (empiricists, who accept observational outcomes as effective ethical guidelines) or in mathematical -logical models building.<sup>19</sup> These models, usually in the traditional positivist logic, can be adjusted to every kind of observations, objective evidence and subjective 'values systems'. Behavioral economists and controllers too prefer, as primitive foundations, scientific methods, with their stress on observing and predicting economic and sociological relative uniformities, but the subjective ethical judgement, necessary in every moment of model building and outcomes generalization, refers to interpersonal or inter-entities conduct, not to direct relationships to natural events. The explicit necessity for value judgements cannot be suppressed. The topic of ethical faiths also offers the way and the process to arrive at social values.<sup>20</sup>

Scientific methods to some extents have many meanings, so they are nearer to the newer 'language-based' and hermeneutic approaches to knowledge. Even considering the integration with the probabilistic logic, the deterministic pleasure of logico-mathematics is opposite to the many possible semantic interpretations of the 'common language' moment. The 'received view' that language itself conditions all aspects of reality includes now the topic that persuasion and rational argument can support ethical systems as well as the concept of

<sup>18</sup> With reference to Swartz (2009) we are dealing with two fundamentally different interpretations of far reaching consequences for the beliefs of those who hold one view versus the other view. "On one account, the Regulatory Theory, Laws of Nature are statements of the uniformities or regularities in the world; they are mere descriptions of the way the world is. On the other account, the Necessitarian Theory, Laws of Nature are the 'principles' which govern the natural phenomena of the world". Cf. Mattessich, 2014: 39-40.

<sup>19</sup> The methodology of science becomes the basis for economics, entity economics, and controlling ethics. Management science models can be applied for better decisions along some dimension of superiority.

<sup>20</sup> Responsibility, sustainability, economic-social business values are met in the movement of Benefit Corporations (cf. Coda 2020a, 2020b, Ferrando 2020, Marchini *et alii* 2020).

reality. In this way the so-called ‘linguistic turn’ refers to a kind of language game in which the notion of *meaning* becomes central in the social sciences, almost as central as the notion of ‘truth’ and ‘causality’ are in the hard sciences. The new millennium reaction to postmodernism and its ‘linguistic turn’ manifests itself in the form of the movement of ‘critical realism’ and related present-day philosophies. The ‘linguistic turn’ conquered the attention of many sociologists and ‘economic entity’ theorists of the twentieth century.<sup>21</sup>

‘Economic theory’ has assumed that self interest is the hard factor of the ‘value systems’ of the businessmen, with normal human limitations, looking at legal norms for more specific constraints. Adam Smith recognized this set of values and developed the moment for competition as a regulator of consistent results with his economic ‘system of values’. John Maynard Keynes pointed out that labor organizations had to substitute competition so that the self-interest values of laborers could be more effective in order to a good and ‘fair’ distribution of the *economic social product*. This meant to attenuate conflicts among self-interest systems, and to conform the results of the economic combination and coordination with a wider ethics.<sup>22</sup> The relationships between ‘social economics’, ‘individuals economics’ and *economia aziendale*, entity economics, were already clearly investigated by Gino Zappa (1962: § 32).

## 7 Capitalist economics, socialist economics and value identification

In the *collectivist societies*, socialist framework, the ‘standard manufacturing cost’ may be roughly equivalent to the ‘socially necessary cost of product’, taking into account that ‘selling and administrative costs’ do not involve necessary labor and constitute distribution of ‘surplus value’ to nonproductive elements of the society (see Devine 1999: 295 ff.). Also, in a *capitalistic setting* entity economist (Masini 1961: 31, *passim*; Onida 1960: 223-5, 1963: 660-2; Zappa, 1956-1957, tome 2: chapt. 3) and controllers do not completely escape the ‘*labor value*’ identification of the classical economists<sup>23</sup>. The concept of cost is emphasized, and in turn cost is defined in terms of ‘effort, sacrifice employed’, which includes ‘selling and administrative costs’ and thus does not qualify for ‘socialist necessary labor’. In *neo-classic economics* the market states rough social equivalence for all production conditions involved in it; more precisely, in a *capitalist economics* the production cost, in terms of market value of productive factors approximates the ‘social cost of production’. Classical economists favor determination of all the business costs in terms of current market values. Approximate *social cost*, as expressed by these values, is thus recommended for both ‘business income’ and ‘national income’ determination.

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<sup>21</sup> It is interesting to refer to Searle’s insights to accounting (1995: 59,ff.; 2004) who emphasizes particularly the deontological commitment that language entails, no less than the constitutive relevance of language for social reality generally (cf. Mattessich 1978: 97-8; 2014: 2.4).

<sup>22</sup> For further details it is interesting referring to the debate on Benefit Corporations, specifically their ‘common benefit’, the multiple purposes (economic, social, political and so on), the responsible, sustainable and transparent management for all the stakeholders in an equilibrium framework. See Coda (2020b: 20-23), Galli *et alii* (2020), Marchini *e alii* (2020). Cf. Bruni and Smerilli 2014.

<sup>23</sup> Adam Smith and David Ricardo were ‘labor value’ theorist and developed coherent structures based on value being either equal to or proportional to ‘labor cost’. More precisely Adam Smith thought that value is *embodied*, attached, and more or less equal to ‘labor cost’, while Ricardo considered that value is not exactly equal to labor employed but is roughly proportional to it. As a matter of fact *economia d’azienda*, ‘entity economics’, and accounting practice have been nearer to Ricardo and allocation of overhead costs has often been related to direct labor hours or direct labor costs (Onida 1960: 223,ff.; Zappa 1956-1957, tome II: chapt. 3).

For the orthodox *socialist economics*, the equivalent value for all production conditions is not determined directly by market forces, but by the magnitudes of ‘socially necessary labor cost’ involved in each alternative<sup>24</sup>. The main objection to the accumulated labor concept as a *surrogate for value* is similar to the objection for historical cost to represent value; both concepts are about the past to serve as proxies for expectations about the future<sup>25</sup>. In other words, we are quantifying definite existing beliefs about continuity and assuming that the future will follow somehow a predictable path. Decision makers may employ all kind of methodologies to express these beliefs and this may be better than such rough surrogates as ‘accumulated necessary labor’, ‘prudent historical cost’, or ‘current market values’(for different valuation methodology see Galassi 2017, 2020).

The foundations for determination of ‘socially necessary costs’ in a *planned economy* already exist in ordinary capitalist standard costs system: changing from capitalist standard tolerances to valuations of ‘socially necessary costs’ is relatively not difficult as in capitalist framework they determine standard tolerances in terms of physical units before translating them into a common monetary unit. In planned economies the translation into monetary units often is not made because they can express all business magnitudes, such as incomes, assets and liabilities, in terms of standard labor units; in this way the labor unit performs the measuring function of money. Doubtless the transformation of labor unit equivalents to monetary units without ready access to market prices is a critical point, but the more difficult task is the determination of ‘socially necessary equivalents’ among different kinds of labor, new inputs, accumulated inputs for services such as *e. g.* management services and so on.

## 8. Conclusion

Philosophers have been working for long time on the formal analysis of normative or deontic logic, that includes the logic of actions, imperatives, commands, and other normative statements, as well as that of *means-end relations*. The paper emphasizes ethical norms in relation to social goals, with particular reference to economic disciplines, such as general economics, *economia aziendale*, entity economics, management science, accounting and control.

Ethics cannot be separated from semantic and epistemological issues in every domain, also in the social and applied sciences. Behavioral economists and management scientists prefer scientific methodology with their observation of economic and sociological relative uniformities, that is to say referring to science and mathematics for ethical argument. The

<sup>24</sup> There is doubtless a correlation between ‘current market values’ and ‘social values’; these surrogates for social values are probably better than ‘historical cost’ alternative. And yet, Marx’s ‘cost-price’ is introduced only indirectly as a feature of ‘socially necessary cost’ and it is similar to the Italian ‘prezzo-costo’ (Masini 1958: 164, 1961: 23, ff.; Zappa 1956-1957, tome II: 818) or the ‘current standard cost of production and sale’.

<sup>25</sup> It is not reliable to found decision making and judgement formation on the belief, with probabilities, that the future will follow past trends and schemes. Measurement methods and probability assessments may be applied to existing credences based on analogies from the past, but even credences about the future already belong to the past.

Capitalist business economics and accounting often take past cost, that is market price at time of acquisition as the primary defining property of value and adjust this magnitude, through revaluation, to reflect new information that involves original expectations. ‘Socialist economics’ divides past labor into a part that is ‘socially necessary’ and a part that is wasted and defines value in terms of the former; ‘product cost’ includes only the ‘necessary amount of labor’. Since factors are in labor, or in ‘accumulated labor’ of different kind, the loss from inefficient labor might include part Of material costs and overhead cost.

historical research and anthropological analyses are essential for building fair ‘values systems’ for every entity, economic and not. Any society must compose and coordinate every conflicting ‘systems of values’ and purposes into a coherent framework as a prerequisite for ‘common good’ and ‘social welfare’ to which individual values are subordinated.

Ethical principles are not values although some relation does exist in between; the knowledge of appropriate theories allows to *infer* the ‘values system’, whereas the knowledge of the relative values of an entity may approximate its set of ethical rules. In *entity economics* and *management science* the relationship is between ethical principles and social functions; ethical principles are coextensive with principles of rational behavior. Differences in values are usually connected to cultural classes and divisions.

All ethics are contextual in the sense that surrounding circumstances, environmental conditions and situations are involved. The ‘fields’ of general economics, business economics, accounting and control utilize ethical principles, but such systems may differ widely from stakeholder to stakeholder and between sub-group of the same class of stakeholder. Certainly an ‘ethical system’ involves activities more predictable, improves stability, planning and control, so that a reduction of uncertainty is a positive ‘social value’. Sometimes the development of individual ‘ethical system’ covers the position of the ‘dominant culture’, with the limiting hypothesis that the knowledge of past cultures offers an acceptable ethical base.

The long-standing tradition of Italian *economia aziendale*, ‘entity economics’, is clearly for an adaptation and equilibrium of contrasting but convergent different multiple stakeholders, internal (institutional) and external to the entity. In *neoclassical economics*, in modern business accounting positivism and research, market values are substitutes for comprehensive ethical standards; they traditionally neglected *environmental and social* issues. Beyond many problems about ‘environmental ethics’, there are the issues of cause and remedy of the global as well as local ecological crisis. To-day in times of crisis and *coronavirus* the market paradigm is exhausted in its civilizing force, it does not satisfy the *ethics of reciprocity* and the requirements of the human society; in *socialist economics*, exchanging goods at their ‘socially necessary labor cost’ would operate as a satisfactory surrogate. Also, in a capitalistic setting *entity economics* does not entirely escape the ‘*labor value*’ identification of the classical economics.

The explicit necessity for value judgments cannot be suppressed. The topic of ethical faiths offers also the way and the process to arrive at social values, that is responsibility, social environmental sustainability, economic social business values; it is the *azienda*, the economic entity, able to coordinate production and distribution of value in this wide sense.

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