



Accounting, New Public Management and American Politics: Theoretical Insights into the National Performance Review

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Abstract

Borrowing from the work of political theorists Sheldon Wolin and William Connolly, this essay seeks to provide additional rationalization for the expansion of accounting within domains like the public sector. We suggest that such an expansion is intimately linked to social and cultural transitions which have led political theorists to not only question modern political theory but to also recognize the political significance of practices like accounting to political theory. We contend that these same transitions also make possible expansions of accounting through New Public Management (NPM) initiatives like the U.S.'s National Performance Review (NPR). Seen in this way, accounting theory begins to move away from its traditional status as, in Foucault's (1995) terms, a "subjugated" knowledge and to take on a serious intellectual priority within political theory. A primary objective is to provide at least a partial rational-analytic typos useful in understanding the codetermined relationship between accounting and politics.

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1. Introduction

To point out the increasing ubiquity of accounting and auditing is certainly nothing new. Power's (1997) notion of "the audit society" explains as much, as does the expansion of accounting techniques and rationales in public domains like the government. Indeed, moral philosophers have shown concern with how core questions of human identity should be grounded in a moral ontology of economic accountability (see MacIntyre, 1984; Schweiker, 1993; Smith, 1988). Keith Hoskin succinctly captures accounting's new-found salience when he speaks of:

... the extraordinary power that accounting holds in the modern world; first as an economic practice at the heart of everyday business management and in the global requirements of financial reporting and analysis, but also beyond these traditional spheres. For accounting now increasingly penetrates into the public sector where old-style bureaucrats are remade as executives subject to accounting measurement. ... Indeed, accounting even arguably penetrates within the self, as individuals discover that from birth to death they are now accountable, known and evaluated through their financial and non-financial performance figures (1994, pp. 57–58).

The public sector is perhaps the most visible domain in which accounting's expansion has been studied. Accounting is seen within this domain as an integral component of what is now termed "New Public Management" (NPM). This essay explores a rather modest and quite partial hypothesis that may help explain the ubiquity of accounting in the public sector as a consequence of certain transitions in politics and political theory. Those transitions have shaken some of the more taken-for-granted beliefs and assumptions that have both informed political theory and made the "subjugation" of accounting discourse rather simple and straightforward.² In this sense, we share with those like Miller and Rose (1990) suspicions about the adequacy of modern conceptions of state-centered political theory and its corollary annulment of the power of discourses like accounting to constitute political life. Unlike Miller and Rose, we adopt a rationalistic rather than genealogical style of inquiry into the increased ubiquity and political power of accounting.

This essay seeks to add to our understanding of the variety of NPM initiatives that have developed globally by focusing upon the "National Performance Review" (NPR), a U.S. manifestation of NPM. NPR consists of a range of projects and proposals, all of them deeply dependent upon accounting and other managerial techniques adapted from the private sector. Our interest is not in judging the "success" or "failure" of NPR as an exercise in governmental reform. Reform programmes like these are much too multidimensional and complex to lend themselves to parsimonious claims about their "success" (see March and Olson, 1983). Our concern is to suggest ways in which NPR, and accounting's place within it, is a piece of contemporary American experience that mirrors several ideas and

² To say that accounting discourse has been subjugated is simply to say that political persona – from political philosophers, to political theorists, to social scientists, to politicians, to political journalists, to political pundits, to school teachers, to the ordinary citizen – have historically been at best indifferent to and perhaps even unaware of the relevance of accounting discourse to political life. That point could be argued; however, we simply make the claim without further elaboration.

claims within contemporary political theory that have clear relevance to our theoretical understanding of accounting.³ A primary objective is to contribute to the global examples of NPM and to enhance our understanding of its continued implementation.

In the first section of this essay, we provide a brief explanation of NPM as well as a few accounting studies within its context. This broad discussion of NPM provides a context in which we can situate the National Performance Review, a program that can be understood as an American example of NPM. We then turn to the question that is the central focus of the essay—how can NPR help us illuminate particular issues of relevance to both political theory and accounting theory. Through it all, we seek to add to understandings of the expansion of accounting in the public sector as well as to provide critical intellectual resources to those scholars who view accounting, as we do, through a hermeneutical lens of suspicion.

2. Key characteristics of New Public Management

As Hood (1995b) describes it, NPM renders the public sector and its administration through a style “couched in the language of economic rationalism, and promoted by a new generation of ‘econocrats’ and ‘accountocrats’ in high public office” (p. 94). It is part of what Power and Laughlin (1992) remark as the increasing “accountingization” of things, including the institutions of government and the public sector. Certainly, government and the public sector have throughout the twentieth century been shaped by economic rationalism and accounting techniques. However, beginning with the progressivist era, the public sector was understood as much in moral terms as in economic ones:

For progressive public administration, democratic accountability depends on limiting corruption and the waste and incompetence that are held to go with it (cf. Karl, 1963, p. 18). The assumption is that politicians are inherently venal, using their public office wherever possible to enrich themselves, their friends and relations, and that reliance on private-sector contracting for public services inevitably leads to high-cost, low-quality products, either because of corrupt influence on the contract-awarding process or because the public contract market will come to be controlled by organized crime, or both.

From those assumptions, the accountability paradigm of progressive public administration . . . put heavy stress on two basic management doctrines. One of those doctrines was to keep the public sector sharply distinct from the private sector . . . The other doctrine was to maintain buffers against political and managerial discretion by means of an elaborate structure of procedural rules designed to prevent favouritism and corruption and to keep arms-length relations between politicians and the entrenched custodians of particular public-service ‘trusts.’ (Hood, 1995b, pp. 93–94).

³ We hold to the continuing relevance of theory (political or otherwise) amidst an onslaught of “postmodern” hyperboles, which announce a kind of resistance to theory. We share the postmodern sentiments, which hold that theory, if offered as a totalizing, abstractive attempt to capture experience, is misplaced and indeed dangerous. We do not share with some the rather silly notion that such sentiments justify a wholesale rejection of all that is theoretical.

While it would certainly be odd to suggest that the moral concerns of the progressivists are less relevant today, New Public Management represents a decided shift toward a cognitive, decisionistic, and rationalistic approach to public administration. Hood continues:

The basis of NPM lay in reversing the two cardinal doctrines of PPA; that is, lessening or removing differences between the public and private sector and shifting the emphasis from process accountability toward a greater element of accountability in terms of results. Accounting was to be a key element in this new conception of accountability, since it reflected high trust in the market and private business methods . . . and low trust in public servants and professionals (now seen as budget-maximizing bureaucrats rather than Jesuitical ascetics), whose activities therefore needed to be more closely costed and evaluated by accounting techniques. (p. 94).

NPM has been characterized in various ways each illustrating a related yet distinct aspect of the phenomenon. Features include an “emphasis on products rather than processes, quantifiable measures and ‘hard’ technologies,” (Pallot, 1999, p. 419) as well as “compulsory competition,” (Seal, 1999, p. 310) and “a commitment to customer-contractor and other quasi-commercial policy-making and management principles,” (Boden et al., 1998, p. 267). It is “based on the language of managerial and economic rhetoric from the private sector” (Pettersen, 1999, p. 378) that Guthrie et al. (1999) describe as “a seemingly endless list of accounting based, ‘financial management,’ techniques that are being drawn on in the pursuit of reform” (p. 210). NPM can include “cost improvement programmes, performance indicators, financial management information systems, financial targets, delegated budgets, and resource allocation rules,” (Pettersen, 1999, p. 336–377) that create “the perceived need to rationalise public services and, above all, the stress on quantification as a means of demonstrating achievements (efficiency gains, new levels of performance) and of holding responsible persons accountable” (Lapsley, 1999, p. 201). These measures lead to government policies that are “aimed at cutting budgets, enhancing efficiency and improving manageability of operations,” (Groot, 1999, p. 354). The transference of NPM techniques into the public sector is facilitated through deregulation, decentralization, privatization and outsourcing (Pina and Torres, 2003). Although aware of the oversimplification, Hood (1995b) summarizes the features of NPM thus:

- (1) disaggregation of public organizations into separately managed “corporatized” units for each public sector “product”;
- (2) a shift toward greater competition between public sector organizations and the private sector;
- (3) greater use of management practices taken from the private corporate sector;
- (4) more focus on discipline and parsimony in resource use and on active search for alternative, less costly ways to deliver public services;
- (5) a move towards “hands on management”;
- (6) a move toward more explicit and measurable (or at least checkable) standards of performance; and,
- (7) attempts to control public organizations in a more “homeostatic” style according to preset output measures (pp. 95–97).

Gendron et al. (2001) confirm that NPM “is generally seen as advocating that governmental organizations be split into business units and assigned performance targets for which managers are held accountable” (p. 281). Jacobs (2000) raises the very important point that NPM erodes profound public values grounded in public welfare. In reference to the New Zealand public health sector, he shows that accountability reforms created “. . . a shift away from the ideal of the caring institution, with an emphasis on professional autonomy and accountability in medical terms, and towards the ideal of the successful business, with accountability being defined in financial and accounting terms” (p. 361).

NPM-informed practices can be found worldwide. Gendron et al. (2001), for example, carefully analyze the annual reports of the Office of the Auditor General of Alberta to conclude that the office actively promoted the implementation in the public sector of a mode of accountability derived from NPM rationales and values. Uddin and Hopper (2003) suggest that the World Bank and the IMP are encouraging privatization policies in many less developed countries with morally devastating consequences for people like the Bangladeshi. Montgomery (1996) discusses South Korean examples, with great concern over the wholesale import of Western NPM practices. Lawrence and Sharma (2002) examine the effect of total quality management (TQM) and balanced scorecard philosophies on a university in Fiji. Although adoption has been slower in countries like Japan (Hood, 1995b), Yamamoto (1999) describes a “kind of NPM” taking place in the Japanese Ministry of Finance and the Board of Audit.

The influence of NPM in the academy was the focus of a special issue of *Critical Perspectives on Accounting* (Saravanamuthu and Tinker, 2002). Most papers discussed the influence of managerialism in the academy on accounting education and research in institutions outside the U.S. (Churchman, 2002; Lawrence and Sharma, 2002; Neumann and Guthrie, 2002; Parker, 2002; Saravanamuthu and Tinker, 2002; Singh, 2002) with Dillard’s (2002) focus on the U.S. being the exception. A review of the literature reveals few additional critical accounting studies examining the effect of NPM programs in the U.S. (Dillard and Tinker, 1996; Young et al., 1998; Roberts, 2004).

A number of studies have linked the implementation of NPM practices to specific well-publicized government initiatives. In the UK, for example, Boden et al. (1998) explore the effects of the Financial Management Initiative of 1982, with its emphasis on the use of ROAME (rational, objectives, appraisal, monitoring and evaluation). Their study finds that there are unique challenges to applying such concepts to the provision of science and technology services to the U.K. government for “. . . as work becomes more cognitive and more speculative the measurement of quality becomes much more problematic and inherently judgemental” (p. 289). Broadbent and Laughlin (1998) investigate the impact of NPM initiatives on the practices of general practitioners (GPs) and U.K. schools primarily brought about by the Education Reform Act of 1988 and the National Health Service and Community Care Act of 1990. They conclude that while “GPs are managing to prevent the banding and allied financial pressures from impinging into the core activities,” the NPM proposals “are having rather more significant an effect on the headteachers and on their schools” (p. 428). Lawrence et al. (1994) discuss the impact of the Health and Disability Services Act of 1993 in New Zealand, which required health institutions to “earn a return on assets employed and pay a dividend to the shareholding ministers under a new regime of market forces” (p.1). Several years later Pallot (2003) notes that public sector reforms in

New Zealand have been portrayed as the “epitome of the ‘New Public Management’ (NPM) in the public sector” (p. 1)⁴ where the government has prepared its annual report on a full accrual basis since 1992 (Pallot, 1994, 1996).

The studies cited above, as well as many others, provide ample specific examples of how NPM rationalities and techniques have shifted the meaning of public sector administration and the practices within it. The next section of this essay discusses a piece of American government regulation, the National Performance Review, a U.S. administrative reform championed by the Clinton–Gore administration of the 1990’s. While NPR differs from other examples of government regulation, it shares the key attributes of (1) the priority of economic reasoning as political reasoning; and (2) the priority of accounting (economic measurement) as adapted from private sector practices.

3. From NPM to NPR: the American experience

The nine most terrifying words in the English language are, ‘I’m from the government and I’m here to help.’

Ronald Reagan

(The Quotations Page, http://www.quotationspage.com/quotes/Ronald_Reagan/)

We can no longer afford to pay more for – and get less from – our government. . . . It is time to radically change the way the government operates – to shift from top-down bureaucracy to entrepreneurial government that empowers citizens and communities to change our country from the bottom up. We must reward the people and ideas that work and get rid of those that don’t.

Bill Clinton and Al Gore (1992)

3.1. A preface: exploiting the Dark Angel

Charismatic, evangelical, “the great communicator,” and a president who preferred to go directly to the public, Ronald Reagan spawned a U.S. political ideology that flourished for a decade or so. It was a negative domestic politics, one grounded firmly in Reagan’s oft-cited view that government is a problem, not a solution, at least at home. It gave rise to the “Republican revolution,” where Republicans swept control of not just Congress but state and local governments, and where a boyish incompetent like Newt Gingrich could capture the American fancy. It was the last and biggest nail in the welfare statism of Roosevelt’s New Deal and Lyndon Johnson’s Kennedy-inspired Great Society. It made the values of the private sector (competence, economy, efficiency, managerialism, and entrepreneurialism) superordinate to the traditional values of the statesman and the bureau.

The Republican Party published *Contract with America* in 1994. Its primary themes were that the federal government should serve as a funding agency for programs devolved to state and local governments and that, as a consequence, many federal services and activities

⁴ Jacobs (2000) makes a similar observation.

should be dismantled (see Young et al., 1998). It donated specificity to the Reagan-inspired disdain for government, and it inherited a common and ideological flaw. The ideology was paradoxical and self-exhausting. It was paradoxical inasmuch as the President of the United States became the Sovereign of a Problem; and, as he stated, obviously the “best minds” (including his own?) were not resources of a government in need of “solving” the problem of it’s self. It was self-exhausting inasmuch as – in a domestic context – government was a negative phenomenon, an impediment to subjective happiness and market solutions, something to be dismantled rather than preserved. That self-exhaustion dripped to death through the mundanities of the first Bush administration, and it created the conditions ripe for the emergence of Bill Clinton, a master at exploiting the void of *Realpolitik* left in the wake of the “Reagan Revolution.” Clinton matched the Republican embrace of critique of government but restored the positivity of government through a rather catchy rhetorical conversion of the citizen to the customer, anxiously awaiting goods and services from a soon-to-become-efficient domestic array of agencies. Government was once again positive—a productive apparatus, the supplier of good things in a market for consumptive happiness. The Republican horizon of efficiency became the Clinton horizon of efficacy, of efficient productivity [a clear analogy can be drawn as Reagan to Clinton and Thatcher to Blair].

3.2. *The National Performance Review (NPR)*

During his 1992 election campaign, President Clinton promised to “radically change the way government operates—to shift from a top down bureaucracy to *entrepreneurial government*” (Clinton quoted in Nesterczuk, 1996, p. 40, emphasis ours). To deliver on this campaign promise, shortly after the election Clinton gave Vice President Gore the task of “creating a government that works better and costs less” (Executive Office of the President, 1993, p.7). With a team of government executives and management consultants, Gore began the task of developing NPR. David Osborne, author of *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector from Schoolhouse to State House, City Hall to Pentagon*, is credited with a major role in writing the report. It was a combination of ideas from the privatization literature of the 1970s and 1980s, the philosophy of free market economics, and a touch of contemporary business motivational literature (Moe, 1994).

They came up with a drink palatable to those liberals who believe government is best that uses its power to selectively intervene in the nation’s economic life (e.g., national health care program), but who want this intervention to cost less, or at least to appear to cost less. (Moe, 1994, p. 111)

The NPR document summarizes four “bedrock principles” of “effective entrepreneurial government” upon which the reinvention of the U.S. federal bureaucracy was to be built. According to the report, effective entrepreneurial governments (1) “cast aside red tape”—shifting from systems that are accountable for following rules to systems accountable for achieving results; (2) focus on customer satisfaction; (3) transform their cultures by decentralizing authority; and (4) constantly find ways to “*make government work better and cost less*” (Executive Office of the President, 1993, <http://acts.poly.edu/cd/npr/npintro.htm>).

NPR contains over 380 major recommendations affecting 27 federal agencies and 14 government systems. First-order objectives include implementing management initiatives throughout the government, reform of procurement, personnel and budgetary systems, and employee buyouts to facilitate agencies to downsize (GAO, 1994; Thompson, 2000). NPR represents a comprehensive example of NPM and exhibits nearly every element identified by Hood (1995b).

The NPR proposals assumed that government employees lacked appropriate incentives. Eliminating government monopolies and introducing competition by “injecting the dynamics of the marketplace” were crucial elements of the NPR plan:

A monopoly’s managers don’t even know when they are providing poor service or failing to take advantage of new, cost-cutting technologies, because they don’t get signals from their customers. In contrast, competitive firms get instant feedback when customers go elsewhere. We can create an environment that commits federal managers to the same struggle to cut costs and improve customer service that compels private managers. We can imbue the federal government—from top to bottom—with a driving sense of accountability . . . This process will be neither quick nor easy. But as it unfolds, a very different type of government will emerge, one that is accountable to its true customers—the public. (Executive Office of the President, 1993, <http://acts.poly.edu/cd/npr/npr-2.htm>)

NPR introduced a shift toward greater competition between public sector agencies and the private sector. It strongly encouraged the development of “profit” centers. Government supported education and training was singled out as a case in point. It was proposed that one-stop career management centers be created and made available throughout the US. Centers would be encouraged to generate their own revenues through fees collected from employers and employees that could afford to pay.

Any organization, *public or private*, would be allowed to seek a charter to operate one or more one-stop career centers. The process would be performance-driven, with contracts renewed only if centers met customers’ demands. (emphasis ours)
 (Executive Office of the President, 1993, <http://acts.poly.edu/cd/npr/npr-2-1.html>)

This blurring of the distinction between public and private organizations has led to the creation of problems and risks like those associated with the proliferation of government-sponsored enterprises (GSE). GSEs are privately owned corporations whose debt obligations are implicitly guaranteed by the U.S. Treasury. Because of the implied government guarantee of its debt, GSEs (like Fannie Mae or Freddie Mac) can borrow money cheaply and then lend it out at higher rates by retaining or repurchasing the mortgages it has securitized. As of November 2002 this has created an unfunded implicit liability upon U.S. taxpayers of nearly \$1.8 trillion for Fannie Mae alone (Lee, 2002). “As one wag puts it: ‘With GSEs, you privatize the profits and socialize the risk.’” (quoted in Moe, 1994, p. 113).

NPR advised that federal agencies should capitalize on demand for their facilities much like private sector companies. It was suggested that Congress not set limits on the fees that certain federal agencies were allowed to charge. For example, it was advised that entrance

fees to major US national parks should not be regulated⁵ and that managers of the National Park Service should be allowed to take advantage of the high demand for their facilities.

User fees can serve exactly the same function as prices do—providing federal managers with invaluable information about their customers. If customers like the services they are paying for—if they find the experience of visiting a particular national park enjoyable, for example—revenues will increase. (Executive Office of the President, 1993, <http://acts.poly.edu/cd/npr/npr-4-2.htm>)

There seemed to be little concern to provide access to less wealthy Americans.

The initiatives in NPR demonstrate a move towards “hands on management.”

America’s best-run businesses are realizing enormous cost savings and improving the quality of their products by pushing decisions down as far as possible and eliminating unnecessary management layers. The federal government will adopt this decentralized approach as its new standard operating procedure. (Executive Office of the President, 1993, <http://acts.poly.edu/cd/npr/npr-3-1.htm>)

Implementing this decentralized approach would presumably “liberate” agencies from over-regulation and the need for 280,000 separate supervisory staff and 420,000 “systems control” staff to support them. 2.1 million federal employees were encouraged to become “self-managed.” An example of the “success” at the Defense Logistics Agency (DFA) was presented. The NPR document boasted that DFA created self-managing teams in its Defense Distribution Region Central that enabled it to eliminate an entire level of management. Perhaps as an afterthought, in an effort to alleviate federal employees’ fears, NPR went on to state:

Some employees may view such pruning as threatening—to their jobs or their chances for promotion. It is true that the size of the federal workforce will decrease. But our goal is to make jobs meaningful and challenging. Removing a layer of oversight that adds no value to customers does more than save money: It demonstrates trust in our workers. (Executive Office of the President, 1993, <http://acts.poly.edu/cd/npr/npr-3-1.htm>)

NPR encouraged a greater use of management practices taken from the private sector. For example, in an effort to simulate competition in areas where the government had none, benchmarking was introduced. General John Loh, commander of the Air Combat Control, explained it thus:

We keep the improvement up by just doing that—by just measuring. If it doesn’t get measured, it doesn’t get improved. (Executive Office of the President, 1993, <http://acts.poly.edu/cd/npr/npr-2-2.htm>)

Another example was the introduction of the practice of “gainsharing” demonstrated at McClellan Air Force Base, in Sacramento, California. This practice allowed employees to

⁵ Fees were limited to \$10/car at the time the report was written.

pocket some of the savings they achieved through cooperative labor-management efforts to cut costs (Executive Office of the President, 1993, <http://acts.poly.edu/cd/npr/npr-1-2.htm>).

One particularly disturbing example of private sector practices being adopted in the public sector was the rationale provided for proposals made affecting the regulation of U.S. worksite health and safety. The Secretary of Labor was now to rely on private inspection companies or non-management employees to carry out inspections. It was argued that this could insure that all workplaces were inspected regularly without hiring thousands of new employees. The Occupational Safety and Health Administration (OSHA) was to:

... use the same basic technique the federal government uses to force companies to keep honest financial books: setting standards and requiring periodic certification of the books by expert financial auditors. No army of federal auditors descends upon American businesses to audit their books; the government forces them to have the job done themselves. *In the same way, no army of OSHA inspectors need descend upon corporate America.* (emphasis ours, Executive Office of the President, 1993, <http://acts.poly.edu/cd/npr/npr-2-4.htm>)

NPR demonstrates a wholesale endorsement of the rationales and techniques of private sector managerialism—assessment, measurement, return on assets, benchmarking, efficiency, TQM *ad nauseum*. A rather curious anomaly emerges when one considers that – in the academic literature – we know of no study which demonstrates that these techniques, considered alone or in combination, enhance shareholder wealth across the market. If this is true under institutional arrangements which provide things like market discipline, then one should not be surprised at the almost derisory reports on NPR’s “results.”⁶

3.3. NPR: America @ Our Best⁷

Criticism of NPR, thus far, can be found primarily in the public policy and public administration literature. Political scholars such as Ronald C. Moe have made the following observation regarding the report:

While political accountability may have once been properly the highest value for government executives, this is no longer true. The highest value in the entrepreneurial paradigm, to all accounts is customer satisfaction. (1994, p. 114)

⁶ As an example, consider Gore (1997) *Serving the American Public: Best Practices in Performance Measurement*. This is a comprehensive report across U.S. federal, local, and Canadian agencies. It must have cost millions of dollars. It reads like a basic textbook on the platitudes of managerialism. Apart from a few anecdotes, there is no systematic evidence of “best practices” or anything else. That is all very curious given that the “Executive Summary” begins with the following from Bill Clinton upon signing the Government Performance and Results Act of 1993:

... chart a course for every endeavor that we take the people’s money for, see how well we are progressing, tell the public how we are doing, stop the things that don’t work, and never stop improving the things that we think are worth investing in. (<http://govinfo.library.unt.edu/npr/library/papers/benchmarkr/nprbook.html>)

⁷ This is the faux e-mail address designed by the National Partnership for Reinventing Government, an organization whose mission is to reverse “Americans’ distaste for government.” (Laurent, 1998, p. 31).

1. Accountability	Reinvent
2. The Public Interest	Reengineer
3. Legitimacy	Redesign
4. Constitutional Guarantees	Efficiency
5. Legal Rights	Downsizing
6. Due Process	Customer satisfaction
7. Stewardship	Empowerment
8. Equity	Adaptive
9. Sovereignty	Competitive
10. Authority-Responsibility linkages	Lean

Adapted from Johnston (1995, 2000).

Fig. 1. Shifting governance priorities.

The NPR document actually has a chapter devoted to “Putting Customers First” in which Gore explains the following:

We are going to rationalize the way the federal government relates to the American people, and we are going to make the federal government customer friendly. A lot of people don’t realize that the federal government has customers. We have customers. The American people.

(Vice President Al Gore Town Meeting, Department of Housing and Urban Development, March 26, 1993, in *Executive Office of the President*, 1993).

Much of the criticism of the NPR report and similar new public management media focuses on the ability of language used within these reports to transform individuals’ perceptions of their role and that of the government within the political economy (Johnston, 1995, 2000; Kelly, 1998; Moe, 1994). This shift in the American citizen’s identity from citizen to customer is contemporaneous with a shift in governance priorities as citizens become transformed into customers.

Economically-based values are consistently given precedence over legally-based values throughout the NPR recommendations (Moe, 1994). Fig. 1 identifies those governance priorities that are increasingly endangered as entrepreneurial management models become more predominant in the public sector (Johnston, 1995, 2000). Citizens, scholars, and practitioners alike become concerned about threatened principles like political accountability.

Some political theorists argue (and we would agree) that the customer satisfaction orientation of reinventing the public sector may actually be at odds with government accountability:

The customer-focused efficiency and economy model, represented broadly as entrepreneurial government management, is a very different creature than the traditional, legitimate, political, citizen-oriented model based on the public interest and public law. Organizational accountability actually seems to shift from the president to the customer. The traditional model of providing public sector goods, services,

due process, and protection is under siege. We begin to deal more with contractors, consultants and customers. (Johnston, 1995, p. 14)

Piotrowski and Rosenbloom (2002) provide a case in point. In their investigation of freedom of information provided by federal agencies, they demonstrate that NPR's results-oriented emphasis reduces attention to democratic-constitutional values like representation, individual rights and due process. Constitutional constraints on US public administration aimed at protecting these ideals are seen as impediments to the NPR initiative's goal of reinventing the government. This is because such constraints require considerable attention to processes rather than results-oriented outputs and outcomes.

We would argue that values like accountability, constitutional guarantees, legal rights, procedural due process, and equity among citizens have moral-political precedence over competition, customer satisfaction and efficiency. Accounting's role in transformations that have taken place in the U.S. public sector is difficult to ignore as the NPR report largely discards the traditional language of administrative discourse.⁸

Instead, a new highly value-laden lexicon is employed by entrepreneurial management enthusiasts to disarm would be questioners. (Moe, 1994, p. 113)

As with many NPM initiatives accounting practices were crucial in aiding the achievement of NPR objectives. We provide one particularly salient example found under the heading of "Truth in Budgeting." The NPR report called for action requiring the Federal Accounting Standards Advisory Board to issue a set of cost accounting standards for all federal activities. It was hoped that such standards would provide a method of identifying the "true" unit cost of all government activities.

If federal organizations are to compete for their customers, they must do so on a level playing field. That means they must include their full costs in the price they charge customers. Businesses do this, but federal agencies hide many costs in overhead, which is paid by a central office. Things like rent, utilities, staff support, and the retirement benefits of employees are often assigned to the overall agency rather than the unit that incurred them. In this way, governmental accounting typically understates the true cost of any service.

With a new accounting system that recognizes full costs—and assigns rent, utilities, staff support, retirement benefits, and all other costs to the unit that actually incurs them—we can determine the true costs of what government produces. At that point, we can compare costs across agencies, make agencies compete on a level playing field, and decide whether we are getting what we pay for. (Executive Office of the President, 1993, <http://acts.poly.edu/cd/npr/npr-2-2.htm>)

One of the intriguing aspects of accounting – an aspect perhaps unsuspected by the public – is that it is very difficult to claim in any clear and confident way that accounting has provided answers to some of the most basic questions generated by NPR proposals such

⁸ Hood (1995b), argues that changes in public sector accounting were central to the rise of NPM in a number of OECD countries as well.

as that cited above: What does something cost?; Whose performance is better?; What are wealth, income, assets, value, etc.? As Guthrie et al. (1999) indicate it would be mistaken to assume that there is extensive public awareness of the limitations of accounting. However, most accounting academics know, or certainly should know, better. The public perception of economic facticity, clarity, and objectivity as characteristic of accounting discourse is simply false. One can suggest that the political responsibility of the researcher is to expose this particular falsehood, thereby undermining the political supports on which the expansion of accounting and its colonizing force largely depends. In our view, much of the political power of accounting depends upon public (and thereby political) belief in accounting's capacity to answer such questions.

In the following section, we draw upon a range of theoretical arguments from political theorists and others to glean some ideas of interest to those who might seek to understand how New Public Management and NPR are related to contemporary political theory.

4. Theoretical insights

Numerous scholars have sought to provide theoretical explanations for NPM and the expansion of corporate management reporting and accounting practices into the public sector in particular (Hood, 1995b; Pollitt and Summa, 1997; Olson et al., 1998). In a formidable, thorough, and rigorous article, Hood (1995b) investigated four conventional theories for the expansion of NPM: “Englishness”⁹, “party politics”, economic performance record and government size. He concluded that no one theory is sufficiently robust to explain the adoption of NPM practices given the considerable disparity in the extent of the implementation by various countries.

We begin this section with an effort to contribute to theoretical arguments that may enhance our understanding of the expansion of NPM in general. Here we rely on the work of political theorist Sheldon Wolin who articulates political-theoretic relations in a way which permits us to bring the political force of accounting into focus from within the discourse of political theory. Reading the work of organizational theorists James March and Johan Olson, as well as political theorist William Connolly, we then try to gain insight into how such techniques have expanded in the U.S. public sector. As a caveat, our choice to include ideas from several theorists in a single essay certainly precludes us from any sort of comprehensive articulation of their often complex ideas.

4.1. NPR and Sheldon Wolin's typology of “postmodern politics”

Sheldon Wolin is deeply committed to the modern sense that political theory both has been and should be “an attempt to constitute the terms of politics so that struggles for power

⁹ “Englishness”, refers to what Castles (1989) describes as the “awfulness of the English” in his account of “the relatively poor economic performance and arrested development of the welfare state policies’ which, he claims, characterize the English-speaking countries” (Hood, 1995a, p. 100). Hood noted that although it was mostly English-speaking countries that experienced a high integration of NPM, Sweden, France, and Denmark did so as well. Thus, Hood concluded that NPM “seems to be more than just another “English disease” (p. 100).

can be contained and so that it is possible to direct it for common ends, such as justice, equality, and cultural values” (Wolin, 1991, p. 198).¹⁰ He is in that sense a modern political theorist, and he offers a typology of “postmodern politics”, which stands in contrast to the theoretical tradition which he morally embraces.¹¹ We will isolate only two of Wolin’s claims, claims that seem very relevant to understanding NPR.¹²

4.1.1. *Competence as the premier political virtue*

Wolin claims that *competence* has become the premier political virtue. Competence stands in some distinction from a character virtue, which, recalling Hood’s argument about “progressive public administration,” seems to have been the cardinal virtue that provided the moral-ontological grounds for politics and administrative reform. Competence is the axiological ground on which the economic rationales and outcome-based obsessions of New Public Management depend, and each is an exemplar of Wolin’s view that:

... job performance has assumed importance as a principal category of appraisal [which] reflects the elevation of competence to the top rank of political virtues. Post-modern politics fears incompetence more than corruption because it is haunted by fears about the fragile character of postmodern structures. If competence is the first of the virtues for maintaining the system, human error is the cardinal vice that always threatens it (p. 180).

Accounting is the dominant discourse in which economic competence is measured and its agents evaluated, rewarded, and punished within the strategic rationalities that define the technologies of New Public Management. These accountings for competence, within the *private* sector, share two structural features, one not present within the public sector and the other at best ambiguous within the public sector. The first feature follows from the fact that agency within capitalistic organizations certainly takes many forms but all such agency falls within the covering mandate to maximize shareholder wealth.¹³ Such wealth maximization provides organizational clarity about ultimate ends sought and gives rise to plentiful metrics, which embed profit- and return-related parameters, symbols, which can be somewhat mapped to a cardinal value space (shareholder wealth). At its most clear, market metrics converge with cost-based accounting metrics to create an economic *telos* of competence as, for example, when one speaks of return on assets or earnings per share¹⁴

¹⁰ Wolin is no slouch. Emeritus Professor of Politics at Princeton University, he taught political theory for 40 years at Oberlin College, the Universities of California, Berkeley, Santa Cruz, and Los Angeles, Princeton University, Cornell University, and Oxford University. He was the founding editor of the journal *Democracy*. He has been described as our “premier contemporary theorist of engaged democracy.”

¹¹ A modern theoretical perspective which holds to normative claims about “common ends,” “justice,” and “equality” should not be confused with an empirical perspective which holds to the actualization of those same claims. Wolin certainly would agree with the notion that modern politics has failed miserably as a medium through which such norms are, in fact, delivered. Thus, neither we nor a reader of Wolin should diminish the essential role that ideals play in theoretical arguments. Indeed, it is precisely those ideals that make critical theory possible.

¹² See Arrington and Watkins (2002) for a more complete description of Wolin’s notion of postmodern politics.

¹³ We are certainly not suggesting that shareholder wealth is the only end that capitalistic organizations do (should) seek. That would be absurd.

¹⁴ This argument assumes cost-based accounting; that is, assets are representations of cost in return on asset computations while a single share is derivative of cost in earnings per share computations (each share represents a

always against a background assumption that shareholder wealth is the end within this goal-directed process.

The second structural feature is exogenous to the capitalistic organization. Unlike governments (particularly nation-states), capitalistic organizations seek to produce shareholder wealth under competitive conditions. Competence metrics emerge from comparisons to other providers of shareholder wealth, and such metrics not only shape competence (through market discipline) but also autoregulate¹⁵ the distribution of real resources across the market. Competence is rewarded and incompetence punished, and no one inside the organization need do anything to “evaluate performance” to make that happen.

The organizational problem of judging competence in the private sector, though complex, is at least wrapped around a dominant telos that adds axiological¹⁶ meaning and clarity to performance evaluation. New Public Management represents the wholesale importation of techniques developed within the private sector for application in the public sector. But what does it mean to import means (techniques) rationalized in a teleological context of private wealth maximization into governmental agencies without accounting for the axiological slippage between private and public welfare, capitalistic ends and democratic ones?

At least with NPR, the difficulty seemed to be rationalized through the reduction of the citizen (with all of the lexicon of rights, entitlements, fairness, justice that attach to that term) to the “customer.” Competence comes to be seen as efficient production of “customer satisfaction,” with all of the presentism associated with immediate satisfaction with services and a gloss over the remaining value sphere of government’s place in securing conditions necessary to “the good and just life.”¹⁷ This excerpt from the NPR document emphasizing the importance of output measures and customer satisfaction readily makes our point:

Measuring outputs is easy in principle. It means measuring how many unemployed people get jobs, not how many people look for help at local Employment Service offices. Or it means measuring how many people received their social security checks on time, not how many checks were sent out from a local office. “Outputs” are, quite simply, measures of how government programs and policies affect their customers. (Executive Office of the President, 1993, <http://acts.poly.edu/cd/npr/npr-3-2.htm>)

Craig Holt, an employee of the Oregon Department of Transportation, sums it thus, “Our focus has occurred through our indicators, not through our strategic plans” (Executive Office of the President, 1993, <http://acts.poly.edu/cd/npr/npr-3-2.htm>).

provision of capital which is contemporaneously committed to cost, either as an asset or as a revenue-generating expense).

¹⁵ This reference to “autoregulation” in no way implies accuracy. It simply means that markets have the capacity to shift capital away from “incompetent” organizations and toward “competent” ones irrespective of whether agents know it or like it or not.

¹⁶ Axiology is a branch of philosophical thought having to do with the nature of values and value judgments. In the context of this discussion, the nature of values and value judgments within capitalistic organizations is presumably dominated by concerns with shareholder wealth.

¹⁷ The situation is not unlike the situation in education when one suggests that students are “customers.” We can’t help but recall Plato’s regard for the educator as a provider of nourishment, bitter as that nourishing food (knowledge) might be. This sort of educator stood in distinction from the confectioner – one who taught in a way that was “pleasing to the taste” but void of nourishment.

The “competent” governmental agent becomes simply the “econocrat” who scores well on “customer surveys” and does so at minimum cost, both of which are measured through the calculus of accounting. The ends of government are reduced to the same hyper-subjective value space that makes individual-utility-based economics the most subjective discipline of all.

4.1.2. *Ambiguity and the public/private dichotomy*

Wolin suggests that the elevation of competence to a premier political virtue leads to a blurring of the distinction between public and private. This speaks directly to NPM and accounting’s place within it:

Competence is one of several entries in the postmodern lexicon which contribute to obliterating the modern distinction between public and private. Others are management, expert, and cost/benefit. The practices of postmodern politics are illustrated by the revolving door through which executives pass from corporate positions to governmental agencies and vice versa, or by selling governmental functions to private entrepreneurs (“privatization”) (Wolin, 1991, p. 180).

There are two profound ways in which accounting takes on power and political ubiquity within the new public management. First, the diverse functions of government and the equally diverse evaluative lexicons on which they depend are translated into an increasingly dominant discourse of economic calculation. Whatever the public import of public services might be – education and health are good examples – new discourses of *evaluation* emerge around economic calculation grounded in budgetary crises and resource utilization questions. This has two political consequences. First, resource allocations are less likely to be influenced by modern tensions between competing public values like, for example, health and education. Instead, policy shifts toward calculi (however spurious) focused on questions of who can manage (or who has managed) resources most competently. Thus, discourses about the relative priority of this or that aspect of the public good recede, while calculative practices oriented toward efficient management of systems expand. Not surprisingly, given that such economic rationalities have always been dominant in the private sector, terms like “privatization” can now align themselves with “good government.” Good government is calculable; measurable; governed by an accounting for costs and, to a lesser extent, benefits. In short, good government is good management, and public ideals are expressed in the same language as corporate ideals—a language of accounting.¹⁸

The second aspect of this postmodern moment of relevance to accounting works in the opposite direction: the private sphere comes to be seen as part and parcel to the new discourse

¹⁸ As Richard Bernstein (1986, pp. 269–70) notes, John Dewey viewed the “corporate mentality” as the most serious threat to democracy:

The business mind, having its own conversation and language, its own interests, its own intimate groupings in which men of this mind, in their collective capacity, determine the tone of society at large as well as the government of industrial society . . . we now have, although with formal or legal status, a mental and moral corporateness for which history affords no parallel (Dewey, 1930, p. 41; cited in Bernstein, pp. 269–70).

of public life. This is not just a matter of recognizing the significance of competence as an aspect of (moral) personality; it also means that the more private aspects of private life are described and understood in ways reflective of the hedonic relevance of utility, of costs and benefits, and of “managing” one’s life and the lives of those held closest (see Arrington and Francis, 1993; Roberts, 1991). These are the conditions that lead Hoskin to the “cradle to grave” image of the accountable self alluded to at the outset of this essay.

4.2. *The plurivocality of American administrative reform: ambiguity and political hermeneutics*

Through a series of workshops in 1995–1996, Olson et al. (1998) attempt to identify key motivations for NPM adoption in 11 countries. Like Hood (1995a), they find a wide range of attitudes and implementation among the various countries studied and caution that viewing NPM as a global movement dismisses the “alternative forms and traditions of public sector management, accounting and governance” (Guthrie et al., 1999). In a study examining 15 years of public management change in four countries (UK, Finland, Sweden and New Zealand), Pollitt and Summa (1997) find that although factors like recent economic performance and the political doctrine of the party in power were not strong predictors of the degree of public management reform adoption, the nature of each country’s political system and administrative system provided compelling explanation for the observed differences. Countries with centralized states and administrative systems (UK and New Zealand) experienced a higher degree of NPM adoption while states with stronger local governments (Finland and Sweden) adopted NPM measures to a lesser degree. Although Pollitt and Summa (1997) demonstrate that these factors are relevant in anticipating the propensity to adopt NPM techniques in the four countries they studied, when applied to the U.S. a quite different outcome might be expected.

Results of these studies would seem to suggest that the distinctiveness of nations matters to “making sense” of NPM. Therefore, it would not be appropriate to judge the theoretical import of NPR in the United States in the same way that one would judge NPM initiatives in other countries. There are many reasons for this, and Young et al. (1998) capture the sense of some of those reasons:

Public sector reforms in the U.S. cannot be interpreted as they might be in other national contexts, as either clawing back the welfare state or dismantling a centralized bureaucracy in the post-industrialised era. As Skocpol (1992) categorically states, the U.S. has never come close to having a “modern welfare state in the British, the Swedish or any other positive Western sense of the word” (p. 5). Further, U.S. public sector reforms cannot be interpreted merely as a ‘shift to the Right.’ Recurrent reform initiatives emerge as powerful rhetorical devices employed by politicians to support their particular positions. The hegemony of liberal values, particularly individualism, account for a “distinctly American view of public affairs and the role of government in the nation’s social development” (Hecl, 1986, p. 33). As a result, a non-U.S. reader, familiar with more starkly dichotomized political positions, may well have difficulty differentiating the strands of U.S. politics and policy making as represented by the NPR and the *Contract*. Indeed, such a reader may be hard pressed to accept these

two strands as opposing and highly contested positions. While popularly referred to as ‘liberal’ and ‘conservative,’ both can be interpreted within, and bounded by, the relatively narrow strands of U.S. political thought (p. 367).

Thus, while NPM programmes might be understood in some other countries quite materially, as concrete manifestations of radical changes in forms of government in transition away from welfare states, they certainly would not represent movements away from welfare states in the U.S. Nor would they necessarily represent political shifts from the “left” to the “right.” In fact, if we stand Clinton’s NPR against the temporal background of the “Republican Revolution” and the *Contract*, NPR looks more like a shift from the “right” to the “left.”

As March and Olson (1983) document, programs of administrative reorganization (like NPR) have accompanied “new” presidents throughout twentieth-century U.S. politics, and NPR is just the latest of these. They occupy a strategic and pragmatic place between the conventional (e.g., budgeting) and the ad hoc (e.g., the creation of the Department of Homeland Security) of political administration, and they have significant political, rhetorical, and economic consequences irrespective of their “success” or “failure.” As March & Olson state, they are plurivocal, possessed of many trajectories of understanding, functional success perhaps being the least important of those trajectories:

Reorganization is a domain of rhetoric, tradition, problematic attention, and symbolic action. It is described both as fundamental to governmental power (Fain, 1978, p. xxiii; Hawkins, 1978) and as not worth the time and effort involved (Dimock, 1951). Its effects are uncertain; hopes for a firm theoretical basis for institutional design have been mostly unfulfilled (Fox, 1974; Seidman, 1974, 1980; Szanton, 1981); and prescriptions tend to be contradictory (Kaufman, 1977; Simon, 1957). No matter what principles of organization are followed, it seems to be inevitable that administrative problems will persist (March and Simon, 1958; Miles, 1977). The balancing of leadership, expertise, and interest representation is delicate (Kaufman, 1956; Laegereid and Olson, 1981). There is little agreement on criteria (Millett, 1949); goals are discovered as well as implemented (March and Olsen, 1976); and post hoc revision of intentions and desires is common. . . . Although history shows long-run changes that may be partly attributable to the cumulative effect of major reorganization efforts, short-run achievements are meager (1983, pp. 291–92).

As they do with other institutional forms (e.g., corporations), March & Olson’s dominant metaphor for understanding federal administrative reform is what they term the “garbage can model.” In this dynamic, nonlinear view, temporal and spatial assumptions about problems, decisions, solutions, actions, and outcomes are ripped away from the logical sequence necessary for understanding reform functionally; that is, in terms of the “success” or “failure” of reform activities as conditioned by “problems” presumed to precede those activities:

Reorganization is an ecology of games (Long, 1958) in which attention is problematic. Access rules for participants and issues change over time in response to experience, conscious attempts to control reorganizations, and the cumulative twists of history, but the general absence of precise rules controlling access makes it likely that reorganizations will become garbage cans, highly contextual combinations of people, choice

opportunities, problems, and solutions (Cohen et al., 1972; March and Olsen, 1976; Olsen, 1976: 314–315) (referenced in March and Olson, 1983, p. 286).

In such contexts, the functionalistic assumption that problems precede decisions which precede actions which produce solutions makes an axiology of “success” rather risible.

What is at stake, then, if functional success at solving problems is nondescript of administrative reorganizations like NPR? As we have already seen in the juxtaposition of the Republican *Contract With America* with NPR, there are of course strategic electoral gains and losses to be won through such rhetorics; and, as we have seen, NPR served as a catalyst for restoring belief in the positivities of federal government (a belief very dear to many Americans who have lived through positive federal interventions like the Civil Rights Movement) in the midst of an equally fervent Republican cynicism about, to quote Reagan, “gub’ment.” That rather extreme Republican disregard for government gave Clinton room to capture much of middle America.

4.2.1. *American distinctiveness: like no liberalism elsewhere*

One theoretical perspective that might prove more appealing with respect to understanding the import of NPR draws upon a deeply entrenched aspect of American political ideology that Connolly (1987) describes:

Two fundamental sets of priorities have governed the American civilization. It seeks to sustain an economy of growth so that each generation can be more prosperous, secure, and comfortable than its predecessor. And it seeks to support a constitutional democracy in which the state is accountable to its citizens and the citizens have rights against the state. The first priority is expressed in the organization of work, profit, property, and consumption which typifies the society. These practices are constituted in part by the standards of efficiency, cost effectiveness, productivity, punctuality, and consumer satisfaction inherent in them. The second priority is reflected in our concern with human rights, freedom, the entitlements of citizenship, and competitive elections. Its constitution involves the readiness of participants to see themselves as citizens and to carry out the prerogatives of citizenship.

The legitimacy of the entire order involves, first, the ability of each set of priorities to retain the reflective allegiance of most citizens and, second, the continued ability of each priority to exist in harmony with the other (pp. 76–77).¹⁹

Clinton was able to exploit a void in this parallel structure, a void left by the Republican ideology of “dismantling” government. The Republicans focused rights, freedom, and entitlement almost exclusively on taxation issues, and they left no room for the federal government to serve as a productive component of “an economy of growth.” Clinton – the

¹⁹ This American description is a particular working through of a more general feature of modernity:

The epoch of modernity involved the formation and creation of large nation-states, and in turn the nation-state, originating in Western Europe, was the terrain of modernity. The modern nation-state combined three functions that offered its members an identity (cultural and political) within a clearly defined community: a single economic unit (the national market), political sovereignty (the state protecting its national citizens), and cultural unity and identity (citizens of the nation-state spoke the same language and shared a common education system) (Schwarzmantel, 1998, p. 5).

consummate politician – exploited these voids. NPR surrendered nothing to the Republicans in its concern with efficiency and it gained everything from them in repositioning the government as a productive resource available to the citizen/consumer.

4.2.2. *The transformation of liberalism*

Recall Connolly's assertion above that, at least in American culture, the legitimacy of government and its smooth functioning depends upon allegiance to the belief that economic and political dimensions of liberalism can exist in harmony. From both the Left (e.g., Jürgen Habermas) and from the Right (e.g., Daniel Bell), there is reason to believe that the grip of this myth of harmony is slipping. There are at least two structural explanations for this. From an economic perspective, public expenditures and political regulations which are not strictly beneficial to the private sector create inefficiencies which erode competitiveness and thereby threaten not just performance but even survival. While public spending and public regulation of private sector activity have been two of the media through which liberal political ideals have become actualized, the structural imperatives of a global market economy require “. . . a progressive withdrawal from cherished liberal principles. Liberal principles are threatened if the system of productivity does not meet these imperatives, and they are threatened if it does” (Connolly, p. 86). The structure gives rise to civic disaffection either way one chooses: if government is less able to generate resources and redistribute wealth, civic institutions and the welfare of the disenfranchised are eroded. If such institutions and private welfare are protected, civic disaffection surfaces anyway through erosion of productivity. The trick historically has been turned through a prudent balancing of liberal commitments and private economies. The question now is whether the fulcrum is splitting apart from the weight added to each end of the lever by the structure of contemporary capitalism (Jürgen Habermas' *Legitimation Crisis* (1975) gives extensive and systematic explanation).

This structural stress produces two revisionist reactions within political discourse, reactions which Connolly terms the “bifurcation of liberalism”:

Liberalism is increasingly divided against itself. One constellation of liberals subordinates the commitment to practicality to preserve liberal ideals, and the other submerges the ideals to preserve practicality. Neither side acknowledges the dilemma of legitimacy. But the new division is a symptom of its emergence (1987, p. 83).

The first group, and Connolly refers to them as “the beautiful souls”, remains valuable inasmuch as “the abstract voice of virtue does help to set the limits of the morally tolerable in the existing order” (p. 84). But,

. . . because the virtues the new liberals support are increasingly at odds with the way of the world, and because they evade (treat as subordinate and secondary) the deep intrusion of these worldly concerns into political life, the commitment to liberal principles is increasingly matched by the disengagement from practical issues. The principles themselves tend to become more abstract, more difficult to articulate specifically or to link to particular questions (*ibid.*, p. 84).

The second group, we will call them “the real men”, shares with their sociocratic progenitors a technocratic conception of politics, but they understand public administration less in terms of diverse “sciences” and more in terms of behavioristic economics.

The other side of liberalism retains the commitment to practicality by sliding toward a technocratic conception of politics. It acknowledges indirectly the dilemma of legitimacy by insisting that significant areas of social life must be regulated increasingly *through an elaborate set of incentives and coercive devices* (*ibid.*; italics ours).

For the first group, the very real operational imperatives caused by structural stress immobilizes them. The more they cling to traditional political rhetoric the more abstract their discourse becomes. A kind of discursive void appears which is quickly filled by “instrumentalities [which] overwhelm the political sphere, as that sphere is understood by the beautiful souls”²⁰ (Connolly, 1987, p. 84). The “New Public Management” loosely refers to a range of public practices and institutions where the grounds of legitimacy have shifted from discourses of human rights, freedom, entitlements, civic virtue and the moral demands that cohere within a polity to a discourse of efficiency, cost, value-added, fiscal responsibility and productivity. Health care, government, and education are concrete examples. Unable to effectively *defy* these discursive transitions, even those most well-positioned to defend political ideals (physicians, educators, politicians, etc.) find themselves rather limply struggling to recast those ideals in the sterile managerialist language of “strategic plans,” “objectives,” “total quality management,” “continuous improvement,” etc.²¹

The expansion of accounting from within the politics of Connolly’s second group is obvious and extreme. Whether we consider the Clinton Administration’s “reinventing government” effort commencing with the National Performance Review (NPR) or the “New Public Management” movement and “New Labour” in the UK, accounting and behavioristic economics are at the fore—cutting “unnecessary” spending, serving customers, replacing regulations with incentives, outcomes-based budgets, exposing government functions to competition, and searching for market rather than administrative solutions (Ingraham, 1996). A politics based on incentives requires a discursive apparatus that distributes justice through an economic calculus, that renders virtue as economic performance, and that translates axiological progress into a calculation of marginal product. Accounting is that discursive apparatus (see Hood, 1995b; Parker and Guthrie, 1990; and Power and Laughlin, 1992).

The political legitimacy of incentives-based government has two trajectories. The first is affirmative and positive in the sense that it *assumes* the theoretical priority of liberty and the practical reality of freedom to choose, voluntarily and uncoercively, those conditions of public participation which are consistent with one’s own ends. These conditions are formalistic; selves are presumed simply to “possess” them. The difficulty is that the *controls* necessary to secure the historically particular civil structures within which incentive-based politics can function might be viewed as restraints on liberty and freedom *if* viewed from less liberal, less bourgeois perspectives (e.g., much of the critique of agency theory is based

²⁰ In a Habermasian vein, one can speak of the “colonization” effects of instrumental (strategic) discourses.

²¹ Horrific terms like “GP-Fundholder” perhaps say it best. As a less institutional example, consider the debates about the propriety of “environmental accounting.” In a rather courageous way, some “beautiful souls” are working to develop practical accounting media as a response to ecological degradation. Others, perhaps more radical and certainly more abstract, view these efforts as a betrayal of political ideals. Whatever the case, the new environmental accountants most often trade in a language of economism, settling for terms like “sustainability” and calculi of “costs and benefits.”

on critique of the idealistic fallacy that forms the politics of incentive-based economics). The second trajectory, a negative one, resists this difficulty through the claim that “[S]ince these controls [enacted through accounting] are thought only to do more consciously and coherently what traditional guides to conduct did unconsciously and unevenly,²² it can be concluded that they represent no real threat to liberty or democracy” (Connolly, p. 84; bracketed insert is ours).

The expansion of accounting does not result only from the economic functions necessary here and the need for accounting within them. Governed by strategic rationalities, each new contract, each new distributional algorithm, and each new set of incentives and controls produce *new* opportunities for gaming. Participants, particularly clever ones, come to understand that discourses of incentives and controls autogenerate new strategies which themselves produce behaviors that must be regulated and controlled (see Miller and O’Leary’s analysis of Caterpillar for an accounting example, 1994). To invert the consequences of one of Jerold Zimmerman’s phrases, there is a kind of “death spiral” where the very incentive and control contracts written to produce desirable behaviors produce opportunities for “opportunistic” behavior that would have neither been imagined nor possible *absent* the original contract. Accountings thus proliferate accountings.²³

We have briefly presented examples of how pragmatic deficits emerge from both strands of what Connolly terms “bifurcated liberalism.” For the first – “beautiful souls” strand – the complexity of everyday experience in a postmodern (or late modern if you prefer) world causes the voices of moral-political legitimacy to recede from the domain of practicality. As both a practical discourse and a discourse which has always carried at least a simulacrum of moral-political ideals within it (equity, fairness, stewardship, accountability, etc.), accounting finds renewed presence within public discourses and institutions putatively designed to secure conditions of “the good and just life.” For the second – the “real men” strand – government through economic incentives necessarily makes accounting the dominant discourse. The “accountings” produced to “control” strategic behavior themselves give rise to “strategies” that require new accountings. As Charles Schultze, himself a real man, concludes, there turns out to be “no instrumental solution to the dilemma” (1977, p. 18, cited in Connolly). As Connolly, not a real man, concludes: “Exactly.” (p. 85).

5. Conclusion

We began this essay with reference to what has traditionally been a “subjugated” status for accounting in relation to political theory. We went on to suggest that reinterpretations of

²² Such “traditional guides to conduct” would include other institutions and other practices (e.g., education) that are constitutive of subjectivity and civic identity.

²³ Critiquing the political theorist Charles Schultze (former U.S. Secretary of State), Connolly explains:

Failing to understand the logic of this reaction, Schultze will be drawn into a negative dialectic whereby each new set of evasions must be met by a new set of incentives and controls. The dialectic of social dissolution thus moves in tandem with a corollary dialectic of regimentation (p. 85).

political theory – including but not limited to the claims of Wolin and Connolly – provide ways of understanding the political conditions that make possible the “extraordinary power that accounting holds” in both public and private life. Through an argument like Wolin’s, as we have interpreted that argument, the language of politics is seen as written largely in a language of accounting. Accounting fills the discursive void caused by the demise of political foundationalism; power comes to be justified through calculative accounts of costs and benefits; competence (the central political virtue) is judged through calculi of job performance, and the cherished liberal partition of public and private spheres gives way to an economic assimilation of each into the other.

Both the characteristics of postmodern politics (Wolin) and the bifurcation of liberalism (Connolly) can be understood as transitions in discursive practices, transitions through which accounting expands. For Wolin, as we have argued, the demise of foundationalist political theory and the concomitant rise of discourses of economic justification (e.g., job performance and privatization) can be viewed as the displacement of moral-political language by accounting discourse now no longer subjugated. For Connolly, the “prudent balance” between moral-political and economic discourse which formed a unity in modern liberal theory yields to incommensurable discursive practices *both* of which are seen to depend upon a priority for accounting.

What does this imply for critical accounting research? As a negative point, it suggests suspicions about a tendency to simply assume that accounting ought to be normatively productive of this or that political end in favour of a concern with how accounting discourse “steers” political life in directions which other discourses may not (or cannot). There is of course much that is commendable about courageous and relentless insistence that human actions (like accountings) remain responsive to particular political norms. But that tells us little about how accounting functions politically and even less about how we are to understand the power of accounting in a postmodern political environment.

As a positive point, taking language seriously directs accounting research toward ways in which accounting discourse *constitutes* (rather than re-presents) economic and political phenomena like job performance, cost, efficiency, outputs, wealth, unemployment, etc. [a focus on the constitutive force of accounting is common within critical accounting research but *nonexistent* in mainstream U.S. research]. To the extent that political legitimacy is seen to depend upon these phenomena; and, to the extent that they are themselves constructed through accounting, then *critique* of political norms (legitimacy) is seen to depend upon critique of accounting. That contemporaneity between political critique and accounting critique cannot be recognized unless the power of accounting language as constitutive of politics is assumed.

The intriguing question is how political life and accounting’s place within it is to be understood in a complex space where humanistic values and structural imperatives are both relevant. The risk of placing too much emphasis on the humanistic is that critical accounting researchers find themselves in a position similar to Connolly’s beautiful souls, a position where critical discourse transpires at a level of abstraction which makes it irrelevant to practical life and thereby politically impotent. The risk of placing too much emphasis on the structural features is that, like behavioral economics, critical research transforms persons into apparatus to be strategically acted upon in a manner conducive of “desirable” behaviors and outcomes.

There is no “solution” to the tension between structural imperatives and humanistic political concerns. There are programmatic attempts to grapple with that tension, Habermas’ theory of communicative action being an exemplary case in point. But it does seem desirable to adopt an attitude which recognizes the tension as a very real one and as central to the expansion of accounting in the contemporary political sphere.

Fortunately, the United States government grants significant autonomy to its court system. We trust that the following position of the United States Supreme Court will be protected with vigilance as we have entered a political era where “business” values and processes pose previously unimagined threats to democratic governance:

“... the constitution recognizes higher values than speed and efficiency. Indeed, one might fairly say of the Bill of Rights in general, and the Due Process Clause in particular, that they were designed to protect the fragile values of a vulnerable citizenry from the overbearing concern for efficiency and efficacy . . .” (Stanley v. Illinois, 405 U.S. 645, 656 [1972], cited in Piotrowski and Rosenbloom, p. 646).

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