Emerald Accounting, Auditing & Accountability Journal

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Journal:	*Accounting, Auditing & Accountability Journal*
Manuscript ID:	AAAJ-06-2015-2090
Manuscript Type:	Research Paper
Keywords:	Public services, Global financial crisis, European Union, New public management, Democracy, Cutback management

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> *"I call it balancing the budget. Everyone else is using this term austerity. That makes it sound like something truly evil." Angela Merkel (Daily Telegraph, 2013 23rd April)*

> *"The "cost of bailing, recapitalizing, and otherwise, saving the global banking system has been, depending on…how you count it, between 3 and 13 trillion dollars. Most of that has ended up on the balance sheets of governments as they absorb the costs of the bust, which is why we mistakenly call this a sovereign debt crisis when in fact it is a transmuted and well-camouflaged banking crisis…When government services are cut because of 'profligate spending', it will absolutely not be people at the top end of the income distribution who will be expected to tighten their belts. Rather it will be those who lie in the bottom 40 percent of the income distribution…the folks who actually rely upon government services (…)This is why austerity is first and foremost a political problem of distribution, and not an economic problem of accountancy." (Blyth, 2013, p. 5 and p. 14).*

> *"Accounting has real effects across all social domains and has become a language of politics and society. Accounting, together with related technologies such as audit, is increasingly recognised to be an important element of the material and intellectual culture of society. This draws attention to a much broader setting that must be addressed to appreciate the richness of accounting as a social technology with political, moral, and ethical dimensions." (Boyce, 2014, p. 129)*

1. Introduction

Austerity is not 'new'. As Schui (2014, p. 1) stressed, the "notion that individuals, states and societies benefit from limiting their consumption is almost as old as humanity" and since the time of ancient Greece "has remained a focus of political and economic arguments in all ages of Western civilization". While noting that the term 'austerity' is often used today in reference to the pursuit of public spending cuts (also see Anderson and Minneman, 2014; Bramall, 2013; Konzelmann, 2014), such usage misses the main contemporary rationale of austerity which is "to restore balance in government finances and regain economic dynamism and competitiveness" (Schui, 2014, p. 2).

Between the end of the 1970s and the beginning of the 1980s austerity and decline attracted significant scholarly attention, giving rise to the development of a literature on decline and cutback management (e.g. Levine and Posner, 1981; Levine, 1978, 1979; Pandey, 2010; Weitzel and Jonsson, 1989; Whetten 1980). New Public Management (NPM) officially sought to shift the policy focus from crude expenditure cuts to the pursuit of enhanced efficiency and value-for-money, although its practical capacity to deliver on official policy claims has been consistently questioned and challenged (Humphrey and Miller, 2012; Humphrey *et al.*, 1993; Hood and Dixon, 2015). In the wake of the 2007 global financial crisis, however, policy concerns with enhanced levels and quality of public service provision have been displaced by governments across the world adopting austerity policies and scaling back public services, at even greater rates than in previous decades, suggesting a further development of neo-liberalist principles (Whitfield, 2012; Macartney, 2011; Morgan et al, 2011, Crouch, 2011).

While economists have had a typically dominant presence in debates over the health of the economy, the state of the public finances and desired strategies for growth (Chapman *et al.*, 2012), there can be little doubt that public sector accounting and accountability systems are centrally implicated in these debates and developments (see, Sikka, 2015). Such systems can be used to shape, and justify, or, alternatively, to counter and resist, discourses and measures of austerity

(Arnold, 2009; Cooper, 2015). They matter because they serve to challenge, reinforce, and/or sustain particular representations, assumptions and myths of the value of particular practices, forms of accountability, and ruling conceptions of the public interest, public services and the state. As Morales *et al*. (2014, p. 424) make plain: "Accounting has the potential to destabilize the way in which states are conceived of and administered". Yet all too often, as implied in one of the opening quotes (by Angela Merkel), accounting has been presented as a technical and neutral practice, used to justify cutback choices by representing them as financially and economically essential and not "tainted" by political considerations. Indeed, it is striking that, inspite of various calls for accounting scholars to investigate and deepen knowledge of how accounting is implicated in policies of austerity (Arnold, 2009; Cooper, 2015; Hopwood, 2009; Van der Stede, 2011), the topic has failed to garner much attention in the field of (public sector) accounting research.

A main aim of this AAAJ special issue is to ensure that the subject of accounting and austerity starts to get the research focus it deserves, with the presented empirical and conceptual analysis both enhancing understanding and stimulating further discussion of changing patterns of accountability and the role of accounting and accountants under austerity. Austerity poses new challenges to budgeting, measurement and reporting systems, which may themselves need significant rethinking. Knowledge enrichment here will require scholars not only to familiarize themselves with public sector accounting practice but to contemplate key shifts in the underlying rationalities associated with such practices, and even to construct new theorizations potentially capable of changing policy and practice behaviors (Jacobs and Cuganesan, 2014).

The papers in the special issue consider such matters in a variety of ways, from the defining qualities of budgets and financial reporting standards in framing the scale, significance and pressing immediacy of austerity (Heald and Hodges, 2015) to the financial management and control practices of local governments (Van der Kolk *et al*., 2015) and other public service providers, including grassroots and charitable organizations (Ferry and Ahrens, 2015), in implementing, defending themselves against and mitigating blame for austerity cuts, as well as the role of supranational institutions (Lapsley *et al.*, 2015). In the process, they provide revealing indications of the varying capacity of accounting to represent complex conceptions of governmental austerity in quite basic, blunt, terms that the everyday household should supposedly understand. At the same time, they highlight the need for a set of measures to reform governmental standards of financial reporting in ways that reflect better the sheer complexity of contemporary governmental finances. Accounting emerges as a function whose persuasive capabilities can be seen to rest in connections with notions of objectivity and neutrality, but can also prove to be limited unless accompanied by a compelling political rhetoric or groundswell of populist support. Ultimately, the nature of accounting engagements with austerity serve to question the extent to which accounting should operate as a measure or indication of the financial scale of austerity or extend to more considered contemplations and accounts of the social and political consequences and effects of austerity.

Our paper is structured as follows. Section 2 traces the nature of contemporary concerns with austerity, including its origins and consequences. Section 3 discusses and illustrates how austerity is changing accountability and accounting in the public sector. Section 4 reviews broadly how the issues of austerity and the global financial crisis have been addressed in the accounting research literature to date. Also, it outlines the essential contributions of the papers included in the special issue. Section 5 closes our paper by formulating a research agenda on accounting and austerity, and summarizing the main conclusions of our collective encounters with the subject, as well as the challenges facing accounting researchers committed to contextually informed, critical analyses of public sector accounting practices.

2. Austerity: contemporary concerns and consequences

Scholars and practitioners alike have sought to understand the complex set of issues causing the global financial crisis that prompted governments in recent years to implement austerity policies (e.g. Blyth, 2013; Chabrak and Gendron, 2015; Crotty, 2012; Morales *et al*., 2014; Morgan *et al*., 2011; Sommers and Woolfson, 2014). While the aim of our paper is not discuss such causes[1], it is important to note that, following the outbreak of the global financial crisis, many countries initially implemented exceptional stimulus measures, but by 2010 those measures in many advanced countries had been dropped and replaced by austerity programs (Blyth, 2013). The political turning point is claimed to have been the 2010 G20 Toronto meeting, where the international response (lobbied by Germany & the European Central Bank (ECB)) to the financial and economic crises shifted to the pursuit of public deficit and debt reduction (Blyth, 2013; Wolf, 2014), with austerity policies being proposed by governments as a necessary solution to reducing unsustainable levels of public debt and expenditure.

The UK Government was one of the first to call for an urgent uptake of austerity and to implement drastic measures to reduce public spending (Cameron, 2009). In June 2010, an ECB bulletin supported the idea and the need to implement "growth friendly fiscal consolidation", particularly in those countries with high public debt and deficits. The economic rationale for fiscal consolidation was heavily rooted in neoliberalism. As Reinhart and Rogoff (2010) argued, austerity was necessary to reduce the level of public debt and restore growth. Despite some subsequently revealed methodological flaws (Herndon *et al*., 2013), this paper, together with others on the claimed expansionary impact on GDP of the fiscal contraction of government (Alesina *et al.*, 1998; Alesina and Ardagna, 2010), provided significant support for and legitimation of austerity policies (Blyth, 2013), in the form of a mix of public spending cuts, reducing/freezing labor costs, and the privatization of public assets and reducing the welfare state and public services in general (Whitfield, 2012).

While proponents of austerity have pointed to the reduction of public deficits and debts as necessary for restoring economic growth, austerity critics have highlighted the ideologically driven nature of such claims and the negative economic and social consequences of austerity measures (e.g. Blyth, 2013; Bramall, 2013; Chabrak and Gendron, 2015; Krugman, 2013; McCann, 2013; Mendoza, 2015; Oxfam, 2013; Seymour, 2014). For example, Seymour (2014, p. 161) concludes that "anti-austerity struggles are predominantly political rather than narrowly economic", with the reinvigoration of neo-liberalism provided by austerity serving to erode parliamentary democracy, promoting privatization, and ensuring that many aspects of social life are structured by 'competitive' market relations . Some, such as Krugman (2013), have gone so far as to suggest that the economic case for austerity has lost considerable support among many economists and retains a puzzling level of political support in countries such as the UK - to such an extent that it looks more and more likely that the real agenda underlying austerity policies is the pursuit of a smaller state: The "primary purpose" of austerity, the Guardian admitted in 2013, "is to shrink the size of government spending" – or, as Cameron put it in a speech later that year, to make the state "leaner ... not just now, but permanently".[2]

Interestingly, there are also cautionary remarks in the literature regarding the importance of not assuming that it is the advocates of austerity who have the monopoly on economic arguments. As Schui (2014) noted, proponents of austerity argue frequently on the basis of morality and politics,

[1] For further details on the global financial crisis and its causes and consequences, see also the special issues recently published in *Accounting, Organizations and Society*, Vol. 34, No 6/7 (2009), *Cambridge Journal of Economics*, Vol. 36, N. 1 (2012), *Governance*, Vol. 25, No. 1 (2012), *Public Administration,* Vol 91, No. 1 (2013), *Critical Perspectives on Accounting*, Vol. 30, No. July (2015).

[2] http://www.theguardian.com/business/ng-interactive/2015/apr/29/the-austerity-delusion.

while their critics draw on "the language of economic efficiency to challenge their viewpoint" (p. 6), with the resulting consequence that "the participants in the great debate about austerity often do not talk to each other, but rather past each other. This form of miscommunication has greatly contributed to making this controversy one of the longest and most inconclusive exchanges in Western culture" (p. 7).

The European Union appears to have been particularly stricken by austerity, as European member states have been required to adhere to new governance parameters, comply with fiscal compact rules, accept debt consolidation processes, pursue balanced budgets while still being expected to respect Maastricht treaty requirements. The adoption of rules for 'strengthening' European Financial governance, named 'Six Pack' and 'Two Pack', represents an implicit transfer of sovereign power from national states to the European Commission (EC), with national budgets first having to be discussed with the Commission prior to being approved by national Parliaments. Basic notions of accounting have been instrumental in shaping the governance of inter-institutional relationships, both nationally and transnationally, whether between central and local government and public organizations and/or between Member States and supra-national organizations, including the Troika (Bramall, 2013). Discussions about expenditure deficits and the overall level of public debt figure prominently in the public domain, to the extent that they have arguably served to make routine and apparently inevitable, what are quite unprecedented decisions regarding cuts in public expenditure/services (Bramall, 2013). As Peck (2014) argues, the threat of state and local government bankruptcy has been used to justify the implementation of drastic measures, with comparably low levels of protest.

Whitfield (2012) has argued that austerity has failed to achieve its rhetorical and theoretical aims, such as government debt reduction, increased GDP and rising levels of full-time employment. On the contrary, the current austerity period has witnessed reduced GDP, increased unemployment, reduced wages and benefits for workers, increased business closures and failures, a financial crisis in local government, foreclosures and house price reductions (Whitfield, 2012, pp. 8-11). At the same time, the government and Troika interventions have protected the banks' bondholders and resulted in increases in both share prices and the level of corporate profits and cash holdings (Blyth, 2013; Sommers and Woolfson, 2014). A study requested by the Economic and Monetary Affairs Committee of the European Parliament (Sapir *et al.*, 2014) also concluded that the Troika financial assistance program had failed to achieve the expected outcomes, having made "far too optimistic assumptions about adjustment and recovery" and having underestimated the scale of the "initial challenge" (p. 2). Austerity is generally reported to have had grave implications for society and the human condition (O'Hara, 2014). For example, austerity policies have been categorized as undermining the foundation of the European welfare model based on social justice, equity, and solidarity (Petmesidou and Guillén, 2014), with a resulting transfer of activity to the private sector and/or ending of public service provision, particularly in the area of welfare services, coupled with reductions in public sector pay, employment and pension rights and the general downsizing of local government (Grimshaw and Rubery, 2012; Grimshaw, 2013).

The overarching conclusion is that austerity policies have led to increased levels of inequality, and injustice through a reduction or narrowing in the level and modes of State intervention (Demetriou, 2014; Windebank and Whitworth, 2014). Studies have concluded: "fiscal consolidation episodes have typically led to a significant and long-lasting increase in inequality" (Ball *et al.*, 2013, Abstract). Besides, UNICEF (Unicef Office of Research, 2013), in a report, document how the well-being of children decreased particularly for those living in countries affected the most by austerity. The Council of Europe's Committee of Social Right (ECSR, 2013, p. 6) noted that European public policies since 2009 have led to an increase in poverty in 38 analyzed European states, with the identification of some 181 violations of European Social Charter provisions on access to health and social protection. In 'bailed-out' countries, the adverse effects were consistently higher particularly in terms of reduced wages and social benefits (ECSR, 2013). Oxfam (2013), in a detailed study of the effects of European austerity programs, spoke of Europe contemplating a lost decade, with the prospect of a further 15 to 25 million people facing the prospect of living in poverty by 2025 if austerity measures continue. It also saw such policies as bearing a striking resemblance to the "ruinous structural adjustment policies imposed on Latin America, South East Asia and sub-Sahara Africa in the 1980s and 1990s" (Oxfam, 2013, p. 1).

One evident implication of the austerity policies is that in many countries, such as the Baltic states and in Ireland, young people have been forced to emigrate in search of jobs (Glynn *et al*., 2013). For instance, in Lithuania, from 2009 and 2012, some 220,000 individuals (about 7% of the population) emigrated, of whom 20% were less than 19 years old (Sommers and Woolfson, 2014). Notable changes have also been witnessed in healthcare. Reeves *et al.* (2014) demonstrate that where the Troika has implemented its austerity measures there has been a higher reduction of public spending on healthcare, compared to those countries that did not apply for external financial support. Such changes have reportedly resulted in worsening safety levels, general working conditions and job satisfaction among healthcare professionals, with negative emotional impacts (Burke *et al.*, 2014; Clayton, *et al.*, 2015; Newbold and Hyrkäs, 2010). In countries such as Greece and Ireland, the Troika interventions have been accompanied by an increase in the number of persons without health insurance coverage and with low access to medication and health care treatment, coupled with an overall cost-shifting by government back onto households (Simou and Koutsogeorgou, 2014; Thomas *et al*., 2014). From an epidemiological point of view, austerity policies have been found to have affected the health of the population in Greece and Spain in terms of increases in the rates of suicides, mental health problems, increased epidemics, increased stillbirths, low-birth weight babies and infant mortality (Cervero-Liceras, *et al.*, 2015; Kentikelenis, *et al*., 2014; Simou and Koutsogeorgou, 2014). There would seem to be strong arguments to suggest that financially austere governments have not only failed to foster economic growth but have failed to take appropriate account of the increasing inequalities[3], social exclusions, and general unhappiness brought about by their austerity policies. As a report by the Economic Governance Support Unit of the European Parliament points out, fiscal and financial matters have been dominant, while issues such as poverty, fairness and inequality have rarely featured in the Troika "financial assistance" (i.e., austerity) programs (see, Sapir *et al*., 2014, p. 6).

The above analysis indicates that austerity interventions stem from specific political, economic and social evaluations with significant consequences that cannot be reversed easily, with multiple causes and effects on an accompanying web of competing stakeholders. They are, in the words of Jacobs and Cuganesan (2014), "wicked problems". As Rittel and Webber (1973, p. 155) argued, "in a pluralistic society there is nothing like the undisputable public good (…) policies that respond to social problems cannot be meaningfully correct or false; and it makes no sense to talk about 'optimal solutions'". Austerity, from such a perspective, is a complex and dynamic matter whose definition and suggested treatments, despite political assurances to the contrary, are inherently uncertain and highly controversial (Durant and Legge, 2006, p. 310).

3. Austerity and transformations in public sector accountability and accounting

In the background to such debates and developments regarding austerity lies the question of whether the recent crisis has offered even stronger support for advancing NPM-type policies and practices or is rather causing a paradigmatic shift in notions of government and public service provision (Coen and Roberts, 2012; Di Mascio *et al.*, 2013; McCann, 2013). While NPM certainly remains pivotal to academic accounting reflections on the state of the public sector, especially in the

[3] For instance, in the UK, it has been suggested that women, ethnic minorities, and the disabled have been most affected by recent changes to tax and welfare schemes (Reed and Portes, 2014).

Anglo-Saxon world (Broadbent and Laughlin, 2013), this section discusses some of the key differences between NPM and the current era of austerity and further illustrates it in the ensuing subsections.

The NPM official rhetoric was much about promoting the principles of the market, encouraging competition, results-oriented behavior, the quantification of performance and an emphasis on value-for-money – all wrapped up in a commitment to, and belief, in managerialism and the need to hold service providers to account. Government departments and public services were seen as things that needed to be and could be "managed" - responsible for the most economic and efficient use of inputs in order to deliver effective outputs and quality outcomes, whether as direct providers or commissioners of public services (Humphrey *et al.* 1993). Accordingly, under a traditional NPM umbrella, accruals accounting was presented as a tool for ensuring better use of resources and to 'let the managers manage', focusing the attention not only on ex-ante budget appropriations, but also on actual results, costs, assets and liabilities, and infusing the public sector with private sector rationalism and managerialism by adopting the latter's accounting and reporting logics (e.g. Anessi Pessina and Steccolini, 2007; Guthrie, 1998; Lapsley *et al.*, 2009; Olson *et al.*, 1998).

Already at the beginning of this century, Olson *et al.* (2001, p. 515), in writing about the reliance of NPM on accounting-based measures of performance and control (labelled as New Public Financial Management – NPFM – reforms) alerted us to the possibility that the public sector was in fundamental danger of getting caught in an 'evaluatory trap': "At the extreme, it is possible to envisage that successful public service organizations, managed in accordance with leading private sector management principles, will increasingly charge for their services and become effectively 'private'. Other, less glowing but still attractive candidates, will be sold off, taken over or subsumed by private sector organizations. The remaining 'uncomfortable', 'unsuccessful' and 'unmanageable' public services will be left to provide to a 'public' that cannot afford, or does not want, to pay for, any alternative form of provision. We believe that the above-mentioned scenarios of NPFM procedures are suggestive of the public sector being trapped by a residing, but misplaced, belief in the long-term capacity of NPFM to deliver improved service efficiency/effectiveness. Faced with rising costs of monitoring and evaluation, more frequent and visible service charges and a growing loss of identity, the public service arena looks to be set on a spiral of decline delivering fewer and fewer services. It is effectively caught in an 'evaluatory trap'".

Austerity (particularly in the European Union) appears to have brought about a deeper and reinvigorated version of neo-liberalism (Peck, 2014), with an evident shift in the content of accountability relationships. Under austerity, macro-data such as debt/GDP ratios and deficit/GDP ratios, debt ceilings, balanced budgets, and the basic securing of cuts in public expenditure figure much more prominently in driving public sector policy decisions. There is now a greater emphasis on the state of public finances at the country-level, rather than at an organizational level, with an accompanying relegated focus on non-financial performance – with Sapir *et al*. (2014) from the EU's Economic Governance Support Unit concluding that 'non-financial' aspects of austerity, such as equity, fairness, social impacts have been marginalized. Government is represented as a constraint on the economy and on private (profit- and nonprofit) sector initiative, with economic recovery resting firmly in the hands of the latter. Austerity reforms have focused on reducing the size of the state and the services it delivers, but through some differing means and with different accountability requirements than under NPM. Table 1 provides a broad indication of several key differential tendencies in accountability relationships under both NPM and austerity.

(TABLE 1 AROUND HERE)

Such shifting accountabilities are visible at different levels. At the supranational level, governments are experiencing the development of strong forms of transnational accountability between themselves and supra-national organizations, such as the Troika. While transnational accountability has always existed to support process of legitimation within complex governance settings (MacDonald, 2014), increasingly it is influencing other levels of accountability within the state and public organizations, with quite profound changes being driven by concerns over levels of public debt and the scale of government expenditure (Bramall, 2013). In such contexts, accountability arrangements shift due to trade-offs in material power relations resulting from structural social and political changes (MacDonald, 2014).

3.1. Changing roles of auditors and citizens and changing focus of accountability

The case of the Audit Commission in the UK (see also Eckersley *et al.*, 2014) provides an illustration of the shifting accountability emphases under austerity and more specifically of the changing roles of auditors and citizens in holding governments accountable. It also demonstrates the changing contents of accountabilities towards a strengthened focus on financial issues as well as the quite complex and, at times, unpredictable, nature of such changes. Given the work of authors such as Power (1994; 1997) on the rise of the Audit Society, one could have expected in an era of austerity to see a growing significance being attached to official public sector auditing institutions, especially in light of the reported centralizing tendencies in terms of processes of financial and economic control both within nation states and at a transnational level. Surprisingly, however, one of the first commitments of the installation of a coalition government in the UK in 2010 was to announce the abolition of the globally recognized, and highly regarded, Audit Commission and the termination of a related performance measurement system for UK local government. In its place, the UK government required local government to publish a range of financial and performance information so that citizens could directly hold them to account. In a podcast on transparency Prime Minister David Cameron (2010) envisaged the creation of an army of armchair auditors:

> "By bringing information out into the open, you'll be able to hold government and public services to account. You'll be able to see how your taxes are being spent. Judge standards in your local schools and hospitals. Find out just how effective the police are at fighting crime in your community. Now I think that's going to do great things. It's certainly going to save us money. With a whole army of effective armchair auditors looking over the books, ministers in this government are not going to be able to get away with all the waste, the expensive vanity projects and pointless schemes that we've had in the past."(https://www.gov.uk/government/news/pms-podcast-on-transparency).[4]

This case witnesses a turn in what is accounted for, and to whom, with citizens being left in the uncomfortable position of having the personal responsibility of evaluating local government services received at a time when local government are facing unprecedented financial cuts and having to close whole ranges of public services. This raises important questions as to the whether a greater role for accounting under austerity enhances, supplements or displaces the influence of citizens in holding their governments accountable for the state of public services and stimulates different priorities and demands regarding public finances.

[4] This represents a shift from the past where governmental accounts were shrouded in secrecy (Chow *et al.*, 2011). But, there remain severe doubts over the sufficiency of such an approach, especially given that the 'army of armchair auditors' has failed to materialize (Wheeler, 2012; Toynbee and Walker, 2015).

3.2. *Accounting as a constraint to support or as a buffer against austerity?*

Empirical studies of public sector organizations adapting and responding to austerity reforms provide opportunities for developing understanding of the changing role and significance of accounting systems in financially constrained times, what counts in practice as ‘mature’ financial management and how such functions and practices are resisted or absorbed (Hopwood, 2009).

Interestingly, while central government austerity policies have placed major financial pressures on local government, responses to such policies have been different (Barbera et al, in press) , with accounting systems being used in some cases to support and advance austerity, especially by central governments, and in others providing tools for partially buffering or resisting it. For example, major cities have even been declared bankrupt in the US (see, Donald *et al.*, 2014; Peck, 2014), while cuts in local government funding in the UK of 37% (for the period 2010-16) have been accompanied by a banning of revenue raising fees and charges to offset such reductions (Comptroller & Auditor General, 2014). Such local governments have been informed that they should seek to reduce senior staff pay, improve procurement and back-office shared services and remove non-value adding jobs (Murray *et al.*, 2012). This has resulted in substantial job losses[5] and accompanying substantial drops in service levels, particularly in areas receiving the biggest cuts.[6] Interestingly, as the NAO (Comptroller & Auditor General, 2014, p. 38) points out the legal framework in the UK prevents local government from becoming insolvent, meaning that solutions based on service cuts have become the only viable option for such organizations, although some 19% of metropolitan councils still failed to meet their budget targets (Comptroller & Auditor General, 2014).

In Italy, the reaction to the sovereign debt crisis was dramatic, in terms of repeated cuts in public expenditure, a freeze on personnel hiring, etc. However, it also has to be remembered that the Italian public sector has been under financial stress since the 1990s (Di Mascio *et al.,* 2013), as a consequence of the Maastricht Treaty requirements. In this respect, public sector accounting and the interpretation of the related rules could also potentially be seen as having helped to absorb several of the shocks related first to the application of the Maastricht treaty/growth and stability pact and more recently to the required ‘strengthened’ European governance. The ‘fiscal compact’, and more specifically the ‘balanced budget’ constitutional amendment, was promptly adopted by the Italian Parliament in 2012 (albeit with scant public discussion), following concerted external pressure to show compliance with European requirements. However, the application of the balanced budget principles, set to take place from 2016, requires the approval of more detailed rules and regulations, which have yet to be passed and, therefore, casting doubt on the likely scale of implementation of the balanced budget principle. At the local government level, as Barbera *et al.* (in press) point out, the traditional budgetary accounting system appears to have left a certain degree of budget flexibility with local authorities, enabling them to keep the level of social and political consensus high or acceptable, at least in the short and medium term, even in conditions of financial, fiscal and economic stress. In this respect, Clayton *et al.* (2015) show how the organizational response to austerity was also to adapt and conform to the dominant discourse in order to try and maintain resources and levels of service.

[5] For example, resulting in some 3,600 lost jobs to save approximately £310m in Manchester City Council http://www.bbc.co.uk/news/uk-england-manchester-30009940).

[6] http://www.nao.org.uk/report/the-impact-funding-reductions-local-authorities/

3.3. The case for accruals accounting and WGA? From a managerial to a macro-economic control tool?

A direct illustration of the shifting roles of accounting tools under austerity is evident from the way that the public sector is (again) being encouraged to adopt private sector accounting approaches and philosophies, such as accruals accounting. The adoption of accruals accounting in the public sector had been central in the NPM agenda (e.g. Guthrie, 1998; Hood, 1991, 1995; Olson *et al.*, 1998), where it was seen as the fundamental tool for infusing the public sector with private sector rationalism and managerialism. Under austerity, accruals accounting is being promoted in the name of transparency, rigor and prudent financial management, even though such private sector accounting practices received heavy criticism in quarters for their (pro-cyclical) role in exacerbating the global financial crisis and for promoting more volatile accounting measurement approaches (Ellwood and Newberry, 2007; Newberry, 2015). As the European Commission to the Council and the European Parliament on the implementation of harmonized public sector accounting standards in Member States (2013, pp. 2-3) states, such criticisms have certainly not damaged the case for accruals accounting to be adopted in the public sector: "The sovereign debt crisis has underlined the need for governments to clearly demonstrate their financial stability and for more rigorous and more transparent reporting of fiscal data. Council Directive 2011/85/EU (the Budgetary Frameworks Directive) recognizes the crucial role in EU budgetary surveillance of complete and reliable fiscal data, comparable across Member States. […] Accruals accounting is the only generally accepted information system that provides a complete and reliable picture of the financial and economic position and performance of a government, by capturing in full the assets and liabilities as well as revenue and expenses of an entity, over the period covered by the accounts and at the moment they are closed."

In addition to such claims coming at a time when the transparency and relevance of accruals-based accounts both in the private and the public sector (Anessi Pessina and Steccolini, 2007; Carlin, 2005; Guthrie, 1998) have been seriously questioned, the European Union has also proposed to create its own European Public Sector Accounting Standards (EPSAS) to ensure harmonized, comparable financial reports across member states – rather than adopting existing standards, such as International Financial Reporting Standards (IFRS) or International Public Sector Accounting Standards (IPSAS). The case for EPSAS is being made on quite different grounds than the traditional case for the adoption of accruals accounting under NPM (for a detailed discussion, see, Heald and Hodges, 2015). EPSAS are not being justified on grounds of enhancing managerial or organizational autonomy and performance, but by the need to provide more central control of public finances. They are not being advocated to support managerial and local politicians' decision-making, but rather to bolster a more macro-economic modelling of member states and their public sectors, and thus strengthening broad-based EU policy making. Accruals accounting is thus represented not as a tool for strengthening managerial and organizational accountability, autonomy, responsiveness, but as one for putting public finances (and associated debts) under (centralized) control, and ultimately serving to cede further sovereignty from member states to the EU. Indeed, the widespread use, or pressure to use, international recognized accounting standards, like IPSAS or EPSAS, is deeply involved in the discourse around fiscal consolidation (Biondi, 2014). In making any criticisms of attempts to develop more credible and reliable public sector accounting systems, it is worth noting the recent comments by Soll (2015) on the state of government accounting in Greece and how its failure to use IPSAS was serving significantly to overstate its level of indebtedness and making it difficult to assess the degree to which its financial position was improving or deteriorating. Soll's (2015) critique in an article in the New York Times of the Greek financial crisis and accompanying austerity policies focused centrally on the inadequacies of governmental accounting and the failure of both the Greek and German governments to apply International Public Sector Accounting Standards (IPSAS). The direct consequence, from Soll's viewpoint, was that the Greek debt was effectively being overstated, while the German government's loss on its 'loans' to the Greek government was essentially hidden from the view of the German public, causing much more austerity to be applied to, or extracted from the Greek government.

A further initiative demonstrating the macro-economic dimensions of the resort to accrual accounting has been the development and publication, in the UK, of accruals-based, consolidated, Whole of Government Accounts (WGA). This has been noted by the UK's National Audit Office[7] as providing data that can be used for holding government to account in terms of its spending choices. In particular, WGA has been claimed to offer governments a better picture of the 'real' value of public debt and the sustainability of pensions. For instance, the ICAEW (2015) recently suggested that the requirement to report liabilities such as employee pension obligations (£1.2 trillion) in the balance sheet has forced the government to reconsider how these will be funded.

The usefulness of WGA has been challenged, with critics such as Newberry (2014) arguing that majority of readers, including politicians and officials are likely to misunderstand such reports (see also Aggestam *et al*., 2014). It is also important, especially for countries contemplating such accounting developments in response to austerity, to recognize that the UK government committed to the implementation of WGA in the Government Resources and Accounts Act (2000) but did not publish its first set of accounts until 2011, substantially after the outbreak of the global financial crisis. So WGA is not an immediate, off-the-shelf solution to austerity, with research on WGA (see also, Chow *et al*., 2009; Heald and Georgiou, 2009) having raised important questions about the processes involved in producing WGA and the extent to which such annual reports will deliver improvements in public sector financial management. Indeed, it would appear that one of the major benefits of the development of WGA has resided in its catalytic, processual effects – in improving internal accounting systems across different segments of the public sector – as against action taken in response to published WGA reports – which continue to compete with more economic-based National Accounting data as the primary 'accounting' input into central government decision making.

Such institutional considerations and consequent social re-shaping effects requires us to consider how various stakeholders use different kinds of measurement and reporting systems to support or counter arguments regarding the practical need for particular public services and to contemplate whether cuts are: (a) necessary; and (b) capable of being reversed. With such thoughts in mind, we now turn to an examination as to how austerity has been addressed to date in the accounting research literature.

4. Austerity and the accounting research literature

During the initial spur of the global financial crisis, some accounting scholars debated the extent to which accounting and auditing practices were implicated in fostering or causing the financial meltdown and also how the profession had responded to the crisis. Examples of this interest can be found in the special issues published in journal such as *Accounting, Organizations and Society* (Vol. 34 Issues 6-7, 2009) and the *Journal of Accounting and Public Policy* (Vol. 33, Issue 3, 2014). More recently, in *Critical Perspectives on Accounting* (2015), together with a limited number of papers in other accounting journals (e.g. Barth and Landsman, 2010; Gendron and Smith-Lacroix, 2015; Humphrey *et al.*, 2011; Kothari and Lester, 2012; Magnan and Markarian, 2011; Sikka, 2015; Van der Stede, 2011). In particular, the accounting profession has been criticized for failing to anticipate the crises of banks and financial institutions, with questions raised regarding the claimed silence of auditors (Hopwood, 2009; Sikka, 2009, 2015) and analyses conducted of the way in which the profession, globally, responded to the crisis (Humphrey *et al.*, 2009). Considerable attention has

[7] http://www.nao.org.uk/highlights/whole-of-government-accounts/ (accessed at 25 May 2015).

been devoted by accounting scholars to the role and significance of 'fair value accounting' in the global financial crisis, particularly regarding its claimed, damaging, pro-cyclical effects (see, Bengtsson, 2011; Laux and Leuz, 2009, 2010; Power, 2010; Véron, 2008). Concerns about the financialization of accounting as a discipline and practice (see, Arnold, 2012; Richard, 2015; Zhang and Andrew, 2014) has seen accounting described as an integral part of the "symbolic universe of neo-liberalism" (Cooper, 2015, p. 17). With the latter ideology said to be centrally implicated in the establishment of a financialized economy from which the global financial crises emerged in 2008 (see, Aglietta, 2012; Blyth, 2013; Crotty, 2012; Lehndorff, 2012; Seymour, 2014). According to Zhang and Andrew (2014), the IASB's revision of the conceptual framework jointly with the FASB reflected an increasingly neoliberalist and financialized economy, with Richard (2015) claiming that accountants and accounting regulation (IFRS, in particular) are directly supporting the dynamics of modern 'financialized' capitalism and the resulting huge financial imbalances and risks experienced during the financial crisis. Questions have also been asked of the extent to which accounting practices and accounting firms have contributed to increasingly inequitable distributions of income and wealth – with some critics stressing that accounting is far from being a neutral practice, but has been molded in order to represent dominant class interests (Sikka, 2015). Alternatively, others have sought to question the impact of accounting practices on the macro-economic modelling and associated interventions of policy makers and regulators (Bezemer, 2010).

However, despite explicit calls for accounting studies to explore the social and organizational dynamics of the global financial crises and the role of accounting and accountants (Hopwood, 2009; Arnold, 2009), it appears that its consequences, particularly in terms of the deployment and impact of austerity policies on public services and society more generally, have received little attention and coverage in the academic accounting literature.[8] This may be a reflection of the scant attention typically devoted to public services and organizations in accounting journals (Anessi Pessina *et al.* in press; Broadbent and Guthrie, 2008). However, it is still quite surprising, when it is evident that accounting has historically been closely interlinked with changing economic and social conditions (see, Soll, 2014). Indeed, Soll observed that societies historically have flourished when harnessing accounting as part of their general cultures (p. 207) but that they can also frequently lose the capacity to master the interplay between accounting and cultural life and find themselves in unexpected, avoidable, and sometimes cataclysmic financial crises (p. xvii).

An important exception to such a pattern of study is the examination by Morales *et al.* (2014) of the Greek financial crisis, which suggests that there are arguably quite strong hegemonic forces that serve to shift analytical focus away from the complexities and contradictions of accounting-based reforms. Their analysis shows that the Greek government's financial problems initially were attributed to its inappropriate reliance on complex financial derivatives, the inadequacies of the advice it had received from Goldman Sachs and the lax nature of European accounting rules (such as ESA95, 2002 and 2003) which had permitted what came to be classified as excessively creative accounting practices (also see, Wood and Campbell, 2010). Morales *et al.* (2014) demonstrate how blame for the crisis subsequently shifted thematically to a cultural discourse criticizing the behavior of the Greek government and its citizens on issues of corruption, excessive government expenditure, tax evasion, an unwillingness to work and a 'scheming' desire to achieve success without effort. Instead of any systemic critique of a state privatization agenda, the marginalization of democratic government and the financialization pressures promoted by the global banking and finance industry,

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[8] Searching, on May 2015, for the term "austerity" within the accounting journals retrieved only 15 hits distributed across only 7 journals. The journal selected were *Abacus, Accounting and Finance, Accounting Business Research, Accounting Forum, Accounting Horizon, Accounting Organizations and Society, Accounting, Auditing and Accountability Journal, Advances in Accounting, British Accounting Review, Contemporary Accounting Research, Critical Perspectives on Accounting, European Accounting Review, Journal of Accounting Research, Journal of Business Finance and Accounting, Journal of Public Budgeting and Accounting, Management Accounting Review, The Accounting Review.*

explanations and solutions served to bolster neoliberalist tendencies: which shift "blame from 'flaws in the system' and places it on bad players that failed to internalize capitalistic values. The solution is simple: more surveillance and discipline (of 'peripheral states' by 'central' institutions), less public spending (austerity measures), and 'structural reforms' – that is, increased neoliberalism" (Morales *et al.*, 2014, p. 440)….."We do not argue that critique and resistance are impossible, but that their effects are less and less to trigger radical change and more and more to foster an illusion of debate without disrupting the neoliberal state privatization agenda too much" (Morales *et al.*, 2014, pp. 441-442).

Of perhaps even more surprise, is the sheer absence of studies of the role of, and implications for, management accounting practices under an era of austerity. When one recalls the work of authors such as Aaron Wildavsky on the politics of the budgetary process (Wildavsky, 1964, 1988) or the vast range of authors who have emphasized the role that accounting plays in the economy and society (for discussions see Hopwood, 1983; Humphrey and Miller, 2012), particularly during periods of crisis (Arnold, 2009; Hopwood, 2009, Bhimani, 2008), it would not be unreasonable to have expected a flurry of accounting research papers on the pressures and difficulties of budgeting processes in government and public sector organizations facing quite massive levels of austerity. However, such papers are scarce, with an interesting study (conducted in 2009) exploring the tightly controlled but turbulent nature of budgetary arrangements in Swedish local government but, surprisingly, making no mention of austerity and the global financial crisis (Johansson and Siverbo, 2014).

Turning to the papers that constitute this AAAJ special issue, they seek to provide much-needed evidence and reflection on the role of accounting in a public sector context under an era of austerity. Their focus collectively centers on changing patterns of accountability under austerity, and how accounting is implicated in processes of advancing, absorbing or combating austerity at different levels and across different types of relationships, whether organizational, social and/or political.

In the first paper, Van der Kolk *et al*. (2015) analyze how management control systems changed under austerity in four departments in two Dutch municipalities. They find that austerity brought about a stronger reliance on constraining elements of management control systems, which may ensure stronger financial stability in the short term. However, tightening of these systems is also reported to have longer-term implications for employee motivation and served to promote increased opportunistic behavior within departments, forms of resistance, reducing the overall effectiveness of control. Such effects were capable of being curbed when facilitating elements of controls were also emphasized, with departmental responses to austerity being enhanced through the use of a blend of management controls.

Also considering the impact of austerity on local government, Ferry and Ahrens (2015) provide an empirical examination of the mediating role played by Newcastle City Council in managing central government imposed budget cuts across a range of 'grassroots' organizations, all seeking to justify their continuing right to receive local government funding support. This strategy was considered a way of addressing multiple stakeholder expectations when cutbacks and increasing reliance on centrally imposed financial goals threatened the decisional room left to the authority. In the process, accountability relationships were reconfigured in ways that saw grassroots groups being enrolled, via new budgetary emphases, in different ways of working, becoming policy proposers with local government acting as assessors and arbiters of competing funding proposals. While financially weakened by central government cuts, Newcastle City Council was able to retain a considerable degree of political control through a budgetary process that essentially allowed it to 'divide and rule' but also to keep the support of the majority of grassroots groups by enrolling them very directly in considerations regarding the financing and continuing provision of 'public' services.

Lapsley *et al*.'s (2015) paper focuses on the adoption of austerity measures in Ireland, Greece and Spain. Through the conceptual lenses of legitimation and resource dependency theories, they show that each of the three countries adopted cutback measures initially with legitimating purposes in mind and then increasingly for reasons related to a dependence on resources. They also throw light on the role of austerity in strengthening the role of supra-national institutions, such as the Troika, and their influence on public policies at the national level through planning and reporting against financial goals in terms of retrenchment and debt consolidation. In this way, these apparently neutral bureaucratic arrangements, defined and devised well afar from "grassroots" and citizens, are shown to be transforming individuals' lives and society more broadly.

A similar notion, that accounting is at a critical juncture in terms of the kinds of roles it plays in justifying austerity policy, is also conveyed by Heald and Hodges (2015). Using Miller and Power's (2013) framework, Heald and Hodges provide insight into the roles played by two distinct forms of accounting: government financial reporting and statistical accounting. They draw attention to the territorializing role that has emerged as countries, never having adopted accruals based accounts, contemplate the prospective demands and consequences of having to become 'EPSAS' compliant. They show how accounting also has a mediating role in terms of reconciling the different interests of parties keen to shape the outcomes of debates regarding the possible requirements of EPSAS. They describe how accounting also has an adjudicating role by helping to frame which techniques will be used to define success and failure in terms of economic recovery. Finally, they identify how accounting has a subjectivising role since it promotes structured responses to decision making. Each of these roles, Heald and Hodges argue, strengthens the capability for European/supra-national surveillance and intervention leading to conflicts and contests, and, at the same time, increasing the incentives for accounting arbitrage and manipulation such as the deployment of off-balance sheet mechanisms such as PPPs and government guarantees.

These papers collectively provide a useful step forward in developing understanding of the significance and contribution of public sector accounting in this new era of austerity. They also invite greater consideration of the way in which public sector accounting research needs to develop, and it is to such matters that the closing section of this editorial is devoted.

5. Concluding Thoughts: Accounting for Austerity – A Research Agenda

In initiating and developing this AAAJ special issue, we have become acutely aware of the limited impact the topic of austerity has had on public sector accounting research. The continuing dominant focus on the concept and operationalization of NPM is not something unique to accounting, with a desire to assess the impact of NPM over several decades still evident in disciplines such as public administration (e.g. Andrews and Van de Walle, 2012; Boston and Eichbaum, 2014; Hood and Dixon, 2013; Pollitt and Dan, 2011). That said, we found the relative lack of attention given by accounting researchers to austerity to be both surprising and concerning. As a global academic community we have for many years stressed the economic, social and political dimensions of accounting (for reviews, see Chapman *et al.*, 2012), but this tradition has struggled to stimulate accounting research focused on austerity commitments that are shaking the roots of democracy and established notions of government.

The relative absence of accounting research on such matters stands in some contrast to a burgeoning literature on austerity in other disciplines, as we have discussed in the previous sections. Austerity is an issue of such scale and significance that failing properly to address it, almost by definition, makes much public sector accounting research appear myopic and outdated, if not irrelevant. It also leaves analysis of the implementation of austerity policies (and resulting implications) in the hands of non-accounting experts, even though it is evident that austerity requires the utilization of a sheer panoply of accounting measures, instruments and reports and the evident exclusion or ignoring of sets of 'alternative' accounting philosophies and associated technologies.

If accounting researchers were contemplating the demise of public services under much more favorable contexts nearly a decade and a half ago, why has so little been said under times of austerity? Has public sector accounting research allowed itself to become too insular, dominated with relatively narrow discussions over on-going NPM reforms, even getting caught up itself in the increasingly 'publish or perish' culture of academia and the managerialisation of universities and simply missing the bigger picture of austerity or being deceived by the one-dimensional constructions of accounting in the standard austerity-rhetoric of expenditure cuts and 'balancing the books'? Whatever the answers are to such questions, they should never be sufficiently persuasive and powerful to prevent accounting research from being more focused on issues concerning the responsibilities and accountabilities of government, the provision of public services and notions of public interest.

It is helpful in this regard to draw a distinction between: (a) accounts of austerity; and (b) the use of accounting technologies in managing or responding to austerity.

A good proportion of the content of the papers in this AAAJ special issue has been concerned with the latter dimension – about how different public sector governmental bodies have resorted to accounting technologies in order to manage constrained levels of resource under austerity; or how different accounting standards and targets have been used to measure the scale of austerity and to monitor or shape responses to it. What they have been less focused on is a consideration of the various ways in which austerity has been accounted for, or could be accounted for; raising, in the process, serious questions as to where this latter type of research stands on the priority lists of accounting researchers?

Extant literature on austerity offers three principal reflections. First, there is no evidence that austerity works. On the contrary, it has been described as 'the great failure' (Schui, 2014) or a 'dangerous idea' (Blyth, 2013). Second, the impact on public services is widely anticipated to be substantial. Third, despite the scale of critiques of austerity and policies implemented in its name, alternative reforming strategies are either said to be in short supply or at least not easy to specify succinctly and not offering immediate, quick fix solutions. As Whitfield (2012, p. 223) concluded, reconstruction is required of the economy, state and public services while Seymour (2014, pp. 187-188) argued that a "successful anti-austerity strategy must ascend the three vertices of class, state and ideology…we have a generation of slow, patient work in front of us if we are to turn fundamentally things around". This does not mean that austerity is inevitable and that there are no alternatives to it. Schui (2014) envisaged the notion of an 'ethical austerity', intent on delivering more democratic societies exhibiting a more equal distribution of incomes. The redistributive effects would shift consumption patterns and, in the process, address the 'paradox of thrift' that Schui (2014, p. 185) argued has plagued advanced nations in their pursuit of economic recovery.

Austerity, thus, is not inevitable, takes on different meanings, and is subject to different interpretations, giving rise to a variety of policy responses (Anderson and Minneman, 2014). It is here that there remains much potential for accounting research in demonstrating alternative accountings of austerity and its consequences; of not taking it for granted or as an inevitability; of debating what is happening and what is being achieved, missed, excluded and/or ignored in the name of austerity. Very much in this respect, accounting research can serve as a reminder, a voice of social conscience, in terms of what is being secured, lost and devalued under austerity and trigger more explicit debate and questioning of the concept, its form, scale and significance and the relative merits and impact of competing policy actions, choices and consequences.

Along these lines, we suggest below several possible ways forward for public sector accounting researchers. Underpinning these research directions is the importance of people being sensitive not only to the practical operationalization and performativity of accounting technologies in implementing and managing austerity, but also to the politicised nature of austerity as a concept, the range of, and capacity for, alternative accountings for austerity and the potential to connect with researchers working in other disciplines.

5.1. The politics of austerity: the performativity of accounting

The scale, depth and diversity of the austerity literature and the differing views on the causes of and critical responses to austerity demonstrate that austerity cannot be viewed in neutral terms but has to be seen as fundamentally political. This, in turn, serves to make it explicit that in contemplating the role of accounting in relation to austerity it is narrow minded to assume the existence of a one-directional, inevitable approach to accounting for austerity as it is much more than just being about 'balancing the books'.

Accounting, accordingly, has to be seen as a performative activity that can only be defined through its operationalization (Vosselman, 2014). Particular accountings highlight certain dimensions of activity (and ignore others), steering or stimulating particular sets of decisions and policy choices (Humphrey and Miller, 2012). This implies that while accounting may serve punitive roles it is also capable of serving emancipatory roles (Bebbington, 1997). For instance, it is possible to account for both economic growth[9] and social welfare, whether in terms of happiness, cohesion, inclusion, equality, security, care for the environment and commitments to future generations. Austerity, by implication, can also be considered and represented (whether in terms of its symptoms, causes, effects, solutions and consequences) in a much broader frame than its traditional financial lens. Fundamental here is to give due respect and recognition to the importance of studying the impacts and ramifications of accounting in its social, institutional, political and organizational contexts (Bezemer, 2010; Parker & Guthrie, 2014). Just as Hopwood (2009, p. 797) argued that there is the "need for a more rigorous investment in diverse research perspectives rather than an unquestioned following of a singular mainstream view", there is a corresponding need for researchers and policy makers alike to engage in broader-based accounts and accountings of, and for, austerity.

5.2. Austerity and management accounting: a view from inside organizations

While the focus of public accountability under austerity appears to be on whole of government systems, inter-institutional and transnational relationships, which remain important areas of research, we should not overlook that austerity is also impacting individual organizations and the way that they consider the financial consequences of the decisions they make (Donald *et al*., 2014). Yet, as Hopwood (2009, p. 801) explained "management accounting research gives little or no guidance on the modes of organizational response to economic crises", which is all the more true in the context of public service organizations. The crisis of public finance represents an interesting context for providing a better understanding of the functioning of management accounting practices, such as budgeting, cost control, performance measurement, incentive systems (Arnaboldi *et al.*, 2015; Van der Stede, 2011). The nature of management accounting practices means that they can provide information on the day-to-day decisions being made inside organizations, but they also have the ability to influence significantly governance and accountability arrangements at the societal

[9] It also has to be recognized that the pursuit of growth as an automatic economic policy aim is open to substantial critique, especially in an increasingly globalized and financialized world (see, Harvey, 2010; Piketty and Goldhammer, 2014).

level (MacIntosh and Quattrone, 2010). The overriding question in this respect is how they are reconfigured (in terms of scale and the kinds of activities they are used for) and what remedies they provide.

The study of the interrelations between management accounting and organizational changes, although not new (e.g. Broadbent and Guthrie, 2008; Cruz *et al.*, 2009; Nor-Aziah and Scapens, 2007; Uddin and Tsamenyi, 2005), should represent an important field of observation. Austerity programs are putting enormous pressure on managers, with consequences for management accounting systems in terms of supporting decision-making and controlling needs. Johansson & Siverbo (2014) showed that public sector organizations, when faced with budget turbulence and uncertainties, tend to use and benefit from a tighter budget control systems. However, the implications for accounting of austerity pressures and reforms are likely to be more multi-dimensional, especially given the number of public service organizations undergoing radical structural changes (Liguori, 2012), the growing significance of inter-organizational relations (Jakobsen, 2012), the complexity of governance and network structures (Cuganesan, 2006; Koliba *et al.*, 2011) and the developing linkages across public sector organizations (Hodges, 2012; Raudla & Tammel, 2015) as they seek collectively to cope with complex (wicked) problems and declining resources.

5.3. Accounting for austerity: more than making cuts and balancing budgets?

Accounting for austerity is not as straightforward as politicians or the popular media would have us believe through their continual reiteration of phrases such as 'balancing the books' and the importance of acting like any sensible household would do in 'keeping its accounts in order'. Such behaviour is to rely on quite one-dimensional or one-sided views not only of austerity and the responsibilities of government but of the role and significance of accounting. Even those calling for new accountings (e.g., the importance of governments recognising the scale of public sector pension deficits) fail: (1) to acknowledge the limits or vagaries of such new accountings and the capacity for alternative/additional accountings regarding other dimensions of austerity; and (2) to acknowledge the disputed status of the nature of austerity in the literature and the scope that such controversy gives for a broader conceptualisation of the role of accounting in austere times. Treating accounting, under the traditional austerity rhetoric, as a neutral and objective tool, measuring the scale of public debt and expenditure, and fixing only on financial issues, has not appeared to foster national growth. If traditional resorts to accounting are correlated with increasing social inequalities and exclusion, then it is not hard to argue that accounting can, and should have a broader orientation. Admittedly, broader dimensions of social well-being may not be easily measured (Messner, 2009), but there is a growing literature in other fields of inquiry supportive of the need to account for environmental, social, human and natural capitals and not just financial capital (Piketty and Goldhammer, 2014). In essence, to capture the broader picture of austerity causes, symptoms and possible solutions requires an interdisciplinary view not only of 'capital' but also with respect to the nature of social rights and obligations.

These days, the field of accounting is replete with professional bodies and firms claiming to work in the public interest. Even austerity cutbacks are routinely justified as being in the public interest. But such a tone and focus is not inevitable. For example, rather than routinely accepting that contemporary accountings are necessarily in the public interest, we can ask in what ways does public sector accounting visibly demonstrate an interest in notions of the 'public'? If public sector accounting under austerity is to be seen as serving more than certain sectional, private interests, we should expect it to be providing broad-based analyses of the impact of austerity on public institutions, services and the wider public/social sphere. At one level, this means that accountings for austerity cannot be allowed to be dominated by the financial. But it also means that such accountings cannot ignore the financial. Indeed, there are strong arguments to suggest that current accountings for austerity are not only weak on their consideration of the social costs and consequences of austerity but could also provide more frank and critical assessments of the risk exposures that society still faces in relation to the banking sector post-global financial crisis (Blyth, 2013, pp. 230-231). Similar considerations apply to the threats posed to public services, social welfare and the broader democratic authority of nations by the on-going development of the Transatlantic Trade and Investment Partnership (TTIP) and the global power shift through the associated operation of the Investor State Dispute Settlement (ISDS) mechanism – which gives corporations the power to sue governments if they believe that legislation has damaged their future profitability (e.g. through the banning of products, types of advertising or forms of service provision)[10].

Wolf's (2014, p. 351) detailed analysis of what has been learned (and still needs to be learned) from the global financial crisis and the consequent era of austerity highlights the failures of Western economic, financial, intellectual and political elites (also see Engelen *et al*., 2011). For Wolf (2014, p. 352), the decline in confidence in such elites is made even worse by economic rescue measures serving to "make the parts of the elite most associated with the crisis richer than before…The loss of confidence in the competence and probity of elites inevitably reduces trust in democratic legitimacy. People feel even more than before that the country is not being governed for them, but for a narrow segment of well-connected insiders who reap most of the gains and, when things go wrong, are not just shielded from loss but impose massive costs on everybody else". Wolf also highlights how an ever more nationally detached 'globalized economic and financial elite' is weakening notions of citizenship and, particularly, in the Eurozone with the economic dominance of Germany and the rise of the Troika, creating an insufficiently emphasized sense of constitutional disorder and a growing divorce between accountability and power which is striking at "the heart of democratic governance" (p. 352).

5.4. Alternative accounts of austerity: the scope for multi-disciplinary, radical thinking?

Contemplating accounting responses to austerity in a multi-disciplinary fashion or across a multiplicity of perspectives will help to ensure that public sector accounting practice does not unwittingly buttress political agendas that, despite vocal claims to the contrary, serve certain elements of society (and harm others) to great (and unfair or unanticipated) effect. Accounting, in short, can be more than the henchman of austerity; a financial or even emotional barrier serving to constrain or prevent the construction of alternative political and economic agendas and responses to austerity. The key here is that the contemplation of radicalism is not just the preserve of economists or political scientists – it is something that accounting researchers and practitioners should be considering through the development of alternative accountings and alternative accounting strategies, by analyzing different effects of austerity and providing different accounts of the 'public' and 'private' interests being served by austerity policies. Future research needs to provide an understanding of how what is accounted for (and not accounted for) supports various kinds of political and social struggles. How does it lead to particular trade-offs or compromises being made? Put differently, for example, we at least need a better understanding of how accounting might be supporting deeper than necessary cuts in public spending to particular services (Schui,

[10] For more details of active social campaigning against TTIP and its significance in an era of austerity, see http://corporateeurope.org/international-trade/2014/10/d19-20-alliance-call-action-against-ttip-and-austerity; https://www.opendemocracy.net/can-europe-make-it/thomas-fazi-werner-raza/ttip-next-phase-of-austerity-agenda. For a summary of the current EU position on TTIP and ISDS, see https://www.theparliamentmagazine.eu/articles/news/no-ttip-deal-isds-warns-parliament. Related concerns can also be seen with respect to the global trade discussions taking place regarding the Trade in Services Agreement (TISA) and the Trans-Pacific Partnership (TPP).

2014). Are accountants and their accounting techniques functioning less as the recorders and more as the architects and enforcers of austerity policies? Or and, instead, serving more constraining and protective roles, or acting as the catalysts and stimuli for alternative ways of conceiving of, and responding to, austerity?

One does not have to look that hard to find regular references over the last three or so decades of the importance of accounting research having a critical edge, typified by Dillard's (1991, p. 25) urgings:

> "If we appreciate the power of accounting knowledge to influence resource allocations and sustain control of dominant power groups within the current socio-economic environment, we can no longer ignore the moral, ethical and political consequences of our trade. If we do so, we will continue as accessories, albeit unwitting/unwilling, in facilitating and perpetuating the alienation of vast numbers of human beings. We can no longer be satisfied with only interpreting the world; we must become an active catalyst for change".

Broadbent & Guthrie (2008) reiterated such sentiments in a public sector accounting context, lamenting the failure of academic critique of various public sector accounting and management reforms to influence practice and speaking of the need for academics to go beyond the pursuit of understanding and to "try to change the world" (p. 156). Most recently, Hopper and Bui (2016, p. 1) in reviewing developments in management accounting research, expressed concern at the lack of contribution made in "critical areas endeavouring to give greater voice and influence to marginalised sectors of society worldwide. Third Sector organisations, politics, civil society involvement, development and developing countries, labour, the public interest, political economy, and until recently, social and environmental accounting have been neglected"[11].

For sure, it remains important to know what is happening within public sector/service organizations in terms of the way they are running their accounting systems in austere times and to develop better understanding of how accounting practitioners are facilitating the operation and maintenance of much needed and valued public services. As Olson *et al*. (2001) suggested, public sector accountants can often prove to be critical but 'honest brokers', cautioning policy makers against excessive reliance on such systems and making excessive claims as to their relative functionality. Such empirical depth at the organizational level can also help to reveal aspects of public service provision and whether the pursued solutions are best focused on elements of service delivery or management systems or whether the real failings are at the level of public policy construction?

We have also shown that austerity has implications for the roles played by accounting practices and bodies at national and supranational and there is more to learn, as Humphrey and Miller (2012) make plain, of the way in which practices and ideas travel and with what effect, both within and across public sectors and between the private and public sectors. For example, the dominant economic and political position that Germany has assumed through an austerity-struck European community and the way it is choosing to manage the consequences of such power may provide an inspiring research opportunity for a growing internationally focused body of German academic accounting scholars. Likewise, given the social impact of austerity across countries such as Ireland, Portugal, Spain, Italy and Greece, accounting researchers in such countries could have been expected to contribute important and powerful critiques of austerity[12]. Disturbingly, these latter nations, whose histories and economies were and are important to the construction of the European Union, have come to be routinely referred to as 'peripheral' under austerity. Contemplating how we classify groups of people, societies, governments and nations in these austere times is, directly, to

[11] For further considerations, see also Modell (2014).

[12] A point already noted in the field of Organization, regarding the observed scarcity of (critical) academic studies on the global financial crisis and its consequences (see Morgan *et al*., 2011, p. 150-151).

think about how we account for austerity. Classifications and categorizations are accounts of austerity, just as are explanations of the causes of austerity or analyses of the financial scale of austerity.

Public sector accounting researchers have a real opportunity to use their knowledge and expertise to demonstrate how austerity is reconfiguring the form and content of accountability relationships in the public sector and of public services. Accounting properly for austerity has to involve consideration of the effects of austerity policies and measures on the economy, the social fabric, the relationship between the market and the state, and ultimately, the ways in which the state and the public services are configured, governed, managed and held accountable. We can work with colleagues in other disciplines and certainly also ask questions of an interdisciplinary nature ourselves (Chabrak and Gendron, 2015). We can also learn from productive collaborations in fields such as PPPs and the rise of financialization (e.g. Broadbent and Laughlin, 2003; Engelen *et al*., 2011; Froud *et al*., 2010; Hatherly and Kretzschmar, 2011; Shaoul *et al.*, 2012).

Fundamentally, however, academic and practitioner communities have to think in different ways not only about how we account for austerity but what alternative austerity accountings could look like? Recent commentaries, for instance, in the Financial Times have sought to highlight the scale of the public pensions deficit and, by implication, the need to cut pensions (see, Guthrie, 2015). But where is the talk of alternative ways of raising finances to cover existing commitments or at least reduce the deficit? We are told that private sector pension provision has been reformed and the public sector must follow but what of the hidden 'transfer costs' that reductions in private sector pensions has placed on the public sector and the need to make welfare payments to 'newly poor' private sector pensioners? What of rapidly rising levels of household debt and the effectiveness of 'austerity-oriented' governmental economic policies in addressing the burdens of growing private (as opposed to public) debt (Macartney, 2011)? Routine reference is made to the profit-making, wealth creating capacities of the private sector but how much profit do private sector organizations extract from their engagement with the public sector? How dependent is the private sector on the business it has secured from the public sector?[13] A publicly funded health care system appears to be taken for granted in a good number of societies, so much so that politicians routinely commit to safeguarding or ring-fencing healthcare from expenditure cuts. But how much profit are private sector pharmaceutical companies making from their drug sales to public health care providers? How much do we know of such activity, especially in relation to the way such companies buy the rights to emerging (cheaper) generic drugs to preserve existing patents on what are highly profitable drugs?

Alternative accountings for austerity, sensitively undertaken and sensibly presented can help to break down the stereotypical unthinking images, myths and biases that prevent constructive debate and careful, informed, but open-minded thinking. However, we also have to note that in committing to ask challenging questions of austerity and the accounts being provided, the scale of collective transformation needs to be substantial. The rise of NPM, for example, has gone hand-in-hand with a persistently critical academic accounting literature, inevitably questioning in the process the persuasiveness or even just the basic visibility of such critique (see, Broadbent and Guthrie, 2008; Humphrey and Miller, 2012). That said, the sheer severity of the changes being delivered by or, at least, promised or feared of, austerity, is such that as an important international research community, we can only seek to do more. There has to be more thought-provoking accounts of austerity in those countries hit the hardest, while we also have to encourage more rounded policy analyses of the actions and obligations of those nations and supranational bodies to have gained more power, influence and success from the era of austerity (see, Duina, 2011; Eatwell, et al., 2014). Indeed, the EU, as a body that has been active in pushing the austerity agenda, itself has interesting

[13] See Gamble (2014, chapter 7) for a discussion of the contemporary interdependency of the state and markets and the flawed nature of claims that wealth originates only in, and through, private activities.

questions to address, given a long history of qualified reports from the European Court of Auditors, as regards the efficacy of its own accounting systems and associated financial statements.

In essence, the prevalent, standardized talk of ‘balancing the books’ needs to be supplanted by ‘balanced’, socially and intellectually informed accounts of the application and consequences of austerity policies….that are not only listened to but also generate constructive response. Ultimately, as a socially constructed phenomenon, accounting can only be bound by restrictive technical descriptions (such as ‘balancing the books’) if society allows it to be so. It is somewhat ironic that it takes the financial harshness of austerity to remind us of the social and political nature of accounting and the sheer importance of accounting for the things that, as a society, we not only collectively value and treasure but, potentially, also just take for granted – until they are gone.

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Table 1. Changing accountability: From NPM to austerity

	Under NPM	**Under Austerity**
Accountability		
Of whom	Public managers, public organizations, departments	A nation's public sector as a whole
To whom	Citizens, users, audit institutions	Supranational institutions, other public sector entities
For what	Inputs, outputs, outcomes	Expenditure, deficit and debt
Measurement and assessment bases	Budgets, performance reports, value-for-money/value-added, market competition	Fiscal rules, financial cuts, constraints and controls
Represented role of accounting	Holding managers and politicians accountable for both financial and nonfinancial results Supporting decision making in a market/competition environment	Reducing expenditure, deficit and debt all with a purely financial focus Governing inter-institutional and/or intergovernmental relationships