

Looking for Habermas: an investigation into community participation in decision-making regarding costs and funding of two New Zealand local authorities' activities

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Abstract

This paper considers how Jürgen Habermas's vision of democratic discourse provides a theoretical framework within which to consider the requirements of the Local Government Act 2002 (the Act). Specific focus lies with the contribution of accounting information to democratic participation in decision-making relating to costs and funding of local authorities' activities.

After sketching the basic requirements of the Act with regard to accounting information, the paper identifies the key issue these requirements raise. This is the Act's creation of constituencies for information not contemplated by generally accepted accounting practice. Habermasian theory, as it may be relevant to local authorities in their production of accounting information, is then outlined. The following part includes a consideration of certain barriers to achieving an ideal democratic discourse raised by accounting practices. In the final part, the paper reports on an empirical investigation into the ways in which two local authorities have responded to the new regime when producing, communicating and involving community members in the use of accounting information to underpin their annual planning processes.

Key words: democracy - Habermas- local authorities - new public management - social accounting - GAAP.

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1. Introduction

1.1 Local Government Act 2002

The *Local Government Act 2002* (the Act) is new and radical. Whereas the traditional business of New Zealand local authorities narrowly concerned “roads, rats and rubbish” (Easton, 1997, p.190), the new focus lies with inclusive community development. Thus, one of the two purposes of local government is to promote the social, economic, environmental, and cultural well-beings of communities (s10(b) the Act). The second purpose of local government is “to enable democratic local decision-making and action by, and on behalf of, communities” (s10(a) the Act). Pursuant to these ends, a local authority must develop a triennially reviewed, ten year Long Term Council Community Plan (LTCCP) (s93 (6) the Act), supplemented by an annual plan for each financial year (s95 the Act). Crucially, planning must “extend opportunities for participation by the public in decision-making processes relating to the costs and funding of activities to be undertaken by the local authority” (s95(5)(e) the Act). Each financial year, a local authority must produce an annual report and a fair summary thereof, including comparisons of intended and actual activities (s98 the Act).

1.2 Constituencies for accounting information under the Act

For information that appropriate financial reporting standards have been established, s111 the Act requires local authorities to prepare relevant information in accordance with generally accepted accounting practice (GAAP). The primary indicator, in New Zealand of compliance with GAAP is adherence to New Zealand financial reporting standards and New Zealand equivalents to international financial reporting standards .

Internationally, GAAP is developed by the International Accounting Standards Board and the American, Financial Accounting Standards Board. The current conceptual framework joint project of these bodies considers GAAP's "overriding objective is to provide information to assist investors, creditors and others in making investment, credit, and similar resource allocation decisions", with such being "understandable to financial statement users who have a reasonable knowledge of business, economic activities and accounting and a willingness to study the information with reasonable diligence" (FASAC, 2005). New Zealand GAAP introduces additional requirements for public benefit entities. For example, Technical Practice Aid No. 9, Service Performance Reporting encourages local authorities to specify, measure and report service performance. Nevertheless, the objectives of international GAAP, which determine domestic are, in short, orientated to business – not general community – decision-making. Barton (1999, p.22) is similarly concerned that the Australian Public Sector Accounting Standards Board "has endeavoured to apply concepts and standards initially developed for commercial activities to the public sector".

It is self-evident that constituencies for accounting information, beyond the business community, exist or potentially exist in a local authority community. Democratic, inclusive participation in decision-making implies production of accounting information that is appropriate for the needs and preferences of all constituencies for information that make up a particular local authority's community (s98(2)(b) the Act). The key concern informing this paper is, therefore, that, while the Act contemplates the needs of heterogeneous constituencies for accounting information being met, GAAP's orientation to the particular constituency of business users may exclude other community members from participating in decision-making relating to costs and funding of local authorities' activities.

1.3 Research objectives

In the light of this concern, the authors wished to investigate the extent to which local authorities have engaged with democratic participation in decision-making relating to the costs and funding of their activities. Pursuing a “middle-range” methodological approach (see Laughlin, 1995), the research sought to bring meaningfulness to a “skeleton” of theory, by “fleshing it out” with empirical detail, and demonstrating “the richness of particular contexts” (Broadbent and Laughlin, 1997, p. 645). The starting premise was that Habermasian theory (see part 2 below) provides both a guide to engagement with local, democratic participation, and an idealised goal for local authorities under the Act. It is not proposed that Habermasian theory expressly or consciously informs the Act or local authority practices; but, in an area in which theory is generally absent, his work not only provides an ethical grounding for democratic discourse but also indicates the barriers faced in achieving this.

Evidence of behaviour consistent with Habermasian theory was sought in the discursive practices of two, anonymous local authorities in their production and communication of accounting information for their annual plans. In addition to analysis of these local authorities’ annual plans and reports, websites and publicly available printed information, the principal research method was a semi-structured, audio taped interview of a representative of each local authority, interviews being conducted separately.

The investigation is necessarily limited, inasmuch as the research method cannot support strong conclusions or generalisations (Laughlin, 1995, p.80), nevertheless, it is submitted that the investigation:

- Validates the proposition that Habermasian democratic discourse is consistent with the Act, both in the Act's requirements and idealised goals;
- Illuminates the barriers to democratic discourse arising from the ways in which accounting information is produced; and
- Provides examples of community specific ways in which two local authorities have engaged with the Act in developing democratic discourse.

2. Overview of Habermasian theory

2.1. Habermas and the Act

Historically, local government in New Zealand, without an explicit constitutional role (Palmer, 1993, p.23), has been characterised by atheoretical pragmatism rather than express principle (Bush, p. 1995, p.297). True to this tradition, the Act does not expressly reveal its underpinning theory. Consequently, difficulties are faced both in understanding the normative foundations of local government, and extrapolating beyond the legislative text to understand how local authorities' obligations may be fully met. The substance and aims of the Act are, however, consistent with certain theoretical propositions of Jürgen Habermas, cumulatively expounded in *Between Facts and Norms*. Notwithstanding certain reservations, it is submitted that Habermasian theory: illuminates the basic norms of local government; permits their development in ways not expressly prescribed by the Act; and provides a benchmark for desirable forms of local democracy. These ideas, which may be characterised as concerning rational argument and political inclusion, are particularly pertinent to the production and distribution of accounting information relating to costs and funding of local authorities' activities.

2.2. Key ideas

Seeking to encapsulate Habermas's massive corpus of work, McCarthy (1990, p. xiii) suggests "Habermas's far-flung writings can be viewed as a sustained reflection on the historical, psychological, social, and cultural preconditions of institutionalizing moral-political discourse." Thus, contemplating the foundations of a moral-political community, Habermas (1996) founds constitutive and normative validity on democratic discourse. Informing the construction of community norms is the proposition of empathetic, competent speakers reaching solutions to societal problems through rational argumentation (Habermas, 1984; 1987; 1990). At the risk of oversimplifying his comprehensive and often dense analyses, a brief indication of how his theories are currently relevant follows.

Habermas (1996, p. 125) founds the basic legitimacy of a political community on members' general rights to equal liberties, along with membership rights and guaranteed legal remedies. For local communities in New Zealand, these fundamental legitimising characteristics are reflected in justiciable non-discrimination guarantees (s19 *New Zealand Bill of Rights Act 1990* (BORA)); voting rights (s4 (1)(b) *Local Electoral Act 2001*); and guaranteed access to justice (s27 BORA). But for Habermas (1996, p. 266), legal guarantees alone are insufficient: norms governing members of a particular political community must be justified by a discourse that includes all those affected. Ultimately, a legitimate political community constitutes itself "on the basis of a discursively achieved argument" (Habermas, p. 449). Thus, he posits that the gap between normative facticity and validity in modern, pluralistic societies, for which an

increasing number of matters has become contestable, can only be bridged by enhanced deliberation (Huttunen and Heikkinen, 1998, p. 310).¹

Specific norms derive their legitimacy from “procedures and communicative presuppositions that, once they are legally institutionalized, ground the supposition that the processes of making and applying law tend to rational outcomes” (Habermas, p. 414). The consultative processes prescribed by the Act may be seen to legitimate local authority decisions in a way consistent with these grounds of legitimation. In terms of this model, it is unnecessary to reach consensus amongst all community members on specific outcomes but all community members should have respect for and enjoy real opportunities to take part in the deliberative process. In short, legitimacy inheres in a legitimating process, not particular outcomes. The current relevance of this idea cannot be overstated: if certain members of a community are excluded from participation in decision-making, the validity of the norms applicable to their community becomes moot.

Habermas does not prescribe the conditions of the good life, “leaving *all* concrete moral and ethical judgments to participants themselves” (McCarthy, 1990, p. xi). Although this statement is not entirely correct, as Habermas (1996, p. 125) supports universal human rights, it nevertheless reinforces the necessity of broad consensus among community members on fundamental issues relating to their particular community. Akin to “the taken-for-granted presuppositions” that Searle (1999, p. 10) identifies as “the Background of our thought and language”, reaching agreement on

¹ Directly translated, the original German title of *Facts and Norms - Faktizität und Geltung* - reads *Facticity and Validity*, that is, the condition of being a fact, and the condition of being valid. For Habermas, “In traditional [conventional] society there was no gap between the facticity of a norm and its validity; they were one and the same.” (Huttunen and Heikkinen, 1998, p. 309). However, in modern, postconventional society, facticity and validity do not coincide. McCarthy (1990, p. ix) summarises the Habermasian project in terms of connecting “structures of moral judgment to structures of social interaction” after “the postconventional break at which the social world loses its quasi-natural validity”.

particular issues requires general background agreement on basic issues, such as fairness or desirable outcomes, which are unproblematic for the group. Habermas identifies this background setting of basic consensus as a “lifeworld” (Rehg, 1996, p. vi). The Act requires local authorities to forge their own community-specific versions of social, cultural, economic and environmental well-beings through the development of LTCCPs. It is not fanciful, therefore, to suggest that democratically discursive exploration of the components of the four well-beings contemplated by the Act, and broad consensus on the form of those well-beings, could lead to such a lifeworld being constructed for each local authority’s community.

Rational argumentation lies at the root of democratic discourse. But before such reasoned debate can take place, certain basic rules must be established. Crucially, every participant “must pragmatically presuppose that in principle all those possibly affected could participate, freely and equally, in a cooperative search for truth in which only the force of the better argument appears” (Habermas, 1986, p. 243). Argumentation in this sense is not in the nature of the strategic gamesmanship of the adversarial courtroom, where an actor’s reasoning is directed at “getting his or her way in a social environment that includes other actors” (Rehg, p. xvii). Rather, it is communicative; here, empathetic actors value equally others’ positions and interests, and seek to reach genuine rational agreement on a particular subject (Lauridsen, n.d., p.10). It is a programme of reflexive consensus in which all stakeholders have a voice, and interests-bargaining is conducted in a sincere, fair and transparent manner (Kim, 2005, p. 10).

For a group to resolve a conflict amongst members consensually, on the basis of validity claims, certain idealising assumptions must be made. For current purposes, the most significant assumption is that group members, when using words and

expressions, mean the same things (Rehg, 1996, p. xv). In this ideal speech situation, all participants must speak the same language. In the debate regarding costs and funding of local authority activities, it is assumed, under this schema, that participants are competent speakers of the “language” of accounting. To reiterate, in the ideal speech situation, participants possess requisite speech competency; they “know how to base their interactions on validity claims that their hearers will accept or that could, if necessary be redeemed with good reasons” (Rehg, 1996, p. xiv). Actors are politically and psychologically mature; they take account of others; they are skilled in ratiocination; and, crucially, they speak the “language” in which the discourse is conducted.

2.3 Conclusion to part 2

Habermas’s ideal speech situation for a democratic, political community may not be fully realisable in a dynamic, pluralistic society (see Mouffe, 1999), nevertheless presents an idealised goal, and suggests a continuum of possible positions (Unerman and Bennett, 2004, p.692). It is submitted that the Act generally aspires to a form of democratic discourse consistent with that proposed by Habermas. Fundamentally, the structure of local government allows community specific norms to gain validity through democratic participation in decision-making. However, significant gaps may lie between the theory and praxis of democratic discourse. For current purposes the critical concern lies with a cluster of issues relating to speech competence and accounting information. These are widely encountered issues regarding the role of accounting and society, albeit with acute relevance to democratic participation in local authority decision-making. A further issue is contextual, relating to the predominant doctrines of public management in New Zealand. These issues are outline in part 3.

3. Speech competence and accounting information

3.1. Issues

Having sketched the Habermasian concept of democratic discourse in part 2, and before reviewing the empirical research in part 4, it is necessary to outline the major barriers to achieving community participation in decision-making on costs and funding of local authority activities. The principal barrier arises from accounting as a normative system. The secondary issue, nevertheless one worthy of note, is the spoiling potential of new public management (NPM) doctrines.

3.2. Accounting as a normative system

3.2.1. Production of accounting information

Accounting, as a normative system, shapes the reality within which it operates. Its practitioners produce and reproduce a system of knowledge that shapes preferences, and influences individual and collective decision-making (Power and Laughlin, 1996, p. 445). The production of accounting information is founded on the contestable presumption of instrumental rationality, a presumption which is not only potentially self-deluding for practitioners, but may also mask domination, and privileging of certain groups in society. Thus, whereas adherence to GAAP gives accounting information an objective fact-like appearance, the processes of producing accounting information are comprised of ongoing constructive or interpretative acts, so that through conversation, the “real” is negotiated, amended and perpetuated. In this way, “factual” accounting information always already results from negotiation, but with communicative interaction only taking place amongst a technical elite.

3.2.2. *Distributions of accounting power*

Some members of society have little or no accounting knowledge, whilst others, by virtue of education, training or experience possess the capacity to *interpret* accounting information. Technical elites, having attained high levels of accounting knowledge, are able to *produce* accounting information. In contemporary society these technical elites, whose members may be self-legitimizing and remote from the wider community, tend to enjoy a disproportionate share of power within organisations and wider society (Power and Laughlin, 1996, p. 445). However, whatever undesirable social effects may result from this concentration of power in the hands of technical experts, and despite the “colonizing potential of accounting” (Power and Laughlin, p. 447), such expertise is necessary for the functioning of contemporary society. The key question is, then, whether the production of accounting information is practised in ways that unduly favour particular groups in society or exclude others.

Although distribution patterns of accounting knowledge in society may be considered “normal” or “natural”, as Baxter and Chua (2003, p. 104) observe, “accounting technologies cannot be separated from the formation and exercise of power in organisations and society”. As they argue, “the technologies of the craft favour some organisational participants and disadvantage others” (Baxter and Chua, p. 104). In this regard, it is obvious that the investor community hegemonic control over the development of accounting information serves its own narrow concept of successful performance (Gray, 2002, p.700).

3.2.3. Exclusion

Democratic participation in decision-making demands a move toward community-wide influence in the production, communication and use of accounting information. But such popularisation does not imply that laypersons should actively produce financial reports, rather their interests – especially their interests in what should be reported - must be taken into account. Furthermore, laypersons’ speech incompetence, within the context of accounting language, should be recognised and acted upon. But, far from seeking to open accounting information to popular access, “technical rhetoric is used to distance a wider public from accounting debate conducted in a technical language with which they are unfamiliar, and which does not facilitate the expression of their concerns and knowledge” (McKernan, 2004, p. 334).

3.2.4. Potential for redistribution

Desired patterns of distribution of any thing or phenomenon in society are a matter of ideological preference. However, the Act mandates community participation in decision-making. If community members cannot participate because of the ways in which accounting knowledge is distributed, and accounting information produced, this founding purpose of the Act will be thwarted. Non-commodities, such as knowledge and power, cannot be collected and redistributed in the way of commodities (Foucault, 1980, p. 98). However, investigation can be conducted into why information, knowledge and power are distributed unequally in society, and action can be considered that is redistributive in its effects. For example: the World Bank (2002a, p. vi) recognises that production of budgetary information, which is accessible to the broadest range of constituencies for information, represents empowerment. Furthermore, fostering diverse constituencies for information is an

effective means of achieving such empowerment (World Bank, 2002b, p. 186). Empowering the disadvantaged in this way may result in a more equal distribution pattern of power. Nevertheless, in general, socially undesirable patterns of distribution of information, knowledge and power are not easily reconfigured (see Pallot, 1991 for some proposals).

3.3. Social accounting

The project of social accounting has engaged with distributive inequality of accounting power and is, therefore, currently relevant. Broadly speaking, proponents of social accounting argue that accounting information should be widely disseminated to permit all stakeholders to share decision-making responsibility in society (see Medawar, 1976; Gray, 2002). The concept of “polyvocal” citizenship proposed by Gray *et al.* (1996) draws broadly on Habermasian discourse theory in seeking to ensure that every stakeholder has a “voice” in the organisation; in effect, seeking an ideal speech situation. Similarly, the Institute of Social and Ethical Accountability’s AccountAbility (AA1000), (1999) framework is informed by a core principle of inclusivity, calling for a continuing and comprehensive reflection of the interests of all stakeholders. It seeks to establish legitimacy for outcomes through a process of stakeholder engagement and inclusion (see Becket and Jonker, 2002). Crucially, social accounting does not envisage the same information being more widely distributed; it envisages differently constructed forms of information being manifest through various practices (Gray, 2002, p.700).

Social accounting may be alternatively characterised as an ethical plea to organisations to change their reporting practices voluntarily, or as lobbying lawmakers for legislative change. In contrast, it is axiomatic under the Act that

community members must not be excluded from the decision-making process. Nevertheless, the possibility cannot be discounted that “accounting and change are uncomfortable bed-fellows in practice” (Baxter and Chua, 2003, p.106), and that the tendencies in accounting that the social accounting movement seeks to counter will not persist in local authorities simply because of statutory change.

3.4. Context of New Public Management

Public services in New Zealand have been dominated for the past two decades by the doctrine of New Public Management (NPM) (see Boston *et al.*, 1996). NPM mimics a market mechanism, and is informed by the neo-liberal presumption and extension “of self-interested behaviour beyond market transactions to situations where other values – loyalty, duty, contracts, and other obligations – might be thought paramount” (Schick, 1996, p. 17). While studies in behavioural economics have rendered the imago of the monadic, rational economic actor moot (for an overview, see Kopcke *et al.*, 2004), NPM presupposes that community members act *strategically* rather than *communicatively*. Other significant criticisms of NPM include: privileging managerial over political decision-making; presuming citizen goals of individual satisfaction rather than collective democratic consensus; and a lack of ethical content, preferring efficiency at the expense of equity (Norman, 2003, pp. 72 –74).

Furthermore, under New Zealand’s NPM model, democratic participation in decision-making is essentially absent, with focus rather lying with managerial accountability (Schick, 2001, p.16). Observing Australian experience of NPM, Guthrie *et al.* (2003, p. 7) conclude that even public service “accountability has been largely redefined in terms of performance based on indicators derived from management and accounting technologies imported from the private sector” A corresponding example from New

Zealand is provided by Technical Practice Aid No. 9, Service Performance Reporting. As Schick (1996, p. 73) notes, this “model of accountability is patterned on the relationship of buyers and sellers in commercial transactions. Matters that are external to this relationship fall outside the accountability system.” Problems relating to community-wide participation may thus be exacerbated when inappropriate private sector accounting methodology is applied to the public sector (see Barton, 1999).

It is trite that public sector mimicking of the private sector under NPM has led to various positive consequences for local authority behaviour (see Lapsley *et al.*, 2002). And, paradoxically, developments in reporting in the private sector, such as triple bottom line, may have mollified the dogmatic focus on economic efficiency that has characterised NPM (Norman, 2003, p. 233). Nevertheless, it is axiomatic that local authorities must enable local democratic decision-making (s10(a) the Act): that is not equivalent to meeting the expressed preferences of “customers” in the way that NPM may envisage.

The Act is not incompatible with efficient public management, indeed, it requires efficiency and effectiveness, (s14(1)(a)(ii) the Act), but adherence to doctrinaire NPM is likely to ensure that outcome positions along a continuum of deliberative democracy positions will be further away from a Habermasian ideal than they might be if the market imaginary were not so dominant in New Zealand public management. This concern noted, it seems likely that the forms of NPM predominant in the 1990s has matured in New Zealand, and may evolve to more accurately reflect social behaviour (Norman, 2003, p. 232).

3.5. Conclusion to part 3

The capacity to participate in decision-making, which is contingent on accounting information, is unequally distributed in society. Yet the Act implies that all community members should have an equal opportunity to participate in decision-making. And here lies the rub: local authority accounting information is produced in compliance with GAAP, which assume the comprehension skills of a knowledgeable and diligent businessperson (see FASAC, 2005). In an NPM conception, that model businessperson is the “customer” with whom local authorities must engage. This basis for producing accounting information necessarily excludes significant sections of local authority communities from participation in certain debates that may be crucial to costs and funding of local authorities’ activities. It was this critical issue that informed the interviews with the two local authorities, and which is reported in part 4.

4. Overview of empirical research

4.1. Research questions

The following questions posed to the interviewers formed the basis of a semi-structured discussion:

1. To what extent do you consider your community is able to speak competently on costs and funding issues covered by the Annual Plan? (We suggest the following 5 levels of speech competency in relation to costs and funding issues.)
 - (a) Unable to rationalise or express (incompetent speakers).
 - (b) Able to identify issues and concerns.
 - (c) Able to discuss preferences.
 - (d) Able to discuss a community-wide understanding of relevant choices.

- (e) Able to model desired future outcomes, for example, developing cost benefit analysis (competent speakers).
2. Are there any significant groups in your community whose members are particularly competent or incompetent speakers on costs and funding issues?
 3. Do you consider it your function to foster competent speech on costs and funding issues?
 4. Have you taken steps to promote competent speech in relation to costs and funding issues? If so, what were those steps, and how were they formulated?
 5. What (further) steps do you intend to take to promote competent speech in relation to costs and funding.
 6. Are there any other issues you consider relevant to this subject?

The questions loosely coincide with “Stages of interaction, social perspective and, and moral stages” (Habermas, 1990, pp. 166-7). Since Habermas assumes a reciprocally empathetic discourse in which competent social actors attempt “to get beyond an egocentric viewpoint by taking into account the interests of others and giving equal weight to his or her own” (McCarthy, 1990, p. x), it is pertinent to rank in terms of a hierarchy of development in this way.

4.2. Observations

4.2.1 Roles of interviewees in production of accounting information

Interviewee A is responsible for planning local authority A’s long-term strategy, including drafting of the LTCCP and annual report, but does not produce accounting information. An accounting professional autonomously produces this information. The accounting professional also produces accounting information for other purposes, such as a public communications department’s drafting of public documents, notably

the summary of the annual report.² Despite potential for mediatory distortion, in practice, concerns for statutory compliance ensure that core accounting information is not transformed during the mediation process. For example, the financial information included in local authority A's annual report summary adheres to Financial Reporting Standard No. 39, Summary Financial Reports. Conversely, the responsible accounting professional is not required to present accounting information other than in accordance with statutory prescriptions. Nevertheless, the "accounting textual narrative" (Jones, 1997, p. 105) produced by local authority A is eminently readable in the context of GAAP requirements.

Interviewee B is responsible for formulating local authority B's long-term strategy; the production of its accounting information; and public communication of that information. This integrated managerial role suggests the obvious advantage of avoiding mediation. Furthermore, involvement at all stages of producing and publishing accounting information can be expected to heighten the awareness for those who produce it of the varied constituencies for the local authority's accounting information.

These different information production structures clearly have the potential for different forms of output, and, furthermore, the relevance of individual actors' interests and ambitions to the production of accounting information cannot be discounted (Baxter and Chua, 2003, p. 106). On balance, the integrated role of interviewee B appears to have led to the production of more readable accounting

² Controller and Auditor-General (2005, p. 85) advises local authorities that: "The main readers of summaries are likely to be lay readers. Summaries should therefore be capable of being readily understood by such readers. Informed readers, such as interested community groups, analysts, professionals or specialists, are more likely to seek the more detailed information contained in the full plan or report. In many instances, the summaries will be the full extent of the information that most of the community will have about the council [local authority]."

information. But, to reiterate, the information is tailored to the preferences of the model reader of accounting information contemplated by GAAP (see FASAC, 2005).

4.2.2. Methods of local authority-community dialogue

Various communication methods were used to engage with different groups in the community, including: radio advertisements; a dedicated newspaper; and specific brochures providing update information on local authority building projects. Local authority B, in particular, demonstrated a desire and ability to foster a sense of community involvement in and ownership of projects as they developed. Furthermore, openness to technical innovation was evident. For example, local authority B was investigating the use of texting technology in order to engage more effectively with young people. In the difficult area of establishing well-being expectations, both local authorities had used focus groups to prompt discussion.

Consistent with an NPM conception of community members as consumers, both local authorities use telephonic, community satisfaction surveys to assess their success in fostering community engagement.³ Similarly, the effects of rate payments on alternative preferences are typically presented to community members.

Unlike local authority A, whose public meetings were poorly attended, local authority B made significant use of public meetings. Given the large geographic extent of the local authority, including several, relatively isolated communities, public meetings had over many years proved to be a successful means of engaging in dialogue with community members. From a perspective of democratic discourse, public meetings are extremely attractive, and recall in certain regards, the mechanisms of classical

³ In response to discussions preliminary to the taped interview, local authority A included an additional question in its 2005 survey relating to satisfaction with regard to communication of financial information. The final report was not available at the time of writing but will be used in developing this research project. Once more, an undertaking of anonymity prevents public expression of the authors' gratitude in this regard.

democracy (see Hornblower, 1993). Crucially, in a public meeting, the potential exists for opposing views to be expressed and debated, and argumentational synthesis achieved.

4.3. Discussion

4.3.1. Democratic structure of local authorities

Community members who make submissions in terms of the procedures prescribed by the Act do not engage in the type of speech situation contemplated by the Habermasian ideal, that is, one of open debate. In general, they severally express their preferences by way of instrumental rationality.⁴ With the possible exception of public meetings, submitters do not actually discuss their views and preferences with one another in some form of public forum; they merely state their views. In such situation, no opportunity exists for holders of antithetic views to reach an argumentational synthesis. Furthermore, unlike under national electoral systems, notably proportional representation, elected representatives for local authorities do not generally express support for a clearly defined political grouping or ideology. Community members tend to vote for a particular person, based on his or her perceived individual qualities (Bush, 2004, p. 68). The closest to a Habermasian ideal that can be expected under this set up is *mediated* communicative action, whereby community members' views tend to be channelled through, and so potentially distorted, censored or discarded by elected representatives or local authority officials.

⁴ The authors enjoyed access to the complete 2005 annual plan submissions for local authority A. Although rigorous analysis was not conducted, the general impression gained was that most submissions manifested instrumental, rather than communicative, rationality. It may even be ventured that a significant number of submissions, being reliant on emotional, rather than rational, claims, manifested "instrumental emotionality". Interviewee A corroborated these impressions in this regard. Access was not enjoyed to comparable submissions to local authority B. However, interviewee B expressed the view that submitters in local authority B demonstrated acceptable levels of speech competence, which was understood to imply instrumental rationality.

4.3.2. Methods of engaging with the community

While community satisfaction surveys demonstrate a plausible attempt to gauge perceptions of community well-being, they are an unreliable proxy for democratic discourse. Thus, the parameters for comment are established by the local authority beforehand; the conversation is scripted; responses are prompted; and the possibility of a broader dialogue is limited, particularly as interviewers do not have requisite knowledge to engage in meaningful debate or provide information. The local authorities do, however, practise “open door” policies, and it is plausible that an interviewee wishing to engage in genuine dialogue on an issue raised in a survey could communicate, by telephone, electronically, or in person, with a responsible official or political representative.

4.3.3. Public meetings

Reservations may also be expressed regarding public meetings. Firstly, a degree of mediatory power in formulating agendas and controlling the conduct of the meetings is inherent. Secondly, it is doubtful whether marginalised community members are able or likely to attend such events. Thirdly, rhetorical skills are privileged in such a forum, and, of course, such skills are not equally distributed in society.

4.3.4. Exclusion

Both interviewees recognised the requirement to communicate meaningful accounting information to community members, yet appeared to perceive limitations on speech competence as “natural” in relation to costs and funding issues. Thus, community members were considered to be significantly more competent to speak on physically experienced phenomena, such as environmental issues, than intangible financial

matters. Despite local authority B's use of a glossary of terms in its annual report, neither local authority seems to have sought to engage with the crucial issue of whether accounting information, which conforms to GAAP, is, in practice, exclusionary for certain community members.

Local authority A appears to expect barriers presented by exclusionary financial reporting to be overcome by cooperation between groups. In contrast, interviewee B manifested scepticism with regard to the authority of those who claimed to speak for others, and expressed greater confidence in the speech competence of individual community members. Plain language communication, in particular, was seen as a means of achieving a politically acceptable level of inclusion.

4.4. Conclusion to part 4

It is self-evident that many community members of the local authorities observed cannot engage in debate on certain important financial decisions, notably difficult distribution issues, such as financing or depreciation alternatives. Local authority B, in particular, appeared to conceive democratic participation through an NPM perspective. But, if a local authority tailors its accounting information to extant distributions of accounting knowledge in the community, whilst it meets its current "customers'" expectations, excluded members of the community remain disempowered. The crucial question is whether it is practicable for a local authority to seek to effect a different distributive pattern of accounting knowledge in its community. Good reasons may exist for not engaging with this issue, including:

1. "Language" difficulties of re-representing the financial narrative, particularly fundamental concepts, in more accessible ways;

2. Constituencies for differently formulated information may not exist: for example, local authority A considered that community and whānau groups already effectively communicated the interests of socio-economically disadvantaged community members;
3. Politically acceptable levels of participation may have been attained;
4. Costs would exceed benefits. In this regard, it is highly debatable whether the crucial issue of exclusion in relation to participation in debate on costs and funding of activities is a matter of presentation of information in a more generally accessible way or whether excluded community members possess the education, and technical skills to engage in debate.⁵ As Ife (2002, p. 56) observes, some forms of liberating education are almost certainly needed to empower those disadvantaged in a particular regard.

Both local authorities observed for this report demonstrated a strong commitment to community participation in decision-making through consultation, and drew on their extensive experiences to use methods of dialogue-building they considered appropriate for their particular communities. Each enjoys high levels of community legitimation, indicated by: positive community satisfaction surveys; extremely high levels of rates payment compliance; and stability in the composition of the body of elected representatives. Each has developed, and continues to develop, consultation techniques it considers appropriate for its community. Both local authorities, it may be inferred, would use consultation without a statutory requirement, recognising that

⁵ For the purposes of accounting, a local authority is predominantly imagined as a business. We intend to investigate the usefulness of contemporary households as an imaginative model within which to examine community participation in local authority decision-making. Unlike a traditional patriarchal household model, contemporary households are often varied, frequently negotiated and require complex distributive decision-making. We posit that encouraging reflection on household management may lead to a better understanding of local authority management amongst community members.

community participation supports and legitimates democratic decision-making.⁶ Nevertheless, from the perspective of a Habermasian ideal, certain issues raise concerns, notably:

1. Although probably unavoidable, significant mediatory power is exercised, particularly with regard to establishing the parameters of debate and assumptions as to the informational needs of community members. At a more fundamental level, there is little evidence that the conditions of each community's lifeworld have been established. For example, a focus of local authority A's annual plan submissions in 2005 lay with the fairness of the rating system. Yet, before such a debate can take place, consensus must be reached on a conception of fairness as an element of that particular community's lifeworld. As noted previously (see 2.2. above), it is plausible that the democratic formulation of well-being goals will significantly contribute to the creation of a lifeworld for a particular local authority community. But this has not yet been achieved.
2. Many community members are excluded from debate on issues that require an ability to interpret accounting information. To reiterate, the compliance requirements of local authorities in relation to statutory reporting are different from their obligations to facilitate participation. Broader and more heterogeneous constituencies for information must be served than those contemplated by GAAP.

⁶ It is noteworthy that both interviewees stressed the effectiveness of flexible, open and transparent dialogue, which does not appear to correspond with the quasi-forensic, formal submission procedures prescribed by the Act for the special consultative procedures (s83 the Act). Consequently, it is unclear whether the Act itself provides a "skeleton", which is fleshed out by local practice, or whether statutory compliance and organic development run parallel.

5. Conclusion

Looking for Habermas, what was found? Habermasian-style prescriptions for community participation are certainly evident in the aims of the Act, and implicit in certain of the local authority practices observed. But the conditions of an ideal speech situation, which would permit genuine democratic discourse, is far from obvious in the production of accounting information in relation to costs and funding of local authorities' activities.

Firstly, the dominant form of NPM, with its privileging of the market as an imaginative framework, can only incompletely engage with the democratic challenges of the Act. If local authorities continue to view community members as customers, rather than citizens, whose full participation in genuinely democratic political communities must be fostered and developed, it seems that the Habermasian ideal will remain hopelessly chimerical.

Secondly, perceptions of current distributions of accounting knowledge in local communities as being natural entrench and perpetuate privilege on the one hand, and disempowerment on the other. Simply, those who do not speak the language of accounting, who do not know its vocabulary, its syntax and informing concepts, are excluded from participation in a crucial aspect of democratic discourse.

Local authorities are probably not in a position to effect a redistribution of accounting knowledge in their communities. More pertinent, they appear unwilling or unable to consider producing accounting information in ways that recognise extant distributions of accounting knowledge, yet better serve the different needs of varied constituencies for accounting information. To do so, local authorities would need to produce accounting information that was accessible to persons with lesser accounting

knowledge and different information needs from those of the model knowledgeable and diligent businessperson.

This apparent inability and reluctance seems to postpone the Habermasian ideal indefinitely. And yet there is promise.

Firstly, local authority B's use of public meetings connects to classical, face-to-face democracy. With its willingness to use developing technology, it is, perhaps, well placed to pursue forms of e-democracy that facilitate unmediated public debate on local government issues (see Local e-gov websites for examples of initiatives, also see Unerman and Bennett, 2004). But certainly any such initiatives would require an educational component, whose costs could be prohibitive and effectiveness minimal. Secondly, whilst alert to the agency problems inherent in mediation, the possibility of speech competence at a *group* level, as recognised by local authority A, represents what might constitute an intermediate stage in the project of democratic discourse (see Franklin and Ebdon, 2004 on the use of community representatives).

The goals of democratic discourse necessarily require long-term focus, and must be negotiated within particular communities. They must develop organically and particularly, and, it is submitted, such development has started in the local authorities observed for this study. Gray (2002, p 700) called on social accountants to participate in "active, brave and intense engagement". The Act presents those willing to take up that challenge with the opportunity to develop accounting practice in exciting new directions. Differently constructed and communicated accounting information, popularised for the needs of varied constituencies for information, holds the potential for significantly contributing to the enhancement of democracy.

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