

Accounting for globalization

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Abstract

The 'age of globalization' is a ubiquitous topic in academic and popular presses, yet the phrase is often used without substance. We argue that if globalization is to be useful as a theoretical construct, then detailed research is required into the concrete and specific mechanisms that constitute globalization. Within accounting literature, prior research on globalization has focussed on the role of financial market liberalization and the harmonization of accounting standards in encouraging the spread of common practices. However, less research energy has been directed to understanding the role of other accounting/financial mechanisms and other agents/institutions. We examine how accounting functions in the context of a number of supranational organizations such as the OECD and the IMF, and look at the international flows of capital, products, information, practices, and people that these organizations serve to regulate.

The age of globalization is upon us. Within both the popular and the academic presses, discourses about globalization are ubiquitous (Waters, 1995; Steger, 2002). Yet despite the attention given to the topic, gaps still exist in our understanding of globalization. In this essay we examine how globalizing practices are diffused, by surveying some of the supranational institutions that facilitate the diffusion of common practices across disparate institutional fields. In particular, we consider the role of accounting within these institutions, and ask how accounting as a technology and a social practice serves to structure various institutional fields affected by globalization.

As a totalizing term for our times, 'globalization' serves as a short-hand for perceived trends and conditions that are neither as consistent nor as evenly distributed as 'the age of globalization' might indicate. Globalization is often identified with the spread of consumer capitalism to non-Western countries, exemplified by McDonald's restaurants and Nike shoes, and enabled by unblinking global financial markets. However, many scholars have questioned such a description as simplistic. Theorists like Harvey (1989), Giddens (1990), and Waters (1995) share a broader definition, characterizing globalization more generally as a compression or overcoming of both distance and time, and noting the

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variety of effects this has on social and cultural relations. Central to the concept of globalization, for many writers, is the suggestion that it is somehow unprecedented. Yet one can easily question the 'unprecedented-ness' of globalization. For example, one can regard globalization as merely a renewed form of imperialism (Amin, 2001), with today's multinational corporations mirroring earlier entities like the British East India Company and the Hudson's Bay Company. In addition, some researchers (e.g. Szeman, 2001) have questioned the originality of globalization as a theory, pointing to Adam Smith in the 18th century, Marx and Engels in the 19th century, and various social theorists of the 20th century as having anticipated our current fascination with globalization. Finally, some researchers (e.g. Hirst and Thompson, 1996) have questioned the theoretical legitimacy of 'globalization,' suggesting it is nothing more than a fashionable catch-all.

We argue that if globalization is to be useful as a theoretical construct, and is to mean anything substantive, then detailed research is required into the concrete and specific mechanisms that constitute globalization. Some such research already exists. Within accounting literature, prior research on globalization has focussed on the role of financial market liberalization and the harmonization of accounting standards in encouraging the spread of common practices (Volcker, 2000; Ashbaugh, 2001; Cooke, 2001). Such research has increased our understanding of a single institutional setting (capital markets) and a single mechanism of diffusion (accounting and other regulatory standards). However, less research energy has been directed to understanding the role of other accounting/financial mechanisms and other agents/institutions in the diffusion of common practices to institutional settings outside of capital markets. (For exceptions see Cooper et al., 1998; Arnold, 2001; Annisette, 2003).

The thesis of this essay is that in order to understand the role of accounting within globalization processes, one needs to move beyond the study of accounting practices within capital market settings. We propose that accounting is implicated in the cross-border regulation and standardization of a variety of other 'things.' We provide a preliminary sketch of some of these accounting effects by examining a number of supra-national organizations and the international flows of 'things' that these organizations serve to regulate. We try to illuminate the different effects that accounting has within each of these sites.

Theoretical framing

In their 1980 essay on the role of accounting in organizations and society, Burchell et al. emphasized the need to move beyond stylized descriptions of visible accounting practices to understand how account-

ing functions in specific settings. They argued that accounting serves complex purposes both within organizations and in wider social practice. Within organizations, they said, accounting systems serve to reduce uncertainty about organizational decisions, sometimes providing calculable answers, sometimes enabling learning, sometimes providing ammunition for political conflicts, and sometimes merely helping to rationalize past decisions. In wider social practice, accounting innovations 'satisfy more general searches for the extension of calculative practice which are embodied within the societies of which organizations are a part' (Burchell et al., 1980: 19). They continue:

[A]ccounting change increasingly emanates from the interplay between a series of institutions which claim a broader social significance. Often operating at a distance from the arenas in which their innovations function, those regulatory bodies, professional institutes, formal representatives of social interests and agencies of the state which increasingly shape the accounting domain are open to a very different array of social, political and economic pressures than those which directly impact on the business corporation. (p. 19)

We suggest that in the two decades since the Burchell et al. article appeared, the propagation of accounting changes to which they refer has become more and more associated with supranational organizations, rather than with agencies of individual states. Though these organizations 'claim a broader social significance,' they operate in an even wider milieu than did those that operated in 1980. The implication is that the pressures such organizations face are as different in scope from those faced by national agencies as are the pressures faced by national agencies from those that impact on businesses. Similarly, the scope of action for supranational organizations is much wider than that of national agencies, permitting supranational organizations to exert tremendous influence on the institutional fields of entire nation states, often at moments of crisis. The effects can be enormous. Finally, the governance mechanisms for supranational organizations are often complex and indirect, placing the organizations outside of the direct control of even the largest and most powerful individual states. Taken together, these differences suggest that globalization as a process, insofar as the propagation of accounting change is concerned, is, if not unprecedented, then at least very different from that described by Burchell et al. (1980).

In addition to this line of argument, we suggest that accounting technologies help structure the institutional field within which the supranational organizations operate, influencing their goals and performance by shaping what is both thinkable and possible. In this way, these organizations serve to propagate accounting technologies, but are simultaneously constituted by them.

Burchell et al. (pp. 19–20) argue that the rationalities of calculative practice that are embedded in accounting technologies serve to operationalize social distinctions. That is, the ‘mythical, symbolic and ritualistic’ (p. 19) aspects of accounting serve to distinguish certain social agents, and help to justify the agendas, goals, and methods of these agents. We argue that accounting technologies embedded in the practices of supranational organizations serve a similar purpose for these organizations, but that the mechanisms involved have to do with cross-border flows of various ‘things.’ Accounting for these flows—structuring, regulating and standardizing them through accounting and accountability mechanisms—creates a particular form of social distinction that goes beyond the symbolic and mythical. This social distinction is the asymmetry of wealth and power that exists across international boundaries. Accounting technologies within supranational organizations help create and sustain the non-equilibrium conditions that persist between the centre and the periphery, between non-majority and majority worlds. Operating both as a calculative mechanism and as a symbolic carrier of meanings, values and practices, accounting enables supranational organizations to structure the cross-border flows of much more than capital. In order to understand the role of accounting in globalization, we must (1) identify the flows that are important within today’s globalized world, and (2) make visible the position of accounting within the related organizations and processes.

While several promising approaches to this undertaking can be imagined, we begin with an open-ended definition of accounting that situates accounting within the framework of other social technologies. Drawing upon existing understandings of broader social technologies, we seek to differentiate accounting, to examine what is particular or peculiar about accounting as a specific social technology, and to understand the kinds of activities that accounting encourages and constrains and how it does so. We draw upon prior work in the area of governmentality (Foucault, 1991) as a way of expressing the way that social technologies operate in contemporary societies. Research in the governmentality genre has attempted to understand the ways in which techniques such as accounting not only inscribe distant sites in certain relations of power, but also come to constitute these distant fields (Miller and O’Leary, 1990; Miller and Rose, 1990; Power, 1994; Miller and Rose, 1995; Preston et al., 1997; Edwards et al., 1999).

Government, according to Foucault (1991, p. 102), refers to the general and specific ‘ensemble of institutions, calculations and tactics’ deployed to arrange things in such a way that certain ends are achieved. As Foucault states:

One governs things. But what does this mean? I do not think this is a matter of opposing things to men, but rather a sort of complex com-

posed of men and things. The things with which in this sense government is to be concerned are in fact men, but men in their relations, their links, their imbrication with those other things which are wealth, resources, means of subsistence, the territory with its specific qualities, climate, irrigation, fertility etc; men in their relation to that other kind of thing, customs, habits, ways of acting and thinking etc. (p. 93)

For Foucault, modern government is an indirect process whereby governance is accomplished through a myriad of loosely-coupled agents and institutions working in a variety of different institutional settings. As he notes, government is not about 'imposition' but rather about 'disposition':

With government it is question not of imposing law on men, but of disposing things: that is to say, of employing tactics rather than laws, and even of using laws themselves as tactics—to arrange things in such a way that, through a certain number of means, such and such ends may be achieved. (p. 95)

Finally, for Foucault, modern government is characterized by a concern with populations rather than individuals in the sense that, through the science of government and counting techniques such as statistics, 'it became possible to identify problems of the population' (p. 99).

If government is accomplished by an 'ensemble of institutions, calculations and tactics', what are these institutions, calculations and tactics; furthermore how do they function and what is their relationship to the processes of globalization? Our suggestion is that accounting is embedded within a series of institutions and institutional processes that come to regulate and structure the flow of 'things' across time and space. These supranational organizations not only 'govern' the activities in distant sites but encourage the diffusion of standardized practices across sites. More specifically, we propose that accounting is salient in these processes in that accounting regulates and/or standardizes the flows listed in Table 1.

In the sections that follow, we explore each of these flows in turn, suggesting how accounting structures the institutional field for these flows, and attempting to sketch out the differential roles and effects of accounting in the supranational organizations involved. We will also, without attempting to be comprehensive, draw attention to particular existing research efforts in these areas.

Flows of capital

The flows of capital across national borders are infamously associated with currency arbitrage and short-term portfolio investment in financial securities. For example, both of these market-related activities have been implicated (Sherlock, 1998; Ushikoshi, 1998) in financial crises in

Table 1

<i>Flows of 'Things'</i>	<i>Organizations Involved</i>	<i>Examples</i>
Capital	International financial markets IASB	Currency and securities trading Harmonization of accounting standards
Products	IMF WTO	Currency and market liberalization Myriad goods and services
Information	OECD W3C, NSF	Performance indicators Internet standards
Policies	IMF, World Bank	Lending conditionalities
People	National governments OECD	Immigration policies Labour migration

Southeast Asia in 1997. However, underlying these activities is the accounting information that makes knowledgeable investment in foreign markets possible. While we do not suggest that accounting reports are the only source of information for investors in foreign markets, we argue that the interpretability of foreign market opportunities depends in complex ways on the accounting information that is available at a distance. Accounting information re-presents to distant investors both the general economic conditions of foreign countries and the specific organizational capabilities of foreign businesses. While arbitrage opportunities may well be present when an investor enjoys an information advantage over other investors, the widely available accounting numbers that portray foreign economies and businesses are part of the information set that structures these information asymmetries.

For example, in 1997 some investors grew to believe that the Thai economy would not be able to sustain existing levels of foreign investment (Sherlock, 1998). While George Soros is believed to have played a part in triggering the currency panic in Thailand (Sherlock, 1998), the perception of the opportunity would have depended on a variety of accounting-based reports, including current account imbalances and real estate market valuations in Thailand. When contagion spread the crisis to Indonesia, and investors began to withdraw their investments from Indonesian securities markets (IMF, 1999a), there was an implicit change in the relationship between capital market pricing and earnings. (That is, although earnings announcements did not signal investors to divest, divestment happened anyway, driving stock prices down to 10% of their pre-crisis levels within a year.) This change in relationship suggests that accounting information, in the form of earnings reports, was

inadequate to sustain foreign investment levels. In addition, the flow of foreign currency into Indonesia (in the form of short-term dollar loans from foreign banks to Indonesian banks) was predicated on long-term loans (denominated in rupiahs) by Indonesian banks to local businesses. When the rupiah began to depreciate, the short-term interbank loans were not rolled over, and the Indonesian financial system was thrown into turmoil (Sikorski, 2000). Although lending practices in Indonesia may well have been influenced politically by the 'crony capitalism' of the Suharto regime, accounting also had its influence. The long-term rupiah loans would have been risk-adjusted by the banks based in part on the accounting information provided by the local businesses. From this example we can see a variety of ways in which accounting numbers were involved in capital flows, both into countries prior to the Asian financial crisis and out during the crisis.

The role of the reporting of financial accounting numbers in this particular crisis is cited by the International Accounting Standards Board (IASB) as the prime motivation for international accounting standards:

The economic and financial crisis which began in 1998 in certain Asian countries and spread to other regions of the world showed the need for reliable and transparent accounting and financial reporting to support sound decision-making by investors, lenders and regulatory authorities. (IASB, 2003b)

The same IASB document states that it was the finance ministers and central bank governors of the G7 countries who pressed for the development of international accounting standards, and who called on other countries to adopt them.

While it is unclear whether standardized financial reporting would have averted the 1997 crisis, especially given its roots in the movement of short-term portfolio investment and currency arbitrage, it is significant that the G7 countries are the ones that have been promoting accounting standards. One reading of the G7's advocacy of standards would be that the G7 countries, with their sophistication in accounting systems and financial markets, are in the best position to help less developed countries create appropriate standards. However, an alternative reading might conclude that the G7 countries have promoted accounting standards because they have the most to gain. The differential between countries of the majority and non-majority worlds, consisting of asymmetries in economic, technological, political, military and other forms of power, must always raise suspicions about international accounting standards.

The preceding example hints at the varied roles played by accounting practices in international financial crises. Accounting as social construction (Hines, 1988) enabled unsustainable valuations to be generated for

real estate, currency, and capital in Southeast Asia. Accounting as techniques of surveillance (Miller and O'Leary, 1987) permitted the overvaluations to be perceived and acted upon, triggering the crisis. But accounting, in the form of standardized reporting and as the technical underpinning to reform measures, also provided ready-made solutions. Thus accounting simultaneously created the conditions of possibility for the crisis and provided a convenient resolution (Young, 1995).

From the vantage point of accounting research, the positioning of accounting within such processes deserves additional research. In particular, accounting researchers have reason to ask whether international standards will serve to promote flows of capital that will level international differences in power, or those flows that will preserve the status quo. Furthermore the idea that accounting provides 'convenient' solutions raises the question of convenient for whom? One way of answering these questions involves a political economy of accounting approach (Tinker, 1980; Lehman and Tinker, 1987, etc.). The political economy perspective argues that accounting serves to structure social relationships, not just economic ones. This line of argument can help to uncover more specifically the ways in which the accounting profession and accounting technologies such as accounting standards may be complicit in maintaining international social inequities.

Flows of products

While flows of capital are fundamental to globalization, the cross-border flow of products, particularly consumer products, is also often used to characterize globalization. However, many of the tensions between countries over international trade result from disputes over non-consumer products such as natural resources. The example we offer here is the dispute between Canada and the US over softwood lumber. At the heart of this dispute is how producer costs are calculated, a classic concern of both managerial and financial accounting.

Lumber producers in the US have, since 1982, brought several formal complaints against Canada over the way access to softwood timber is managed by Canadian provinces (Mach, 2001; DFAIT, 2002). The US producers argue that Canadian producers, who pay the provinces a 'stumpage' fee on the timber they cut, are unfairly subsidized. They claim the fee is too low compared to what would be paid if the timber was auctioned off. Canada has won all bilateral disputes on this issue, and most recently has prevailed when the issue was brought before the WTO. However, the issue is unlikely to go away. It is complex, partly because of the multiple levels of government and the many trade agreements and regulations that are involved, and partly because of the accounting.

For example, the US Trade Representative (USTR, 2003) argues that its calculations of Canadian lumber producer costs are reasonable because they include appropriate allocation of administrative, selling and general expenses (p. 7) and cost of capital (p. 8) when determining the cost of goods sold. This is a problem straight out of an introductory managerial accounting course, except that the data for the calculation come from hundreds of Canadian lumber producers and are adjusted in sophisticated ways for currency and taxation differences. In addition, the USTR argues (p. 8) that certain statements from Canadian producers regarding their costs were inadmissible because they were unaudited and did not conform to Canadian GAAP. This argument implies that the Canadian accounting profession, as the auditor of Canadian public companies and as the custodian of Canadian GAAP, has a fundamental effect on cross-border flows of products.

Interestingly, the USTR came to the conclusion that Canadian lumber was not only being sold below cost in the US market, but also in the Canadian market. This finding may undermine the US case before the WTO, which defines dumping as selling in a foreign country at a price lower than the domestic *price*, not the domestic *cost* (WTO, 1994, p. 145). With the takeover of some Canadian producers by US producers, the momentum for pursuing redress to the perceived advantage of Canadian cost structures may wane (Mach, 2001).

The softwood lumber dispute highlights the positioning of accounting within trade-resolution processes. Because of the centrality of notions such as 'cost' within trade-resolution mechanisms (Bollom and Simons, 1990), accounting operates as an embedded technology to adjudicate and apportion the spoils of such disputes (cf. Tinker, 1985). At the same time, accounting trickles forward and downward as consequence. Accounting trickles forward in that it not only structures and constrains subsequent government policy-making initiatives in other arenas, but also acts as a precedent for other countries, given the scope of WTO dispute resolution mechanisms. It also trickles downward and impacts on the producers and employees that manufacture the products, and on the consumers of the products. In these ways, through its positioning within trade agreements and trade-resolution processes, accounting is implicated in both the regulation of product flows and the diffusion of standardized costing practices across time and space.

Flows of information

The flow of information is more nebulous than the flows of products discussed above. We examine here the way that accounting helps determine the relative importance of particular information, and how it structures and regulates international information flows. The flood of

information across borders, most visible on the Internet, is relatively unstructured and unregulated. What makes some information count more than other information? What gives information 'weight'? We argue that accounting technologies serve to legitimize certain sets of information, and amplify certain voices in the contest for global attention.

One voice is that of the Organization for Economic Co-operation and Development (OECD). On its homepage (www.oecd.org) the OECD characterizes itself as 'an international organisation helping governments tackle the economic, social and governance challenges of a globalised economy.' An important facet of the OECD's method of operation is to develop within the governments of member nations a will to 'tackle' these challenges. Without such a will, there is no demand for the OECD's help.

The OECD develops this will by a two-fold strategy. First, it places governments under scrutiny through the continual development, application, and publication of 'performance indicators.' These indicators measure such diverse things as ageing and related pension issues, employment, growth, money laundering, taxation, and transportation. The scrutiny of the OECD results from the intense surveillance activities it conducts, and from the publicizing of the results. The OECD lists 68 'monitoring and surveillance activities' (Pagani, 2002, p. 15), organized under 12 OECD directorates. These surveillance activities range from continuous processes to periodic activities on a 6–7 year cycle. Many of the activities involve other supranational organizations. The results are distributed by a variety of mechanisms, some internal and some open to the public. By rendering visible through selective measures the activities of member-state governments, the OECD subjects these governments to an indirect accountability, putting a general pressure on them to improve their 'performance' on these measurement scales.

The second part of the OECD's strategy is the peer review process. The OECD has established this process with the explicit goal of generating peer pressure on governments to conform to OECD ideals and goals. The OECD (Pagani, 2002) lists the purposes of a peer review as policy dialogue, transparency, capacity building, and compliance. In the peer review process, one member state invigilates another, with coordination and expertise provided by one of the OECD directorates. The involvement of the peer state sets responsibility for the process at arms length from the OECD, generating conformity of practices and policies through peer-to-peer accountability.

The OECD uses performance measurements both to observe and to direct government performance. The measures taken of government

outcomes are published for examination by countless unseen observers, and the performance indicators are used to set 'goals' for governments to achieve. For example, the Millennium Development Goals (OECD, 2000)—developed in conjunction with the United Nations, the International Monetary Fund, and the World Bank—set targets for the elimination of poverty and disease. These social improvement goals were established using 48 separate indicators, such as the proportion of the population with an income below \$1 per day. The incentive effects of these accounting-based goals derive from the two-fold strategy of governmental pressure described above, as well as from similar mechanisms of accountability operating in the other supranational organizations that participated in developing the goals.

While these formal measurement tools channel flows of information across borders for well-defined and explicit purposes, other cross-border information flows are more chaotic, or even cacophonous. The content of the Internet is a case in point. However, while the content of the Internet may be loosely structured at best, the mechanisms by which its information flows occur are neither unstructured nor unregulated. The Internet and other international forms of telecommunication rest upon sophisticated infrastructures and function through a variety of regulatory mechanisms. Here we examine the role of accounting in shaping the development of the Internet's technical infrastructure. The military origins of the Internet are well known, with funding being provided by the US Department of Defense in the 1970s and 1980s for the development of advanced communications networks linking the US military with universities. The Advanced Research Projects Agency (ARPA) was a mechanism not for the development of technology, but for funding the development of technology by distributing military funds to research technologists. Press (1996) recounts this chapter in the funding history of the Internet. The total direct investment of US government money in Internet technology through ARPA and similar organizations amounted, through 1996, to only \$127 million. The research was successful, Press argues, because the US government and the universities jointly shared the costs, thereby ensuring the commitment of the universities. Thus the funding arrangement structured the accountability for the research projects, with research activities being conducted at arm's length from the initial ARPA funding, but within the educational institutions that provided most of the funding. (Press notes that the US government had immense direct investment in the early Internet as well as this seed-money funding, through an \$8 billion investment in computer hardware and software for military purposes.)

The National Science Foundation (NSF) played a seeding role similar to that played by ARPA, when it organized the first high-speed network backbone for the Internet. In 1995, the NSF's network was turned off,

as commercial network backbones had become successful. Two of the companies supplying this commercial service were MCI and Sprint. They became financially successful, and eventually became takeover targets for a company called WorldCom. WorldCom merged with MCI in 1998 in a deal valued at \$40 billion. In 1999, WorldCom reached agreement with Sprint for a merger, but this was blocked by regulators. WorldCom continued to grow dramatically through the dot-com bubble of 1999 and 2000, but in 2002 it was investigated by the Securities and Exchange Commission for accounting irregularities. The stocks of WorldCom, once a member of the S&P 500, subsequently fell so far as to be delisted by NASDAQ (Houston Chronicle, 2002).

The beginnings of the Internet are thus grounded in the funding mechanisms of ARPA and the NSF. These organizations have given rise not only to the commercial ventures that became MCI and WorldCom, but to further regulatory bodies for the Internet. Prominent amongst these is the World Wide Web Consortium (W3C). W3C is, suitably enough, a network of distributed offices hosted at other institutions like the Massachusetts Institute of Technology. W3C defines standards for the World Wide Web. It is an open consortium of over 400 organizations, including technology vendors, corporate users, research laboratories, standards bodies, and universities, who collectively provide most of the funding for the consortium (W3C, 2003). As a supranational consortium, it stands above and beyond the control of any single national government. It represents the increasingly diffuse mechanisms of funding and accountability in the 'globalized' world.

The importance of this brief financial review of Internet history is not merely to point out that accounting technologies underpin the Internet. What we see here are the ways that accounting technologies and accountability mechanisms serve to structure our perceptions of what counts. In the early stages of the Internet, seed funding directed the attention of the research community towards the US government's priorities. In the dot-com bubble, accounting numbers directed the attention of investors to one sector of the economy, and mediated the valuations that were placed on some companies (the high technology ones) and not on others.

The Internet funding history and the OECD's surveillance mechanisms illustrate ways in which accounting technologies structure flows of information. In a globalized society, the levers of these structuring mechanisms are placed outside of the control of individual nation states, and in the hands of bureaucrats and members of supranational organizations. Accounting technologies enable these groups to function effectively in pursuit of their broader social goals. Their independence from national control is possible in part because of the diffuse accountabil-

ity mechanisms provided by accounting. In the case of the NSF, financial leverage was obtained by the mechanism of seed capital. In the case of the OECD, political leverage is obtained by the indirect accountability generated by asymmetrical surveillance techniques, which render government practices visible and permit observers to remain hidden. In the W3C, an interesting situation occurs whereby economic and technical capitals compete. The members of the W3C include some of the largest and wealthiest corporations in the world, yet the technical capital of the participants in the W3C processes appears to balance technical and economic goals. The opportunity for accounting researchers here is to understand the role of accounting in sustaining or undermining such a balance.

Flows of policies

In their much-cited 1983 article on institutional isomorphism, DiMaggio and Powell examined why so many organizations look alike. Today, the 'startling homogeneity' (DiMaggio and Powell, 1983, p. 148) that requires explanation is why the governmental policies of so many countries look alike. In some cases, no doubt, the similarity is due to the mimetic isomorphism that DiMaggio and Powell describe, with one government copying the policies of another government that it perceives to be effective. However, in many cases, the adoption of certain policies is very much coercive (cf. Neu et al., 2002). The power of some supra-national organizations has risen to the point where sovereign nations, some of them democratic, must accept the dictates of these organizations as a condition of participating on the world stage. We examine here the operations and influence of the International Monetary Fund (IMF).

When the Asian currency crisis spread to Indonesia in 1997, the Indonesian government's response included the liquidation of 16 private banks and the cancellation or postponement of 70 major infrastructure projects (Sikorski, 2000). When these measures proved insufficient to avert the crisis, the Indonesian government turned to the IMF for help. According to Sherlock (1998), Suharto initially sought only a small financial package because he wanted to avoid conditionality. However, the magnitude of Indonesia's problems led to an immense financial aid package with sweeping conditions, put together by the IMF and contributed to by Japan, Singapore, the Asian Development Bank, the World Bank, the USA, Australia, Malaysia and others (Sikorski, 2000).

The conditions imposed by the IMF, and agreed to by Indonesia in exchange for these funds, were set out in a Memorandum of Economic and Financial Policies (MEFP). According to IMF documents (IMF, 1997), key conditions included:

- tightened monetary policy
- fiscal policy constraints amounting to 1% of GDP, including cancellation of some planned government expenditures, raising of some taxes, and improvement of tax recovery policies
- limiting of inflation to below 10%
- limitations on each bank's outstanding position in the forward market
- closing of unviable financial institutions and close supervision and reform of weak ones
- revision of financial system regulations to incorporate international best practices and permit foreign ownership of banks
- import tariff reduction
- expanded list of sectors open to foreign investment
- restructuring of state enterprises and the phasing out of some monopolies and price controls
- new guidelines for government procurement
- protection of health and education spending levels in the budget to protect the poor, along with increased targeted assistance to the poor.

Subsequent IMF loans to Indonesia brought new MEFPs with yet more conditions. For example, in January 1998, new measures included the controversial elimination of subsidies in fuel and electricity, raising prices on these crucial commodities. Kerosene was excepted, as it was used by the poor for cooking. Subsidies on rice and soybeans, consumed by the poor, were maintained, but subsidies were removed on sugar, wheat flour, corn, and other commodities that were out of reach of the poorest members of Indonesian society. Other measures aimed at helping the poor included community-based work programs and the elimination of certain marketing boards that the government felt restricted the ability of the poor to sell their agricultural produce.

In April 1998, a third MEFP was worked out with the IMF (1998a). However, the Indonesian government failed to implement its new conditions in a timely manner, so further draws from the IMF financial package were delayed. A fourth MEFP was negotiated in June 1998, after the resignation of Suharto (IMF, 1998b). This agreement included the closing of six more banks, enhanced community-based work programs and food subsidies for the poor, a micro-credit facility for small businesses, and international-standard audits for government agencies like BULOG, which handled subsidized rice imports and disbursements.

From June 1998 on, MEFPs were published on a routine basis. The crisis lasted through 1998 but began to diminish the following year. By

August 1999, overnight interest rates were back down to around 12% from as high as 75% during the crisis. The stock market climbed rapidly during 1999, reaching pre-crisis levels by mid-year (Bank Indonesia, 2000). The rupiah, however, has never fully recovered.

Similar interventions by the IMF and the World Bank have occurred via structural adjustment programs and lending conditionalities throughout the developing world (cf. Rahaman and Lawrence, 2001; Neu et al., 2002). These examples highlight how specific practices, including accounting practices, are imposed on distant sites. For example, through the power of lending conditionalities, the IMF was able to get Indonesia to adopt mainstream neo-liberal financial policies. These included financial sector reform, fiscal restraint, trade liberalization, and increased industrial competition. In this case and in others, the examples also illustrate how accounting functions as a technology of surveillance returning information to the centres of calculation (Miller and Rose, 1990; Rose, 1991) and thereby serving as the pre-condition for subsequent interventions. At the same time, these examples hint at the importance of examining the (un)intended consequences associated with the use of such accounting technologies.

For example, the worst aspect of the Indonesian currency crisis, in the eyes of many observers, was its inequitable impact upon the poor of the country. Despite the intervention of the IMF, and despite the stated intent of the Indonesian government in each MEFP, the poor continued to be adversely affected by the economic crisis ensuing from the currency collapse. In 1998, the overall consumer price index, expressed as a percentage change from the previous year, soared to 77.6, after spending the previous five years between 6.6 and 11.6. Worse, the food component rose to 118.4. Worse still, the single highest component of all was rice, the staple food of the poor, at 137.1 (IMF, 1999b, p. 18).¹ Thus despite the stated intention of protecting the poor, the imposed conditionalities and subsequent government policies left them unprotected. Indeed, 'the notion that the very poor are so poor as to be insulated from international shocks is simply wrong. Rather, in the Indonesian case, the very poor appear the most vulnerable' (Levinsohn et al., 1999).

From the vantage point of accounting research, a series of questions seem salient. What is the dynamic among the ways in which account-

¹ It must also be acknowledged that a drought caused by El Niño afflicted Indonesia in 1997 and 1998. This had an impact on the domestic supply of rice, and hence on the pricing of rice. This situation illustrates how accounting-based interventions can have unwanted consequences. To what extent, for example, did the accounting-based tools used by the various authorities serve to structure the problem as a financial one, rather than an agricultural one?

ing technologies make visible certain problems, suggest certain solutions, operationalize these solutions, and encourage certain consequences? Furthermore, what is erased in the abstract models used by organizations such as the IMF, and what are the consequences of these erasures (Funnel, 1998; Neu, 2001)? An examination of such questions will help us to better understand not only how practices are diffused across jurisdictions but also the micro-level consequences associated with the diffusion of practice.

Flows of people

At first glance, the flow of people across borders would seem to be a purely national issue, related only to the immigration policies of sovereign states and hence an anomaly in a discussion concerning supranational organizations. At first glance, too, the connection between immigration and accounting would seem to be tenuous. Yet recent research by Lehman and Okcabol (2002) on US immigration policies demonstrates how accounting is implicated in national immigration issues. The authors illustrate how accounting numbers are used to construct economic arguments for and against immigration, and discuss the role of auditors in ensuring compliance with immigration regulations. A central thesis of the article is that immigration policy carries racial and ethnic biases, and therefore that accountants and accounting technologies are implicated in the generation of discriminatory immigration outcomes.

This kind of research is important to build upon because it sheds light on the uses and abuses of accounting. There is room to extend this research further into US immigration issues, as well as to examine the role of accounting in the immigration practices and policies of other countries. In Canada, for example, Citizenship and Immigration Canada (CIC) maintains an accounting system for managing loans to immigrants. These loans can be made for a variety of purposes related to transportation, proving admissibility, and general assistance (Government of Canada, 2003, p. 391). Thus accounting technologies are being used to enable flows of people into Canada, and to track their economic progress and their ability to repay once they arrive in Canada. The accounting policies and choices made in this government department carry important consequences for immigrants to Canada. For example, the average loan for transportation and admissibility cases in 2001–2002 was \$2,356, while the average loan for assistance to immigrants once they arrived in Canada was only \$525 (CIC, 2002, p. 47). In the same fiscal period, spending on ‘Promoting the Integration of Newcomers’ was a healthy 37% of total program spending (CIC, 2002, p. 43). The discrepancy between the small loan amounts to new arrivals

and the large proportion of program spending that goes to the same group suggests that the neediest members of this group—those who might require loans—may not be receiving the support that other immigrants are receiving as they try to settle in Canada. One opportunity for research here is to investigate how budgets and other technologies of accountability influence both the general decisions of how departmental funds get spent and the specific decisions of who gets loans.

The data in CIC systems are used by unspecified private companies (Government of Canada, 2003, p. 391) to generate statistics about immigration and to perform audits of the department. The confidentiality of CIC data sets raises questions about the propriety of providing access to private companies. This confidentiality also makes research difficult. Some statistics are, however, publicly available, and these raise some interesting accounting issues. Just as in financial accounting there is the issue of revenue recognition, in immigration there is the issue of recognizing when an individual should be counted as part of an immigration flow. Citizenship and Immigration Canada (2001, p. 37) uses three recognition methods: initial entry, seasonal entry, and all re-entries. These methods attempt to account for potential biases in measuring seasonal workers, who may leave and re-enter Canada on something of a regular basis. The permeation of accounting terminology and technologies into non-financial areas of government policy suggests a need to broaden our notion of accounting research.

Yet even using a narrower definition of accounting, opportunities for interesting accounting research in the area of immigration exist. For example, accounting is implicated in structuring social relationships both within and between countries because of the effects of international trade on jobs. Do trade agreements create jobs? Measuring capital, product, and currency flows at the macro level is part of the apparatus of accounting that serves to shape our answer to this question. Participants approach the debate over this issue based on their understanding of various accounting numbers. The Economic Policy Institute (EPI, 2002), for example, argues that imports destroy jobs, while exports create jobs. (The EPI appears to ignore effects outside the US.) This two-sided effect of trade agreements has implications for social relationships both within (capital versus labour) and between countries (the appropriation of social surplus by foreign owners). The construction of trade agreements based on specific understandings of which accounting numbers count, and what the numbers mean, affects employment levels in the countries that participate in the agreement, generating a cross-border demand for workers.

Besides these general flows of workers across borders, we draw attention to the specific flows of accountants themselves. For example, the

accession of China to WTO agreements in 2001 has created a demand for accounting professionals in China. The flow of accountants towards China, and the potential for a reversal of this flow when China starts to train high quantities of its own accountants, coupled with international efforts to harmonize the accreditation of accountants, holds significant implications for the accounting profession (China Trade World, 2002). This example of flows of accountants must be considered in relation to flows of accounting *services* across borders; that is, the cross-border provision of accounting services by international accounting firms. The US has proposed to the WTO a greater liberalization of international trade in accounting services (USTR, 2000). This appears (p. 1) to have been done in support of US accounting firms.

The opening of China's borders to accountants can be seen as a unilateral decision, as can the immigration policies of the US examined by Lehman and Okcabol. However, one may now question whether immigration policy will remain purely a matter of national sovereignty: some supranational organizations are seeking to influence national immigration policies. For example, the OECD engages the issue from the perspective of the migration of labourers, and has identified migration as one of its priorities. The OECD attempts to document the economic effects of migration for immigrant and emigrant nations, to explore the link between migration and development, and to analyze trends in migration and in immigration policies. OECD publications on migration (e.g. OECD, 2001) veer between humanitarian concern for disadvantaged immigrant workers (documenting the high unemployment rates for women and Turkish immigrants in Austria, for example [p. 130]) and dehumanizing references to people in purely economic terms (the number of non-EU foreigners who hold a work permit in Italy is referred to as 'Stocks of foreign employment' [p. 194]). The emergence of immigration as a matter of concern to the OECD opens up a new area of research to accounting academics.

Discussion and conclusions

The institutions we have examined here are only the most prominent of those that aid and abet globalization. There are a host of lesser groups that lend a hand: the WIPO, for example, which safeguards and promotes effective patent protection measures under the somewhat hubristic label of the World Intellectual Property Organization. Flows of capital, products and people are lubricated by these bureaucracies, or such is the intention. Further research may tell.

This question of lubrication, of the 'free' in free trade, is at the heart of the present inquiry. We have seen that accounting technologies are embedded in the activities and purposes of several supranational orga-

nizations that manage various cross-border flows. Often the rhetoric of these organizations is centred on policies of trade liberalization and free enterprise. However, our discussion has pointed out ways in which these organizations and the accounting technologies they employ serve to create and sustain asymmetries and imbalances across international borders. It is not clear that accounting is neutral, nor that it serves to liberate the flows of capital, products, information, policies, or people in any way that leads to these 'things' finding their own level. Water flows downhill; these other flows tend to be dammed up and conserved for redeployment according to the negotiated purposes of organizations such as the IMF and the OECD. And because accounting and other expertises are unevenly distributed, the negotiations over these purposes are not transparently democratic.

Our discussion has shown that although globalization is a complex and ill-defined process, it is grounded in specific organizations using well-defined accounting technologies. These supranational organizations are today the 'series of institutions which claim a broader social significance' that Burchell et al. (1980) described. Yet while Burchell et al. were talking about the propagation of accounting changes in a national context, we have seen how accounting technologies and accountants help propagate organizational agendas, policies and purposes—and do so beyond the bounds of the nation state.

Accounting is a technology that is fundamental to the overcoming of time and distance that globalization theorists allude to. Accounting provides incentives that are effective without the need for direct oversight, as the peer review process of the OECD demonstrates. Accounting also re-presents distant realities, as the costing disputes of the softwood lumber issue show. But this overcoming is not evenly distributed, nor are its consequences always fair. Accounting, as a dispersed mechanism for the disposition and regulation of both things and people, is an expertise. The power to wield it lies with the experts. Accountants therefore are implicated in the creation of these power imbalances and uneven distributions. Certainly accountants do so through the creation of accounting standards, and there is no doubt, therefore, that the study of international accounting standards is important. However, the present discussion has demonstrated that there are many other ways in which accounting participates in structuring, regulating, and standardizing things besides capital-market accounting standards. Accounting amplifies certain voices on the global stage. It does not amplify others, yet these others deserve to be heard.

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