Do we need accounting research?

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Obviously we don't *need* accounting research in the same way that we need research into Covid vaccines or cures for cancer. So a better question might be: does accounting research justify the cost incurred to create it?

I plan to tackle this question in a series of short pieces. Each piece will investigate an aspect of how research might be useful and evaluate whether accounting research delivers in that regard.

One way that accounting research might be useful is through teaching. One channel would be "bringing research into the classroom" or, essentially, accounting research informing the content of what is taught to students. Another channel is more indirect, namely, the notion that doing research makes for better teachers. This in turn could have multiple mechanisms. One is a kind of filter: having the intellectual horsepower to do research makes one apt to be a better teacher. Another is a kind of weight-training for the mind: doing research sharpens one's mind, and students benefit from being taught by intellectually athletic professors.

Another way that accounting research could be useful is more direct. It could be that accounting research expands human knowledge in ways that do not rely on classroom teaching for transmission. For example, accounting research might directly influence regulators and practitioners.

Spoiler alert!

In those subsequent pieces, I will argue that the benefits of contemporary accounting research are largely non-existent, or at least nowhere near the costs required to generate them. A good case can be made that modern accounting research started with Ball and Brown (1968) and had very productive period over subsequent decades. But since the turn of the century, accounting research seems to have accomplished very little.

The idea that accounting research informs teaching seems very flimsy. As I've observed elsewhere, a substantial amount of accounting teaching is learning the application of accounting standards in a mechanical fashion, which has no connection to the overwhelming bulk of accounting research today. The impact of accounting research on practitioners and regulators seems close to zero.

As for accounting research sharpening one's mind, a seemingly increasingly popular mode of accounting research is what I have elsewhere termed "blind p-hacking". Far from enhancing one's ability to teach, this approach is best suited to researchers with no understanding of (or interest in) how the real world works, which seems a poor basis for pedagogical insight.

What are the costs?

So much for the (lack of) benefits. What about the costs? One view might be that accounting research is a harmless activity that keeps accounting professors out of danger's way when they're not teaching. But research surely has real costs.

At the top schools, the bulk of a faculty member's salary is attributable to research, though this proportion arguably declines as one moves down the research pecking order. But let's say that the cost of a typical faculty member in the United States that is attributable to research (salary and research costs) is US$100,000 per year. Hasselback lists data for over 1,000 schools. If there are (on average) two faculty members paid mostly for their research at each of these schools, then we have 2,000 academics in this category in the United States. That's $200 million per year. Multiplying by ~20, we have $4 billion as the cost of accounting research in the United States this century (and this ignores the increasing amount of accounting research that is being done outside the United States).

One could quibble with this calculation for sure, but it's probably well within an order of magnitude of the true cost (and may well be too low). This $4 billion is not a trivial sum. The NIH says it has received $4.9 billion for research projects on Covid-19, and I think it would be very difficult to make the case that the value of accounting research comes even remotely close to the value of what has been learned about Covid-19 in the last couple of years (and I doubt the potential contributions of *incremental* research dollars in the two areas are comparable either).

Does anyone seriously believe that accounting research over the last 20 years was worth billions of dollars?

What might we do about this?

A natural question might be: What do we do about this? This is a tricky one to answer due to the complex institutional forces driving the "demand" for accounting research. So this question likely requires some focused follow-up pieces in its own right.

For now, I merely [slightly mis]quote Noah Smith, an economist, who suggests that "the number of [accounting] research-doing professors is determined not by the need for actual research, but by the demand for … [accounting] education." I would add that the demand for accounting research-doing professors has probably grown *more than* the demand for accounting education as more universities have decided that they are research institutions and gradually replaced teaching specialists with more research-oriented faculty members.