



# Editorial

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## Accounting research and the public interest

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### Abstract

**Purpose** – This essay sets out to introduce the special issue.

**Design/methodology/approach** – The essay discusses a variety of approaches to exploring the relationship between accounting and the public interest, and briefly reviews the contribution of the articles in the issue.

**Findings** – Not applicable.

**Originality/value** – The essay argues that accounting research can be opened up by problematizing the notion of the public interest, and by considering not only how accounting constitutes the public interest, but how various public interests constitute accounting.

**Keywords** Public interest, Accounting research, Social structure

**Paper type** General review

“The public interest” is a phrase that we, as accounting researchers, associate with accounting almost by reflex. When we talk about accounting and society, the normative imperative creeps in, and we find it quite natural to insist that accounting ought to serve the public interest. This predisposition is reinforced by the traditional claims of the accounting profession to protect the public interest, and by the neoclassical microeconomic theories that underpin so much accounting research, which deem accounting to aid in social welfare maximization by providing transparent, reliable information to investors. Accounting research that problematizes the notion of the public interest is rare, however. Researchers seldom directly address what is meant by “public interest”, or question how accounting is connected to it. Mainstream researchers, by virtue of their microeconomic models, tend to assume a unidirectional relationship between accounting and the public interest, wherein “better” accounting (i.e. more representationally faithful, more reliable, more timely, more comparable, and so forth) makes for greater social welfare. Even critical researchers frequently accept this one-way relationship, albeit they usually contend that the relationship is impaired.

To move beyond this consensus, and open up “public interest” research, it is helpful to consider accounting and the public interest as being mutually constitutive (cf. Neu, forthcoming). Accounting does not serve the public interest so much as generate a peculiar and hyperreal version of it. And this peculiar “public interest” in turn demands and generates the accounting that it requires. How this happens is an



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empirical question. It is to stimulate research into this empirical realm, to open up lines of enquiry into the mechanisms and sustaining myths that connect accounting and the public interest, that this special issue has been assembled.

The recent recurrence of accounting crises has fanned the flames of interest in the public interest, leading to a popular concern for the role of the profession and calls for better regulation. This has created an interesting puzzle. While the public outcry regarding Enron and WorldCom can scarcely be overstated, and while many accounting researchers have at least toyed with the idea of producing something apropos, the market for accounting research has not been as conducive to public interest research as one might expect. The number of articles using the phrase “public interest” in leading accounting journals, this one included, has not increased significantly since Enron[1].

The reasons for this have to do, we suggest, primarily with the institutionalized nature of the market for accounting research. On the “supply” side, academic careers are built around particular research approaches and painstakingly acquired expertise/habitus, wedded to mid- and long-range research programs. Pivoting these programs to engage fashionable topics is akin to asking a cruise ship to turn around to pick up a late passenger. On the “demand” side, accounting’s academic journals have interests, aims and agendas that allocate the retail space for research in certain ways. Asking accounting academics to produce research on the public interest that meets both the quality standards and the implicit topical and methodological strictures of leading accounting journals is therefore doubly difficult. Even if they did produce “public interest” research articles, it is not certain that these articles would find a home.

New strategies are therefore necessary for creating the publication spaces where public interest accounting topics can be explored and debated. These spaces must be created before researchers can be expected to take the career risks to produce the work. This process is well underway, with the creation of new journals such as *Accounting and the Public Interest*. The willingness of *Accounting, Auditing & Accountability Journal* to produce this special issue continues this process.

Each of the articles in this issue takes a very different look at the relationship between accounting and the public interest. The first article in the issue, by Christine Cooper, is a call to arms for accounting academics. Cooper argues that academics have an important role as public intellectuals, which requires them to engage the social world. Similar to prior work in this genre (Sikka *et al.*, 1995; Neu *et al.*, 2001), she suggests that academics can offer theoretical coherence to social movements, but that the pressures of academic work constrain academics from engaging in socially connected work.

Cooper argues that the jargon of neoliberalism fills dominant discourse, giving us terms like “the free market” that pose as what she calls counterfeit universals. Such terms represent the myths of global marketization, she argues. The academic’s role is to present alternatives to the dominant social narratives, and particularly to make it possible to hear the voices of the poor and other marginalized groups. In order to do this effectively, Cooper argues, it is necessary for the accounting academic to engage the social world at the local level. Explicit in this argument is the understanding that in order to promote the public interest, the academic must be politically active against power. While the focus of the academic is on analysis and vocabulary, Cooper argues

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that words are not enough – or at least that words without local engagement lack credibility and effectiveness.

Jesse Dillard and Linda Ruchala provide an elegant exploration of the nature of administrative evil, the institutional, procedural, bureaucratic sort of violence that characterizes modernity (Bauman, 1989). Like Funnel (1998), Dillard and Ruchala argue that accounting plays a key role in implementing the instrumental rationality behind such violence. Their working definition of the public interest is intriguing. It is linked to the notion of “the ongoing community,” a community whose interests are not homogenous, and need to be worked out continually through dialogue. What is especially appealing about this definition is the sense of history and continuity that is implied by the word “ongoing.” The definition takes one away from the static equilibria and ahistorical calculations of neoclassical microeconomics, broadens the range of stakeholders to be addressed, and insists that others must be considered who have no voice, but who have a history to be respected and a future to be protected.

Dillard and Ruchala are not content merely to describe the mechanisms by which accounting contributes to administrative evil. They also seek to describe frameworks for enlightenment and change (following Laughlin, 1987), through the reintegration of socializing forms of accountability into hierarchical organizations, through changes to the technical structures and the cultures of organizations, and through changes to the way we teach accounting. This somewhat prescriptive conclusion to their essay may make some researchers uncomfortable. While Cooper calls for academics to engage in local action, Dillard and Ruchala suggest that our very research and teaching should be more directly engaged with creating the conditions favourable to the public interest. That these proposals might be a stretch for those of us who prefer passive or observer roles, is an indication of how much room there is for wider academic debate on public interest topics.

Norio Sawabe provides a Japanese perspective. He uses a definition of public interest that he derives from the rational choice theorization that underpins neoclassical economics. He argues that public interest is not an independent concept in neoclassical economics, but is a mere residual left over after one has decomposed social phenomena into individual rational choices. He then applies this definition in his examination of the role of accounting rhetoric in Japan during recent regulatory reforms, to show the circularity of the logic implicit in these reforms. Sawabe argues that while the reforms were predicated on a concept of the social built out of individual interests, the regulatory reforms themselves shaped these individual interests. Consistent with his previous work (Kokubu and Sawabe, 1996), Sawabe’s study reminds us that notions of the public interest are constructed in different ways in different time/space settings.

Shahzad Uddin and Mathew Tsamenyi, in contrast to Sawabe’s analytical approach, empirically challenge an existing, problematic definition of public interest. They evaluate state-owned enterprises in Ghana in terms of their contribution to employment, reduction of foreign exchange outflows, and generation of tax revenue, measures that constitute a definition of serving the public interest drawn from World Bank documents. They then consider the impact of the World Bank’s structural adjustments in Ghana, to see if these adjustments served the public interest as World Bank and Ghanaian officials claimed they would. The work of Uddin and Tsamenyi continues recent work that has examined the public interest consequences associated

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with the activities of international organizations such as the World Bank in “south” countries (e.g. Rahaman and Lawrence, 2001; Uddin and Hopper, 2001).

Cheryl Lehman adopts a completely different approach to the relationship between accounting and the public interest. She examines individual behaviour from a Freudian perspective, in order to understand the behavioural roots of actions that are against the public interest. Lehman derives an implicit concept of the public interest from Freudian psychology, wherein the psychological development of the individual and the forces of society interact to define and generate behaviours that are considered socially acceptable or unacceptable. It is these unacceptable or “antisocial” behaviours that Lehman treats as being contrary to the public interest. Lehman’s work is important because it complements the primarily sociological emphasis found in many previous studies of accounting and the public interest (cf. Puxty, 1986; Sikka and Willmott, 1995).

Richard Baker, in contrast to Lehman, pursues his discussion of the public interest not at the level of the individual but at the level of accounting organizations. He includes a professional institute, a regulatory body, and an accounting firm in his study, and looks at the “public interest” rhetoric of these organizations. Baker argues that the ideological functions of this rhetoric, related to the internal dynamics of the organizations, reveal contradictions in their statements about the public interest. Specifically, he argues that the rhetoric of these accounting organizations is ambiguous with respect to the dominant ideologies of American society, in that the organizations advocate for themselves regulatory and auditing roles that are theoretically inconsistent with neoliberalism. Baker’s work follows in the tradition of prior studies that have examined the public interest implications of public accounting firm activities (e.g. Mitchell *et al.*, 1998; Arnold and Cooper, 1999).

Each article in this special issue adopts not only a different research orientation, but also a different notion of the public interest. For Cooper, the public interest is known through action and identification, and constructed dynamically. For Dillard and Ruchala, the public interest is historically continuous, and discursively formed. For Sawabe, and for Uddin and Tsamenyi, the public interest is contestable; in both these papers, the authors take a definition of the public interest as given, and proceed Socratically to draw out the implicit contradictions of each definition. For Lehman, the public interest is linked epistemologically, ontologically, and inextricably to personal behaviour. And for Baker, the public interest is an ideological and rhetorical construct.

In order to understand the implications of these articles for future research, it is tempting to try to categorize all these differing notions of the public interest. While a variety of typologies is certainly possible[2], we argue that such classification exercises may have the unintended effect of constraining rather than enabling public interest research. For a vigorous discussion to take place on how accounting and the public interest are mutually constitutive, what is needed is a relaxation of our assumptions about what “public interest” can mean.

Similarly, it is important to question what we mean by “accounting” when we talk about the public interest. The profession tends to dominate our discussions because of its longstanding claim to serve the public interest. Indeed, a fair number of incisive articles on this topic have been produced, much of it drawing on the sociology of the professions literature (Larson, 1977; Abbott, 1988). In AAAJ, this line of research has been quite prominent (e.g. Willmott *et al.*, 1993; Lee, 1994, 1995; Lovell, 1995; Carnegie

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and Napier, 1996; Seal and Croft, 1997; Walker and Shackleton, 1998; Dyball and Valcarcel, 1999; Fogarty and Radcliffe, 1999; Yapa, 1999; Gendron, 2000; Carnegie *et al.*, 2003; Citron, 2003; Neu *et al.*, 2003). However, other aspects of accounting besides the profession also affect the public interest. Accounting regulation, auditing, taxation, managerial accounting, organizational behaviour, individual decision making, accounting technologies, race/class/gender – each of these aspects of accounting can be considered to entail its own particular relationship with the public interest. By disaggregating “accounting” into its many aspects, and by applying our research frameworks to discover how these aspects might affect and be affected by the public interest, new avenues of research begin to open up.

In sum, this special issue seeks to promote not just accounting in the public interest, but accounting(s) that are in the public interest(s). The included studies encourage us to reconsider some of our previously held preconceptions of how accounting impacts public interests. They also challenge us to explore how various public interests impact various aspects of accounting. Through a consideration of the intersection of accounting and the public interest in a variety of settings, these studies remind us of the multi-faceted nature of the nexus between accounting technologies, policies, practices, and society.

### Notes

1. For example, the most recent article in *The Accounting Review* containing “the public interest” in the title or abstract was Lev (1988). The most recent one in *Accounting, Organizations and Society* was Parker (1994). The most recent one in *AAAJ* that used the phrase in the sense we do here was (Dyball and Valcarcel, 1999).
2. The field of political science offers several examples. For instance, Held (1970) categorizes approaches to the public interest as preponderance theories, common interest theories, and unitary theories. Preponderance theories maintain that something is in the public interest if it is in the interest of most people; unanimity is not required. Democratic, majority-rule voting exemplifies this. Common interest theories maintain that something is in the public interest only if it is in the interest of everyone. An example might be a fair judicial process, which is arguably needed by everyone in society to resolve conflicting interests. Unitary theories, in contrast, maintain that there are no valid interests outside of the public interest, because only what is right and good is in the public interest.

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