Corruption, criminality and the privatised state: The implications for accounting

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ABSTRACT

This article introduces concepts of corruption and how they translate into state crimes against democracy and economic state crimes against democracy. This article argues for an approach to corruption that goes beyond individual psychology to consider the systemic purposeful actions of dominant elites to protect and advance their interests. This article also contends that contemporary accounting is enveloped within a corroding political, economic and financial system that advances the interests of neoliberal elites.

1. Introduction

Corruption can be defined as the misuse or abuse of power for private gain. This present paper uses Roberts (2015) and Sikka (2014) to argue that ‘corruption typically involves something like a whole theatre of appearances; public smiles and private threats’ (Roberts, 2015, p.87). This article uses Roberts (2015) approach to examine how the privatised state has become embroiled in what can be referred to as state crimes against democracy (SCADS) and economic crimes against democracy (e-SCADS).

Corruption often seems to involve a benign image of power—here the work of Roberts (2015) is helpful in exposing how corruption is a deeply uncomfortable phenomenon. He emphasises Levinas’ assignment of responsibility to vulnerable neighbours to create ethical relations. Roberts (2015) argument is used to deepen Sikka’s (2014) investigation into the causal factors behind the Global Financial Crisis (GFC) suggesting the existence of a corrosive systemic corruption between politicians, economists, regulators, bankers, ratings agencies and accountants and auditors that favours the interests of dominant elites. All too often the most distinctive goal of corporations, governments and the state is simply to maximise financial gain for dominant elites. deHaven-Smith (2006, p. 333) defines SCADS involving the connections between ‘corruption’ and ‘state crimes’ as:

actions or inactions by government insiders intended to manipulate democratic processes and popular sovereignty.’ They differ from graft, bid-rigging, voting fraud, and other, more mundane, forms of political criminality in their potential to subvert political institutions and entire governments or branches of government. They are practices that attack core principles of democracy itself (deHaven-Smith, 2006, p. 333).
deHaven-Smith (2006) makes the argument that these ‘state crimes’ can take a variety of forms and can occur at any level of government. However, deHaven-Smith’s (2006) analysis of SCADS focused almost entirely on state crimes in the United States (Kouzmin, Johnston, & Thorne, 2011). These SCADS have at times involved conspiracies among top officials to subvert democratic processes for political advantage or to further ideological agendas (Kouzmin et al., 2011). Kouzmin et al. (2011) identify examples such as Watergate, Iran–Contra, and Plame-gate. Weiner (2008) documents the Central Intelligence Agency’s (CIA) anti-democratic, nominally illegal obsession with national and international covert action and regime change. Later, Weiner (2012) also documents the Federal Bureau of Investigation’s (FBI) anti-democratic and nominally illegal obsession with national and international intelligence activities. The Wikileaks exposures and the ‘whistleblowing’ actions of Assange, Manning and Snowden have pierced the veil of secrecy surrounding the seemingly questionable, if not illegal, actions of some United States government agencies, nationally and internationally, singularly or in concert with other governments or private interests that impinge on the rights of its own citizens and citizens of other nations and reduce the possibility of democratic praxis.

deHaven-Smith’s (2006) approach to SCADS may be too restrictive. According to Kouzmin et al. (2011), there is a direct connection between Representative Government and New Public Management’s quest for efficient operational and management frameworks that if unregulated, provides opportunities for the state to favour elites and other interests to act against its citizens. Examples of such developments include increasing processes of deregulation and the growing use of outsourcing, privatisation, no-bid contracts, and public-private partnerships (PPPs) (Kouzmin et al., 2011). Addressing the economic sphere (Kouzmin et al., 2011) in association with the social/psychological sphere (Roberts, 2015) it is evident that a much more expansive and higher-level series of ‘state crimes’ may be possible. Evidence for this proposal may be found in those policy contexts where the provision of public goods have been contracted to the private sector leaving a largely unregulated and hollowed-out state open to elite manipulation (Kouzmin et al., 2011).

In contrast to deHaven-Smith (2006) and Roberts (2015) this article conceptualises and studies ‘corruption’ and ‘state crimes’ by focusing on the social forces involved in the accumulation of capital that are responsible for unrestrained economic growth and financial gain—which has the potential to give rise to economic ‘state crimes’ (e-SCADS). According to Kouzmin et al. (2011) e-SCADS can be explained as:

[conjoined actions] among political insiders to manipulate bid processes, overcharge or overpay for public goods, weaken or evade contractual obligations, or in other ways [bypass] democratically accountable agencies. They differ from ordinary graft, embezzlement, and cronysim in several important respects. ‘State crimes’ involve collusion among public officials and outsiders rather than one or two individuals operating in isolation; they are organised and carried out under the code of laws; and they have the potential to grow in scale and complexity over time. In some cases, ‘state crimes’ are the government side of what Black (2005) refers to as control frauds; that is, financial frauds such as the pillaging of the United States savings and loan industry in the 1980s, the 2001 Enron fraud, the 2002 Tyco and World Com frauds, and the 2008/2009 global financial crisis carried out by corporate CEOs and investment/banking executives enabled by changes in regulatory policies and enforcement (Calavita, Pontell, & Tillman, 1999; , p. 222).

Arguments similar to these have been evident in the work of Chwastiak (2013, 2015) who delineates how the United States neoliberal agenda is responsible for the development of an illegal environment in Iraq where private contractors profit from what normally should have been considered corruption if not malefeasance. Chwastiak (2015, p. 2) uses an example of subcontractors that were hired by the CIA after 9/11 to transport supposed al Qaeda operatives to countries where ‘enhanced interrogation techniques’ are sanctioned. Not only did these firms aid and abet state crime, but they also profited from it. Furthermore, when two of these subcontractors went to court over a contract dispute, their court documents escaped the attention of the Federal Government entirely. Chwastiak (2015, p.1) argues that state crimes are transformed into commodities by accounting, thereby rendering ‘profit, performance, minutia and normal business routines as important and kidnapping and torture as irrelevant’.

The present article is structured in two sections. The first section following this Introduction examines the relationship between corruption, subjection and state crimes. The second section explores how the state is immersed in corrupt practices leaving itself open to elite manipulation. The third section focuses on state economic crimes and the privatised state. Finally, the article concludes with a discussion of reforms concerning corruption, SCADS and e-SCADS prevention and detection specifically related to accounting.

2. Corruption, subjection and ‘state crimes’

The idea that corruption poses is that ‘corruption is the norm and effective subjection, the exception’ (Roberts, 2015). If we can face up to corruption, then we can be freed from the assumption that authorities are good and will protect us. He suggests that the dominant discourse operates with an idealised conception of corruption. Following Roberts (2015) we argue that dialectic emerges which suggests that corruption is the inevitable companion of all attempts to abolish it.

Corruption, according to Roberts (2015), involves facing the other which involves how power itself is involved in this process. Taking a lead from Roberts (2015) examination of Neu, Everett, and Rahaman (2015) Neu et al.’s (2015) discussion of the remedies of corruption in disciplinary processes of subjection it is possible to develop the outlines of an analysis of the subjectivity of corruption. Neu et al. (2015) base their paper on how to prevent corruption in Government procurement processes—the supply side phenomenon. This is not because of the potential for well-designed forms to produce a disciplined
and ethical subjectivity, but because ‘corruption itself has much deeper origins and might still be possible within such processes’ (Roberts, 2015, p. 87). The hope of the corrupt, of course, is that their conduct will remain invisible behind the appearances of due process and inspection; that it will be impossible to disentangle their deceit from their legitimate exercise of authority. Roberts continues:

The discipline of due process that is fully inscribed on well-designed forms, and the traces this creates for subsequent audit, at least leaves the outcome uncertain, and thereby forces a certain caution and discretion on the corrupt. Subjection and corruption, however, are clearly not opposites or mutually exclusive. Rather corruption is better viewed as a sort of mirror image of subjection—an contemptuous parody perhaps. The two images are almost identical; both involve the exercise of power, both have the power to normalise and individualise, and yet corruption, unlike subjection, is emptied of the substance of ethics; the will of the Other no longer has internal force. Instead the corrupt have, in effect, slipped back into the illusions of a ruthless autonomy (Roberts, 2015, p. 87).

Roberts argues that the corrupt are spoiled and act much like a child who is yet to attain maturity. He argues that the unfortunate issue is that the corrupt impact on others and have the potential to utilise organisational resources to further their own ends. These ideas are traced back to processes of subjectivity through a Lacanian analysis where the spoilt child reflects ‘their own need for subjection’, this seems to be the cure for their desire (Roberts, 2015, p. 87).

Importantly, the reality of the formally and informally powerful in society is often similarly characterised by an intense dependence on others to realise the objectives against which they themselves are judged. As noted by Roberts ‘[i]n mature institutions, organisations and individuals, such dependence and its associated anxieties can perhaps be consciously recognised and openly acknowledged’ (Roberts, 2015, p. 87). Neu et al. (2015) explores the possibility of form based subjection and, at the same time, points to how such processes are so easily subverted. Neu et al. (2015) has served to reinforce the need to go beyond the prevalent view that corruption is best understood in relation to the psychological make-up of individuals. As Lukes (2005, p.86) in his seminal study of power suggests, understanding corruption requires searching ‘behind appearances for the hidden, least visible forms of power … the power of the powerful is to be viewed as ranging across issues and contexts, as extending to some unintended consequences and as capable of being effective even without active intervention’.

3. State vulnerabilities to SCADS and e-SCADS

Roberts (2015) and Sikka (2014) consider some of the broader factors which give rise to corruption. This section focuses on how the state itself has the potential to perpetuate corrupt practices. It should be obvious that corruption and crimes of the state often have major economic dimensions but this present article aims to explain how corruption also envelops democracy and democratic institutions. This observation gives rise to the primary difference between SCADS and e-SCADS revolving around the motivations of those who are involved in the process. For those who are not motivated for financial or pecuniary gains the process of corruption becomes one associated with the manipulation of democratic accountability and democratic governing institutions Lehman (2011) and Thorne (2010).

deHaven-Smith (2006) and Kouzmin et al. (2011) identifies that the increasing frequency and sophistication of SCADS and the propensity of towards e-SCADS within the American context since the middle of the Twentieth-Century has occurred due to:

America’s growing reliance on covert paramilitary operations in domestic (Weiner, 2012) and international affairs (Weiner, 2008). Witt and Kouzmin (2010) demonstrate that the United States government has organised coups and regime change across the globe (see also Blum, 2004; Chossudovsky, 2003; Juhasz, 2006). Skills developed in the intelligence community for manipulating the politics of other nations have migrated to United States domestic politics (Weiner, 2008, 2012).

Tactics which have been developed in one country or setting and have been copied by political elites elsewhere, known as oligarchic isomorphism’ (Kouzmin et al., 2011, p. 223).

The increase of centralisation and interdependence of organisations in industrial societies (Thorne & Kouzmin, 2012). This places dominant elites in a position ‘to both initiate and manipulate crises and to exploit the opportunities created by the social disorder and destruction they bring’ (Kouzmin et al., 2011, p. 223).

Following Roberts (2015, p.87) ‘the infantile phantasies of omnipotence/dominance which are the genesis of corruption are properly seen as nothing more than a defence against an unbearable anxiety associated with the reality of a child’s vulnerability and complete dependence’. However, crisis as a political and economic opportunity is apparent in many cases of SCADS and e-SCADS and normalises corruption as part of the visible and invisible actions of dominant elites. Our recommendation to address not only the psychological but the macro social and economic forces involved in corruption, SCADS and E-SCADS is to reinvigorate norms of professionalism and ethical behaviour within routine processes of public administration, notwithstanding the heavy cloak of anonymity imposed upon public officials in many governance systems.

4. State crimes and the privatised state

This article questions the too prevalent notion of corruption as a consequence of a flawed individual psychology that is too often portrayed as being without any systemic dimension. This article does not consider power to be benign but concurs
with Lukes (2005) view that power is all pervasive and visible and invisible corruption is part of the 'normalised' apparatus by which elites seek to advance their interests and ‘secure the compliance (unwilling or willing) of those they dominate’. This domination stretches into economics and accounting. Graham and Neu (2003) suggest that the internationalisation of accounting movements often start from the presumption of market efficiency that, in turn, encourages certain accounting solutions. They ask:

What is the dynamic among the ways in which accounting technologies make visible certain problems, suggest certain solutions, operationalise these solutions, and encourage certain consequences? (Graham & Neu, 2003).

An obvious adverse outcome is that these solutions favour the interests of dominant elites and fail to adequately interpret, or explore the impacts of accounting on different communities. In addition, these solutions also fail to allow other voices to be given an explicit means to articulate their needs and values that shape their lives. Implicit within this line of argument is a questioning of whether neoliberal globalisation processes including accounting processes perpetuate a means-end culture of control. For example, outsourcing and PPP’s and other such arrangements needs to be construed as asset-stripping, a form of fiscal corruption in the hands of oligarchs within the private sector who remain prime beneficiaries of such arrangements

As Klein (2007, p. 12) documents, dominant political and economic elites used the ideas developed by Friedman and the Chicago school of economics to methodically exploit moments of shock and contrived crises in other countries for three decades—starting with Pinochet’s 1973 coup in Chile. Friedman’s free-market assumptions became a rationale for drastic tax cuts for the wealthy, deregulation, gutting of social services, and privatisation of formally civic functions and duties. More recently this ‘crisis’ driven approach has migrated from austerity economics to ‘advanced’ Western economic multinational agreements such as the European Union. It was no accident that the ongoing Greek financial crisis had the falsification of financial documents used to join the European Union in its genesis, nor was it an accident that the privations diminished public goods and disproportionately impacted on the most vulnerable.

Traditional accounting, as a subset of economics, has been premised on the assumption that economic growth promises a better world and that this world would be characterised by greater material prosperity and equality within and between nations. Even more recently, economic growth, especially through free-market liberalisation, has been advocated as a path to solving environmental problems as well. As this dream is unlikely to be realised within the current system it is therefore important that we begin to re-consider the role of accounting in creating practices which perpetuate corruption and are captured by the interests of dominant elites. Indeed, this need is now more important than ever before given the ideological hegemony of global capital and the increasing disharmony between nation-states. For example, a need exists to consider the impact on local communities associated with initiatives such as multi-lateral trade agreements, free-market liberalisation and processes of harmonisation. These trends have created a climate whereby our lives are governed by these trends rather than the other way around Graham & Neu, 2003; Lehman (2009, 2010, 2011a 2011b).

5. Conclusion

What is required is an environment where government based economic actions or outsourcing or PPP’s could be used without jeopardising the public interest. This article calls for an end to neoliberal capitalism’s penchant for disaster capitalism (Klein, 2007), the purposeful inducement of crises and the ‘crucifixion economics’ (Saul, 2005) that actively weaken government and forces deregulation. Roberts and Scapens (1995) emphasise that ‘transparency’ is too often treated as a neutral component of accountability and as the natural corrective for ‘corruption’ and any other form of criminality. Roberts (2009) points out that making something visible changes what is rendered transparent, shapes organisational reality and individual and group identities and may lead to purposely misrepresenting accountability structures without addressing underlying corruption or criminality.

This involves preventing dominant elites from combining the best and the worst aspects of both the public and private spheres and moving between them in a self-interested manner. The aim of accounting research might be to prevent elites from disguising their interests and mystifying the political dimensions of societal/organisational life while camouflaging corruption and criminality. Corruption must not continue to be conceptualised as isolated, unconnected incidences of individual psychology or organisational ineptitude or some manifestation of organisational ‘evil’ (Adams, 2011) but as an arena for dominant elites. This is a challenging task. As Johnson (2011) conveys in his review of Acemoglu and Robinson’s (2012) book, ‘the relationship between power, prosperity and poverty and the relative success or failure of nations the United States [and elsewhere] is now ‘in the grip of an oligarchy that is determined to protect its position at the expense of spending for the public good . . . Nations frequently fall when powerful interest blocks change . . . [this] situation is more serious than any ratings company’s view on the debt level’.

What should be of central concern to accounting research and to accounting practice is creating concepts and techniques that allow us to establish whether the interaction between the public and private spheres are symbiotic, parasitical, destructive or criminogenic in relation to citizenship and democracy. Combating SCADS and e-SCADS will require a forensic accounting approach attuned to the purposive misuse of governments, markets and our social/intellectual commons by hegemonic interests fluxing visible and invisible power whilst decrying ‘corruption’ by individuals and demanding ‘transparency’. The challenge will be to recover the arena of norms/values from the deadening embrace of dominant elites, technocratic
neoliberals, ‘free-marketers’, technology pundits and the conservative dogma of religious and other fundamentalists resistant to conflict and democratic participation.

References


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Further Reading


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