

DEBT, NEOLIBERALISM, AND ACCOUNTING

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ABSTRACT

The present doctoral thesis aims to explore the roles and limitations of accounting, in the broadest sense and including auditing, in financialized neoliberalism where indebtedness, through personal and public debt, has become central to governing the population. To achieve this objective, this research explores these two levels of debt, namely personal and public, and addresses the following research question: *What are the roles of accounting and its impacts on the phenomenon of debt as a disciplinary and control device?* This work begins with Chapter II, which examines one way of constructing indebted subjects and illustrates that, at the individual level, vague and imprecise accounting processes can play a determining role in disciplining them to become financially responsible and financialized subjects, through the generation of emotions such as fear, shame, and anxiety. Subsequently, Chapter III shows the construction of a discourse advocating the absolute priority of debt repayment (over the needs of the population), and demonstrates how organic intellectuals who want to resist this dictate are trying to organize themselves to defuse it. This study reveals that accounting can make their task more difficult given its complexity, especially in regards to debating public debt in the public space. The paper invites organic intellectuals to get out of the accounting complexity trap, either by drawing on the common sense as highlighted by Sikka (2000), or by translating accounting concepts into other fields, such as in the environment, in order to also get in touch with the population on an emotional level rather than just a rational level. This thesis ends on a more positive note in Chapter IV, which examines a case where accounting, and more specifically auditing, helped a small Third World country to reverse the power dynamic with international holders of financial capital. The audit, which was mobilized in the Ecuadorian government's strategy to renegotiate its public debt at its advantage, offered an alternative narrative to create an accountability relationship that did not previously exist, contributed to creating a sense of fear among investors, and provided legitimacy in the eyes of some stakeholders regarding the renegotiation of the country's debt.

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TABLE OF CONTENTS

ABSTRACT	II
ACKNOWLEDGMENTS.....	III
TABLE OF CONTENTS	V
CHAPTER ONE: INTRODUCTION.....	1
REFERENCES	8
CHAPTER TWO: DEBT, ACCOUNTING, AND THE TRANSFORMATION OF INDIVIDUALS INTO FINANCIALLY RESPONSIBLE ‘NEOLIBERAL SUBJECTS’	10
ABSTRACT	11
1. INTRODUCTION.....	12
2. THEORETICAL LENS	14
3. RESEARCH METHODS.....	19
4. CONTEXT	24
5. ANALYSIS.....	27
5.1 <i>A Debt to Reimburse: A Stressful Experience for Refugees</i>	28
5.2 <i>Defaulting on Debt Payments: Formal, Emotional, and Imaginary Sanctions</i>	32
5.3 <i>From a Moral Obligation to a Positive Experience</i>	34
5.4 <i>Internalizing Expected Financial Behaviors</i>	37
5.5 <i>Financialized Subjects</i>	41
6. DISCUSSION AND CONCLUSION	44
APPENDIX A: DATA COLLECTION METHODS OF THE AUDIT REPORT.....	50
APPENDIX B: STATEMENT OF ACCOUNT / IMMIGRATION LOAN STATEMENT	51
REFERENCES	52
CHAPTER THREE: COUNTERING HEGEMONIC DISCOURSES IN THE PUBLIC SPACE: THE ROLES AND LIMITATIONS OF ACCOUNTING.....	58
ABSTRACT	59
1. INTRODUCTION.....	60
2. GRAMSCI’S THEORY OF POWER AND PHILOSOPHY OF ACTION	64
3. METHODOLOGICAL APPROACH.....	67
4. ACCOUNTING CONCEPTS AND THE CONSTRUCTION OF DEBT PROBLEM RHETORIC	70
4.1 <i>Generations Fund</i>	71
4.2 <i>Accounting Concepts of Debt</i>	74
4.3 <i>The Complexity of Accounting Concepts of Debt</i>	78
5. ACCOUNTING SUPPORTING THE HEGEMONIC RHETORIC OF THE DEBT PROBLEM	79
6. COUNTERING THE HEGEMONIC DISCOURSE	84
7. DISCUSSION.....	89
8. CONCLUSION	92
REFERENCES	94
CHAPTER FOUR: THE AUDIT OF PUBLIC DEBT: AUDITING AT THE SERVICE OF EMANCIPATION IN A NEOLIBERAL ERA.....	97
ABSTRACT	98
1. INTRODUCTION.....	99
2. NEOLIBERALISM, AUDITING, AND EMANCIPATION.....	101
3. CONTEXT	105
4. RESEARCH METHODS.....	109
4.1 <i>Data Collection</i>	109

4.2 Data Analysis.....	110
5. ANALYSIS.....	110
5.1 The Audit Commission’s Role, Structure, and Processes	111
5.2 Audit Content: The Production of Illegitimacy and Accountability.....	115
5.3 Perception of the Audit by Financial Market Actors	124
6. EPILOGUE.....	133
7. DISCUSSION.....	134
8. CONCLUSION.....	139
REFERENCES	141
CHAPTER FIVE: CONCLUSION.....	145
<i>Implications for Accounting Research and for the Public Interest.....</i>	<i>148</i>
<i>Limitations and Future Research.....</i>	<i>150</i>
REFERENCES	152

CHAPTER 1: INTRODUCTION

INTRODUCTION

While we know that the first form of writing was accounting, we often overlook the fact that the original purpose of these early accounting systems was to account for debt (Gleeson-White, 2012; Graeber, 2013). Indeed, many of the key developments in accounting were strongly linked to the existence of debt systems. For example, double-entry accounting, invented in Italy over the course of the 15th century, borrowed its terminology from the debtor-creditor relationship, i.e. debit (for debtor) and credit (for creditor) (Soll, 2014). Given the long and close relationship between debt and accounting, it is surprising that the phenomenon of debt remains largely underexplored in the critical accounting literature. This lack of research on debt, both public and individual, is all the more surprising given that both forms of debt now hold an important place in today's financialized neoliberalism (Lazzarato, 2012, 2015).

In contrast, the critical accounting literature on neoliberalism has extensively studied the role of accounting (and auditing) in the operationalization of neoliberalism in multiple contexts. Topics such as fraud (Cooper, Dacin, & Palmer, 2013; Power, 2013), the financialization of universities (Beverungen, Hoedemaekers, & Veldman, 2014), privatization (Morales, Gendron, & Guénin-Paracini, 2014), financial reporting (Pelger, 2016), management accounting (Cooper, 2015), environmental issues (Andrew, Kaidonis, & Andrew, 2010; Lohmann, 2009), and the commodification of homelessness (Cooper, Graham, & Himick, 2016), among others, have been studied since pioneering neoliberal studies in accounting research (see, for example, Miller & O'Leary, 1987; Rose, 1991). While many examine different topics dealing with accounting and neoliberalism, only a handful of neoliberal studies explore accounting and debt specifically. These studies include Alawattage, Graham, and Wickramasinghe (2019), who study personal debt in relation to a microfinance program funded by international organizations; Fourcade and Healy's (2013) investigation of the transformation of the credit system in the neoliberal era (describing credit scoring as a disciplinary technology); and Morales et al.'s (2014) investigation of the recent Greek debt crisis.

In neoliberal ideology, there is an intention to extend markets to all spheres of society, including health and education, but unlike in classical liberalism, neoliberal thinkers do “not conceive of either the market itself or rational economic behavior as purely natural” (Brown, 2003, p. 41). Neoliberal policies seek to reduce the size of the state through tax cuts, privatization, deregulation

and, above all, the dismantling of the welfare state, which is considered too costly and the cause of high public debt (Chiapello, 2017; Micklethwait & Wooldridge, 2014). Social rights are replaced by credit: “[n]o more pooling of pensions, instead individual investment in pension funds; no pay raises, instead consumer credit; no universal insurance, individual insurance; no right to housing, home loans” (Lazzarato, 2015, pp. 66-67).

With financial deregulation and the gradual withdrawal of the welfare state, financial capital has become more important than in the previous era of the welfare state, and many argue that debt has now become central to governing the population (Boltanski, Fraser, & Corcuff, 2014; Lazzarato, 2012, 2015). At the state level, “public debt [...] reveals itself to be a formidable apparatus of power in the hands of financial capital” (Lazzarato, 2015, p. 226). For example, many Third World countries were forced to implement neoliberal measures dictated by the International Monetary Fund (IMF) in the wake of defaults on their public debt, many of which were due to the period of high interest rates in the 1980s. The refinancing of their public debt gave more power to their creditors, and some countries devoted more than 50% of their annual budget to debt repayment, as in the case of Ecuador. Since indebted countries often ended up paying more money back to their creditors than they received, it can be argued that public debt has been constructed as a plundering mechanism (see Chapter IV for further discussion).

The increased power that financial capital holds, associated with the increase in public debt, also concerns the more advanced industrial countries. This is particularly evident since the 1970s, when public debt increased significantly as a result of the neoliberal policies implemented first by Thatcher in the United Kingdom and Reagan in the United States (Piketty, 2019). Neoliberal policies, such as tax cuts (particularly generous for the richest), which aim to reduce the size of the state, have put pressure on state spending, leading to increased deficits and consequently increased public debts (Piketty, 2019).¹ The increase of public debt around the world has been an exceptional tool for financial capital holders to capture the wealth created worldwide and “[t]he securitization of public debt [has been] the instrument for an immense transfer of wealth from wage-earners and the population toward financial investors” (Lazzarato, 2015, p. 226). This

¹ For instance, in the United States, between 1930 and 1980, the tax rate on the highest income level was 81%, while this same rate was reduced to less than 30% in the 1990s (Piketty, 2019).

transfer of wealth is accentuated in times of austerity when populations have to make additional sacrifices to repay public debts (Lazzarato, 2015).

While in the past, countries have used debt repudiation or sometimes inflation to drastically reduce their public debt, such as after the Second World War (Piketty, 2019), under the neoliberal regime, deploying such strategies seems almost impossible (see Chapter III; Toussaint, 2017). The repudiation of public debt is made particularly difficult given that the rhetoric of *the public debt problem* has gained in appeal. Those who use this rhetoric often argue that public debt is caused by an overly generous and oversized welfare state that must be reduced (Chapter III). They also argue that priority should be given to repaying this debt rather than to the welfare of the population, such as through spending on education, health, housing, and the environment (Chapter III; Micklethwait & Wooldridge, 2014). Often, actors who use this rhetoric focus predominantly on spending cuts, while there is rarely any talk of increasing revenues, for instance by fighting tax evasion (Neu, Cooper, & Everett, 2001). Although some counter-discourse exists in response to the hegemonic common sense that public debt should be prioritized and that all debt should be repaid, it is extremely difficult for such discourse to gain a foothold (Chapter III; Neu et al., 2001).

The general acceptance that public debt should be prioritized over the population's needs can be linked with the morality associated with debt at the individual level (Chapter II; Graeber, 2013). The debtor is affected by guilt and a sense of responsibility, and it is her morality and mode of existence (ethos) that is mobilized under her reality of debtor (Lazzarato, 2012). Indeed, “[c]redit produces a specific form of subjectivation. Debtors are alone, individually responsible to the banking system [...] Debtors interiorize power relations instead of externalizing and combatting them. They feel ashamed and guilty” (Lazzarato, 2015, pp. 69-70). As Graeber (2013) explains in his work, this automatic responsibility for debt leads many to believe that all debt must be reimbursed, and makes people sensitive to the rhetoric of debt.

In today's more advanced neoliberal societies, consumption is at the heart of most people's lives. Consumption needs to keep growing endlessly, beyond the financial capacity of individuals, and without taking into account the consequences for the planet. This consumption is intrinsically linked to personal debts, as wages are not sufficient to support such an increase. While individual indebtedness increases with higher consumption, the state shrinking under neoliberal policies also increases individuals' indebtedness, as they must now take charge of what the welfare state used

to collectively manage, such as health and education. An increasing number of responsibilities are thus transferred to individuals, who must become *entrepreneurs of the self*, thinking and acting as a small business, and working to build their *human capital* (Chapter II; Foucault, 2004a, 2004b; Lazzarato, 2015). In financialized neoliberal societies, being an entrepreneur of the self requires an apprenticeship in managing debts, which is necessary for most of the population to build their human capital.

One example of the centrality of debt in financialized neoliberal societies and the necessity of debt to build one's human capital is the indebtedness of American students. Most students start their adult lives with debt they incurred to pay for higher education, and most of them will remain indebted for the rest of their lives (Lazzarato, 2015). "Student indebtedness exemplifies neoliberalism's strategy since the 1970s: the substitution of social rights (the right to education, health care, retirement, etc.) for access to credit, in other words, for the right to contract debt" (Lazzarato, 2015, p. 66). In our societies where credit replaces the welfare state, debt "is unpayable, unreimbursable, and infinite. [...] Credit has not been given in order to be reimbursed but rather to be in continual flux" (Lazzarato, 2015, p. 89).

The present doctoral thesis aims to explore the roles and limitations of accounting, in the broadest sense and including auditing, in financialized neoliberalism where indebtedness, through personal credit and public debt, has become central to governing the population. To achieve this objective, this research explores these two levels of debt, namely personal and public, and addresses the following research question: *What are the roles of accounting and its impacts on the phenomenon of debt as a disciplinary and control device?* By looking at both individuals' experience of debt and public debt, this thesis sheds light on the relationship between these two aspects. Indeed, the construction of the indebted individual creates a subject more inclined to agree with the rhetoric of public-debt-as-problem, which is mobilized to obtain the population's consent to neoliberal policies. Other arguments could be used to implement these policies, but it seems effective to use a discourse to which the population has been sensitized, such as the moral obligation to repay a debt. Such a moral obligation leads most people, even – or perhaps especially – the most educated, not to question the legitimacy of debts and their repayments.

At the level of personal debt, this thesis aims to explore how a government can discipline its population to becoming financially responsible and morally invested in repaying its debts. More

specifically, the paper presented in Chapter II seeks to answer the following research question: *How do individuals experience debt, and what are its effects on their behaviors and more profoundly on their subjectivity?* By addressing this question, the aim of Chapter II is to investigate the role that debt and its accompanying accounting aspects play in the financial responsabilization process to construct the neoliberal subject. The specific context studied is the transportation loan Canada provides to refugees to travel to the country. This transportation debt offers a unique opportunity to gain insights into how debt is used to responsabilize and financialize subjects who are newcomers to advanced neoliberal financialized societies. This, in turn, provides a window into the way the same processes may operate for those who are born and socialized into these societies – a phenomenon that is more difficult to observe since it happens gradually over time. Chapter II draws on official documentation and historical data, and focuses on individuals' lived experiences and biographies captured through in-depth interviews with refugees.

In terms of public debt, two different cases are studied in the thesis. Chapter III examines the construction of the rhetoric of debt-as-problem mobilized by neoliberal actors, and the counter-discourse attempting to defuse it. More specifically, the paper aims to answer the following research question: *How can accounting figures and accounting concepts be mobilized by intellectuals when attempting to counter the hegemonic discourse?* This study draws on a variety of data such as media articles, research reports, governmental financial statements, and governmental budgets to examine the case of the Province of Quebec. This context is particularly relevant given the implementation in the recent past of an accounting mechanism, the Generations Fund, which promotes the spread of the debt-as-problem rhetoric. Referring to the work of Italian intellectual Antonio Gramsci for the theoretical underpinning as well as the methodological approach, this paper pays attention to both the hegemonic and the counter-discourse, yielding a range of practical implications.

The second case at the level of public debt, presented in Chapter IV, examines the case of a country that attempted to emancipate itself from part of its public debt by resorting to an audit, and addresses the following research question: *How can an audit be mobilized as a tool of emancipation?* This paper contributes to the literature by studying the case of the public debt renegotiation of Ecuador (2007-2009), in which the government specifically resorted to an audit of its public debt when it tried to renegotiate, to its advantage, an important cutback of said debt, a debt to which neoliberal measures had been tied. By examining the ways auditing was mobilized

by the Ecuadorian government and the reactions of financial market actors to the debt audit, this paper provides insights into the emancipatory role that auditing can play in society, in contrast to most accounting studies of neoliberalism which present accounting and auditing as tools to reaffirm the neoliberal order (Andrew & Cahill, 2017; see, for example, Gendron, Cooper, & Townley, 2007; Parker, Jacobs, & Schmitz, 2019).

In sum, these three papers collectively contribute to our understanding of the roles of accounting and its impacts on individual and public indebtedness in today's financialized neoliberalism where debt has now become an important tool of discipline and control. Importantly, this thesis, through the study of processes of domination and attempts to resist the neoliberal hegemonic order, aims to explore how accounting and auditing could contribute to an emancipatory project. The rest of the thesis is structured as follows. Chapter II investigates the roles of accounting in disciplining refugees to repay their transportation debt, and their transformation into financially responsible citizens. Chapter III examines the ways in which accounting could play a role in emancipating and/or resisting the hegemonic discourse, while Chapter IV assesses the role of auditing in resisting neoliberalism. Finally, Chapter V provides concluding remarks and lays the groundwork for future research.

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**CHAPTER 2: DEBT, ACCOUNTING, AND THE TRANSFORMATION OF
INDIVIDUALS INTO FINANCIALLY RESPONSIBLE 'NEOLIBERAL SUBJECTS'**

DEBT, ACCOUNTING, AND THE TRANSFORMATION OF INDIVIDUALS INTO FINANCIALLY RESPONSIBLE 'NEOLIBERAL SUBJECTS'

Abstract

Building on Lazzarato's (2012, 2015) insights about the importance of debt in governing populations in financialized neoliberal societies, this paper examines the transportation loan provided by Canada to refugees to travel to the country, and the role of the accounting department of the Canadian immigration agency in responsabilizing refugees to reimburse this loan. Drawing on official documentation and historical data, and focusing on individuals' lived experiences and biographies captured through in-depth interviews with refugees, this paper demonstrates that by imposing financial obligations to repay transportation costs, the government, with the help of non-governmental organizations, financializes and 'responsibilizes' individuals, who develop micro-accounting skills throughout the process. The paper contributes to the accounting literature on responsabilization in neoliberal societies by showing the way in which debt, and its accompanying accounting practices, leads people to become 'more financially responsible', while at the same time defining the very meaning of 'financial responsibility'. By focusing on individuals' lived experiences, the paper sheds light on some of the means by which accounting shapes people's subjectivity and supports the construction of the 'neoliberal subject'. Notably, this paper demonstrates that the vagueness, inaccuracy, or absence of accounting information responsabilizes individuals via the emotions that these features generate. Importantly, the paper contributes to recent efforts to investigate the role of accounting in people's everyday lives, a fruitful way to extend and reinvigorate accounting literature seeking to better understand the increasingly invasive role of accounting in our societies.

Keywords: Debt; financially responsible behaviors; neoliberalism; refugees; governmentality; emotions; entrepreneur of the self.

DEBT, ACCOUNTING, AND THE TRANSFORMATION OF INDIVIDUALS INTO FINANCIALLY RESPONSIBLE ‘NEOLIBERAL SUBJECTS’

1. Introduction

At the same time as the welfare state is being threatened or rolled-back in the industrialized world, access to credit has improved, creating a situation where individuals must not only adapt but become ‘more responsible’ in the process. When housing credit is available but not social housing, when medical insurance is available but not universal health care, and when individuals need to save for their retirement instead of having access to government income support (Bujaki, Gaudet, & Iuliano, 2017), citizens face new and significant obligations. Not only must they save (Bujaki et al., 2017; Maltby, 2014), they must also obtain credit (Barthold, Dunne, & Harvie, 2018; Beverungen, Hoedemaekers, & Veldman, 2014; Fourcade & Healy, 2013), and this all presupposes an increasing degree of financial literacy (Bay, 2011; Bay, Catasús, & Johed, 2014; Maltby, 2014). While accounting researchers have long demonstrated “a close relationship between accounting and individual responsabilisation” within organizations (Bay, 2011, p. 594), only recently has the responsabilization process in everyday life gained the attention of accounting academics, who have documented some facets of this process, including the promotion of savings, the use of personal budgets, and financial literacy training (Alawattage, Graham, & Wickramasinghe, 2019; Bay, 2011, 2018; Bay et al., 2014; Junne, 2018; Maltby, 2014). However, little research has explored the ways in which debt plays a role in the responsabilization process and the consequent effects it has on individuals’ behaviors and subjectivity.

The present study uses Lazzarato’s (2012, 2015) theorization of debt and its centrality under neoliberalism to examine this neglected facet of the responsabilization process. According to Lazzarato, Western societies are no longer structured by industrial capital mainly organized around the capitalist-worker relation of power; rather, they are structured by financial capital in which the power relationship between debtors and creditors is central (Lazzarato, 2012, 2015). It is in this context that debt now plays a major role in governing populations. People are transformed into “debtor[s] affected by guilt, bad conscience, and responsibility” (Lazzarato, 2012, p. 52), seeing the non-repayment of their debt as something immoral. Mobilizing the morality of debtors in creating their subjectivities means that debt payments will not only require money, but also the adoption of appropriate responsible behaviors. The indebted individual feels compelled to make “constant efforts to maximize his employability, to take a proactive role in his integration into the

work or social environment, to be available and flexible on the job market” (Lazzarato, 2012, p. 135). In other words, “[d]ebt repayment is part of a standardization of behavior that requires conformity to the life norms dictated by the institution” (Lazzarato, 2012, p. 135). Lazzarato focuses on American college and university students, showing how entrance into indebtedness happens early in one’s life, and how one generally remains indebted for the rest of one’s life. Most notably, Lazzarato highlights the changing subjectivity of the indebted individual, and how debt has become a key characteristic of life in today’s neoliberal financialized society.

While Lazzarato (2012, 2015) provides a compelling account of the emerging role and importance of debt in financialized neoliberal societies, and the accounting literature has examined the financial responsabilization process in some detail, neither has focused on the ways individuals *experience* debt-based transformations. By focusing on individuals’ lived experiences, emotions, and biographies, this paper seeks to provide the kind of “more descriptively accurate accounts of social life” with the “greater possibility of connecting [...] to the concerns and emotions of real flesh and blood people” that is currently lacking from existing theorization (Sargiacomo, Ianni, & Everett, 2014, p. 653). It is in that spirit that this study addresses the following research question: *How do individuals experience debt, and what are its effects on their behaviors and more profoundly on their subjectivity?*

By addressing this question, the aim of the paper is to investigate the role that debt and its accompanying accounting aspects play in the financial responsabilization process to construct the neoliberal subject. Specifically, the paper draws on the case of refugees in Canada who are forced to join the country’s Immigration Loan Program (ILP), a scheme through which the government lends money to refugees wanting to resettle, covering the cost of their travel as well as other costs such as medical examinations and passports. Whereas for citizens that were born and socialized in Western societies the processes of indebtedness and responsabilization occur slowly and are difficult to discern and document, the case of newcomers arriving in a financialized society with relatively large debts imposed on them puts the issue into stark relief. Drawing on official documentation, historical data, and in-depth interviews with refugees, this paper demonstrates that by imposing financial obligations to repay transportation costs, the government, with the help of non-governmental organizations, financializes and responsabilizes individuals, who develop micro-accounting skills throughout the process.

The contributions of this study to the accounting literature are three-fold. First, the paper contributes to the accounting literature examining how individuals are responsabilized in neoliberal societies by showing the ways in which debt, and its accompanying accounting practices, lead people to become more financially responsible, while at the same time defining the very meaning of financial responsibility. Second, by focusing on individuals' lived experiences, the paper also contributes to the accounting literature by demonstrating another manner in which accounting shapes people's subjectivity and supports the construction of the 'neoliberal subject'. In particular, it highlights that vague, inaccurate, or absent accounting information works to responsabilize individuals via the emotions that these features generate. Third, the paper contributes to recent efforts to investigate the role of accounting in people's everyday lives, a fruitful way to extend and reinvigorate accounting literature seeking to better understand the increasingly invasive role of accounting in our societies (Bay, 2011, 2018; Hopwood, 1994; Jeacle & Walsh, 2002).

The remainder of the paper is structured as follows. Section 2 presents the theoretical basis of the study. Section 3 details the research methods and protocols employed, followed by a description of the study's context in Section 4. Section 5 presents an analysis of the research data, and Section 6 provides a discussion of the research and a set of concluding remarks.

2. Theoretical Lens

Neoliberalism has been widely studied in the accounting literature since pioneering research such as Berry et al. (1985), Miller and O'Leary (1987), and Rose (1991). This literature has shed light on the role of accounting in the operationalization of neoliberalism in multiple settings.¹ Neoliberalism can be described as:

encompass[ing] a vast range of reforms, often referred to as a whole (privatization, deregulation, dismantling of social welfare apparatus, tax cuts, etc.), underpinned by a common intent to draw more broadly on market mechanisms and private actors, particularly businesses, consulting firms and NGOs, to regulate the economy and distribute all sorts of products and services, including those that are educational, social, etc. (the free market, small government doctrine). (Chiapello, 2017, p. 50)

¹ Contexts such as fraud (Cooper et al., 2013; Power, 2013), the financialization of universities (Beverungen et al., 2014), privatization (Morales et al., 2014), financial reporting (Pelger, 2016), management accounting (Cooper, 2015), environmental issues (Andrew et al., 2010; Lohmann, 2009), and marketization of homeless people (Cooper et al., 2016), among others.

As highlighted in this excerpt, policies developed under the neoliberal ideology rely on the dismantling of the welfare state and the extension of market logic to all spheres of society. One essential rhetorical argument employed to carry out neoliberal reforms for the dismantling of the welfare state is the ‘universal’ value of freedom that the supporters of this ideology wish (or pretend) to offer to individuals (Harvey, 2005). However, this freedom comes at a cost, as it implies a transfer of responsibility to individuals for their own well-being, such as their health, education, and financial situation, both present and future (Harvey, 2005). As individuals become increasingly financially responsible for these aspects of life that were previously the responsibility of the welfare state, this raises an important question, to date insufficiently explored in accounting research: “[h]ow does one turn people into financially responsible citizens” (Bay, 2011, p. 593), and in particular what is the role of accounting in this process?

A small number of studies have addressed elements of this question. For Maltby (2014), neoliberalism “imposes the responsibility on the individual via ‘financial literacy’ that promotes budgeting, saving and investing” (p. 125). The broad goal is to construct responsible individuals capable of providing for their future needs rather than relying on society (Maltby, 2014). Whereas Maltby (2014) specifically highlights accounting as it relates to the responsabilization process of monitoring individuals’ behaviors and morality, Junne (2018) emphasizes the role of accounting as a pedagogical instrument. Junne (2018) examines a case in which teaching rational decision-making is combined with an introduction to budgeting. Specifically, the study demonstrates how personal budgets can constitute a pedagogical tool in order to enable disabled individuals to become more financially responsible and better manage the income that they receive from the government. In contrast, Bay’s (2011) findings show that accounting is mostly absent from a financial literacy educational program targeting high school students, as learning how to make rational choices was prioritized over any type of calculative device. In a later study, Bay (2018) observes more broadly that the effects of accounting on individuals’ behavior are impossible to predict. She suggests that this may be because the accounting literature tends to ignore the fact that receivers of financial information might not understand the information communicated to them, at least not in the way it was intended. Preparing individuals to understand financial information, then, is another element of the process of transforming individuals into financially responsible citizens, one that precedes the introduction of accounting or any calculative devices.

Accounting migration studies have also contributed to the ongoing discussion about the responsabilization process, which is “a ‘process whereby societal actors are encouraged or compelled to acknowledge and assume a proactive or reflexive moral capacity to govern their own risks’ (Webb, 2011, p. 3)” (Lehman, Annisette, & Agyemang, 2016, p. 5). Responsibilization is being inculcated through accounting technologies in an ever-growing number of categories of people, including immigrants (Agyemang & Lehman, 2013; Annisette & Trivedi, 2013; Harney, 2011; Lehman et al., 2016). Lehman et al. (2016), studying migration policies, observe that calculation, classification, and audit are central techniques for neoliberal governmentality in the responsabilization of newcomers. In a similar fashion, the anthropologist Ong (2003) calls attention to “the technologies of government – that is, the policies, programs, codes and practices [...] that attempt to instill in citizens-subjects particular values (self-reliance, freedom, individualism, calculation, or flexibility) in a variety of domains” (p. 6). Ong (2003) also argues that governments are not the only entities that contribute to constructing the neoliberal ‘desirable’ subject; the people who provide help to newcomers do so as well. Overall, however, across this emergent body of literature, not much is known about the intersection of the responsabilization process and the transformation of migrants into neoliberal subjects in regard to their financial behaviors.

Furthermore, while debt has become central in everybody’s life – employed or not, wealthy or struggling (Lazzarato, 2012, 2015) – it has been largely unexplored in the accounting literature on the construction of the financially responsible neoliberal subject.² This is despite the fact that accounting is widely acknowledged to be at the heart of *responsibilizing* processes (Miller & Power, 2013). Building on Foucault’s (2004a, 2004b) work on neoliberal governmentality, Lazzarato (2012, 2015) theorizes debt in today’s world as being a technique of governmentality for constructing the responsible neoliberal subject; that is, the entrepreneur of the self. The entrepreneur of the self is an “agent who makes decisions and choices which are calculable and comparable” (Miller & Power, 2013, p. 586), and who, through these choices, builds her human capital with a view to enhancing her future wage, now labeled as an *income* (Cooper, 2015). Put differently, under the neoliberal governmentality, “[t]he political subject is henceforth to be an individual whose citizenship is manifested through the free exercise of personal choice amongst a

² An exception is Alawattage et al. (2019), who study personal debt in relation to a micro-finance program financed by international organizations. See also Fourcade and Healy’s (2013) study, which examines the transformation of the credit system in the neoliberal era and describes credit scoring as a disciplinary technology. However, Fourcade and Healy’s (2013) analysis remains at the macro level.

variety of options” (Miller & Rose, 1990, p. 24). The objective for the entrepreneur of the self is to increase the return (income) on her (human capital) investment, and debt represents a means to achieve this goal.

Foucault’s analysis of the neoliberal governmentality “bring[s] together the government of others (*subjectification*) and the government of one’s self (*subjectivation*)” (Hamann, 2009, p. 38). The *Homo economicus* in the neoliberal governmentality (or the entrepreneur of the self) “is not a natural being with predictable forms of conduct and ways of behaving, but is instead a form of subjectivity that must be brought into being and maintained through social mechanisms of subjectification [...] aimed at encouraging and reinforcing individual practices of subjectivation” (Hamann, 2009, p. 42). The subjectivation process not only affects behaviors, but also influences the way people think about the world and themselves, that is to say, their subjectivity.

Importantly, subjects internalize power relations of their own free will, which is why Foucault rejects the notion of domination (Bert, 2011). Indeed, “[p]eople are not goods. Goods are passive. People are humans, who make active decisions based on their subjective aspirations and preferences, so their behaviour is not just a function of macro-level disequilibria” (De Haas, 2011, p. 17). In other terms, power does not mean that subjects are passive and imprisoned in their own system (Foucault, 1991); rather, subjects remain active in the subjectivation process (Kelly, 2010). This process of subjectivation, as theorized by Foucault and built upon by Lazzarato, involves a mixture of obedience and ‘freedom’. Consequently, “[t]he debtor is ‘free’, but his actions, his behavior, are *confined* to the limits defined by the debt he has entered into [...] You are free insofar as you assume the *way of life* (consumption, work, public spending, taxes, etc.) compatible with [debt] reimbursement” (Lazzarato, 2012, p. 31, *emphasis added*).

Neoliberal subjects are alone, responsible to their creditors, and they “interiorize power relations instead of externalizing and combatting them” (Lazzarato, 2015, p. 70). During this subjectivation process, the morality of individuals is mobilized and debtor solvency becomes a measure of individuals’ mode of life and indeed their morality: people feel ashamed and guilty when they cannot reimburse their debt (Lazzarato, 2012, 2015). Lazzarato’s reference to shame and guilt hints at the significance of emotions in the subjectivation process. Although “Foucault himself did not engage much with emotions, his thorough engagement with the body entails that they do have a bearing on the ways in which we should conceive of governmentality and its workings. Emotions

can certainly be seen as yet another instrumental way through which practical rationalities can be enacted” (D’Aoust, 2014, p. 270), especially considering that emotions, such as shame, are less costly than formal rewards and punishments (Creed, Hudson, Okhuysen, & Smith-Crowe, 2014), which is consistent with the neoliberal idea of cost efficiency (Hood, 1995; Mennicken & Miller, 2012; Miller & Rose, 1990). The body of research on emotions counterbalances the traditional emphasis on reason in explaining the actions of individuals (Boedker & Chua, 2013).³

Individuals are encouraged to adopt the *entrepreneur of the self* subjectivity early in their life, as illustrated by the high indebtedness of American students (Lazzarato, 2012). American students take on debt in order to invest in their own human capital – in this case, educational capital – to ensure a ‘better’ future life, and many will remain indebted for the rest of their lives. This in turn “requires an apprenticeship in certain behaviors, *accounting rules*, and organizational principles traditionally implemented within a corporation” (Lazzarato, 2015, pp. 70-71, *emphasis added*).

Further elaborating on the connections between debt and the business-like practices of the entrepreneurial self, Lazzarato highlights that, “[f]or the majority of the population, becoming an entrepreneur of the self is restricted to managing, according to the terms of business and competition, [one’s] employability, [one’s] debts, the drop in wages and income, and the reduction [of] public services” (Lazzarato, 2012, p. 94). Becoming an entrepreneur of the self means “taking responsibility for poverty, unemployment, precariousness, welfare benefits, low wages, reduced pensions, etc., as if these were the individual’s ‘resources’ and ‘investments’ to manage as capital, as ‘his’ capital” (Lazzarato, 2012, p. 51). Thus, resorting to debt is essential for the entrepreneur of the self, who relies on it to manage her human capital and to take responsibility for the consequences of her precarious condition.

Although Lazzarato highlights the importance of debt in contemporary neoliberalism and illustrates with the example of American students, the way in which these students *experience* this debt-based transformation is absent from his work. Similarly, in the accounting literature, the voices and narratives of those who are entering into indebtedness remain unheard. Nor have the

³ Literature on emotions is growing in accounting research, such as the role of emotions in managing behaviors within organizations (Boedker & Chua, 2013; Czarniawska, 2008), in business decision-making (McPhail, 2004), and in auditing (Guénin-Paracini et al., 2014). While the literature tends to study how accounting impacts emotions, Baxter et al. (2019) demonstrate how emotions also inform accounting. The present study distinguishes itself by looking more specifically at the roles of emotions in the construction of the ‘neoliberal subject’.

lived experiences and biographies of people targeted by programs to transform them into financially responsible citizens been examined.⁴ It is in that context that this study seeks to address the question of how individuals experience debt, and the effects it has on their behaviors and on their subjectivity. To this end, the rest of the paper presents an investigation into the lived experiences of refugees who traveled to Canada on the Immigration Loan Program, with the aim of better understanding the role that debt and its accompanying accounting aspects play in the financial responsabilization process that constructs these newcomers as neoliberal subjects.

3. Research Methods

The idea for this paper emerged while attending a conference organized by a local center welcoming refugees in Canada, where I was working as a volunteer assisting refugees arriving in this country. During the conference, the aim of which was to help volunteers better understand refugees' lived experiences, I learned that refugees are required to reimburse the cost of their medical examination and transportation to Canada under the Immigration Loan Program (ILP). I was surprised that refugees were asked to repay these fees. I also wondered about the effects of asking refugees to enter into indebtedness that soon, particularly what they thought about, and how they experienced, the imposition of this debt. Knowing that, as Burchell, Clubb, Hopwood, Hughes, and Nahapiet (1980) note, it is important to understand the context in which accounting operates, I began to collect multiple sources of data in relation to the ILP. From November 2015 to June 2017, I gathered information to familiarize myself with the broader context, as well as two data sets that would allow me to examine both sides of the story, namely that of the ILP organizers, and that of the refugees themselves.

In order to increase my awareness of refugees' lived experiences, I continued my volunteering work to support the integration of refugees. During my twenty-seven (27) hours of volunteer work, I spent much time conversing with, and supporting, refugees. We talked, among other things, about the challenges they faced in integrating into Canadian society and how they envisaged their new life in Canada. I also attended four (4) conferences about refugees (total time eight [8] hours) with a view to developing a more holistic understanding of refugee experiences in different contexts.

⁴ One exception is Junne (2018). However, due to the fact Junne's (2018) study involved individuals with a disability, the interviews were conducted with the presence of the participant's care assistant, who assisted them in answering the questions and supplemented their answers with additional information. Although a necessary accommodation to respect the participants' needs and rights, this interview protocol introduces the possibility that the data collected does not reflect only the interviewees' own voices.

These activities, representing approximately thirty-five (35) hours, were important to enrich my knowledge of, and proximity to, refugees' lived experiences.

With regard to the broader context, I collected archival data in the form of primary -and secondary- source documentation. I examined the history of the ILP from its launch in 1951 to the present day. Since there is relatively little information available about the ILP, a variety of documents from the Canadian government and its immigration department, as well as secondary sources, were required in order to understand how the program came to exist in its current form. As described in detail in Section 4, this reconstitution of the history of the ILP reveals that the program has evolved over time to serve a neoliberal agenda. The sources consulted are presented in Table 1.

Table 1. Historical Sources Consulted.

Primary Historical Sources: Canadian Government Documents
Citizenship and Immigration Canada (CIC). (1994). <i>Rapport des consultations sur l'immigration</i> .
Citizenship and Immigration Canada (CIC). (1996). <i>A Departmental outlook on Program expenditures and Priorities</i> .
Citizenship and Immigration Canada (CIC). (1999). <i>Recouvrement des frais de services de l'immigration</i> .
Citizenship and Immigration Canada (CIC). (2000a). <i>Les artisans de notre Patrimoine: La citoyenneté et l'immigration au Canada de 1900 à 1977</i> .
Citizenship and Immigration Canada (CIC). (2000b). Forging our legacy: Canadian <i>Citizenship and Immigration, 1900-1977</i> .
Citizenship and Immigration Canada (CIC). (2001). <i>Le rôle des transports dans l'immigration au Canada de 1900 à 2000</i> .
Citizenship and Immigration Canada (CIC). 2014. OP 17 Loans. Available from: http://www.cic.gc.ca/english/resources/manuals/op/op17-eng.pdf (accessed 16.10.16).
Citizenship and Immigration Canada (CIC). 2015. Evaluation of the Immigration Loan Program. Available from: http://www.cic.gc.ca/english/resources/evaluation/ilp/2015/index.asp (accessed 16.10.16).
Employment and Immigration Canada. (1983). <i>Chronicle of Cooperation: An account of the joint efforts of the Canada Employment and Immigration Commission and the Canadian Polish Congress to assist Polish refugees</i> .
La Commission consultative de l'adaptation des immigrants. (1970). Réunion de la Commission consultative de l'adaptation des immigrants.
Manpower and Immigration. (1966). <i>White Paper on Immigration</i> .
Manpower and Immigration. (1974). <i>2-Le programme d'immigration</i> .
Secondary Historical Sources
De Knowles, V. (2007). <i>Strangers at Our Gates: Canadian Immigration and Immigration Policy, 1540–2006</i> . Dundurn.
Hathaway, J. C. (1987). Selective concern: An overview of refugee law in Canada. <i>McGill Law Journal</i> , 33(4), 676-715.
Hawkins, F. (1972). <i>Canada and Immigration</i> . McGill.
Kelley, N., & Trebilcock, M. J. (2013). <i>The making of the mosaic: A history of Canadian immigration policy</i> . University of Toronto Press.
Société historique du Canada. (1991). <i>La politique canadienne d'immigration depuis la Confédération</i> . Société historique du Canada.
Wright, Cynthia. 2013. The Museum of Illegal Immigration: Historical Perspectives on the Production of Non-citizens and Challenges to Immigration Controls. Ch. 2 in <i>Producing and Negotiating Non-Citizenship</i> .

Additionally, I collected and analyzed two key documents regarding how the ILP is managed. The first document is an audit report of the ILP produced in September 2015 by the Evaluation

division of Citizenship and Immigration Canada (CIC, the Canadian immigration agency).⁵ The audit report provides official information about how CIC, supported by its accounting department, manages the ILP; the ILP's impact on refugees' lives; and whether or not the ILP respects the policies of the Canadian government.⁶ A second central element analyzed is the handbook given to refugees during their training session on life in Canada (which they must attend before leaving for Canada). This training session is delivered by the International Organization for Migration (IOM), the United Nations migration agency that receives individuals' requests for refugee status and distributes the requests to countries of best fit. I obtained two different versions in Spanish of the book handed out to refugees by the IOM during this training; this gave me access to information about the financial behaviors expected of refugees once they arrive in Canada.

Finally, I completed the archival data by consulting various official websites about Canadian and international refugee systems, organizations supporting refugees, and relevant government policies and journalistic reports. In total, I collected around 500 pages of archival data, which I stored in an electronic folder.

I then continued the data collection process with semi-structured interviews, mostly with refugees. I conducted a total of fourteen (14) interviews, one with a government officer and thirteen with refugees (see Table 2 for interview details). The interviews with refugees were conducted at their home, with each visit lasting between 90 minutes and 6 hours (twenty-four hours and fifty minutes [24:50] in total); the interviews were recorded and later transcribed. The significant amount of time spent with the interviewees helped to build a relationship of trust. We shared laughter and tears; the interviewees were grateful for being listened to. For these interviews, I developed an interview guide based on grand tour questions as suggested by Spradley (1979), which gave interviewees more space to express themselves. The interview guide was used primarily to initiate the discussion and to ensure key topics were not overlooked. Within one to two days after each interview, I completed a summary sheet (Miles & Huberman, 1994) to keep

⁵ When Justin Trudeau took office as Prime Minister of Canada in 2015, he rebranded the Canadian immigration department. Part of this rebranding was renaming Citizenship and Immigration Canada (CIC) as Immigration, Refugees and Citizenship Canada (IRCC). The change took effect in 2016. Therefore, in 2015 and 2016, the name CIC still appears on some documents instead of IRCC. In the paper, to simplify the reference to the Canadian immigration department, I will refer to it as CIC or the Canadian immigration department.

⁶ See Appendix A for detailed information about the data collection methods used in the Evaluation division's audit report.

track of the additional information collected outside the recorded segment, to document what interested me that I would like to investigate further in the next interview, and to summarize the information I perceived to be most relevant. Interviews were conducted in Spanish, English or French.

Table 2. List of interviewees.

#	Interviewee	Category	Nickname	Nationality	Arrived in	Duration (min)
1	Refugee	Government-Assisted (GAR)	Alejandro	Colombia	2015	210
2	Refugee	GAR	Isabela	Colombia	2015	
3	Refugee	GAR	Mateo	Colombia	2015	
4	Refugee	GAR	Maria	Colombia	2015	150
5	Refugee	GAR	Jessica	Colombia	2014	90
6	Refugee	Asylum-Seeker	Valeria	Mauritania	2015	360
7	Refugee	GAR	Claire	Colombia	2013	180
8	Refugee	GAR	Tatiana	Colombia	2013	
9	Government Officer		NA			60
10	Refugee	GAR	Carlos	Colombia	2016	240
11	Refugee	GAR	Luciana	Colombia	2016	
12	Refugee	GAR	Melissa	Colombia	2016	
13	Refugee	GAR	Martin	Colombia	2014	105
14	Refugee	GAR	Ana	Colombia	2016	95
TOTAL minutes						1490
TOTAL Hours						24h50min

Inspired by the methodological approach of Haynes (2010), which involves sharing experiences with interviewees, each interview began with an informal conversation about refugees' new life in Canada, and anecdotes from my personal life that could relate to what they experience. When possible, I provided refugees with information that could help their integration, such as how to find a kindergarten for their children or how the Canadian educational system works. It is worth noting that although I used a snowball approach and was therefore always referred to each interviewee by someone they trust, many refugees initially felt uncomfortable sharing their experience with a stranger entering their home. The introductory phase served to create a rapport, and I extended this phase until I felt confident that interviewees trusted me and were comfortable to openly discuss their experience with me. During the interviews with refugees, the first formal questions focused on their experience of the ILP and their perception of the program. When the conversation began to go in a direction that allowed me to ask more private questions about their financial behaviors prior to coming to Canada, I steered the conversation in that direction with a

view to understanding the changes experienced by refugees due to their transportation debt obligations. For ethical reasons, at no time did I ask the participating refugees about the reasons and circumstances that led them to apply for refugee status. However, in some cases, interviewees recounted in great detail the difficult moments they and their family had gone through. On those occasions, I listened with empathy to the stories they wished to share with me.

Once the interview phase was complete, I uploaded all the interview transcripts, the audit report, and the main archival data to NVivo. I conducted my research with an inductive reasoning approach in which theory does not come first, as the researcher “starts from and returns to words, talk, and texts as meaningful representations of concepts” (Gephart, 2004, p. 455). Accordingly, I initially coded my data in NVivo without having predetermined any theoretical lens. I analyzed the collected material using an iterative process, going from the data to theoretical explanations and back again. This was possible as “NVivo permits an iterative coding process, whereby categories can be added, combined, refined and eliminated as the analysis proceeds” (Andon & Free, 2012, p. 134). Throughout the coding process, I observed certain recurrent themes emerging, such as emotions, deficiencies in accounting and administrative processes, the sense of moral obligation to repay the debt, expected rewards, changes in refugees’ financial behaviors, etc. I gradually organized the elements already coded and continued the coding in a more structured way inspired by Lazzarato and Foucault.

The variety of data collected allowed for ‘triangulation’ of information (Lincoln & Guba, 1985). For example, the delay in receiving the first loan statement was mentioned in the audit report as a problem in the reimbursement process, and refugees’ narratives confirmed this. The archival research also provided evidence of this problem and the consequences for refugees’ capacity to repay their transportation debt. In other cases, the multiple sets of data enabled me to understand the gap between refugees’ experiences and official processes. For instance, the audit report mentions that problems with the accounting system make it impossible to precisely track the financial behavior of individual refugees, whereas in the interviews, I found that refugees believed the Canadian government was immediately aware of whether or not they were making their monthly payment. This kind of triangulation between different types of data provided me with a high level of assurance regarding their reliability.

In presenting my analysis, I felt that it was important to use names rather than numbered codes in order to identify my informants to better reflect the human side of the interviews. I thus used fictitious names in order to achieve this goal while still protecting the informants' anonymity. However, before presenting the results of the analysis, I will first turn to the study's context.

4. Context

Canada is among the countries with the highest intake of refugees, taking in approximately ten percent of the estimated 100,000 refugees worldwide who relocate through resettlement programs every year (CIC, 2016). Canada is one of only three countries in the world (along with the US and Australia) that requires refugees to reimburse their medical evaluation and transportation fees, and until 2018, Canada was the only country in the world that charges interest on this debt (CIC, 2015).⁷ The transportation debt imposed on refugees arriving in Canada thus offers a unique opportunity to gain insights into how debt is used to responsabilize and financialize subjects who are newcomers to advanced neoliberal financialized societies. This, in turn, provides a window into the way the same processes may operate for those who are born and socialized into these societies – a phenomenon that is more difficult to observe since it happens gradually over time.

Studying the specific case of refugees is also more relevant than other types of immigrants since refugees have not been pre-selected to fit into their new country by means, for example, of a Canadian-style points system (Lehman et al., 2016). The Canadian government defines refugees as:

people who have fled their countries because of a well-founded fear of persecution, and who are therefore unable to return home. A refugee is different from an immigrant, in that an immigrant is a person who chooses to settle permanently in another country. Refugees are forced to flee. (CIC, 2016)

The Canadian government recognizes two categories of refugees. The first category consists of refugees who request asylum once in Canada. These refugees do not need a loan for their transportation costs, as they travel to Canada by their own means. Refugees in the second category apply for refugee status from outside of Canada; therefore they are eligible for the Immigration Loan Program (ILP) to cover the cost of their transportation.⁸

⁷ Canada stopped charging interest on refugees' loans in 2018.

⁸ Within this second group, the categorization of refugees is further refined, according to the institutional and financial support they receive. The Canadian government distinguishes three different subgroups (CIC, 2016): first,

Because of Canada's geographical location, immigration from most countries of the world generally requires traveling long distances. Transportation has thus always been a significant issue for people wanting to emigrate to Canada. The ILP is the only governmental program in Canada specifically aimed at facilitating immigrant mobility, and, currently, it is almost exclusively available to refugees. Various changes have been made to the program since it was launched in 1951 under *The Assisted Passage Loan Scheme (APLS)*. At that time, the APLS was an interest-free loan designed to finance Europeans "whose services were urgently needed and who could not afford their own transportation" (Kelley & Trebilcock, 2013, p. 323).⁹ These loans, which could reach up to \$1,500, were expected to be reimbursed within one, two or three years (Manpower and Immigration, 1974) through pay deductions (Kelley & Trebilcock, 2013).

In 1966, following denunciation of its policies considered by some as being racist, in a context in which public opinion was becoming increasingly less tolerant of racial discrimination (Société historique du Canada, 1991), the Canadian government extended the APLS to non-Europeans by including Caribbean nations. 1966 was also marked by profound changes to Canadian immigration policies with the publication of the *White Paper on Immigration*, based on which the minister of Manpower and Immigration recommended further extending the APLS to immigrants from all nations (Manpower and Immigration, 1966).¹⁰ The change called for in the 1966 White Paper was eventually implemented on April 1st, 1970 (*La Commission consultative de l'adaptation des immigrants, 1970*). However, interest had been charged on the APLS beginning in 1967 (Manpower and Immigration, 1974). This change led to a significant decrease in the number of loans granted, "from 58,000 in 1966 to 1,155 in 1970" (Kelley & Trebilcock, 2013, p. 360).

government-assisted refugees (GARs) referred by the United Nations Refugee Agency (UNHCR) or similar organization and supported by the Canadian government (or the province of Quebec) for up to one year; second, privately sponsored refugees (PSRs) supported by a sponsor (for example, a family member already in Canada, a charitable organization, etc.), who must provide for the refugee's needs during their first year; and third, blended-visa office-referred refugees (BVORs) referred by the United Nations Refugee Agency (UNHCR) and then matched with a private sponsor. Responsibility for the financial support provided to BVORs is divided equally between the Canadian government for the first six months (through the Resettlement Assistance Program [RAP]) and the private sponsor for the following six months.

⁹ The APLS was introduced "when it became evident that immigration had seriously declined since 1948, particularly from Britain" (Hawkins, 1972, p. 406). This decline in immigration was partly due to the rapid devaluation of the British pound in 1949, but also to fewer boats being available to cross the Atlantic, both of which raised the transportation costs involved in emigrating to Canada from Britain (CIC, 2001; Kelley & Trebilcock, 2013).

¹⁰ "Manpower and Immigration" was the name of the Canadian immigration department at that time.

Arguably, the charging of interest was implemented as a kind of countermeasure to limit the desirability of the program, before allowing all nations to access the APLS.

Although refugees sometimes benefitted from the APLS program, they were usually not required to reimburse the loan; only economic immigrants were. A notable example is the case of Hungarians refugees for whom, on November 28th, 1956:

[the] minister of citizenship and immigration announce[d] his government's intention to proceed with a generous admission program, the chief feature of which was free passage for all those Hungarians refugees who met this country's standards. (De Knowles, 2007, p. 175; see also Bujaki et al., 2017)

The same may be said of Czechoslovakian refugees. When visa officers concluded that requiring them to reimburse the loan would cause them undue hardship and privation, the decision was made not to request reimbursement from them (*La Commission consultative de l'adaptation des immigrants*, 1970). However, with the Immigration Act of 1976, the Canadian government introduced a new transportation loan designed specifically for refugees (Hathaway, 1987). This new loan was interest-free, but refugees were now required to repay it. Arguably, this policy was the first sign of the emergence of a neoliberal agenda with regard to refugee immigration loans, emphasizing individual responsibility rather than pursuing welfare state policies (Harvey, 2005). In this particular instance, the responsibility initially assumed by the government, of bringing refugees to Canada, was now transferred to those refugees, who found themselves responsible for their personal travel costs.

In 1995, the Canadian immigration department (by then known as CIC), began to charge interest on refugees' transportation loans as part of a restructuring of its programs and reduction of its operating costs and employee numbers, in a period of New Public Management in Canada (see also Oakes, Townley, & Cooper, 1998). New Public Management, an enactment of the neoliberal ideology, represents an effort to bring a business mentality into public management (Hood, 1995). Within the CIC, the application of New Public Management translated into a focus on increasing revenue and becoming less of a drain on public funds: "New fees allowed CIC to maintain immigration and citizenship services, including immigrant and refugee settlements, while reducing the overall cost to the taxpayer" (CIC, 1996, p. 8). The clear intention was to shift "a larger proportion of the cost of [CIC's] programs from the general taxpayer to the direct beneficiaries" (CIC, 1996, p. 18), with "taxpayers" assumed to be long-established citizens.

Presently, transportation loans are granted via the ILP to cover transportation costs and other expenses related to refugees' arrival in Canada, such as medical examinations and passports (CIC, 2014). The ILP is administered by the Canadian immigration department, which also coordinates the loan payments made by refugees. From the 2002/03 to 2013/14 tax years, an average of \$12.8 million in new loans were issued every year. The *ultimate* goal of the program is to have “[n]ewcomers contribute to the economic, social and cultural development needs of Canada” (CIC, 2015, p. 52). This is consistent with a neoliberal ideology, as “[u]nder neoliberalism [immigrants] are recast as primarily economic agents or commodities whose main purpose is to benefit the economy (Pallitro and Heyman, 2008)” (Lehman et al., 2016, p. 4).

The historical account of the transportation loan illustrates a gradual introduction of neoliberal policies. The purpose and orientation of the transportation loan program have progressively changed since the mid-70s with the adoption of an increasingly neoliberal agenda by the Canadian government. The divestment of the Canadian state from financing refugees and the responsabilization of refugees began with the Immigration Act in 1976, and were later amplified with the restructuring of the Canadian immigration department in the mid-90s. With this context established, we can now turn to the presentation of the analysis of refugees' lived experience of the transportation loan program.

5. Analysis

This paper argues that requiring refugees to repay their transportation debt contributes to the constitution of the subjectivity of refugees as financialized and financially responsible neoliberal subjects. I will unfold my argument in five steps. In the first two sections of the analysis (Sections 5.1 and 5.2), I present the *subjectification* process by which refugees are responsabilized to repay their transportation debt. This is a process in which they may face formal sanctions and experience emotional and imaginary sanctions if they cannot meet their debt payments. In Section 5.3, I examine more closely the *subjectivation* process through which refugees transform their experience with the transportation loan into a positive one that fits their personal aspirations. The last two sections (Sections 5.4 and 5.5) are devoted to the effects of these processes on refugees' behaviors and subjectivity. I first examine refugees' internalization of expected financial behaviors and the development of micro-accounting practices in their daily lives (Section 5.4), followed by

how refugees are transformed during this process into financialized subjects capable of handling higher amounts of debt (Section 5.5).

5.1 A Debt to Reimburse: A Stressful Experience for Refugees

This section examines the official ILP process and how refugees experience it. The ILP relies on various accounting and administrative processes that are in part designed and managed by the accounting department of the Canadian immigration agency (CIC).¹¹ Studying the variances between the prescribed process and the process in practice allows for a more holistic understanding of the manner in which refugees are responsabilized to repay their transportation debt.

The first item of information communicated to refugees is the requirement to repay their transportation debt as well as the full amount of the debt they will incur. Officially, all information concerning the transportation debt is to be relayed during the selection interview with the Canadian visa officer (CIC, 2015).¹² However, most of the refugees I interviewed did not recall any information relating to this debt being provided to them during their selection interview. Participants reported that they were only informed about the existence of the transportation debt either at the seminar about life in Canada – a multi-day training session given by the International Organization for Migration (IOM), which refugees attend after being selected to emigrate, but before actually leaving for Canada – or once they were at the airport, ready for their departure.

When the refugees interviewed were informed prior to their arrival at the airport of the transportation debt, they were not informed about the total amount of their debt until just before boarding the plane and flying to Canada, when an officer made them sign a debt contract. This contract is written in English, in which most of the refugees were not fluent at the time. Taken together, this means that not only are refugees ‘surprised’ with a debt contract under high-pressure circumstances, but they can also face the additional stress of not understanding precisely what it is they are signing. Mateo’s testimony exemplifies what many refugees reported about the moment they were informed of the amount of their transportation debt at the airport:

¹¹ As mentioned previously, to avoid confusion, CIC (Citizenship and Immigration Canada) is used to refer to the immigration department of the Canadian government, as it was called at the time the interviews were conducted. The department has since been renamed IRCC (Immigration, Refugees and Citizenship Canada).

¹² The selection interview takes place overseas and is performed by the Canadian government to determine whether the person will be accepted as a refugee in Canada.

They didn't tell us that before. For example, in the interview process we weren't told about the debt, or how much it would be. Because... I imagine some people would have refused... Well... I mean... at that moment you could say: "With the little money I have, how am I going to pay?" And many people would back out and say: "No, not me. Not me... I'll continue to struggle on here because... how will I be able to pay them all of that?"

Because of the stress experienced by Mateo when the amount of the debt was announced to him at the airport with little (or no) possibility of refusing to sign the debt contract, Mateo concluded that the information about the existence of the transportation debt was deliberately withheld. The situation of refugees contracting a debt to resettle in Canada is consistent with the work of Lazzarato (2012), who argues that debtors are to some extent 'free' to enter into debt, this 'freedom' being nevertheless an illusion. In theory, one can choose whether or not to take on a debt; in practice, one does not really have a choice.

The second item of information communicated to refugees is related to how the debt should be repaid, i.e. the monthly payments, their start date, and their duration. Until recently, official policy required refugees to start repaying their debt 30 days after their arrival.¹³ However, the estimated time it takes for refugees to start repaying their debt in practice varies significantly (see Table 3).

Table 3. Length of Time after Term Start When Recipient Started Repayment.

Length of time after term start	Percentage of loan accounts
Within 30 days	0.0%
Between 1 and 3 months	3.7%
Between 3 and 6 months	28.2%
Between 6 and 12 months	38.2%
More than 12 months	29.8%

Source: CIC, 2015, p. 29.

As shown in Table 3, CIC estimates that no refugees begin repaying their transportation debt within thirty days of arrival and only 3.7% begin repayment within three months. Even at 6 months after arrival, around 68% of refugees still have not started repaying their debt. These delays are due at least in part to delays in the billing process. Before the first loan statement (see Appendix

¹³ Beginning in 2018, refugees now have one year before they must start to repay the debt.

B) can be issued, “the accounting department requires the invoice from the transportation company for the transportation costs of all the people listed on the loan agreement, as well as confirmation that they all arrived in Canada” (CIC, 2014, in CIC, 2015, p. 30). This means that the first statement is usually not issued until three or four months after the refugees arrive in Canada. Despite the fact that this is a billing process deficiency for which CIC’s accounting department is responsible, CIC nonetheless starts recording monthly payments to be made by refugees 30 days after their arrival. Accordingly, the first debt statement includes many late payments, which adds further stress for refugees, as illustrated by Maria’s and Martin’s experiences.

It [the first loan statement] was like 3 months late when we got it and it was for eight hundred dollars. We almost fell backwards. My God. Well, we start paying, continue paying, and we will continue to pay it in any way possible. (Maria)

Well, I was a little scared. I thought I needed... well, that I needed to catch up on the late payments right away. (Martin)

This stress imposed on refugees because of the late arrival of the first loan statement and the resulting build-up of late payments is, as seen above, mostly due to the absence of proper organization in the accounting/billing process.

The arrival of the first debt statement at refugees’ homes is also the moment at which CIC first communicates the amount of the monthly payments to be made. According to official government policies, the logic for determining the monthly payments to be made is based on the amount of the loan (see Table 4).

Table 4. Loan Term.

Size of Loan	Loan Term
Up to \$1,200	12 months
\$1,201 to \$2,400	24 months
\$2,401 to \$3,600	36 months
\$3,601 to \$4,800	48 months
Over \$4,800	72 months

Source: CIC, 2015, p. 3.

However, the seemingly clear official policies relating to the calculation of the monthly payment and to the loan terms contrast with refugees' experiences, as observed during the interviews.

Me: Have they told you over how long a period you have to pay it back?

Alejandro: No, they told us we had to pay monthly and that they would send a monthly receipt.

Alejandro's comment illustrates the lack of communication from CIC concerning the monthly debt repayments, with the time frame in which to reimburse the debt remaining unclear to him. The calculation of the amount of the monthly payment is also unclear to other refugees. For example, Isabela felt that she understood it, but incorrectly believed that the monthly payment was a percentage of the social assistance received by refugees. Interviewees also reported talking with other refugees about the first loan statement. Questions and comparisons regarding the characteristics of their respective debts were recurrent in these conversations, a further indication of uncertainty and misunderstanding.

When did you get it? Why so little? Why so high? I got it for this amount, what amount have you been billed? (Mateo)

These questions highlight the lack of communication on the part of CIC about monthly payments, and the resulting anxiety felt by refugees. While it was deplored in the governmental audit report that CIC failed to communicate clearly the method of calculation of the monthly payments, the repayment time frame, and the start date of the monthly payments, the present study identifies that most refugees strive to comply with the payment requested when the loan statement arrives in their mailbox, showing how refugees internalize the expectations placed upon them (Lazzarato, 2015).

In summary, based on refugees' lived experiences, this analysis reveals that the administrative and accounting processes do not in practice 'responsibilize' refugees by providing clear information. Rather, accounting processes contribute to responsabilizing refugees by exacerbating their stressful experiences as a result of the vagueness, inaccuracy, and sometimes absence of the information they are supposed to generate. The practices of CIC are coherent with the neoliberal ideal of efficiency (Mennicken & Miller, 2012; Miller & Rose, 1990) as emotions are an effective and cheap way to generate expected behaviors (Creed et al., 2014). Further, if refugees, motivated by emotional distress, eventually find the information they need themselves and comply with their

loan obligations, then the government has little motivation to invest further in improving its accounting and administrative processes.

5.2 Defaulting on Debt Payments: Formal, Emotional, and Imaginary Sanctions

But what should refugees do when they cannot meet their monthly payments? The advice offered to refugees in this situation by the provincial government of Ontario offers some insight into expected behaviors:

If you cannot make a payment, you should contact CIC as soon as possible to ask if you can defer, or pause, a payment. If you make this request, you may be asked to explain your personal finances and why it is difficult for you to make the payments. It may be a good idea to make a list of your income and expenses in order to demonstrate your financial situation. (Ontario, 2015)

Refugees who do not pay are thus expected to reveal and explain their financial situation to CIC to reach a new payment arrangement. If refugees stop making payments and make no arrangements with CIC, the CIC accounting department can take action toward debt recovery. CIC “uses direct collection action (through the CIC collection services), garnishment of wages, and set-offs through CRA [Canada Revenue Agency] as its main methods of debt recovery” (CIC, 2015, p. 27).

However, the government is not applying these policies uniformly. For instance, one of the refugees interviewed, Tatiana, mentioned that she knew somebody that had stopped making his debt payments and nothing happened. In addition, the government had not contacted a number of participants in the present study with payments in arrears at the time of the interviews; as a result, these participants were experiencing significant stress. For example, Alejandro recounted that he had been unable to catch up on his late payments due to the late arrival of his first loan statement. He seemed to fear what might happen when the government became aware of his late payments. But at the time of the interview, nobody had contacted him about the payment that remained outstanding since his arrival. This again suggests that punishments are not systematic, which is coherent with Foucault’s (2004b) view on neoliberalism wherein neoliberals find it too costly and not necessary to punish people systematically.

The governmental audit report may partly explain why the government did not establish contact with Alejandro and other refugees. Indeed, the audit report explains that the accounting department in charge of the follow-up process has no access to the records that indicate “to what extent loans

are repaid in a timely manner” (CIC, 2015, p. 17). CIC’s ineffective accounting system undermines the department’s capacity to identify late payments in a timely manner. In spite of this, refugees have a perception that they are constantly being observed, and this belief creates stress that contributes to leading them to do everything possible to meet their debt payments.

The threat of debt recovery action does not appear to play a significant part in the responsabilization process, considering that the refugees interviewed were mostly unaware of its existence. The most common sanctions reported by interviewees are *emotional* sanctions, often *imaginary*, typically due to incorrect or lack of information. For example, Martin fears that if he is unable to repay the full amount of his loan on time, he might be denied access to citizenship. However, Martin’s fears are unfounded and appear to stem from incorrect information given by the IOM, the organization in charge of the compulsory training session about life in Canada that refugees must attend before emigrating. One of the handbooks given to refugees as part of the training session states that if refugees fail to meet their transportation debt obligations, their eligibility for Canadian citizenship could be compromised. This is not true; the transportation debt is not taken into account in the citizenship application process. However, because of this inaccurate information, Martin fears an imaginary negative consequence, which directly contributes to responsabilizing him to repay his transportation debt, as he does not want to undermine his chance to obtain Canadian citizenship.

Another example of *emotion*-based and *imaginary* punishment is provided by Maria’s explanation of what she fears might happen if she were unable to meet her transportation debt obligations:

It would be so embarrassing [...] Imagine the government calls you and says: "See, Mrs. Maria, you have already had a bill since you arrived and we gave you 4 months to settle in and it has now been 7 months and you have not made your first payment!". Shame on me! "Please, Madam, pay!" No, no, will they then send us back?!

One of Maria’s imagined sanctions is the possibility that she could be removed from the country. This is also a false belief, since CIC clearly states in its policies that no refugees will be removed from Canada for failing to pay their transportation debt (CIC, 2015). In this excerpt, Maria also highlights the negative emotional consequence of feeling *ashamed* if she does not comply with her commitment to the Canadian government. It is worth recalling that for Lazzarato (2012), the debtor

is affected by shame and guilt and that this contributes to the construction of her subjectivity. Other refugees, such as Jessica in the following passage, also report this feeling of shame:

Me: And how do you feel when you are unable to make the monthly payment?

Jessica: Well, I don't feel very good because [laughs] it's as if I was failing. But... well... I begin to think... will they [the government] understand? Can they understand? Here I am, *alone*, [laughs] and I say to myself: will they understand? Then they send me the same statement the following month... then... well... I pay it!

When Jessica answered the question, she laughed nervously, a sign of the embarrassment and shame she feels when she is unable to make the full monthly debt payment. She also overtly articulated this shame, mentioning her sentiment of *failing* in her promise to the government and how she [*didn't*] *feel very good* in such circumstances (Lazzarato, 2012, 2015). Furthermore, as Jessica points out, the debtor is *alone* in front of her creditor, as proposed by Lazzarato (2012). Accordingly, it is understandable to hear refugees referring to the feeling of being relieved when reimbursing their debt, rather than stressed and pressured. For example, Tatiana was eager to repay her debt as quickly as possible in order to “relax, rest, rest the soul...”

In summary, while government policies set out formal sanctions that refugees can expect if they default on their loan payments, the interviews revealed that refugees know very little about these sanctions and that they are not systematic (Foucault, 2004b). Refugees are more likely to experience emotion-based and imaginary punishments. More specifically, the emotional responses (fear, shame, stress) to failure to make monthly payments are often the result of imagined sanctions based on inaccurate or lack of information.

5.3 From a Moral Obligation to a Positive Experience

Although some actors within society challenge the legitimacy of the transportation debt imposed on refugees by the Canadian government, the refugees interviewed agreed that they should repay their loans, as evidenced by the common responses of my informants:

Yes, it has to be paid. (Carlos)

For us, it's the first priority. (Tatiana)

I'd rather be left with nothing than not pay. (Claire)

Yes, well, we're here and we're complying with the... the commitment we have with the government of Canada. (Isabela)

It's something they lend us and we have to pay it back. (Jessica)

It's a commitment we have and we have to comply with it [...] You have to meet your responsibilities. (Melissa)

As conveyed by Mateo in the following quote, many refugees cite their gratitude toward the government as the reason they feel obligated to reimburse their debt:

And you pay off your debt with pleasure because the government gives us a way to pay it. The government has given us everything we have today [...] Yes, we see... We see it as positive. We see it as positive. I don't know how they deal with it internally [...] About this debt that we have to pay. But I don't think they own airplanes or anything, they're... They have a debt and I think it's a debt they must pay because they don't own airplanes. On the contrary, they're the ones helping us. And we must pay for travel expenses.

Thus, since the Canadian government does not own the airplanes used to transport refugees, incurring additional cost, it is only natural, as Mateo sees it, for the refugees themselves to pay back that cost to the government. This perception is aligned with the audit report which indicates that 95.3% of the refugees surveyed reported feeling proud of repaying their debt (CIC, 2015), as for them it is a way to give back to the country that is helping them. Refugees feel a sense of moral obligation and gratitude, even though the debt was effectively imposed on them – in many cases at the last minute, at the airport with their families and their luggage – with almost no real choice in the matter if they were to leave their difficult circumstances behind them. Conversely, not reimbursing the debt is a potential source of shame for refugees (Lazzarato, 2012, 2015).

It is worth noting, however, that feeling proud and feeling a moral obligation to pay the debt does not mean that refugees are passive (De Haas, 2011). That is, their sense of responsibility about reimbursing their debt does not mean that they agree uncritically with the loan program or the way that the reimbursement process works. Martin, for example, mentioned that although he accepted the loan program as being “the way it is,” he did not particularly *like* it or think that anyone else did. Other refugees reported that they would have considered it more reasonable if they had been given time to adapt to their new lives before having to start reimbursing their transportation debt.

However, in spite of these criticisms, refugees were able to not only rationalize their debt but also to see it in a positive light through the subjectivation process. To better understand how

refugees transform the imposition of their transportation debt into a positive experience, it is helpful to examine the role that expected rewards play. One central expected reward referred to by a number of refugees interviewed was the *hope* of building a credit history thanks to the transportation debt.

Me: Don't you see it [the debt] as something negative from the government?

Alejandro: No, not on the part of the government, because it also helps me to build a credit history. [...] That's how the system works here. [It helps me] to integrate this new life, [...] and gives me a new opportunity. [...] for later, if we want a house, or get a loan from the government to study.

For Alejandro, building a credit history was an important incentive to repay the debt, and, arguably, a motivation for him to accept the debt in the first place. He viewed the debt as the perfect stepping stone to integrate into Canadian society and to gain access to services that other Canadian citizens expect as a matter of course, such as loans to study or buy a house. In other words, he saw the debt as a means to build his human capital (Lazzarato, 2012, 2015). Other refugees also mentioned the importance of building credit, such as in the following comment from Isabela:

Because that will serve as credit experience later on. And they [the refugees] will be able to get a loan if they want to buy a car or a house or whatever else. Then people are always concerned about making payments on time [...] You start a life here.

The hope of building credit history (an expected reward) plays a central role in responsabilizing refugees to repay their debt, and can be seen as a mechanism by which the subjectivity of the neoliberal subject - the entrepreneur of the self - is constructed (Cooper, 2015).

Interviewees revealed that they had been informed by Canadian officers and local organizations that the debt would help them build a credit history, and one of the handbooks given to one interviewee during the training session about life in Canada contained similar information. However, what refugees appeared not to be aware of is that the accounting department of "CIC does not share information on loan payments and the use of alternative arrangements with the credit bureau. As a result, the loan does not have an impact, either positive (i.e. building a credit history) or negative (i.e. lowering a credit rating or score) on the individual loan recipient's credit standing" (CIC, 2015, p. 4). That being said, whether or not the loan in fact impacts credit history does not change the fact that this *expected reward* is a central narrative by which some refugees

make sense of the debt, integrating it into their *hopes* and expectations for their future life in Canada.

In sum, refugees feel a moral obligation to repay the debt and they are proud to give back to the Canadian government. In addition, expected *imagined rewards* play a key role in transforming the refugees' debt repayment experience into a positive experience in which their narrative does not become a story of self-victimization. In a sense, they remain active in the *subjectivation* process, interpreting their experience as a means of building *human capital* that can match their personal hopes and aspirations for their new life in Canada.

5.4 Internalizing Expected Financial Behaviors

In parallel to the process organized by the government to responsabilize refugees to repay their debt, much effort is also expended by various actors outside the government (Ong, 2003) to encourage refugees to internalize expected financial behaviors and adapt their lifestyle (Lazzarato, 2012). These behaviors are first communicated to refugees during the training session on life in Canada given by the IOM. During this seminar, refugees are taught about many aspects of life in Canada, including how to manage their personal finances. For instance, Luciana recalled that they were taught how to manage a budget. Within the material handed to refugees by the IOM during the training session, five pages were devoted to handling a family budget, including strategies to reduce costs such as buying used clothes. Clear indications were given about expected financial behaviors, including restricting purchases that could be seen as luxuries, which the IOM defines as “[t]hings that you want but do not absolutely need” (OIM, 2014, p. 88, *my translation*). The training manual also provides refugees with a very detailed family budget model in which the costs associated with buying and owning a car are laid out in detail, reinforcing the idea that refugees should not acquire a car, as it requires a significant amount of financial resources. This specific discourse of car ownership as an inappropriate financial behavior for refugees is reiterated many times throughout the manual. As a counterpoint to the financial sacrifices suggested to refugees, the manual identifies an opportunity for refugees to improve their precarious financial situation:

In 2009, 58% of all women over 15 years old had a job and they represented more than 47% of the work force. In Canada, both husbands and wives work and contribute to the family expenses. If you work and earn the minimum wage, life will be difficult. If two people work, making the effort to survive with a limited budget and saving money at the bank, within six months to a year you could have enough savings for one of the

two to go back to school to enhance her capabilities and become qualified for a better-paid job. (OIM, 2014, p. 88, *my translation*)

This advice avoids any mention of the financial difficulties and other challenges faced by refugees during their integration into their new society, such as language barriers. In addition, this advice adds to the pressure placed on refugees to behave in a financially responsible manner by “saving money at the bank” and “making the effort to *survive* with a limited budget” (*emphasis added*). In sum, refugees must adapt their “*way of life*” to be “compatible” with the repayment of their debt (Lazzarato, 2012, p. 31).

Further training in financial literacy is provided on refugees’ arrival in Canada through local organizations. Mateo reported how he was taught to behave financially in order to be able to make his debt payments:

This is one of the indications we are given by the entities that receive us here: they tell us to have several envelopes. One that says "food", another that says "travel" [the transportation debt] [...] And we keep putting money aside in these envelopes to have the money there when the bills arrive. Because if you’re not organized, it’s difficult to pay off the debt.

Mateo was given advice about how to manage his household finances at the micro level by the local organization, thus illustrating the kind of apprenticeship in terms of accounting and organizational principles put forward by Lazzarato (2015). This excerpt also exemplifies Ong’s (2003) argument that those who provide help to newcomers also participate in normalizing them.

Having been informed of expected financial behaviors both before and after their arrival in Canada, the refugees interviewed appeared to be in the process of internalizing these behaviors, rather than “externalizing and combatting them” (Lazzarato, 2015, p. 70). For example, Martin was proud of his accounting skills, which had enabled him to make most of his monthly payments even while living on a limited budget:

In our monthly budget, we have to put aside \$80 that we will continue to pay [for the debt], and well, in my case, I’ve always been fairly organized and I always kept [...] fairly clear accounts [...] so I know what I can spend, and what I can’t buy. To avoid any surprises.

However, he later confessed that he had experienced difficulties meeting his obligations on some occasions. Even though Martin’s own reality has shown him that having accounting skills does not

always protect him from sometimes having financial difficulties, he pointed to a lack of accounting skills and of personal responsibility on the part of refugees who were not complying with their transportation debt obligations.

Although the immigration loan program appears to be effective in shaping financially responsible citizens, the refugees interviewed reported that they lacked the financial resources needed to both repay their debt and support their family's needs. Such financial pressure forced them to find creative solutions and make difficult decisions to manage their personal finances. Isabela described some of the changes needed in the refugees' *way of life* in order to repay the transportation debt:

Many people stop buying things for their meals, and they do everything possible to save money, but they always pay [their debt].

Later in the interview, Isabela admitted that her own family now uses food banks to save enough money to make their payments. Maria also shared one of the difficult choices she faced due to financial pressure caused by the debt – a choice between paying her children's school fees and repaying her debt:

[T]hey sent me a note from the school saying there was still a balance owed from the beginning, but I couldn't recall it. And at that time, well I didn't have it, I had the money for the trip [transportation debt] [...] And I said, "No, well it has to be for the trip." Well, that's not so good because I don't want to be in bad standing with the school but I also don't want the debt to pile up.

This was not the only time Maria had been forced to cut back on expenses for her five children. In this case, she reported feeling ashamed and said she would not show her face at the school until she had the money to pay the school fees, thereby taking responsibility for the precarious situation in which she was placed, and excluding herself from a potential source of social support (Lazzarato, 2012).

Jessica, too, adapted her *way of life* by starting a new practice of buying second-hand clothes to save enough money to meet her financial obligations, including her debt payments. Yet another refugee reported that she had borrowed money to be able to reimburse her transportation debt:

Well... sometimes... I can't make the payment [...] because sometimes, the [...] electric bill arrives and is very high, and I also need to pay for the Internet, electricity, rent, food, and sometimes it's just not enough. I don't have enough so I borrow money.

I told my friend: “The social assistance arrived, the electric bill was that high, so I don’t have enough with the social assistance amount, lend me fifty dollars, or one hundred...”. So, she gave me the money. And as the electric bill arrives every two months, the following month, I give her back the money I borrowed. (Tatiana)

By borrowing money from a friend in order to meet all her financial obligations, including the debt repayment, Tatiana demonstrated how she, like many of the other refugees interviewed, had internalized expected financial behaviors: doing whatever she can to reimburse her loan (Lazzarato, 2012).

In general, the refugees interviewed appeared to be in the process of *internalizing* expected financial behaviors and adapting their *way of life* in consequence (Lazzarato, 2012, 2015). However, these transformations were not without additional distress, as illustrated by Maria’s description of the way she feels about prescribed financial behaviors:

People [from the organization supporting refugees] really stress you out when you arrive [in Canada]: they say you can't have a cell phone or other things. They keep you from having many things, and it really scares you.

Having a debt to repay operates as a technique of responsabilization that encourages refugees to internalize financial behaviors by controlling how they handle their financial situation. Through the financial pressures it exerts on refugees, the debt also prompts some of them to rapidly enter the workforce (CIC, 2015). Joining the labor force is further encouraged by other sources, including the discourse of Canadian government agents:

Only that... they told us... that [...] the government would give us money... that it gave us money for up to one year and that after that, it will not give us anything more. Well... that we have to work. So we were arriving with the idea that within a year, even if we didn’t know the language, we had to work... But we realized it was a lie... and that the government helps us until we can work. Well, of course, it’s what we have to do [work]. And I understand the lady told us that, but she did lie to us. We were so afraid because we were seeing the first year was flying by and we were still unable to manage the language... (Claire)

Claire’s experience suggests that the effort to push refugees to find a job more quickly is reinforced by the government agents. Many refugees expressed that they would like to find a job in order to repay the debt. Jessica, for example, wished she could find a job to repay her debt more quickly, and she felt disappointed at not finding work immediately. The imposition of the transportation could also cause refugees to withdraw from their language immersion program, an

important asset for their long-term integration, in order to devote more time to work or to finding a job (CIC, 2015).

In Martin's case, although he completed the last level of the language program, he later decided to begin work immediately rather than pursuing the professional training he wanted:

I was already behind on [transportation debt] payments, I didn't have enough money, so I said: "I need to work quickly, as soon as possible". My intentions were to continue studying, but then I said: "well, I have to work, because [...] I don't have enough money if I continue this way".

Martin is a single father who must support both his son and his mother. With the additional burden of his transportation debt, he, like many other refugees interviewed, felt the pressure to find a job quickly rather than investing in professional training that would have led to a higher-paying job in the future.

The imposition of the transportation debt leads refugees to adopt various behaviors and adapt their *way of life* in order to honor the loan payments (Lazzarato, 2012). The transportation debt also offers a context for non-governmental organizations to enhance refugees' financial literacy and accounting skills, providing the kind of *apprenticeship* described by Lazzarato (2015) (see also Ong, 2003). By exerting additional financial pressures on refugees and pushing them to rapidly enter the workforce (thereby eschewing further education that might lead to higher income and better working conditions), the transportation debt arguably contributes to creating financially responsible citizens even if this has to be at the cost of social and economic integration.

5.5 Financialized Subjects

By being responsabilized to pay off their transportation debt, refugees learn important aspects of how to be a financialized subject. They become increasingly accustomed to handling monthly payments to the bank (which acts as an intermediary between refugees and the government for transportation loan payments) and to handling a higher amount of debt, both of which teach them how to navigate a new financial system. It is worth noting that all the refugees interviewed opened a bank account when they first arrived in Canada; for some, it was their first ever bank account.

Refugees are shaped into financialized subjects in different ways depending on their past financial experiences. However, what emerges from this study is that the transportation loan scheme acts as a sort of leveling of refugees' financial behaviors, providing a common baseline of

behaviors and thinking in spite of refugees' diverse origins and experiences. For instance, Maria had previously avoided acquiring any debt at all. In her community of origin, debt could be dangerous, even a threat to life:

Because at least in [country of origin], you don't get involved in debt because you don't know how to pay it off. You practically... Not in all cases but in many cases, you're signing your own death warrant.

During the interview, Maria often referred to the stress that debt represented to her and often related it to concepts such as death and suicide. However, at the end of the interview, when I asked her whether she would contract other debts in the future, her discourse changed:

Me: Do you expect to have other credit experiences after that?

Maria: Debts really scare me, but on the other hand, there are many advantages to them and I would like to get involved [...] in loans to buy things.

There was thus an evolution in Maria's perception of debt. In her country of origin, she saw debt as a 'death warrant'. Then, she experienced stressful moments due to the financial pressures of paying off her transportation debt while caring for five children with the little money she received from the government. Finally, she appeared willing to use credit in the future to make purchases. This change suggests that (imposed) experience with debt can lead refugees to become more inclined to use debt in the future.

Similar changes were observed among the other refugees interviewed who also showed enthusiasm about contracting future debts to study or to buy a house, a car or household items, like Jessica:

I intend, once I'm working and have some savings, to buy my own house. I don't like paying rent. Then... well... I believe I'll take out debt.

This experience of debt with an official organization, such as the Canadian government, and monthly payments through a bank acting as an intermediary, appears to have given these refugees the confidence to borrow larger amounts of money and the kind of *apprenticeship* referred to by Lazzarato (2015). The transportation loan thus serves to prepare them to become greater consumers.

It should be noted that not all refugees were entirely inexperienced when it comes to debt. For example, Jessica had received micro-credit to start a small business in the country where she lived temporarily before coming to Canada. Martin had also contracted debts before immigrating. However, their involvement with debt was not comparable to their experience with the transportation loan. As explained by Martin:

My family and I obtained a loan to fix the house where we used to live, but [...] not that big, nothing like this, there were small debts [...] nothing to worry about.

The high amount that the transportation debt represented for Martin was therefore a new experience for him by comparison with his small past debts.

In addition to increasing refugees' confidence in carrying debt, the transportation debt initiates refugees into the Canadian financial system, as Martin observed:

In some ways, it's also [...] a responsibility to know how the system works, I believe this first debt helps to make you realize how the system works here, because, how can I put it, I believe credit is very important here. Even if you have to be very careful with... With getting indebted with useless debt... But still, it's something necessary too, to have good credit.

Indeed, the transportation debt is a first, and very early, experience of debt in Canada that all refugees who must reimburse their transportation expenses have to go through. Martin believes that one of the purposes of the debt is to familiarize refugees with the Canadian credit and financial system. The points Martin mentions – the significance of credit history in Canada and the importance of understanding the Canadian financial system – were specifically emphasized to refugees in the training session they attended before setting off for Canada. Not only did refugees describe discussing these issues in their seminars, but the manual provided during the training session also includes five pages devoted to explaining the Canadian financial system (OIM, 2014). That this system is something that needs to be specifically learned is reinforced by refugees' experiences of it as being quite different from the financial system they had known in the past. Martin was very surprised by the way the credit system works in Canada and related his first experience of a credit card:

Here [...] I found a... a big change [...] Here, it's very easy to obtain credit... for anything. For example, when I was studying, [...] They offered me a student credit card, which was about \$500. I decided to take it. Not long after that, they sent me a

letter to tell me I could increase it to \$2,000. Recently, they sent me another letter to see if I wanted to increase it to \$6,000! And I keep receiving offers from many banks. So... it's as if everybody wants to give you credit. Give you credit very easily. I don't know if it's to be able to control you.

Martin seemed skeptical, even suspicious, about the ease with which banks offer credit. He explained that in his home country, getting credit is much more difficult and that banks require far more in the way of records and paperwork before granting any kind of loan. Martin had also witnessed a friend (another refugee from his home country) struggling with debt on six credit cards and used his friend's experience as an example to insist that people should be careful about debt. Martin even questioned the desire of institutions to control individuals by offering so much credit so easily. He thus did not lack critical thinking skills. However, this did not prevent him from *internalizing* the behaviors expected of him (instead of combating them), such as joining the workforce instead of obtaining a degree (Lazzarato, 2015).

Overall, even with the wide variety of experiences observed among refugees during their integration into Canadian life, some aspects of their experience regarding the transportation debt are common to all. This debt notably contributes to their financialization, since, for many of them, it is the first debt they have contracted with a formal institution. It also serves to accustom refugees to handling debts, and indeed high amounts of debt, and leads them to consider taking on other larger debts in the future. Over time, the refugees interviewed have come to realize that, though stressful, incurring debt is part and parcel of their new life, and this first experience with debt familiarizes them with Canada's financial system.

6. Discussion and Conclusion

With the state becoming ever smaller through privatization, individuals' financial responsibilities become ever greater. Whereas previous accounting literature (Alawattage et al., 2019; Bay, 2011, 2018; Bay et al., 2014; Junne, 2018; Maltby, 2014) has recently started to examine the role of accounting in the efforts to transform the population into financially responsible subjects in a neoliberal era, the present study brings to the fore the lived experiences of people who are encouraged through the imposition of a debt to adopt responsible financial behaviors. This paper shows that by imposing to refugees an obligation to repay transportation costs, the Canadian government *financializes* and *responsibilizes* these individuals, and paves the way for non-governmental organizations to do the same. This process begins before refugees' departure and

continues after their arrival in Canada with the intervention of many actors such as the International Organization for Migration (IOM), the Canadian immigration department, and local refugee support organizations in Canada. These actors give refugees numerous indications of how they should behave financially, such as using a budget in order to ensure they meet all their financial obligations (including reimbursing their transportation debt) on the low income they receive from the government. Further, the transportation loan program forces refugees to familiarize themselves with the Canadian financial system quickly, since they must start to repay their debt on a monthly basis, using a bank as an intermediary, only 30 days after their arrival in Canada.

Extending the work of Lazzarato (2012, 2015) on the importance of the subjectivity of the indebted individual in financialized neoliberal societies, the present study shows how this subjectivity is constructed in the case of newcomers who have not been pre-selected to fit into their new country. This case study of refugees provides a unique perspective that contributes to extending not only Lazzarato's work, but also the literature on the role of accounting in constructing the neoliberal subject. This study shows that debt helps to create financialized subjects, leading them to adopt financially responsible behaviors, interact with formal financial institutions, and thus, eventually, become capable of taking on even higher amounts of debt. Debt has become essential in the construction of the subjectivity of the entrepreneur of the self, who relies on indebtedness to build her human capital (Lazzarato, 2012, 2015). In that sense, in today's most advanced form of neoliberalism, the entrepreneur of the self also constructs her own subjectivity as an indebted, financialized, and financially responsible subject.

The transformation undergone by refugees in becoming financially responsible citizens as a result of the imposition of debt helps us to understand what it means to be 'financially responsible' in neoliberal societies. Here it means that individuals must behave as *accountants* (to some extent) in their everyday life in order to keep abreast of their income and expenses and meet all their financial obligations, including their monthly debt repayments. Being financially responsible also means accepting a precarious financial situation and using a range of different accounting strategies simply to survive, without complaining (Lazzarato, 2012, 2015). Those who fail to meet their financial obligations are blamed and said to have behaved irresponsibly. Such failure is not seen as highlighting the precarious situation individuals have been placed in, nor is it viewed as

evidence of the government's financial irresponsibility. In some ways, the responsibility of good bookkeeping is transferred to the population, coherent with a neoliberal agenda.

Refugees can experience becoming financially responsible citizens as an additional pressure and as a potential obstacle to their long-term integration, since their transportation debt leads them to enter the labor market sooner than they would if they were first to acquire the language and the professional qualifications needed to enhance their financial situation in the future. However, refugees also learn to view their transportation debt, and debt more generally, as something positive, through the subjectivation process. Refugees reported feeling a sense of moral obligation to reimburse the transportation loan, and a sense of pride upon having done so, as they feel grateful for the opportunity given to them by the Canadian government of starting a new life in Canada.

Another way by which refugees transform their experience with the transportation debt as something positive is by emphasizing what they can (or imagine they can) gain from it. One example is the building of a good credit score, which makes them hopeful about enhancing their social and financial situation in their new country. *Hope* is accordingly an important mechanism by which refugees transform their view of debt. As argued by Catasús, Ferri, and von Laskowski (2016), hope helps “individuals [to] cope with their problems” (p. 404); in this present case, to deal with the additional financial pressure from the repayment of the transportation loan. Another perceived gain is the increased confidence and enthusiasm about contracting debt in the future, which almost all refugees interviewed reported feeling. From that perspective, the imposition of the transportation debt contributes to creating financially responsible citizens as well as subjects prepared to enter into a life of consumption and indebtedness.

This study highlights the central role of expected *rewards* in the responsabilization process, a topic often overlooked in the accounting literature, although Cooper (2015) rightly notes the importance of rewards and expected rewards in the subjectivity of the neoliberal subject, that is, the entrepreneur of the self. Fourcade and Healy (2013) is one of the few studies to have shown the importance of material rewards when analyzing credit score rating as a disciplinary technology, as well as symbolic rewards related to the status gained in society by those who achieve a good credit score. The present paper also shows that rewards, such as building a credit history, play a significant role in responsabilizing refugees to pay their debt. However, this particular expected reward will not come to fruition, since no information about the loan or loan payments is actually

communicated to the credit bureau by the Canadian government. Thus, in addition to symbolic and material rewards, this paper shows that imagined rather than real rewards can also act as incentives to adopt the expected behaviors.

In fact, this study highlights the role of *imagination* in several different stages of the responsabilization process. The inability of the CIC's accounting department to provide refugees with clear and accurate information is found to give rise to a state of uncertainty, creating a space for refugees to anxiously imagine how the process operates. In addition to the imagined rewards referred to above, the negative consequences feared by refugees are often imaginary and based on vague and inaccurate information. This is notably the case regarding the imaginary threats of being deported or of being denied Canadian citizenship. In sum, the lack of organization in the administration of the ILP causes refugees to imagine what could happen, and these imaginary punishments and rewards further contribute to their responsabilization.

Recent migration studies in accounting have devoted much effort to showing the impact of neoliberal policies on the lives of immigrants (Agyemang & Lehman, 2013; Anisette & Trivedi, 2013; Harney, 2011; Lehman et al., 2016). This literature builds on migration studies in other disciplines that have also examined how neoliberal policies have turned the immigrant into an entrepreneur of the self (Isin & Turner, 2002). The work of Ong (2003) is especially relevant to understanding the process by which refugees are transformed into responsible citizens in a neoliberal society by becoming, for example, good medical subjects. However, in neither Ong's (2003) work nor migration studies in general is the study of the acquisition of desirable behaviors in relation to managing personal finances fully developed. By studying the reimbursement of refugees' transportation debt, this paper demonstrates how refugees, who often come from societies that are very different to their country of destination, are transformed into financially responsible and financialized citizens.

The process experienced by refugees over a short period of time is somewhat relevant to understanding the process for citizens born in our neoliberal countries. In that regard, the present study shows how migration studies in accounting can be highly relevant to other discussions in the accounting literature (see also Neu, 2012). The present study illustrates how the point of view of newcomers in our societies can be used as an ethnographic narrative, allowing us to see our own societies differently, as the newcomers have yet to be socialized by their host countries. For

instance, Martin was shocked at first to see how easy it is to access credit in Canada compared to his country of origin. He saw these behaviors as suspicious and as concealing a desire to gain control over the population. In short, in addition to its contribution to the migration literature in accounting and to migration studies in general, this paper highlights the potential contributions of migration studies in accounting for other discussions, such as the construction of financially responsible citizens.

By paying attention to the *lived experience* of individuals, this paper provides additional insights into the literature. It notably contributes to the governmentality accounting literature (Dyball & Rooney, 2019; Mennicken & Miller, 2012; Miller & Power, 2013; Miller & Rose, 1990; Rose & Miller, 1992) by bringing to the fore the constitution of the subjectivity of the neoliberal subject. In studying individuals' point of view, instead of only focusing on programs, the paper highlights the role played by emotions to obtain desired behaviors (Boedker & Chua, 2013; Creed et al., 2014; D'Aoust, 2014). This paper demonstrates that the vagueness, inaccuracy or even absence of accounting and administrative information actually work to support the construction of a responsible subject. This incomplete/inaccurate information does so, in part, by the emotions it generates (such as anxiety, stress, shame, and fear) that lead individuals to seek out additional information about the loan program on their own (responsibilization), and to create a mental representation (often using their imagination) of what the loan program is and how it works. This means that the government is able to minimize its investment in accounting systems and processes, yet refugees still become financialized and responsible individuals, which is consistent with the neoliberal notion of efficiency (Mennicken & Miller, 2012; Miller & Rose, 1990).

To conclude, this study contributes to the growing attempt of other accounting academics to shift the empirical focus from the workplace to everyday life (Bay, 2011; Jeacle & Carter, 2011). This shift is happening as it becomes clear that “there is more to life than work. And to accounting as well. Besides affecting the ways of doing things at work, it is argued that accounting also intervenes and transforms human behaviours in areas it was previously excluded from (Hopwood, 1994; Miller, 2006; Power, 1992)” (Bay, 2011, p. 594). Studying the role of accounting in everyday life allows us to see accounting from a new and fresh perspective, which in turn can contribute to improving our understanding of the role of accounting in organizations (Bay, 2018). The present study and its implications suggest several avenues for future research. While further

research on the role of accounting in people's everyday lives is needed, it is also important to further examine the role of emotions, rewards, and imagination in responsabilizing people within organizations. This can be achieved by both immersing ourselves as researchers in the context – for example, by volunteering or conducting participant observation or ethnographic research – and engaging in long interviews with participants. Above all, future research must continue to humanize accounting and its impact on the world, and endeavor to give a voice to those segments of the population who remain unheard:

Every refugee family has a story to tell and, and as my wife said, we are not all bad people. We had to leave our country for reason X or Y. A problem of violence, in our case. Also, there are many people in the world like us... From different countries which they have to leave for whatever reason, because of problem X or Y, but it is so good to give people a chance to... to listen to them. How good it is when one... is heard. (Mateo)

Appendix A: Data Collection Methods of the Audit Report



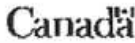

“The evaluation of the Immigration Loan Program included multiple lines of evidence to allow for a triangulation of information [...]. A mix of quantitative and qualitative approaches was used, and an evidence matrix served as a guide throughout the process”. (CIC, 2015, p. 22)

Line of Evidence	Description	Purpose
Document Review	A review of relevant Government of Canada documents (e.g., Speeches from the Throne, budgets, policy documents); departmental documents (e.g., manuals, operational bulletins); and documents from other government departments (e.g., documents on the Canada Student Loans Program).	Used to provide context and background information (e.g. historical) on the program, as well as to inform assessment of the program’s delivery, relevance, and performance.
Literature Review	Online search, including Metropolis Canada resources, and settlement and nongovernmental organizations’ literature and releases.	Used to gain a better understanding of the global refugee context, trends related to Canada’s refugee resettlement, and the impact on settlement and integration outcomes.
Interviews	Interviews with individuals or groups with knowledge of the program and/or experience with its delivery. The interview list was developed in consultation with program representatives. 53 interviews were completed with 67 individuals from CIC (NHQ), visa offices overseas and regional offices, and external stakeholder groups (i.e. UNHCR, IOM).	Used to gain a better understanding of the operations of the program, its continued relevance, and its perceived level of performance.
Focus Groups	Seven focus groups with GARs and five with PSRs. Focus groups were held in Vancouver, Calgary, Lethbridge, Winnipeg, Toronto, Ottawa and Halifax. 117 individuals participated in the focus groups.	Used to obtain information on personal experiences with the program and its impact on early resettlement, settlement, and integration.
Survey of RAP Service Provider Organizations (RAP SPO)	Online survey of SPOs (funded through RAP) that deliver settlement services to GARs and PSRs. Responses were received from 19 RAP SPOs, which represents a response rate of 76.0%.	Used to assess program delivery and performance, in particular settlement outcomes.
Line of Evidence	Description	Purpose
Survey of Loan Recipients	A telephone and online survey of GARs and PSRs. A total of 742 individuals responded to the survey. The margin of error is $\pm 3.55\%$ using a 95% confidence level.	Used to assess program performance in terms of short and long-term impacts on loan recipients and their families, and to assess program delivery from a client perspective.
Survey of Sponsorship Agreement Holders (SAH)	Online survey of SAHs who provide settlement assistance to PSRs. A total of 20 organizations responded to the survey, which represents a response rate of 24.7%.	Used to assess program delivery and performance, in particular settlement outcomes.
Administrative Data Analysis	An analysis of administrative data from a variety of sources, including CIC’s financial databases, the Global Case Management System (GCMS), and FOSS.	Used to develop the profile of loan accounts and loan recipients, as well as assess program performance, in particular loan repayment.
Longitudinal Immigration Database (IMDB)* analysis	Analysis of the incidence of income, level of income, and use of social assistance among GARs and PSRs who landed both prior to and after the introduction of IRPA.	Used to assess performance in terms of potential impact on settlement and integration.

Source: CIC, 2015, p. 22.

* IMDB combines administrative records on immigration with taxation information from the CRA to create a comprehensive source of data on the labor market experiences and income of the immigrant population.

Appendix B: Statement of Account / Immigration Loan Statement

 Citizenship and Immigration Canada / Citoyenneté et Immigration Canada		Statement of account / Relevé de compte	
Date of statement of account / Date de l'état de compte: <input type="text" value="2011/12/01"/>		Account number / Numéro de compte: <input type="text" value="0052705397"/>	
Client's name / Nom du client: <input type="text" value="ILS BUSINESS PARTNER"/>		Loan number / Numéro de prêt: <input type="text" value="NZ0000035"/>	
Loan activity during the past month / Activité sur le compte pendant le dernier mois		Loan details / Détails du prêt	
Opening balance / Solde d'ouverture	6,550.00	Total amount of the loan / Montant total du prêt	6,750.00
New loan / Nouveau prêt	0.00	Total payments applied to loan principal / Total des paiements appliqués au principal du prêt	200.00
Payment received / Paiement reçu	0.00	Total payments applied to loan interest / Total des paiements appliqués aux intérêts du prêt	3,980.00
Chargeback / Rejet de débit	0.00	Current interest rate / Taux d'intérêt courant	
Bank charges / Frais bancaires	0.00		
Accrued interest / Intérêt couru	0.00		
Other / Autre	0.00		
Closing balance / Solde de fermeture	6,550.00		
Scheduled monthly payment / Paiement mensuel établi		<input type="text" value="93.75"/>	
Arrears / Arriérés dûs		<input type="text" value="0.00"/>	
<p>Comments / Commentaires: The requirements of your loan contract have already been explained to you. We are now expecting you to begin regular monthly payments, as indicated above.</p>			
BIA/FIN 0011 (10-2008) B Detach here / Détachez ici		Toll free number / Appel sans frais: 1-800-667-7301	
 Citizenship and Immigration Canada / Citoyenneté et Immigration Canada			
Date of statement of account / Date de l'état de compte: <input type="text" value="2011/12/01"/>		Account number / Numéro de compte: <input type="text" value="0052705397"/>	
Loan number / Numéro de prêt: <input type="text" value="NZ0000035"/>		Payment / Paiement: <input type="text"/>	
Return this portion with your payment / Remettre cette partie avec votre paiement			
ILS BUSINESS PARTNER 360 Laurier Avenue, West Ottawa ON K0A 2H0			
		 05000527053979	

Source: CIC, 2016.

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**CHAPTER 3: COUNTERING HEGEMONIC DISCOURSES IN THE PUBLIC SPACE:
THE ROLES AND LIMITATIONS OF ACCOUNTING**

COUNTERING HEGEMONIC DISCOURSES IN THE PUBLIC SPACE: THE ROLES AND LIMITATIONS OF ACCOUNTING

Abstract

The general objective of this paper is to discuss the roles and limitations of accounting in countering hegemonic discourses in the public sphere. The rhetoric of the public debt problem mobilized by right-wing actors to justify neoliberal policies provides the grounds for studying this issue. Drawing on the Italian intellectual Antonio Gramsci for the theoretical underpinning as well as the methodological approach, this study relies on a variety of data such as media articles, research reports, government financial statements and budgets, as well as the author's own political activities (161 hours). The paper finds that in the presence of complex information, the rational approach, although important, presents a limitation for accounting when mobilized for public debates. Alternatively, this study highlights that using accounting by referring to people's common sense, and translating accounting concepts into other terms (as with the concept of environmental debt) could contribute to countering hegemonic discourses by displacing the emotions initially raised by the latter.

Keywords: Public debt; Gramsci, neoliberalism; intellectuals; emancipation; common sense, emotions, financial accounting.

COUNTERING HEGEMONIC DISCOURSES IN THE PUBLIC SPACE: THE ROLES AND LIMITATIONS OF ACCOUNTING

1. Introduction

The role of critical accounting researchers in the public space to counter hegemonic discourse and hegemonic practices is a topical issue in the literature. Some scholars are more inclined to minimize these types of intervention, “given the unpredictability of social life” (Gendron, 2018, p. 5). In contrast, other scholars note that such interventions are a crucial aspect in the life of a critical researcher (see, for example, Cooper & Coulson, 2014; Haines-Doran, 2019; Neu, Cooper, & Everett, 2001; Sikka, 2000, 2010; Tinker, 2002; Thomson, 2014). One of the arguments of the latter group is that it is not enough to denounce power relations and mechanisms of marginalization in academic journals, but that it is also necessary to be involved in the public sphere in order to move towards “an open, accountable and just society” (Sikka, 2010, p. 274). Others note that the possibility of social change also provides important input to their reflections as researchers (Sikka & Willmott, 2005).¹ The position taken by these critical accounting scholars relates to intellectuals like Edward Saïd, who argues that “if critical research is to make a difference in society, then critical researchers should endorse the role of public intellectuals” (Gendron, 2018, p. 8).

However, even within the group of critical accounting scholars advocating for more interventions in the public space, there are differences of opinion on *how* to intervene. For instance, on the one hand, for some authors such as Neu et al. (2001), academics who intervene in the public sphere should not rely on common sense at all in order to preserve their symbolic capital. Indeed, to be qualified as a success by these authors, a scholar’s public intervention has to remain within a rational approach by emphasizing “rational, measured dialogue, sound argument, reasoning, and demonstration” (Bourdieu, 1989, p. 104 cited in Neu et al., 2001, p. 740). On the other hand, others argue that it is important that the interventions of intellectuals in the public sphere “resonate with the common sense and the lived experiences of the people” (Sikka, 2000, p. 371). This tension in

¹ This is not surprising considering that many of the authors frequently mobilized in social sciences today have been active in the public sphere at one time or another, or even throughout their careers. Examples include Simone de Beauvoir, Pierre Bourdieu, Michel Foucault, Antonio Gramsci, Karl Marx, and Jean-Paul Sartre (to name only a few). In the case of Pierre Bourdieu, Cooper & Coulson (2014) recall that while Bourdieu initially believed that “the role of social scientists was to aid in the analysis and interpretations of social phenomena”, starting from the mid-90s, he became more politically active, notably through the development of a ‘collective intellectual’ strategy (p. 239).

the literature may partly arise from the fact that the authors do not necessarily agree on the definition of common sense, which will be discussed in this paper based on Gramsci's work.

Another stream of literature, moving away from *conflictual* debates about how critical accounting researchers should intervene in the public sphere, focuses instead on the use of accounting information (see, for example, Gallhofer & Haslam, 2006; Irvine & Moerman, 2017).² Although the power of numbers has been long demonstrated (Porter, 1995), the mere fact of using accounting figures to re-establish the facts does not seem sufficient, as the imbalance of power is an important obstacle in the process of countering dominant discourses (Irvine & Moerman, 2017). However, in some cases, accounting figures have been used successfully to influence public debates (Gallhofer & Haslam, 2006). Indeed, Gallhofer and Haslam (2006) show that mobilizing accounting figures, such as profit, played a role in a campaign orchestrated to convince the population of Scotland living in the Clyde region that the rise of prices during WWI was in great part due to the growth of corporation profits, not the war itself. The authors sustain that this campaign was a factor in the introduction of a tax on companies' surplus revenue in Britain. While it can be difficult to measure the impact of a discourse based on specific accounting figures (Haines-Doran, 2019), this should not prevent us from exploring how accounting figures and concepts support or could support emancipatory projects and acts of resistance.

This paper straddles these two streams of literature. Starting from the importance of the role of the critical researcher in influencing debates in the public sphere, which is particularly crucial in our era of the global warming crisis, this paper investigates: *how can accounting figures and accounting concepts be mobilized by intellectuals when attempting to counter the hegemonic discourse?* The general objective of this paper is to discuss the roles and limitations of accounting to counter dominant discourses in the public space, with the aim of fueling the debate on the role of the critical accounting researcher in the public arena.

The empirical case examined in order to contribute to these discussions in the critical accounting literature is a specific debate taking place in the public sphere, and central to the implementation of neo-liberal measures: the public debt debate. Indeed, in an effort to obtain the consent of the

² The term 'conflictual' is used here as some papers have led to numerous responses between critical accounting scholars through numerous publications, not always with a very nice tone. For instance, Tinker & Carter (2005) responded to Sikka & Wilmott (2005), whom themselves were responding to Tinker (2005). Scapens (2005) also responded (angrily) to Tinker (2005).

population to gradually dismantle the welfare state, right-wing actors often rely on the rhetoric of the public debt problem (Micklethwait & Wooldridge, 2014). When this debt rhetoric is used by right-wing actors, the reduction of expenses is targeted; rarely it is about increasing income, for instance by fighting tax evasion (Neu et al., 2001). They argue that social spending cuts and privatization will allow governments to reimburse their debt and better manage their finances (Micklethwait & Wooldridge, 2014). However, studies demonstrate that cutting government expenses and reimbursing public debts often lead to the opposite result (Gill, 2006). In spite of criticisms, the debt problem rhetoric, which relies on accounting concepts, accounting figures, and accounting mechanisms, is still commonly used today to justify policies to reduce the size of the state.

The present paper draws on the work of Antonio Gramsci, who developed a theory of power as well as a philosophy of action, inviting us to explore possible strategies to challenge the status quo in order to ultimately transform society. Gramsci's interrelated concepts of *hegemony*, *ideology*, *civil society*, *war of position*, *common sense*, and *organic intellectual*, among others, are mobilized to frame the analysis of this study. Consistent with Gramsci's methodological approach, this paper focuses on the hegemonic discourse, as well as the counter-discourse that attempts to defuse this debt-as-a-problem rhetoric, and will consequently draw on a variety of data such as media articles, research reports, the financial statements and budgets from the government, as well as political activities from the author (161 hours). These political activities have both generated and enriched this research (Cooper & Coulson, 2014; Sikka & Willmott, 2005). Similar to Sikka and Willmott (2005), these political implications led the author to meet several people involved in the fight against hegemony, such as one of the intellectuals active in the Province of Quebec to defuse the rhetoric of the debt problem through publications in a left-wing think tank and the mainstream media.

The analysis presented in this paper provides insights into the differences between the nature of the hegemonic and counter-hegemonic strategies, which in turn leads to a number of theoretical and practical implications. This paper brings to the fore that accounting can be mobilized to counter the hegemonic discourse not only with the rational approach (Neu et al., 2001), but also by mobilizing emotions when translating accounting concepts into other terms, thus displacing the emotions initially raised by the hegemonic discourse. In addition, while it has been argued that

hegemonic common sense plays an important role in reproducing the neoliberal hegemony (Mantzari & Georgiou, 2019), it is important to note that Gramscian common sense also contains the seeds for resistance (Hoare & Sperber, 2013). Whereas Neu et al. (2001) hold the position that academics should not rely on common sense when intervening in the public sphere, in order to preserve their symbolic capital, based on Gramsci's work and coherently with Sikka's (2010) statement, the present paper instead argues that when attempting to counter the hegemonic discourse, intellectuals can also draw on the common sense. These strategies seem especially relevant in the presence of complex information that makes it difficult for the population without an accounting background to understand the situation and to determine who is telling the 'truth', especially when the hegemonic discourse provide arguments closer to its common sense.

This paper also expands the accounting literature by studying a *war of position*, a long battle against the current hegemony, in which Gramsci argues that intellectuals should engage (Macciocchi, 1974). As Neu et al. (2001) assert, intellectuals should not only try to influence public debates when a moment of crisis occurs, but should engage in "discussion of these issues *prior to* the next crisis" (p. 758). These authors argue that when a crisis occurs, it is often too late to have a major impact on the debate as the problem has been framed already (Neu et al., 2001). Nonetheless, most of the relevant accounting literature studies moments of crisis, either involving one or multiple companies (Catchpowle & Smyth, 2016; Cooper & Coulson, 2014; Gallhofer & Haslam, 2006; Irvine & Moerman, 2017) or debating a public policy about to be implemented (Anesa, Gillespie, Spee, & Sadiq, 2019; Ashraf, Muhammad, & Hopper, 2019; Neu et al., 2001). While this literature is of high importance and enriches our understanding of the roles and limitations of accounting in countering hegemonic forces, it sometimes neglects to situate the crisis in a wider conflict that occurs over a long period of time against the hegemony in place; this is the *war of position* (see, for exception, Lee & Cassell, 2008).

The rest of the paper is structured as follows. Section 2 presents Gramsci's theory of power and philosophy of action, while Section 3 explains the methodological approach of the paper, also based on Gramsci's work. Section 4 presents the accounting concepts of public debt that support the construction of the debt problem rhetoric. Section 5 illustrates the way accounting is used by dominant actors, while Section 6, in contrast, shows the way accounting is mobilized by counter-

hegemonic forces to discredit the dominant discourse. This is followed in Section 7 by a discussion of the implications of the study and in Section 8 by concluding remarks.

2. Gramsci's Theory of Power and Philosophy of Action

The present paper draws on a wide range of interrelated concepts of the Italian intellectual Antonio Gramsci, a revolutionary born in 1891 who died in 1937 after 11 years in prison. Gramsci was imprisoned in 1926 by Mussolini's fascist government while he was sitting in Parliament as a member of the Italian Communist Party that he co-founded. Before becoming a politician, Gramsci was a journalist and founded his own newspaper: the *Ordine Nuovo*. Gramsci was thus initially an activist, journalist, and politician who was then forced to step back from direct action in 1926 until his death in 1937 due to his imprisonment. Gramsci's writings in prison, the *Prison Notebooks*, compile his reflections on how power operates in society (his theory of power) and how to act to emancipate populations from oppressive systems (his philosophy of action).

The first concept mobilized in this paper is one of his best-known: *hegemony*. Hegemony is a term with military roots and is derived from the Greek word 'eghestai', which means *leading*, or *to be a guide* (Macciocchi, 1974). In Gramsci's work:

hegemony is used to designate all the processes by which the consent of the masses to the system of social relations is obtained. As such, hegemony is a perpetually unfinished construction whose ramifications extend from the everyday existence of individuals, through all the institutions and associations of economic life and civil society, to the highest echelons of the state. (Hoare & Sperber, 2013, p. 115, *my translation*)

With his theory of power developed through the concept of hegemony, Gramsci wished to shed light on the cultural, moral, and cognitive dimensions of the exercise of power. Hegemony should not be perceived as a group of people dominating society as a whole. Power is diffuse (Spence, 2009). Like Michel Foucault and Pierre Bourdieu, Gramsci holds that individuals unconsciously contribute to reproducing the existing hegemony, even if it means reproducing a society in which they themselves are oppressed.

Further, in his theory of power, Gramsci defines the state in a particular way. For him, the integral state consists of the combination of a *civil society* and a *political society* (Macciocchi, 1974). While the political society "refers to the field of coercion, therefore administrative or military constraints" (Hoare & Sperber, 2013, p. 97, *my translation*), the civil society "[encompasses] all social relations and organizations that participate neither in the economic reproduction of society (capitalist

organizations) nor in the life of the state” (Hoare & Sperber, 2013, p. 47, *my translation*). Civil society thus refers to institutions such as schools, universities, the media, religious organizations, political parties, and trade unions, as well as all forms of free association of citizens (Hoare & Sperber, 2013). For Gramsci, this civil society is where the ideological battle is taking place. Hegemonic power needs and seeks the consent of civil society in order to be able to impose its coercion.

According to Gramsci, the consent of the population is obtained by influencing and managing the *common sense*. He defines common sense as “the ‘most widespread conception of life and man’ that can be found in different social groups at a given moment in history [Q24, § 4]” (Hoare, & Sperber, 2013, p. 73, *my translation*). Common sense is the addition of multiple individuals’ daily practices, tastes, and visions of society, in a superficial manner. Common sense is historically and socially situated as it bears the traces of various past eras, and is both conservative and anti-conservative (Hoare & Sperber, 2013). On the one hand, common sense “is ‘neophobic’, focused on tradition, and is above all in search of indisputable truths and reassuring certainties” (Hoare & Sperber, 2013, p. 74, *my translation*). On the other hand, common sense is also anti-conservative as it offers “the seeds of resistance to the established order, a critical look at society” (Hoare & Sperber, 2013, p. 75, *my translation*). Common sense is in perpetual transformation, and is thus a process of thought generation.

While hegemonic power is forged by obtaining the consent of civil society, it is the intellectuals who are responsible for obtaining this consent through their influence on common sense, by *producing* and *disseminating* knowledge (Hoare & Sperber, 2013, p. 26). Although according to Gramsci, everybody is an intellectual to some degree “in the sense of having an intellect and using it”, he distinguishes intellectuals who assume this role as a “social function” (Hoare & Smith, 1983, p. 3). For example, journalists, academics, lawyers, artists, technicians, and military officials are among those who are designated as intellectuals (Hoare & Sperber, 2013). Moreover, these intellectuals are “also organisers such as civil servants and political leaders, and they not only function in civil society and the state [political society] but also in the productive apparatus as engineers, managers and technicians” (Simon, 1982, p. 94). Gramsci’s work distinguishes between *traditional intellectuals*, who perpetuate the current hegemony, and *organic intellectuals*, who are associated with the rising class and are expected to contribute to the revolution of common sense.

Regarding its influence on common sense, Gramsci was rather skeptical of the rational approach, according to which it would be “enough to explain certain phenomena in a ‘realistic way’ to destroy them immediately, as if they were popular superstitions” (Gramsci, 2000, p. 227). Although Gramsci suggests going beyond the strictly rational approach, he warns that the common sense must be influenced without resorting to propaganda, and without disguising the truth in the name of social changes (Hoare & Sperber, 2013). Rather, this objective should be pursued through *action*, and contact with the population. The role of organic intellectuals is to be permanent persuaders, *educators* of civil society, and in some cases, organizers of the new productive, legal, and cultural systems.

While Gramsci’s concept of organic intellectuals whose aim is to *educate* the population can be considered as elitist, important elements in Gramsci’s writings and experiences show that his intentions were precisely to take a less elitist view of what he observed around him. First, as Gramsci was disappointed with academics and their isolation from the ‘real world’, he insisted that intellectuals must be educated by those they educate. Intellectuals need not only *knowledge*, but also *understanding* and *feeling*, what they can best learn from the population (Hoare & Sperber, 2013). The account of his involvement in the *biennio rosso* (“two red years”) in Italy, which took place in 1919-1920 when workers took control of some factories in Turin, reinforces this point, as it has often been noted that Gramsci was constantly seeking to learn from the workers (Hoare & Sperber, 2013). Second, for Gramsci, the education of the population creates the conditions for the emergence of new organic intellectuals within different social groups who, in turn, will contribute to the emergence of other organic intellectuals (Macciocchi, 1974). It is thus an open category, accessible to a variety of people from various backgrounds.

As seen above, Gramsci insists that organic intellectuals must remain in action and keep a proximity to ‘real life’ in order to win political power. This conquest must be achieved through what Gramsci calls a *war of position* (Sikka, 2000), rather than a *war of maneuver*, the latter best exemplified by the power taken *directly* by the Bolsheviks in Russia. For Gramsci, societies are now too complex to obtain power through a war of maneuver, and he believes that even if such a strategy could lead to political power in the short term, it would be hard to preserve the consent of the civil society for very long (Macciocchi, 1974). Gramsci bases this aspect of his theory on observations that within the “most advanced States, [...] the ‘civil society’ has become a very

complex structure resistant to the most catastrophic explosions of economic conjunctures (crisis, recession, etc.)” (Macciocchi, 1974, p. 93, *my translation*). A war of position is, as opposed to a war of maneuver, a long battle against the current hegemony and the aim is to obtain the consent of the civil society. “[I]n advocating a war of position, [Gramsci] recognised the importance of promoting alliances between all who have an interest in limiting the power of those who control capital” (Lee & Cassell, 2008).

“The privileged – though doubtless not the only – terrain where hegemony is built and then actively defends itself is ideology” (Hoare & Sperber, 2013, p. 101, *my translation*). One definition given to ideology by Gramsci is the highest “‘conception of the world that is implicitly manifested in art, in law, in economic activity, in all manifestations of individual and collective life’ [Q11, § 12]” (Hoare & Sperber, 2013, p. 77, *my translation*). Unlike Marx, an *ideology* for Gramsci is not necessarily pejorative, as for him, it is important to have a coherent set of ideas to communicate this ideology to the civil society (Hoare & Sperber, 2013). Only dogmatism with respect to the ideology is perceived as undesirable (Hoare & Sperber, 2013). Organic intellectuals are responsible for constructing a coherent counter-ideology and disseminating it, which is necessary to reveal the black holes created under the current hegemonic institutions, and open up the possibility of changing the common sense. In order to build a coherent and persuasive ideology, Gramsci insists on the importance for organic intellectuals to start from the common sense (Macciocchi, 1974). “We start from ‘common sense’ and then go beyond it in a critical movement and bring it closer to the ‘philosophy of intellectuals’ that Gramsci considers as the ‘end point of common sense’” (Macciocchi, 1974, p. 217, *my translation*). This is the work for which Gramsci fought during his life as a journalist, activist, politician, and political prisoner.

3. Methodological Approach

The intention of Gramsci’s whole intellectual project was to challenge and transform the status quo. In order to accomplish such a project, Gramsci – who had a particular taste for dialectic thinking – felt it to be of primordial importance to be aware of the opposing point of view (Hoare & Sperber, 2013). It is accordingly not surprising that during his years in prison, Gramsci regularly read fascist newspapers. It was important for him not to deny and reject the opposing point of view, but rather to enrich his own understanding, and from there adjust his strategy to revolutionize the common sense. Gramsci’s methodological approach thus motivates this study of both

perspectives, which are the hegemonic discourse on the rhetoric of debt and the way the counter-hegemonic forces respond to it.

The first step of the research was to study the discourses in the media in the Province of Quebec around the subject of the public debt problem. Examining the dissemination of discourses in the media is also motivated by Gramsci's approach as for him, the function of education was central to influencing and managing the common sense, and media was the most influential field (although not the only one to investigate). By examining the media coverage of public debt, this analysis brought to the fore that two groups primarily clash in the social debate around public debt: traditional intellectuals and organic intellectuals. The former group is composed of those who try to convince the population that reducing social spending and selling public assets are required in order to repay the debt, referred to in this paper as traditional intellectuals. They are those who tend to serve the hegemony in place. The latter, organic intellectuals, is a smaller group of people who react to this first group. This group defends the idea that debt-as-problem rhetoric is only used to scare the population in order to obtain their consent to the dismantling of the welfare state. This paper terms such individuals organic intellectuals, namely those who challenge the hegemony in place for more social and environmental justice. As a reminder, the notion of 'intellectual' here is used in the very broad sense given to it by Gramsci and which includes, among others, writers, artists, journalists, academics, political leaders, engineers, managers, lawyers, economists, and army officials.

The second step of the research was to map each group of intellectuals to understand who is defending which point of view. In regards to traditional intellectuals' presence in the media, an important change has occurred over the last few decades. Whereas the Conseil du Patronat (Employer's Council) used to be the most prominent traditional intellectual group in the media (besides right-wing governments) to defend the importance of reducing social spending and privatizing public assets, powerful new actors have now joined them in the form of research centers, also referred to as *think tanks*. Table 1 presents traditional intellectuals that have been considered the most active in the debate around the rhetoric of public debt. Government actors are also to be considered along with this non-exhaustive list.

Table 1. Traditional Intellectuals.

Think tanks	Montreal Economic Institute: “The MEI is an independent public policy think tank. Through its publications and media appearances, the MEI stimulates debate on public policies in Quebec and across Canada by proposing reforms based on market principles and entrepreneurship” (MEI, 2019a). The MEI, contrary to other think tanks, does not receive funds from the government.
	Center for Interdisciplinary Research and Analysis of Organizations (CIRANO). Mission: “Contribute to the strategic decision-making of our governmental, parapublic and private partners by producing and transferring high value added university knowledge” (CIRANO, 2019).
University professors (Holding a research chair directly financed by the government - not through ministry funds)	Luc Godbout: Chair in Taxation and of Public Finance Research at Université de Sherbrooke.
	Robert Gagné: Centre for Productivity and Prosperity at HEC Montreal.
Group of influential thinkers	The Lucides: A group of people in the Province of Quebec who published a 10-page manifest in 2005 entitled: <i>For a clear sighted vision of Quebec</i> . The authors want to increase the awareness of financial problems in Quebec.
Journalist	Francis Vailles intensively writes on Quebec’s debt in La Presse.
Group of business	Employer’s Council (Conseil du Patronat).

The analysis revealed that some of these research centers debating in the public space enjoy generous subsidies directly from the government, and not through ministry funds. For instance, in the Liberal government’s budget of 2014-2015, more than CAD \$9.5M was planned to be granted to the research center CIRANO for *supporting public policy research* (Quebec’s Budget, 2014-2015). Although CIRANO is a research center through which a number of university professors publish high-quality independent research, the central figure of the public policy research group is Claude Montmarquette, one of the leading neoliberal thinkers in the Province of Quebec. Montmarquette was also CEO of CIRANO the year that the organization was granted this subsidy. He graduated with a master’s in economics in 1970 from Chicago University and a PhD in 1973 from that same university, where the neoliberal thinker Milton Friedman also worked until 1975.

A number of organic intellectuals present in the public space have also been identified during the analysis and are presented in Table 2.

Table 2. Organic Intellectuals.

Think tanks	Institut de Recherche et d'informations socioéconomiques (IRIS).
University professors	Louis Gill, retired Professor in Economics.
	Éric Pineault, Sociologist/Economist.
Group of influential thinkers	Économie Autrement : A collective of economists (including Louis Gill).
Social movements	ATTAC: "An international movement working towards social, environmental and democratic alternatives in the globalization process" (ATTAC, 2019).
Labor unions	Fonds de solidarité du Québec (FTQ), Confédération des Syndicats Nationaux (CSN), Centrale des Syndicats du Québec (CSQ).

Once again, this list does not include all the organic intellectuals of Quebec, but only those who appeared to have a significant presence in the debate around the rhetoric of public debt. Similarly to the traditional intellectuals group, one think tank has become more present in the past decades in the public space, joining workers' unions who have historically been the leading figure in the public space for organic intellectuals in regards to counter the debt problem rhetoric.

Finally, once the mapping of traditional and organic intellectuals was developed, I gathered additional material relevant to each group such as research reports and other publications from research centers, university professors, as well as one social movement. The aim was to better understand how each group intervenes in the public space. I was interested in the way they mobilize accounting figures and accounting concepts to defend their point of view. In addition, in order to better understand the different concepts of debt present in the debate in the public space, I gathered and analyzed financial statements and budgets from the government of Quebec. We can now turn to these various concepts of debt mobilized within this debate.

4. Accounting Concepts and the Construction of Debt Problem Rhetoric

One of the reasons why public debt is a rich field for discourse analysis is that it is highly complex. Not only are multiple concepts of debt invoked, but each of these concepts may be calculated differently from one governmental instance to another. This presents both a challenge

for intellectuals in communicating with the public and a challenge for the public in understanding and forming an opinion on the information provided to them. These various concepts of debt support the construction of the rhetoric of the debt problem. In the Province of Quebec, five main debt concepts are discussed in the public space: 1) direct debt; 2) gross debt; 3) net debt; 4) debt arising from accumulated deficits³; and 5) service of the debt (on the income statement). Table 3 describes each concept as per official information from the government website. I have added clarification (in italics) where necessary.

Table 3. Concepts of Debt.

Concepts of debt	Definitions
Direct debt	Debt issued on financial markets (<i>interest-bearing debt</i>)
Gross debt	Direct debt (+) government's commitments to state employee retirement plans and other future employee benefits (<i>net from related assets</i>) (-) the Generations Fund
Net debt	Gross debt (-) financial assets (<i>accounting net value</i>)
Debt arising from accumulated deficits	Net debt (-) non-financial assets (<i>accounting net value</i>)
Service of the debt	Yearly interest on the income statement

Source: Quebec Ministry of Finance, 2019b.

The present section describes each of these debt concepts and, in some cases, raises accounting concerns identified in the data analysis. However, a specific element of the Quebec context must first be explained, namely the implementation of the Generations Fund.

4.1 Generations Fund

The official reason given for the creation of the Generations Fund in 2006 was to tackle the 'problem' of public debt. Indeed, as mentioned on the government's website, "[t]he *Act to reduce the debt and establish the Generations Fund* was passed on June 15, 2006 with the goal of reducing Quebec's debt burden" (Quebec Ministry of Finance, 2019a). However, a closer look at its accounting and financial operations suggests that, in reality, the Generations Fund does not necessarily achieve such an objective, but rather contributes to showing a financial situation that is worse than it really is, and allows more public money to be invested in financial markets. First, in terms of accounting operations, every year, the money transferred into this fund is registered as

³ Although other concepts of debt present some irregularities, the debt arising from accumulated deficits is the most controversial (see Gill, 2006).

an expense on the government’s income statement. Before this fund was created, the money used to reimburse the public debt was taken directly from the budget surplus, without affecting the year’s financial result, only cash flow. The outcome of this change in operations is that a deficit is *artificially* created (or the surplus is *artificially* decreased) each year. Table 4 illustrates this accounting change with the introduction of the Generations Fund.

Table 4. Impacts of Transfers to the Generations Fund on the Income Statement.

Income Statement	Before the Generations Fund	With the Generations Fund
Surplus	100 million	100 million
(-) Expenses <i>Money transfers to the Generations Fund</i>	(0 \$)	(100 million)
Surplus <i>After Generations Fund</i>	100 million	0 \$

In the example serving as an illustration in Table 4, the surplus changed from \$100 million to \$0, with the same \$100 million mobilized for the public debt. Before the Generations Fund, the money used to pay the debt was not recorded as an expense but was rather deducted from the debt on the balance sheet once reimbursed, as is normally the case in the majority of accounting standards. Recall that for traditional intellectuals, the goal is to show the financial distress of the state, in order to convince the population of the urgent need to dismantle the welfare state and “reinvent” state practices (Micklethwait & Wooldridge, 2014). The change to accounting operations put into place with the creation of the Generations Fund certainly appears to serve that agenda.

Second, in terms of financial operations, this fund was created to put money aside to invest in financial markets to counterbalance the public debt. In other words, although the government and traditional intellectuals have presented this fund as a tool to reduce the public debt, in reality the money that was previously used to reimburse debt is instead reinvested in financial markets. Public debt continues to grow as a result as seen with the illustration in Table 5.

Table 5. Impacts of Transfers to the Generations Fund on Debt and Balance Sheet.

Balance Sheet	Before the Generations Fund	With the Generations Fund
Debt at the beginning of the year	100 billion	100 billion
(-) Debt reimbursed	(100 million)	0 \$
Debt at the end of the year	99.9 billion	100 billion

The Generations Fund can be seen as a form of financial leverage. To put this concretely, for an amount of CAD \$100 million that would have normally served to reimburse public debt, instead, this \$100 million remains as debt and the resulting \$100 million generated in cash flow is invested in financial markets. In this example, where the situation before the Generations Fund would have resulted in \$0 million on financial markets, with the introduction of this fund, \$200 million remains on financial markets (\$100 million as debt and \$100 million as investment). Actors supporting this strategy promote the logic that reinvesting in financial markets will bring a higher yield than the cost to the government of borrowing the money. While this bet seems relatively safe except in moments of crisis, this bet raises some questions with regard to the state, which is now transformed into a sort of *financial speculator*.

The last element important to bring to the fore at this stage in relation to the Generations Fund is the accounting treatment of interest paid on the debt not reimbursed. Since the creation of the Generations Fund, the government has had to pay additional interest, as the money earmarked for the public debt is used to invest in financial markets rather than to pay down the debt directly (see Table 5). This additional interest also negatively affects the yearly financial results of the government: these interest payments are registered as an expense and consequently, increase the deficit (or decrease the surplus) each year. Taking the illustrations of Table 4 and Table 5, the initial surplus of \$100 million would be transformed into a deficit once the interest of the debt not reimbursed (that consequently increased as a result) is accounted for as an expense. It is important to note that this interest expense recorded on the income statement is not offset by gains (if it is the case) from the corresponding money invested in financial markets as the latter are recorded in a segregated fund.

Table 6. Impacts of Transfers to the Generations Fund on the Income Statement (with Interest).

Income Statement	Before the Generations Fund	With the Generations Fund
Surplus	100 million	100 million
(-) Expenses <i>Money transfers to the Generations Fund</i>	(0 \$)	(100 million)
Surplus <i>After transfers to the Generations Fund, before interest</i>	100 million	0 \$
(-) Expenses <i>Interest on debt not reimbursed</i>	(0 \$)	(5 million)
Surplus (Deficit)	100 million	(5 million)

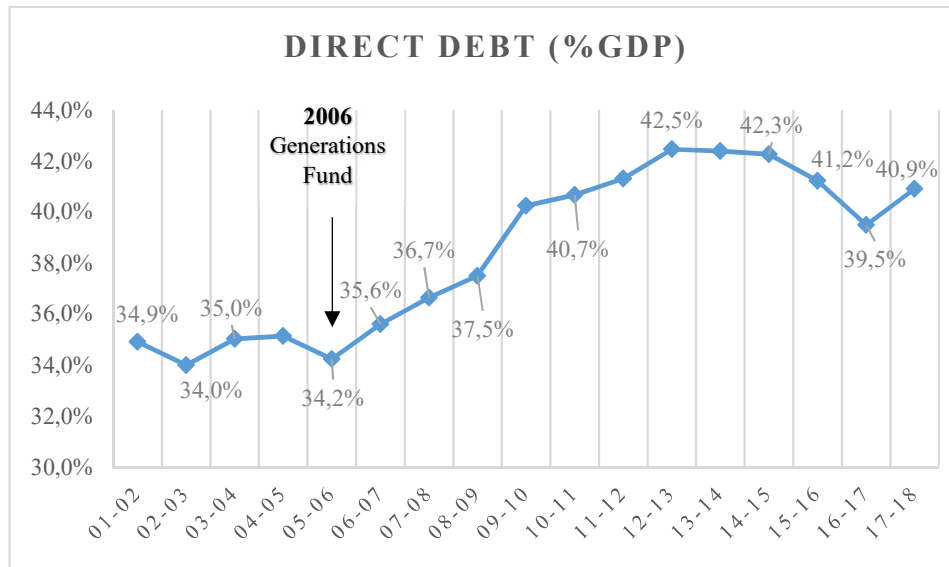
As this section and the illustration in Table 6 demonstrate, the greater the amount of money transferred to the Generations Fund, the greater the deficit increases (or the surplus decreases). As a result, traditional intellectuals can argue more convincingly that the government is in a bad financial situation. Table 6 shows how a surplus of \$100 million can turn into a deficit of \$5 million following the creation of the Generations Fund. With this context in mind, we can now move on to the description of the different concepts of the public debt.

4.2 Accounting Concepts of Debt

As seen in Table 3, there are four concepts of debt as an asset on the balance sheet that are mobilized in the debate about public debt: direct debt, gross debt, net debt, and debt arising from accumulated deficits, as well as one concept that refers to the impact of debt on the income statement: service of the debt. *Direct debt* is the debt issued on financial markets and the one that bears interest. The amount of the direct debt is rarely mentioned in the media, nor does it appear in the section of the government website dedicated to defining the concepts of debt (Quebec Ministry of Finance, 2019b). This is particularly surprising since direct debt is the concept that most closely relates to people's experience with debt, and probably what the population in general has in mind when referring to the government public debt. Figure 1 shows the evolution of the direct debt in proportion to Quebec's GDP.⁴

⁴Data for Figure 1 are taken from a note to financial statements that concerns debts contracted on financial markets (for 2017-2018, see Note 15 in Quebec's financial statements). I took the total amount of debt contracted on financial markets in Canadian dollars minus the value of the amortization fund related to loans. I did not include debts related to public-private agreements, or debts related to capital lease contracts. As I observed an increase in both short- and long-term investments in financial markets as well as in cash reserves over the period analyzed, I felt it would better

Figure 1. Direct Debt as a Percentage of GDP.



Source: Financial Statements of the Government of Quebec.

It is worth mentioning that 2006, when the direct debt began to increase relative to the GDP, was the year the Generations Fund was created.

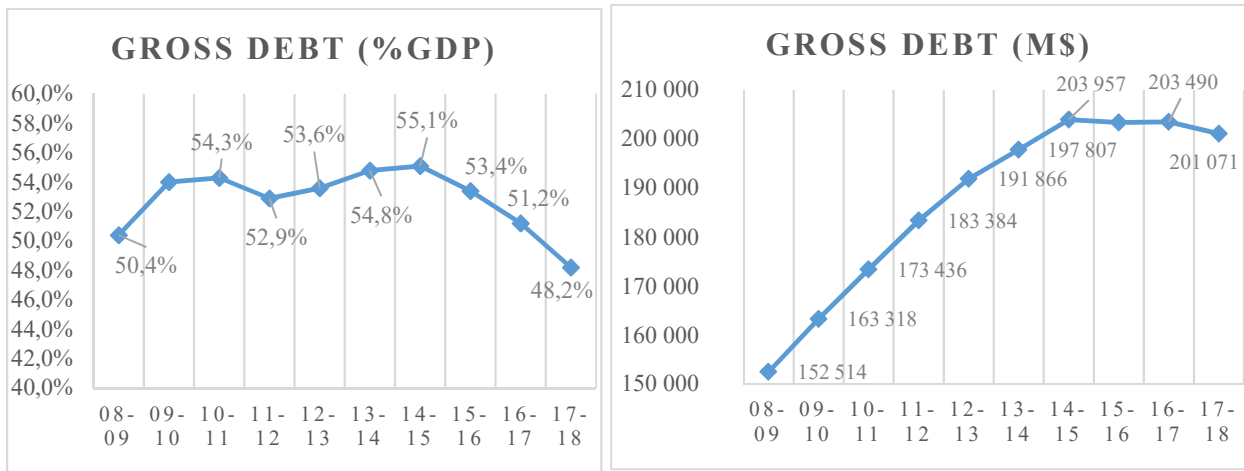
Gross debt is the sum of the direct debt and the government’s commitments to state employee retirement plans and other future employee benefits, minus the Generations Fund (Quebec Ministry of Finance, 2019b). The government’s commitments related to its employees' retirement is net from the financial assets owing by the government to cover such commitment. The gross debt is thus difficult to grasp as it combines various elements of different natures. I have relied on government reporting on gross debt to construct Figure 2, which presents the evolution of gross debt both in millions of Canadian dollars as well as in proportion to the GDP.⁵⁶

reflect the financial situation of the government to exclude them. Plus, debts contracted on financial markets for a temporary period have been included in the note of the debt contracted on financial markets since 2002-2003 (prior to that year, temporary debt was deducted from liquidity). I also deducted the cumulative amount in the Generations Fund.

⁵ The complexity of the gross debt concept is such that to calculate it oneself would require a perfect understanding of the actuarial and accounting valuation of the government’s commitments to state employee pension plans. Such a calculation would be beyond the scope of the present paper and is not essential for my purposes here.

⁶ It was not possible to include years prior to 2008-2009 in Figure 2 due to differences in how the gross debt was reported in financial statements of the time.

Figure 2. Gross Debt as a Percentage of GDP and Gross Debt (in Millions of \$).



Source: Financial Statements of the Government of Quebec.

Net debt is calculated by deducting the government’s financial assets at their accounting net book value from the gross debt. Importantly, the concept of net debt does not take into account other types of assets owned by the government such as buildings, roads, bridges, aqueducts, etc. It is important to keep in mind the invisibility of these assets within this debt concept when, for instance, assessing or comparing the financial situation of different governments. Indeed, given two countries of similar size, if one of them were to sell most of its assets while the other still owned most of its buildings, roads, etc., the two countries would be in a very different financial situation even though both would have a similar level of net debt. In Quebec in 2019, the provincial government owned more than \$400 billion worth of tangible assets in buildings, bridges, viaducts, roads, and water infrastructure alone (Quebec’s Budget 2019-2020, p. H28). In addition, the government mentions that “[a] majority of infrastructure [is] evaluated [to be] in good condition” (Quebec’s Budget 2019-2020, p. H28). To put this \$400 billion value into context, it is nearly 2.5 times the net debt (\$174 billion) and double the gross debt (\$200 billion).

The *debt arising from accumulated deficits* is supposed to reflect the proportion of the public debt that corresponds to the sum of all deficits the government has incurred in the past and that is still outstanding. This concept is used to distinguish ‘good debt’ from ‘bad debt’, ‘bad debt’ being the debt that arises from annual deficits. In the Province of Quebec, this ‘bad debt’ is often referred to as *grocery debt (dette d’épicerie)*. The government mentions that “[d]ebt that has been incurred to finance the acquisition of assets is much more acceptable than if it was incurred to finance

current expenditures” (Quebec Ministry of Finance, 2019b). As we will see in Section 6, an important calculation error compromises this concept of debt.

The *service of the debt* is accounting for as an expense on the yearly surplus/deficit of the government, and is, or rather gives the impression of being, the interest charges on the direct debt. However, two non-negligible additional elements negatively influence this number.⁷ First, as mentioned previously, interest charged on the amount transferred to the Generations Fund is also accounted for as an expense and included in the service of the debt. Second, the difference between the cost to the government of borrowing money to invest in financial markets in order to produce a yield that will be used to cover the government’s commitment to employee retirement funds, and that said yield, is also included in the service of the debt yearly expense. In some years, the latter made up almost 38% of the service of the debt (e.g. in 2003-2004). Table 7 presents the detailed elements included in the service of the debt as calculated by the government of Quebec.

Table 7. Service of the Debt (in Millions of \$).

Income Statement	2013-2014⁸	% Income
Service of the debt - <i>Official</i>	10 598	11.4%
(-) Interest from pension plans <i>Deducted from gains related to pension plan's financial assets</i>	(3 364)	
(-) Interest related to the Generations Fund <i>No gain deducted, they are recorded in the Generations Fund</i>	(193)	
Service of the debt - <i>Revised</i>	7 041	7.5%

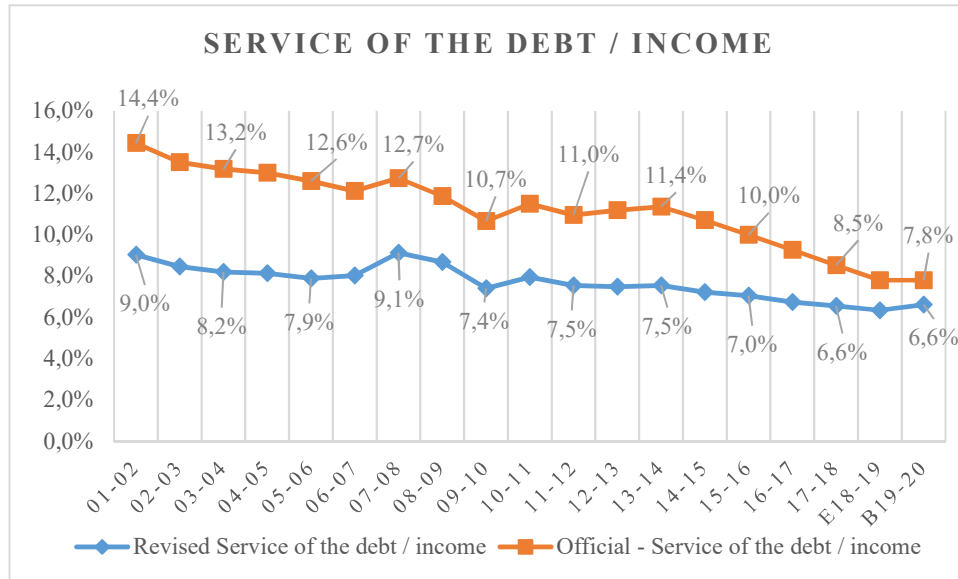
The official calculation of the service of the debt could give the wrong impression about the cost to the government of borrowing money, as it confounds separate issues: the government’s indebtedness, the *actuarial estimate* of its capacity to honor the retirement pensions of its employees, and the cost associated with the Generations Fund strategy. From an official service of the debt of 11.4% in proportion to the government’s income, it is actually 7.5% when not taking into account the direct debt related to pension plans and the Generations Fund. Figure 3 shows both the official service of the debt as a percentage of the government’s income (*Official*), as well

⁷ Other costs, such as the emissions cost of obligations, are also included in this number, but their influence on the final calculation is less significant. I have left out these elements in order to simplify the explanation.

⁸ I choose the year of 2013-2014 because it is relatively recent and gives a clear picture of the distortion presented in some years by the government. As shown in Figure 3, this distortion has been decreasing since 2013-2014.

as a revised figure with interest from the Generations Fund and interest related to pension plans removed (*Revised*).

Figure 3. Service of the Debt.



Source: Financial Statements of the Government of Quebec.

4.3 The Complexity of Accounting Concepts of Debt

The above definitions as well as the presentation of the Generations Fund bring to the fore the complexity of accounting information as it is integrated into public discourse. As highlighted by Neu et al. (2001), “although accounting expertise makes intervention [in the public sphere] possible, the technical nature of this expertise appears to simultaneously circumscribe the potential scope (and effectiveness) of the intervention” (p. 751). Indeed, one can easily see how without an accounting background these concepts of debt can be difficult to grasp. Even those whose campaign platforms and political agenda are based on the urgent need to repay the public debt, and thus who ought to have a solid understanding of these accounting concepts, appear to find them confusing and difficult to work with. For instance, during the leader’s debate in the 2008 provincial election campaign, neither the sitting Prime Minister Jean Charest nor candidate Mario Dumont – both right-wing politicians – showed a clear grasp of the accounting concepts regarding the public debt:

Dumont (to Charest): How much is it, the province's debt? Go on, how much?

Charest (to Dumont): Uh ... a little over 120 billion.

Dumont (to Charest): It's 148 [...] And last year 141.5. So that means you've created a deficit! (La Presse, November 26th 2008)

A commentator mentioned that Dumont was referring to the net debt, and Charest to the gross debt. On the one hand, it should be highlighted that Charest's first reaction was not to ask Dumont to specify what type of debt he was referring to in order to, at least, intend to give a good answer. On the other hand, what is even more surprising is that Dumont, an influential right-wing leader in the Province of Quebec that made the reimbursement of Quebec's public debt central to his political agenda, appeared not to understand how debt increase worked. Indeed, the rise of public debt is not necessarily related to a yearly deficit but could be caused by the investment in infrastructure registered as an asset on financial statements.

To conclude, this section presented the complexity of public debt concepts that can confuse (or can be used to deliberately confuse) the public when talking about public debt. As has been thoroughly demonstrated in the critical accounting literature, accounting figures are not objective but rather socially constructed and politically driven (Burchell, Clubb, Hopwood, Hughes, & Nahapiet, 1980). This kind of malleability of accounting concepts, which people tend to think of as 'solid' (because they are based on numbers), creates the possibility for contradictory discourses about public debt. The complexity of the concepts involved enables public debt to be presented in different ways depending on the agenda of the actors in question. The following section focuses on how, more specifically, traditional intellectuals mobilize these concepts.

5. Accounting Supporting the Hegemonic Rhetoric of the Debt Problem

Before studying how accounting is mobilized to counter the hegemonic discourse, and in accordance with Gramsci's methodological approach, we first need to examine how accounting is used in the hegemonic discourse to influence the common sense. To that end, this section presents the most recurrent strategies observed in the data whereby accounting numbers and concepts are leveraged by traditional intellectuals, namely mobilizing emotions (such as fear and guilt) and connecting concepts of debt to people's everyday experiences.

Traditional intellectuals use accounting in a number of ways to arouse fears about public debt. One of these strategies is to mobilize the highest possible number, i.e. the gross debt. As we saw in Section 4, the gross debt figure encompasses various elements and is consequently difficult to

interpret. However, this does not prevent traditional intellectuals from using it, as in the following excerpt:

First, the facts. As of March 31, 2014, Quebec's *gross debt* will amount to \$198.4 billion. This enormous debt makes Quebec the most indebted province in Canada - and by far – and one of the most indebted nations in the world. (La Presse +, March 4th 2014, *emphasis added*)

As can be seen in this previous quotation, in order to increase the fear of public debt, traditional intellectuals also compare this gross debt to that of other countries. This often involves comparing it with countries known for their high debt levels, such as the United States, Portugal, and France. In those circumstances, traditional intellectuals also tend to include a percentage of the federal debt that they calculate as a proportion of Quebec's GDP or of Quebec's population within Canada.

When this addition [of a proportion of the federal debt] is made, Quebecers' debt increases to about 101% of the GDP, according to La Presse's projections based on Quebec Ministry of Finance figures. This debt ratio is as high as that of the United States, and similar to those of Portugal (111%) and France (97%). Greece, the financial black sheep of Western countries, has a gross debt in 2011 equal to 157% of its GDP, according to the OECD. (La Presse, August 12th 2011)

The rationale mobilized when promoting this calculation of public debt is that each province of Canada is ultimately responsible for the debt of the Canadian federal government; such a rationale is a subject of controversy, but useful for traditional intellectuals as it allows them to present a higher level of indebtedness.

Another strategy to create fear around public debt is the 'Quebec Debt Clock'. Published on the website of the Montreal Economic Institute (MEI), an influential right-wing think tank in the Province of Quebec, this clock is a visual representation of Quebec's gross debt that shows the debt increasing in front of the viewer's eyes (Figure 4). This debt clock is often referred to in media coverage of Quebec's debt.

Figure 4. Quebec “Debt Clock”.



Source: MEI, 2019b, Accessed 26.09.2019 at 2:31pm.

This figure, useful to increase fear, is difficult to reconcile with the government’s financial statements. By way of comparison, gross debt in 2017-2018 was \$201 billion, down from the previous year.

Accounting is also used to mobilize emotions of guilt in order to convince the population that repaying the debt is an urgent need that justifies attacking social services on offer to the population. Traditional intellectuals explicitly make a causal link between the public debt and social spending, arguing that it is unfair for older generations to pass on this debt to their descendants:

“Tax cuts and other liberal treats were paid using our *children’s* credit card,” says Mr. Legault. (La Presse, June 14th 2008, *emphasis added*)

This kind of formulation by then-opposition member of the Provincial Parliament François Legault (now Premier) promotes the idea that social spending can be a selfish and thoughtless gesture that endangers the welfare of children.

This idea of (parental) guilt is embodied in the very name of the Generations Fund, and it is further reinforced by the imagery used in the presentation of the Fund online (see Figure 5).

Figure 5. The Generations Fund.



Tackling the debt

The Act to reduce the debt and establish the Generations Fund was passed on June 15, 2006 with the goal of reducing Québec's debt burden.

Source: Quebec Ministry of Finance, 2019a.

Figure 5 suggests to citizens that tackling the ‘problem’ of public debt should be done for the sake of their children. If they love their children, they should be willing to make sacrifices in the form of cuts to social services, in order to repay the debt and secure their children’s economic future.

Traditional intellectuals’ use of guilt to obtain the consent of the population is not without consequences on generational conflicts:

Our children are going to be in debt up to their eyeballs, you say ...

So what? They will do like us, and shovel that debt into their own children’s yard!
We’ve been doing it for 50 years! Why stop now?

A debt is like a cedar chest: it gets passed on from one generation to another. We hide it in the attic, we leave it untouched, and when we die, we hand it off to our children...

One day, someone will end up paying for it, but we don’t care, we won’t be there anymore. It won’t be our problem anymore.

Selfish, you say? But aren’t our children selfish with us? They park us in retirement homes, and they forget about us! Why would we care about their future?

Let them do just like us – get by on their own! (Le Journal de Montréal, January 29th 2014)

This excerpt shows one unusual reaction, which comes from Richard Martineau, an opinion columnist who likes to create controversies. While the general tendency is to use guilt to motivate

the population to pay down the public debt, in this article, this columnist is using sarcasm to attack those who refuse to feel guilty while also attempting to widen the division between generations by implying that maybe, the youngest generations might just get what they deserve.

In addition to evoking emotions such as fear and guilt, traditional intellectuals sometimes deploy their rhetoric of urgency by relating aspects of the public debt to people's personal experience with debt and the common sense. This is mainly achieved through two approaches. The first is to present a more comprehensible number to the population, something that they can compare with their own experience with debt. For instance, traditional intellectuals often divide the gross debt (the highest amount of public debt) by the number of inhabitants, or more often by the number of active workers, which is a lower denominator and, accordingly, creates a more dramatic effect, as the resulting per capita number is higher. This calculation makes it easier for each member of society to view the public debt as if it were part of her own debt. It can also give the impression that citizens are personally responsible for a part of the debt and need to reimburse it as if it was their own. This is exemplified in the following extract:

To give an even more accurate picture, we redid the calculations using the table of the total public debt, as calculated by the Montreal Economic Institute (MEI). The result: little Émile [2 years old], even though he does not know it yet, owes more than \$28,000. This represents an increase of nearly \$3,000 since he was born. (Le Journal de Montréal, December 3rd 2010)

This example using a 2-year-old is particularly emotionally persuasive; everyone can picture herself at this age, or someone close to her, and feel the burden of starting life with such a debt.

A second approach by which traditional intellectuals relate the public debt to people's personal experience and common sense is to establish parallels between the public debt and household or personal finances. As Neu et al. (2001) argue, "references to a household's budget as being equivalent to government deficit and debt numbers play on the *commonsensical* nature of accounting numbers" (p. 745, *emphasis added*). In Gramsci's words, traditional intellectuals draw on the common sense of the population, as in the following quotation:

Quebec in its entirety continues to live beyond its means, just like a person who lives large as long as there is room on his credit cards. (Le Journal de Montréal, January 27th 2010)

This example builds on the common sense within the population that indebtedness is a consequence of an individual's own doing – a choice that they made and whose consequences they must accept – rather than other causes, such as the result of precarious social conditions. Further, the common sense often leads people to think that only immoral individuals incur more debt than they can manage (Graeber, 2013).

In summary, in constructing the rhetoric of debt-as-a-problem, traditional intellectuals tend to mobilize accounting figures and concepts to evoke emotions such as fear and guilt among the population. In line with Neu et al. (2001), traditional intellectuals often draw on the common sense and rely on people's personal experience to convince the population of the pressing need to repay the debt, and of the immorality of such a level of indebtedness. With this understanding of how traditional intellectuals mobilize accounting concepts and figures, we can now turn to the analysis of the counter-hegemonic discourse, and better contextualize what organic intellectuals are responding to.

6. Countering the Hegemonic Discourse

While traditional intellectuals try to convince the population of the state of financial distress in which the Province of Quebec supposedly finds itself in order to obtain the population's consent to dismantle the welfare state, organic intellectuals wish to persuade the population that this is not true. Organic intellectuals commonly defend the idea that the debt-as-problem rhetoric is a right-wing tool to justify cuts in social spending. Their intentions are generally to protect and extend social services that they believe to be necessary for the good of the majority of the population. Analysis of the data revealed that organic intellectuals employ a number of strategies to counter the hegemonic discourse on the public debt problem, mobilizing accounting figures and accounting concepts in different ways in the process. This section discusses these strategies, summarized in Table 8.

Table 8. Strategies to Counter the Hegemonic Discourse.

1 – Employing the rational approach	
	a - Re-establishing the facts
	b - Identifying calculation errors
	c - Highlighting conceptual flaws
2 – Starting from people’s experience and common sense	
3 – Translating accounting concepts	

The rational approach is the dominant strategy adopted by organic intellectuals to counter the hegemonic discourse. Under the rational approach, organic intellectuals may produce research, publish books, and express themselves in the media whenever possible in order to respond to traditional intellectuals by re-establishing the facts, identifying calculation errors, or highlighting conceptual flaws in the hegemonic discourse.

As a first strategy, re-establishing the facts often leads organic intellectuals to explain the various concepts of debt and the reasons why traditional intellectuals choose one accounting figure over another. For instance, in response to traditional intellectuals’ usage of the gross debt figure to create feelings of fear, organic intellectuals explain why this is not the right number to look at.

The way the debt is calculated is very important. Numbers often have the disadvantage of being easily manipulated. For example, if we take into account only the gross debt, we get a result showing a very high debt level for Quebec, quite alarming. This calculation retains only the liabilities and leaves aside the government’s assets. (ATTAC Québec, 2016, p. 12)

As the preceding quotation shows, organic intellectuals often argue that gross debt is invoked to create fear among the population, and that this concept of debt does not take into account the assets held by the government. Organic intellectuals often want the debate around public debt to be informed by alternative measures, such as net debt.

Another element for which organic intellectuals try to re-establish the facts is the source of Quebec’s public debt, as in the following explanation in the media by Raphaël Langevin and Josué Desbiens, two researchers from IRIS, a leftist think tank.

Where does Quebec's public debt come from? According to many people, it simply comes from the fact that the Quebec state is too big and too generous. This assertion,

however, is not based on any rigorous factual or historical analysis. (La Presse, June 12th 2016)

Rather, based on their economic analysis report, they contend that the rise of Quebec's public debt is:

caused first by the decrease in federal transfers (32%) and by the privatization of state-owned enterprises coupled with the drop in the tax on private enterprises (30%). The increase in debt service due to high interest rates (21%), personal income tax cuts (14%) and greater numbers of applications for social assistance in times of economic crisis (3%) also had an impact. (Desbiens & Langevin, 2016, p. 3)

Thus, according to Desbiens and Langevin (2016), social spending is not the primary source of public debt in Quebec, as traditional intellectuals usually claim, but rather neoliberal policies (Desbiens & Langevin, 2016).

A second strategy within the rational approach can occur when traditional intellectuals make a mistake in their calculations (intentionally or not), and organic intellectuals choose to highlight these errors. This is notably the case with the concept of debt arising from accumulated deficits. The principal figure behind this contestation is Louis Gill, a retired professor of economics, who has spoken several times in the media since his publication on Quebec's public debt in 2006. In his research, he mentioned that:

the accounting standards put in place since 1998 systematically underestimate the debt allocated to capital expenditures and overstate the debt attributed to accumulated budget deficits in previous years, transforming 'good debt' into 'bad debt'. (Gill, 2006, p. 19)

This 1998 change in accounting standards that Gill is referring to is the capitalization of assets at the time of acquisition, assets that had previously been registered as an expense since 1970-1971 (Joanis & Montmarquette, 2004). Starting in 1998, the new accounting standard presented by the government does the following: tangible assets, considered as 'good debt', is gradually transformed into 'bad debt' with the yearly depreciation of the acquisition value. When the accounting value is fully amortized, all the investment for the asset is thus included in the debt arising from accumulated deficits, i.e. 'bad debt'. In 2009 for instance, Louis Gill argues that the true proportion of 'bad debt' would actually have been 37-40% of the total public debt, rather than 67% as was claimed by the government (Le Devoir, February 16th 2010).

A third strategy falling in the category of the rational approach is to highlight conceptual errors in the hegemonic discourse. For instance, organic intellectuals point out that when traditional intellectuals compare state debt to personal debt, they are, in fact, comparing two accounting figures that have nothing to do with each other conceptually.

The public debt of a country cannot be compared to the debt of a family, since a state can hardly go bankrupt, does not die, can adopt economic policies that are to its advantage, [and] has the possibility of setting the level of income it needs to properly finance public services. (ATTAC Québec, 2016, p. 12)

As the previous quotation illustrates, organic intellectuals wish to discredit the arguments of their opponents by suggesting that there are so many elements that differ between an individual and a government, that it is conceptually inappropriate to compare them.

While organic intellectuals mainly try to counter the hegemonic discourse by adopting a rational approach, which consists, among other things, in arguing that the comparison between the debt of individuals and public debt represents a conceptual flaw, on certain occasions, some organic intellectuals choose to draw a parallel between public debt and the financial situation of individuals and thus, also relate to *common sense*. For Gramsci, although it is important to educate people (and also to be educated by them) with rational arguments, he argues that this alone is not sufficient to bring about a profound change in the common sense. Given this, and the obstacle of the complexity of accounting information, it is not surprising to see accounting employed in other strategies. For instance, organic intellectuals argue that gross debt is an inadequate number to use to talk about the financial situation of Quebec as “[i]t is like examining the mortgage of a house without taking into account the house’s value” (Fortier & Tremblay-Pépin, 2017). In this example, organic intellectuals, instead of only arguing that the assets held by the government are not included in the gross debt figure, they also relate accounting concepts to people’s day-to-day experience with debt, in a very similar manner to that employed by traditional intellectuals.

Although this strategy of drawing on the common sense and relating to the lived experiences of individuals was identified in the course of the study, only seldom have organic intellectuals mobilized this approach. Although Neu et al. (2001) criticize this approach of referring to common sense when they analyzed the hegemonic discourse of the rhetoric of debt in the neoliberal shift in Alberta, would it be possible, as Sikka (2010) has also argued, that this strategy could be used by counter-hegemonic groups without obscuring the truth as insisted by Gramsci? Would it, in fact,

be possible that this could be an effective means of making highly complex accounting information on public debt understandable to the general public?

The final category of strategy uncovered by the analysis of the data is the translation of accounting concepts. In an attempt to counter the hegemonic discourse, some organic intellectuals take up accounting concepts often used in the dominant discourse and translate them into other terms. For example, while within the hegemonic discourse a deficit is considered as ‘bad debt’ that should not have been incurred and that the population should feel guilty about, organic intellectuals translate this concept in terms of human conditions. More precisely, they translate the public deficit in terms of the lack of money to cover basic needs that many people experience, what the researchers at IRIS call the *human deficit*. This is illustrated in the following excerpt:

Reclaiming the popular rhetoric about the state of public finances, the two IRIS researchers compare the trends in budget deficits and deficits to the MBM [Market Basket Measure] over the last ten years. They note that the cumulative deficit of Quebec's public finances has barely risen to \$7.9 billion in current dollars, which is three times less than the \$27 billion of the "human deficit" in the MBM. "However, it seems that those who suffer the painful consequences do not receive the same media attention as the holders of the public debt of Quebec," they quipped. (Le Devoir, February 24th 2016)

Here the budget deficit has been translated into human deficit, which is the lack of financial means for people to cover their basic needs. Organic intellectuals start from an accounting concept, and translate it in an attempt to defuse the strategy of traditional intellectuals. In this case, they argue that one should not feel guilty for a financial deficit. Instead, one should feel guilty for those people that do not have the proper financial means to live a decent life.

The most frequently translated accounting concept, however, is the idea of responsibility towards future generations. While traditional intellectuals often repeat that the financial public debt problem is something that we will leave to our children, leveraging guilt in the process, some organic intellectuals rather argue that our biggest debt is environmental as the actual economic system is destroying the planet we live in:

It may seem laudable to want to leave a surplus to our successors instead of a debt. However, while we are busy liquidating all our property to pay off our debts, the house is burning. And with it, the ability of future generations to meet their basic needs may also go up in smoke. The *environmental debt* that we are about to leave to those who

will follow us exceeds any other debt that we have known so far. (ATTAC Québec, 2016, p. 121, *emphasis added*)

Here, financial debt has been translated into an environmental debt. The aim is not to re-establish the facts in a rational approach, but rather to argue that the biggest problem in the equation is the environmental debt that will be left to younger generations, a debt that will prevent them from having adequate living conditions. It has to be noted that the goal of this strategy is not to denounce the inaccuracy of the hegemonic discourse, but rather to displace the emotions initially evoked by traditional intellectuals, such as fear and guilt, when translating these accounting concepts. The following section discusses the key findings of the analysis in more detail.

7. Discussion

This study has pursued the objective of better understanding how accounting *can be* mobilized by organic intellectuals to counter hegemonic discourses. The study has sought to explore the roles, potential uses, and limitations of accounting figures and accounting concepts as they can be used in a *war of position* to change the *common sense* within the *civil society*. In accordance with Gramsci's methodological approach, this paper has addressed this research objective by looking at both perspectives, namely the hegemonic discourse espoused by traditional intellectuals, and the counterposition held by organic intellectuals. While the analysis reveals that traditional intellectuals often mobilize accounting to invoke emotions such as fear or guilt within the population⁹, and to make the public debt feel more immediate and personal, it also demonstrates that organic intellectuals often prefer to use accounting figures and concepts within a rational approach. These results are in line with the findings of Gallhofer and Haslam (2006) and the arguments of Neu et al. (2001). Specifically, the present study shows that organic intellectuals frequently try to re-establish the facts, identify calculation errors, and highlight conceptual flaws in the dominant discourse. However, the current study also demonstrates that organic intellectuals, in trying to educate the population in regards to the public debt, have to relate complex accounting information (Neu et al., 2001), which constitutes a limitation of accounting in the public space; this can be described as the *accounting complexity trap*.

⁹ Which contrasts with the rational role of accounting for the reproduction of hegemony, which is more often documented (see, for example, Papi et al., 2019).

Studies of counter-accounts point to the imbalance of power to explain why counter positions often fail in the face of hegemonic forces in moments of crisis (Irvine & Moerman, 2017). While it is true that hegemony reproduces itself more easily as they have greater access to mass media (Herman & Chomsky, 2001; Neu et al., 2001), other important elements come into play when using accounting to intervene in the public space, such as the complexity of accounting information. Indeed, as seen in this study, accounting plays a role in maintaining a degree of misunderstanding in the population in relation to the public debt due to its complexity (Neu et al., 2001). The various accounting concepts of debt (such as direct debt, gross debt, net debt, and debt arising from accumulated deficits) as well as some accounting mechanisms (such as the Generations Fund) make it difficult for organic intellectuals to communicate about public debt in the public sphere. This complexity represents an obstacle for the population to understand the situation and to determine who is telling the ‘truth’ between traditional and organic intellectuals. Organic intellectuals often seem caught in this *accounting complexity trap* when they adopt a rational approach.

Gramsci has also frequently adopted a rational approach, investing time and effort in educating the public through publications in newspapers, including the one he founded (the *Ordine Nuovo*), producing complex texts on the ideology of his political party (often too complex for the tastes of his comrades). However, Gramsci cautions against relying solely on rational explanations to influence the common sense (Gramsci, 2000, p. 227). In the case of public debt, this caution seems warranted, since rational explanations often imply the use of complex accounting concepts, perhaps too complex for people without an accounting background to grasp. To overcome the accounting complexity trap, organic intellectuals sometimes, not unlike traditional intellectuals, draw on the common sense by relating the public debt to people’s experience, which supports Sikka’s (2010) position but contrasts with Neu et al. (2001). In these occasions, comparing public debt with the mortgage of a household and the value of the corresponding house were identified during the analysis. While Mantzari and Georgiou (2019), in studying the implementation of International Financial Reporting Standards (IFRS) in Greece, show how the hegemonic common sense served to advance the neoliberal agenda, the present paper reminds us that the common sense also possesses the seeds of resistance (Hoare & Sperber, 2013). Drawing on the common sense of the population was central in Gramsci’s philosophy of action to challenge the status quo, and gain the consent of civil society (Hoare & Sperber, 2013).

Another strategy adopted by organic intellectuals to overcome the limitations of the rational approach and the corresponding accounting complexity trap is to play on the emotional level, rather than the rational one. Although emotions are usually the purview of traditional intellectuals, who use accounting to evoke fear and guilt within the population in regards to public debt, and organic intellectuals tend to adopt mainly a rational approach to counter the hegemonic discourse (Neu et al., 2001), this paper has shown that organic intellectuals can also mobilize accounting to evoke and manage emotions. Indeed, the present study reveals that organic intellectuals can displace emotions initially raised by traditional intellectuals, rather than attempting to calm them down, by translating accounting into other terms. For instance, instead of talking about financial debt, the notion of environmental debt is brought to the fore; instead of talking about a financial deficit, it is translated into a human deficit.

When organic intellectuals translate accounting concepts into other domains – such as the environment or human suffering – they also transpose the associated emotions evoked by traditional intellectuals’ strategies. The guilt felt in regard to the financial debt – “how will my children look at me when they have to reimburse the public debt I have incurred” – is transposed into guilt about, for example, the environmental debt that older generations will pass to younger generations – “how will my children look at me when they are left without a decent planet to live on?”. Rather than using rational arguments to try to defuse the emotions generated by traditional intellectuals, they try to displace the emotions present within the population to concerns they feel are even more pressing than the financial debt. This translation of accounting concepts to other fields, which displaces emotions in order to influence the common sense, constitutes another contribution to the accounting literature, showing that counter-hegemonic forces can sometimes use accounting to mobilize emotions to gain public support (see also Vinnari & Laine, 2017).

The accounting literature emphasizes the importance of creating a network of allies for the *war of position* (Lee & Cassell, 2008) or for the success of critical researchers’ interventions in the public sphere (Neu et al., 2001) as part of what Bourdieu called a “collective of intellectuals” (Bourdieu, 1989; Cooper & Coulson, 2014; Neu et al., 2001). This paper agrees with this assertion and suggests a broadening of the definition of intellectuals as defined by Gramsci and presented in the theoretical section. Taking Gramsci’s definition of an intellectual means to also consider writers, artists, civil servants, political leaders, and/or journalists, among others, as intellectuals

(Simon, 1982), and to consider that organic intellectuals could and should emerge within different groups of society. In order to create a wider network of allies, with a diversity of intellectuals capable of disseminating a counter-discourse based on accounting information to challenge the status quo, this paper suggests mobilizing alternative strategies to provide these intellectuals (as well as the general public) with more understandable information. The rational approach by mobilizing “rational, measured dialogue, sound argument, reasoning, and demonstration” (Bourdieu, 1989, p. 104 cited in Neu et al., 2001, p. 740) also is of major importance for interventions in the public sphere, and should, in the author’s view, be combined with the alternative strategies put forward in this paper, such as mobilizing emotions by translating accounting concepts and drawing on people’s common sense.

8. Conclusion

The present paper contributes in several ways to the existing accounting literature concerned with the roles and limitations of accounting and accounting academics’ interventions in the public sphere (see, for example, Cooper, 2014; Cooper & Coulson, 2014; Haines-Doran, 2019; Neu et al., 2001; Sikka, 2000, 2010; Thomson, 2014). This is particularly important in the face of the current climate crisis. First, the present study shows that although useful for re-establishing the facts, identifying calculation errors, and highlighting conceptual errors, the rational approach has some limitations regarding the presentation of complex accounting information, such as in the case of public debt. Second, the paper demonstrates that to complement the rational approach, and contrary to the argument of Neu et al. (2001), organic intellectuals can draw on the common sense to make their discourse more comprehensible to counterbalance the hegemonic discourse, corroborating Sikka’s (2010) statement. Third, the paper argues that accounting can also be mobilized to displace the emotions initially raised by traditional intellectuals by translating the concepts of public debt into other terms. This brings the debate into other, non-economic fields, adding to the scant body of work showing how emotions can be mobilized by counter-hegemonic forces (Vinnari & Laine, 2017).

In terms of practical implications, this paper seeks to invite accounting academics as well as social actors to escape the accounting complexity trap and to enter into dialogue with the population. As Bay (2018) reminds us, accounting information must first be understood. Even potential allies, including those present within the media with an important influence, can be lost

simply due to complexity of information. Although Gramsci has emphasized that engaging in a war of position requires honesty and avoiding misinformation, this does not mean that one should strictly adhere to a rational approach. This is particularly relevant as in some cases, too detailed a demonstration could lead the population and other intellectuals not to understand the message that the accounting academic wishes to communicate. This paper has argued that there is a wider range of possibilities for the intellectual, while honoring her integrity, to be understood by the recipient of the accounting information, and that the combination of multiple strategies can increase the odds of influencing the common sense.

In addition, in terms of practical implications, the present study invites accounting scholars to participate in the development of public accounting standards. For instance, given the accounting standards that were adopted by the government of Quebec with respect to the Generations Fund (to record as an expense the money that was usually used to reimburse debt, which is contrary to the majority of accounting standards), it can be argued that more organic intellectuals must be mobilized in this area. Although this claim is specific to the context of the Province of Quebec, and similar issues may vary from one government jurisdiction to another, it is likely that other jurisdictions experience issues of this ilk. The implications of accounting scholars as watchdogs of public accounting standards could also help to prevent further misleading information from being presented to the public. More generally, and as the literature often points out, the present paper “encourage[s] critical accountants to reintegrate the theoretical and praxis components of accounting scholarship through interventions in the public sphere” (Neu et al., 2001, p. 737). As Willmott, Puxty, and Sikka (1993) reminds us, “silence is not without political significance since, by default, it legitimizes the status quo” (p. 105).

This study has some limitations that should be noted. First, the research is restricted to the context of the Province of Quebec and consequently, values and common sense in other parts of the world might lead to different results. Second, no interviews were conducted with the population to obtain their views on the subject and the author invites further research in this direction in order to stimulate further debates on how we, as critical accounting scholars, can intervene better and more often in the public sphere for more “progressive social changes” (Cooper & Coulson, 2014, p. 238).

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**CHAPTER 4: THE AUDIT OF PUBLIC DEBT: AUDITING AT THE SERVICE OF
EMANCIPATION IN A NEOLIBERAL ERA**

THE AUDIT OF PUBLIC DEBT: AUDITING AT THE SERVICE OF EMANCIPATION IN A NEOLIBERAL ERA

Abstract

Most neoliberalism accounting studies present accounting and auditing as tools to reaffirm the neoliberal order, but this is not, in fact, universally true: accounting can also constitute an emancipatory practice (Gallhofer & Haslam, 2006). The ways in which auditing can be used as a tool of resistance to, and ultimately emancipation from, the neoliberal order remains underexplored. The present paper contributes to the auditing literature by studying the case of the public debt renegotiation of Ecuador (2007-2009), in which the government specifically resorted to an audit of its public debt when it tried to renegotiate, at its advantage, an important cutback of said debt; a debt to which neoliberal measures have been tied. By examining the ways auditing was mobilized by the Ecuadorian government and the reactions of financial market actors to the debt audit, this paper provides insights into the emancipatory role that auditing can play in society.

Keywords: Public debt; audit; neoliberalism; emancipation; legitimacy; accountability.

THE AUDIT OF PUBLIC DEBT: AUDITING AT THE SERVICE OF EMANCIPATION IN A NEOLIBERAL ERA

1. Introduction

Auditing has most frequently been theorized as an important tool in the deployment of neoliberalism (Gendron, Cooper, & Townley, 2007; Parker, Jacobs, & Schmitz, 2019). Indeed, the emergence of neoliberalism as a mode of governance coincides with what Michael Power has called an “explosion of audit” (Power, 1994). However, auditing should not be confined to this unique role of supporting neoliberalism (Mennicken, 2010). The present study of Ecuador’s debt renegotiation of 2007-2009 brings new insights to the auditing literature by investigating a case in which auditing, instead of serving the neoliberal ideology and the deployment of New Public Management (NPM), serves an emancipation process from dominant actors of neoliberalism, namely international financial market actors.

In 2007, the Ecuadorian government launched an audit of its public debt as part of a strategy to renegotiate the latter. The objective was reached when 91% of Ecuador’s creditors felt forced to accept the buyback offer at 30-35% of the debt’s nominal value (Jijon, 2009). As a result, the country was relieved from the burden of a debt imposed initially by international private banks, a debt to which neoliberal measures of privatization and deregulation dictated by the International Monetary Fund (IMF) have been tied. The present paper pays attention to the ways in which this audit was mobilized by the Ecuadorian government, as well as the ways in which financial market actors perceived and reacted to it. By examining both perspectives, the aim of the paper is to explore the emancipatory role of audit in society by answering the following research question: *How can an audit be mobilized as a tool of emancipation?*

Ecuador’s debt renegotiation is chosen as a case study for several reasons. First, Ecuador renegotiated its debt to its own advantage, in contrast with the tendency in most debt crises to give priority to foreign investors (as was the case in the Greek debt crisis, for example). Second, while contemporary sovereign debt crises usually start with the incapacity of a country to honor its service of the debt¹, Ecuador was not in a state of financial distress and had the capacity to honor its service of the debt when it renegotiated its public debt, making it a unique case in modern history (Feibelman, 2017; Porzecanski, 2010). Third, the case of Ecuador is a “rare instance of a

¹ As in the case of Argentina’s or Greece’s debt crisis.

sovereign having obtained debt relief based, at least in part, on the express assertion of illegitimacy of its obligations” (Feibelman, 2017, p. 48). Last, and most importantly for the present study, Ecuador specifically resorted to an integral audit of its public debt to support its strategy of debt renegotiation with its creditors.

Drawing on content analysis of the audit report produced by Ecuador and its media coverage by financial market actors, this study reveals that by examining debt contracts, accounting books, and social impacts, the Ecuadorian audit commission contributed to the advantageous renegotiation of Ecuador’s public debt. This study shows that auditing can be mobilized as a tool of emancipation by providing an alternative narrative and creating an accountability relationship where none previously existed. By detailing the responsibility incumbent to the dominant actors, typically perceived as legitimate in their collection of debt, the auditors challenged the traditional narrative, demonstrating that auditing can be a useful tool of emancipation due its legitimacy and its legitimation capacities (Andon & Free, 2014). However, the paper further argues that the perception of legitimacy by all stakeholders can represent an almost insurmountable obstacle when auditing is used as a tool of emancipation. Auditors could not expect financial market actors to agree with the outcome of their work which highlights the illegitimacy of these actors to impose such debt on the country. In these circumstances, this paper shows that auditing can be used to invoke fear and act on the emotional level rather than the rational one.

This paper contributes to the auditing and accounting literature as it contrasts with most critical accounting research, which tends to present accounting, including auditing, as a tool to promote the interests of neoliberalism (Andrew & Cahill, 2017; see, for example, Gendron, Cooper, & Townley, 2007; Parker, Jacobs, & Schmitz, 2019). As noted by Chiapello (2017, p. 55) in her analysis of accounting neoliberal studies: “[c]ritical research generally has trouble seeing accounting as a tool for emancipation, and it is rarely studied from the angle of what it can be used for”. The present case study embraces the potential emancipatory and resistance roles of accounting and auditing, as Ecuador resorted to an audit specifically to determine what proportion of the country’s debt was illegitimate and possibly not required to be reimbursed by the state, highlighting one possible positive role of auditing in society (Humphrey & Owen, 2000). In using the notion of ‘emancipation’, this paper does not argue that Ecuador, by renegotiating its commercial debt, has emerged from the clutches of neoliberalism, but rather that the country has

demonstrated acts of resistance to neoliberalism, with an aim to emancipate itself from certain obligations imposed by dominant neoliberal actors. Given the global context of rising inequality and an intensifying climate crisis, studies that consider the way accounting or auditing might be recruited to resist neoliberalism have an important role to play.

This research is also timely, as public debts have become central in reproducing power structures in our neoliberal era. As noted by Boltanski, Fraser, and Corcuff (2014), “[c]apitalism, formerly based on production, is now dominated by finance. There is always more capital accumulating, but the accumulation is not related to the exploitation of workers. The accumulation of capital is now related to the debt of the states” (p. 42, *my translation*). Admittedly, public debt as a source of capital accumulation is not a new phenomenon. For instance, in thirteenth-century Florence, transactions linked to public finances were already the main source of wealth generation for banks (Sée, 1946). However, what is novel and renders sovereign debts worthy of investigation today is their significant weight in the economy and the key role they play in our financialized neoliberal societies (Lazzarato, 2012, 2015).

The remainder of this paper is structured as follows. Section 2 presents the literature and theory that inform the analysis, and Section 3 presents the background of Ecuador’s debt renegotiation. Section 4 details the research methods and Section 5 provides an analysis of the Ecuadorian audit commission processes and norms, the content of the audit report, and the perceptions of financial market actors regarding the audit. Section 6 develops the epilogue of the episode. Section 7 discusses the results of the analysis and Section 8 provides concluding remarks.

2. Neoliberalism, Auditing, and Emancipation

Neoliberalism is often defined as:

a vast range of reforms, often referred to as a whole (privatisation, deregulation, dismantling of social welfare apparatus, tax cuts, etc.) underpinned by a common intent to draw more broadly on market mechanisms and private actors, particularly businesses, consulting firms and NGOs, to regulate the economy and distribute all sorts of products and services, including those that are educational, social, etc. (the free market, small government doctrine). (Chiapello, 2017, p. 50)

While this intent to *draw more broadly* on the market could be seen as a direct legacy of classical economic liberalism, *neoliberalism* is distinct in its wish to extend markets to all spheres of society, and also as it “does not conceive of either the market itself or rational economic behavior as purely

natural” (Brown, 2003, p. 41). In neoliberalism, market and rational economic behaviors need to be constructed through political “intervention and orchestration” (Brown, 2003, p. 41). The neoliberal rationality also implies the construction of the entrepreneurial self who will think and act as a small business and take full responsibility for her/his life (Foucault, 2004a, 2004b).

With the expansion of neoliberalism and the associated marketization and economization of many spheres of society, Brown (2003) argues that we assist in the “powerful erosion of liberal democratic institutions and practices” (p. 38). For Brown (2003), “[t]here is nothing in liberal democracy’s basic institutions or values that inherently meet the test of serving economic competitiveness or inherently withstands a cost-benefit analysis” (p. 46). It is too often more profitable to violate them. While the erosion of liberal democracy is a characteristic of neoliberalism, paradoxically, neoliberalism uses liberal democracy principles as rhetoric to legitimize its actions (Brown, 2003). For instance, “human rights talk is ubiquitous in global democracy discourse, but not since Jimmy Carter’s ill-fated efforts to make human rights a substantive dimension of foreign policy have they served as more than *window dressing* for neoliberal adventures in democracy” (Brown, 2003, p. 50, *emphasis added*). Liberal democratic values, institutions, and principles, such as human rights, democracy, civil codes, sovereignty, etc., are empty shells mobilized to legitimize neoliberal economic policies. Neoliberalism is thus said to only borrow rhetorically from the old regime of liberal democracy to legitimate its economic policies, while accelerating the erosion of such principles; this represents an important contradiction of such a regime (Brown, 2003).

Many scholars have linked the neoliberal mode of governance, namely New Public Management (NPM), to the explosion of auditing in Western societies (Gendron, Cooper, & Townley, 2007; Parker, Jacobs, & Schmitz, 2019; Power, 1994, 1997). NPM is an effort to bring a business mentality to public management, with an emphasis on efficiency, efficacy, accountability, and on encouraging competition, under the doctrine of a small government (Bracci, Humphrey, Moll, & Steccolini, 2015). NPM has led to the intensive use of performance auditing (also called efficiency, comprehensive, or value-for-money audit) to measure the input and output of government programs (Free, Radcliffe, & White, 2013; Parker, Jacobs, & Schmitz, 2019; Power, 1994, 1997; Radcliffe, 1998). The new territories colonized by auditing are not limited to the governmental sphere, but extend to the whole of society. *The audit society* has given birth to several types of

auditing, such as tax audit, business risk audit, environmental audit, IT audit, or salary cap auditing in professional sport, to name a few (Andon & Free, 2012; Andon, Free, & O'Dwyer, 2015).

The explosion of auditing is not surprising as it is a desirable tool for a neoliberal mode of governing due to its capacity to reconcile the pressure under such regime to decentralize and privatize with the opposite “pressures to retain control over functions that have been made autonomous” (Power, 1994, p. 12). For Power (1994), there is a rise in demand for accountability within neoliberal societies, which has led to the rise of auditing as it responds to this demand (Power, 1994). Indeed, although what an audit corresponds to is not unanimous in the literature, one characteristic the literature largely agrees that the various types of auditing have in common is that auditing is incorporated into an existing *accountability* relationship (Power, 1997). Increasing accountability demand has thus led to a greater need for auditing. The audit accordingly supports the process of accountability by making visible behaviors of various actors and organizations.

When traveling into a new field, auditing imports its inherent legitimacy with it. “[S]omething (e.g. auditing) is considered ‘legitimate’ in a particular domain (e.g. salary cap compliance) when it is generally and implicitly acknowledged as valid and thus deemed consonant with broadly accepted *norms*, *values* and *beliefs* of that domain” (Andon, Free, & Sivabalan, 2014, p. 77, *emphasis added*). Previous literature suggests that “the legitimacy of auditing is such that” many of the benefits related to an audit can “arrive before the production of the final audit reports” (Andon & Free, 2012, p. 150). However, work also needs to be done by the auditors to be perceived as legitimate when auditing is entering a new field (Andon et al., 2014). In addition, Andon & Free (2012) argue that the legitimacy of auditing relies on its capacity to defend its credibility and that “[t]his presumption of credibility is only rebuttable when the integrity of the auditing arrangement is thrown into doubt” (Andon & Free, 2012, p. 150). In the case of the salary cap crisis studied by Andon and Free (2012), the credibility of the audit was attacked by criticisms related “to issues of scope, due process, timeliness, transparency, conflicts of interest, and resourcing” (p. 150). Following these criticisms, much effort was spent to re-legitimize the audit and the authors found that “[w]hen challenges such as these emerge, the credibility of auditing is impugned and auditing must be publicly bolstered and (re-)legitimized through a variety of tactics if it is to operate as intended” (Andon & Free, 2012, p. 132).

When reflecting on the accountability relationship that normally precedes the audit, and the legitimacy of such practice, the one thing that most of the audits studied in the literature have in common is brought to the fore: they do not challenge the existing – neoliberal – order. Typically, they reproduce it, or at most, attempt to improve or refine it in some way. Some authors have warned against this dominant theorization of auditing as a tool of neoliberalism and maintain that it is vital “not to see audit as a fixed instrument and an uncontroversial expression of neoliberal modes of governing” (Mennicken, 2010, p. 356). In a study of the introduction of auditing in post-Soviet-Russia, Mennicken (2010) demonstrates that what could be viewed at a distance as a neoliberal legacy is rather a continuity of the previous system. Although auditing can be utilized as a tool for the expansion of neoliberalism, it is not confined to only that role (see, for example, Kipnis, 2008; Strathern, 2000).

One notable exception comes from Humphrey and Owen (2000), who, responding to Power’s (1997) linkage of auditing exclusively to a neoliberal mode of governance, point out that Power’s (1997) interpretation omits potential positive roles for auditing in society, such as social auditing. The objective of social auditing can be defined as “enabl[ing] stakeholders, consumers and the public to make judgments about whether the organisation is using their money, labour, environment and community responsib[ly] ([Zadek & Evans, 1993] p. 7)” (Humphrey & Owen, 2000, p. 45). Admittedly, social auditing as a movement faces significant challenges, as it confronts the dominant actors and institutions of the current neoliberal order. Humphrey and Owen (2000, p. 45) argue that “the legitimacy of such exercises [social auditing] was denied by the organisations subject to scrutiny, and their findings marginalised or ignored” (Harney, 2011, p. 645). While auditing has investigated several new spaces documented in the literature (Andon, Free, & O’Dwyer, 2015), no study directly investigates emancipation as a new audit field. This paper aims to develop this under-researched topic.

For Herbert Marcuse, a Frankfurt School philosopher who spent time reflecting on how to emancipate from capitalism, one way to fight for an emancipatory project is by exploiting flaws that are always present in the dominant ideology. In reference to neoliberalism, the contradiction between what neoliberalism argues to procure (more liberal democracy), in contrast to what it really produces (the erosion of liberal democracy), can be considered as a flaw that can be used to challenge the current hegemony in place. This strategy could be integrated into a wider strategy of

emancipation from the dominant systems, which should lead, according to Marcuse (1968), to the awakening of consciousness in a progression from “false consciousness” to “real consciousness”. *Emancipation* can be defined as “transforming institutions in such a way as to give the dominated the same opportunities to realize their human capacities as those enjoyed by the dominant” (Masquelier, 2017, p. 202).

In order to exploit flaws of the dominant system in a project for emancipation, one can turn to the work of Saïd (1994). Drawing on analysis of colonial power structures, Saïd (1994) posits that dominated groups must seize and reinvent the dominant discourse in order to resist dominant forces. Saïd (1994) relates how education in British colonial schools gave residents of British colonies a sensibility and knowledge of their more powerful opponents, enabling them to contribute to the anti-imperialist movement at the time of decolonization. Using the *tools* and *language* of the dominant is accordingly theorized as a potential avenue for emancipation. As the explosion of auditing in society is associated with neoliberalism (Power, 1994, 1997), one could argue that audit is presently a tool and a form of language of the dominants.

While it is “suggest[ed] that the rhetorical capacity of organisations to relegitimize the audits they carry plays an important role in the way they succeed in managing their crises” (Andon & Free, 2012, p. 150), it is not clear whether this is possible for an emancipatory audit, particularly for an audit that aims to reverse power relationships with powerful actors of the current hegemony in a situation where they do not feel accountable toward those performing the audit. The remainder of this paper seeks to understand precisely how auditing was co-opted by the Ecuadorian state to claim some of the same powers that are typically held by dominant actors, namely the ability to set the terms of a loan, by answering the following research question: *How can an audit be mobilized as a tool of emancipation?*

3. Context

Before turning to the research methods used to achieve the objective of this paper, it is necessary to first provide some contextual background about Ecuador and its debt renegotiation. The specific case of Ecuador is unique and worthy of investigation, as in 2009, this small Latin American country with a population of 16.6 million was able to compel its foreign creditors to agree to receive only 30-35% of their loans’ face value, in spite of not having shown any financial distress. This situation contrasts with recurrent “bailout[s] of foreign speculators” (Bohoslavsky & Raffer,

2017, p. 11) that we are used to seeing, such as in the case of the Greek debt crisis. This outcome for Ecuador was achieved following the publication of an integral debt audit (Jijon, 2009).

The story begins in November 2006 when Rafael Correa, an Ecuadorian economist educated in Europe and the United States, was elected President of Ecuador on the promise of a citizen revolution (BBC, 2013). His election was possible for a number of reasons. Some argue that the election of Correa as President “was the political result of the decline of the old traditional parties, right and left, which no longer had representativeness and credibility” (Jijon, 2009, p. 126, *my translation*). In addition, a number of social and Indigenous mobilizations that occurred over the previous two decades also contributed to his election (Jijon, 2009), including “the struggles against external debt, the signing of the free trade treaty with the United States, and the ‘structural adjustment programs’ [often referred to as neoliberal policies] that the IMF and the World Bank had imposed on the country” (Jijon, 2009, p. 126, *my translation*).

Correa’s political campaign was based on the following priorities: “the equitable redistribution of income, the recovery of national sovereignty and production, the fight against corruption and the construction of a participatory democracy through a new Constitution of the Republic” (Jijon, 2009 pp. 125-126, *my translation*). Some argue that, “[a] major platform of his populist, anti-elite campaign was a promise to refuse to pay the country’s foreign creditors if elected” (Feibelman, 2017, p. 54). Indeed, the renegotiation of Ecuador’s external public debt was then ranked high on Correa’s agenda in order to achieve his priority objectives, as an important part of Ecuador’s budget was being used for debt payments, preventing the country from better *redistributing* the national income. Targeting the commercial debt was also coherent with these priorities as Correa was already aware of many acts of *corruption* that has occurred over the past decades in regards to it.

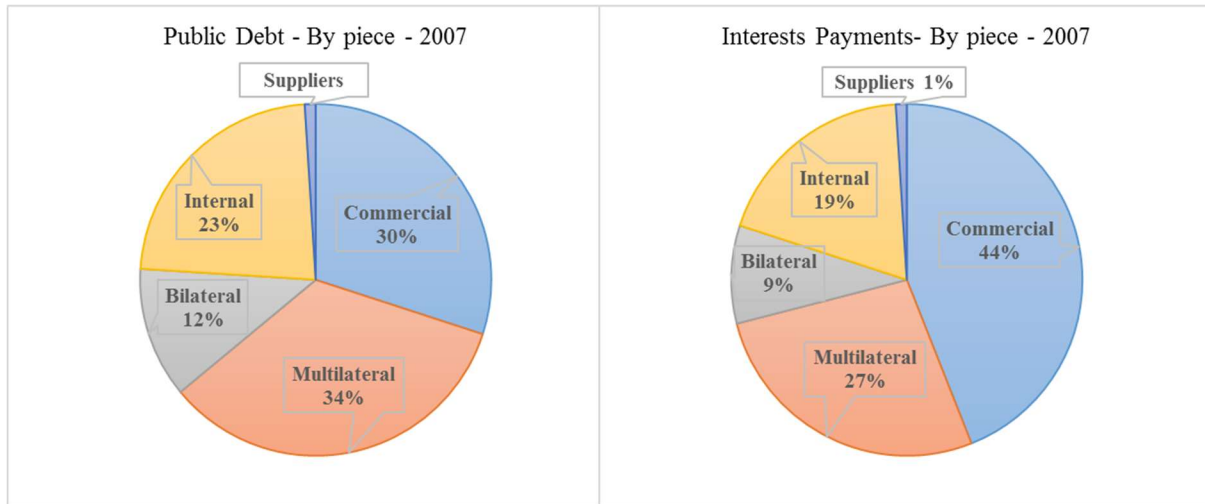
In line with his promise, six months after his election, President Correa set up “an independent audit that could allow the identification of the legitimate and illegitimate debts, establish the co-responsibility of the creditors and set precedents for a fair and responsible management of any new debt contraction” (CIAC, 2008, p. 14). Table 1 presents the key events of Ecuador’s debt renegotiation.

Table 1. Key events of the Ecuadorian debt renegotiation.

KEY DATES	EVENTS
Nov. 26th 2006	Rafael Correa wins his election for the Presidency of Ecuador.
Jan. 15 th 2007	Rafael Correa takes office as President of Ecuador.
July 11 th 2007	The Ecuadorian government announces the establishment of a debt audit commission.
Sept. 11 th 2007	The audit commission claims that it has found signs of illegality and announces it may recommend nonpayment of Ecuador's debt as the appropriate course of action.
July 7 th 2008	Announcement of the extension of the audit commission of two months.
Sept. 12 th 2008	The debt audit commission releases preliminary results.
Sept. 25 th 2008	The complete audit report is submitted to President Correa.
Sept. 26 th 2008	President Correa announces possible lawsuits against past governments as well as against foreign investors.
Nov. 14th 2008	The Ecuadorian government announces that it will not pay the coupon due for Global Bonds 2012 immediately, but will instead use the 30-day grace period.
Nov. 20th 2008	Publication of the debt audit report.
Dec. 12 th 2008	The Ecuadorian government announces its decision to default on Global Bonds 2012.
Dec. 15 th 2008	Ecuador officially defaults on Global Bonds 2012.
June 11th 2009	The Ecuadorian government announces that 91% of bondholders of Global Bonds 2012 and 2030 accepted the buyback offer at 30-35% of face value.

The debt audit commission had the mandate to audit all four types of Ecuador's public debt: commercial debt, multilateral debt, bilateral debt, and internal debt. Commercial debts are contracted directly with private banks or through financial markets. Since the 1980s, the IMF has been a central actor in commercial debt renegotiations, and IMF participation was often stipulated as mandatory in order for commercial debt agreements to be signed (CIAC, 2008). Multilateral debts are issued by multilateral organizations, namely organizations representing several countries, such as the World Bank or the International Monetary Fund (IMF). Bilateral debts are contracted with another sovereign country for the purchase of specific merchandise from that same country. The sum of these three types of debt constitutes the external debt. Internal debt consists of government bonds issued locally. The proportion of the total debt and interest for each of the four types of debt in Ecuador in 2007 are shown in Figure 1.

Figure 1. Public debt and interest payments by piece (2007).



Source: Ministry of Finance in CIAC, 2008, p. 24.

As seen in Figure 1, commercial debts were the most expensive for Ecuador, accounting for 44% of interest payments in 2007 while making up only 30% of the total debt. This category of debt was ultimately targeted by the debt-reduction strategy of the Ecuadorian government (more specifically, the Global Bonds expiring in 2012 and 2030).

Ecuador's debt was considered by many observers to be at a manageable level (Feibelman, 2017; Porzecanski, 2010). Indeed, "[i]n 2008, the public external debt was the least burdensome it had been in over three decades, relative to government revenues or to the gross domestic product (GDP). Moreover, the country's central bank held more freely disposable international reserves ([US]\$6.5 billion) than it had ever accumulated before" (Porzecanski, 2010, p. 256). However, the government announced on November 14th, 2008 that it would not pay the coupon of Global Bonds 2012 that was due the following day, and would instead take the 30-day grace period. President Correa stated that he would wait for the publication of the audit report, expected one week later, to determine whether his government would honor this debt that the audit commission had flagged as potentially illegitimate. This decision took many analysts by surprise as the government had the capacity to pay, while debt repudiation normally occurs in a context of financial distress, i.e. when a debtor is unable to pay. However, it is worth noting that, while not actually in distress, Ecuador was under growing financial pressure from decreasing oil prices, threatening the state's ability to invest in its priority: social services to the population.

4. Research Methods

As mentioned previously, this paper seeks to understand, through a close examination of Ecuador's debt renegotiation, how auditing can serve a process that challenges, rather than reproduces, the dominant (neoliberal) power structure. This section presents the research methods developed in order to reach this objective.

4.1 Data Collection

Two main data sets were collected. First, and central to the study, was the audit report mandated by President Correa in 2007² and published on November 20th 2008 by the Commission for the Integral Audit of the Public Credit (CIAC). This audit commission worked for 16 months to deliver the 176-page report (CIAC, 2008). Two versions were released: one version in Spanish (176 pages), and another in English (178 pages). Due to the identification of significant grammar and word choice errors in the English version, I relied on the Spanish version for the analysis. However, for ease of reading, excerpts presented in this paper are drawn from the English version, corrected for grammatical errors and modified to align with the meaning of the Spanish version.

The second data set analyzed is the coverage of the debt renegotiation by financial market media. The objective pursued with this second data set was to better understand the place that the audit occupied within the debt renegotiation process and the perception financial market actors had of this audit. To collect the media coverage data, I used the database Factiva as it provided me with journalistic sources that closely follow financial markets, such as Reuters, Dow Jones Newswires, and Financial Times. The expression "debt audit" was then searched, as well as the country "Ecuador". The database search covers a time period from October 26th 2006, one month prior to the Correa's election, to July 1st 2009, two weeks after the date of publication of the last article covering Ecuador's debt renegotiation (June 16th 2009). This search yielded a total of 155 articles containing a total of 234 pages. An electronic version of these publications was uploaded into NVivo for analysis.

Finally, these two data sets were supplemented by additional literature about sovereign debt repudiation, and online documents and videos about Ecuador's debt renegotiation. These additional sources are examined to facilitate better understanding of the context in which the audit

² Via Executive Decree No. 472, July 9th 2007.

report was mandated, as well as the general context of sovereign debt repudiation/negotiation both in Ecuador and worldwide. This additional information was also helpful in examining the structure of the audit commission and the audit processes.

4.2 Data Analysis

I analyzed the data based on an inductive reasoning. This method contrasts with deductive research that starts from the theory and goes out into the world to validate the hypotheses derived from that theory. In inductive reasoning, theory does not come first, as the researcher “starts from and returns to words, talk, and texts as meaningful representations of concepts” (Gephart, 2004, p. 455). As highlighted by Gephart (2004), this type of research starts from the data, and importantly, will come back to it, potentially multiple times. These movements from the data to theoretical explanations, throughout the analysis process, comprise the iterative process. The theory both emerges from and makes sense of the data.

The first stage of the data analysis involved content analysis of the audit report. This analysis involved the identification of key arguments and themes mobilized in the audit report. These arguments and themes are central to understanding the specific auditing process under study, as “[f]ar from being passive, audit actively constructs the contexts in which it operates” (Power, 1994, p. 7). Once I had a good understanding of the content of the audit report, I proceeded to the second stage of the analysis, which was to analyze the media coverage of the audit report. The goal of this stage was to understand how the audit report was perceived by financial market actors. This step was also important in confirming the role that the audit report played in the debt renegotiation. The results of the analysis are presented in the following section.

5. Analysis

The analysis of the data is divided in three subsections. Section 5.1 concerns the form of the audit (including the mandate given to the audit commission, the composition of the audit commission, and information related to the audit process) and lays the groundwork for further reflections. Section 5.2 provides the content analysis of the audit report and aims to show how auditors attempted to construct the creditors as accountable to Ecuador and to shed light on the illegality and the illegitimacy of the debt that financial market actors imposed on the country. Section 5.3 presents the multiple roles that financial market actors attributed to the debt audit, as well as the criticisms that these actors have voiced about the audit work. These three perspectives

in regards to the audit are necessary to the understanding and the discussion of the ways in which auditing served as a tool of emancipation.

5.1 The Audit Commission's Role, Structure, and Processes

The audit commission was created with Executive Decree No. 472 on July 9th 2007, seven months following the election of Rafael Correa as President of Ecuador. The committee was placed under the responsibility of the Economy and Finance Ministry and its mandate was to identify “the legitimate and illegitimate debts, establish the co-responsibility of the creditors and set precedents for a fair and responsible management of any new debt contraction” (CIAC, 2008, p. 14). The period covered by the audit commission members was 30 years, from 1976 to 2006, and they were initially given twelve (12) months to perform the audit. Later they were given four (4) additional months, for a total duration of sixteen (16) months. As one of the audit commission members described, the auditors were “mandated to audit loans ‘*comprehensively*’, i.e. [they] have been asked not just to provide a simple financial technical assessment of credits, but to look into legal questions, financial terms and conditions, and any social and/or environmental impacts which may have resulted from the loan” (The Guardian, 2007). It is worth highlighting that “[a]lthough the concept of a debt audit is not new, [...] this commission is something of a first because it is the world's first debt audit commission which has the full backing and involvement of the government” (The Guardian, 2007).

To perform the audit of its public debt, the Ecuadorian government hired actors from social movements, both national and international. Experts “drawn from academia, civil society organisations, indigenous and environmental movements [were] invited [...] to investigate the country's debt burden with foreign creditors on a loan-by-loan basis” (The Guardian, 2007). The presence of social movement actors is interesting given the conviction of Cooper et al. (2005) that social audit could accomplish more by integrating social movements. Of the sixteen members of the audit commission, eleven were representative of Ecuadorian social movements, and five foreigners represented international social movements. The audit committee members included economists, jurists, historians, and political scientists³. A member of four different organs of the

³ For instance, Hugo Arias (Ecuador) is a professor of Economics, Alejandro Olmos (Argentina) is a lawyer, Éric Toussaint (Belgium) is a historian and has a PhD in Political Sciences, Gail Hurley (United States) has a diploma in Economics from the London School of Economics and Political Science, and Cesar Sacoto (Ecuador) is a lawyer and an economist.

state assisted the audit commission: the State General Controller's Office, the State Attorney General, the Civil Anti-Corruption Commission, and the Economy and Finance Ministry (Committee for the abolition of illegitimate debt [CADTM], 2016). In addition, 78 people also participated in the audit process (CIAC, 2008). Importantly, the integral audit commission did not displace the State's General Controller's Office in matters concerning the public debt; rather, it was requested that this office be involved in the audit to validate its outcome and to take the required actions with regard to any illegality or irregularity uncovered during the audit process (CIAC, 2008).

In addition, the analysis must consider the participation of President Correa, the one who selected an audit as the best way to proceed, and ordered an audit soon after he was elected president. President Correa was involved in various work sessions with the auditors and it should be highlighted that he was Ecuador's Minister of Economy and Finance in 2005, which made him aware of some elements investigated prior to the audit commission. It should also be noted that President Correa has an academic background as an economist trained both in Europe (Masters in Economics) and in the United States (Masters and PhD in Economics), which supports Saïd's (1994) work in which he argues that knowledge of the dominant culture is key in the process of emancipation from imperial power. Some argue that President Correa's presence helped to counter, at least partially, resistance over the access to information (Toussaint, 2008).

[Such resistance] was sometimes encountered due to the fact that some of those originally responsible for the debts being taken on were trying to hinder the work of the commission. Obviously there are still permanent civil servants, throughout the Public Service, who were already in place when the illegitimate debts were negotiated and who do not wish their transgressions to be disclosed. Fortunately, key positions in the administration are held by people who want to uncover the truth. And of course, the determining factor is that it is the President himself who wants the work of the commission to succeed. (Toussaint, 2008)

However, even with this full backing of President Correa, and enforcement by law, auditors deplored that their work was often blocked by a refusal from government bodies to provide the required information.

In terms of auditing standards, Ecuador did not follow the international standards for auditing public debt established by the International Organization of Supreme Audit Institutions (INTOSAI), an organization founded in 1953 that includes many state auditors worldwide. The mission of the working group on public debt (WGPD) as part of the INTOSAI is “[t]o advance the highest standards in audit of public debt and promote sound practices for debt management and appropriate data disclosure standards” (INTOSAI, 2019). These norms appear to be more relevant in regards to reproducing the existing order rather than challenging it. In fact, some scholars have noted that the case of Ecuador “exposes a gaping hole in the international financial system: the lack of an international, independent mechanism for countries to resolve disputes over potentially illegitimate and/or illegal debt or in the case of bankruptcy” (Watkins & Anderson, 2008). The absence of norms to follow was accordingly an obstacle for the audit commission to gain legitimacy and a challenge often faced when auditing travels to new spaces (Andon, Free, & O’Dwyer, 2015).

Although no official norms were followed, one member of the audit commission described in more detail the work performed by the audit commission by referring to questions that the auditors were using as guidelines (Table 2).

Table 2. Questions addressed by the audit commission.

QUESTIONS ADDRESSED BY THE AUDIT COMMISSION
How much money was borrowed and at what interest rate? For which projects?
Did the money arrive in the government accounts?
How much has been reimbursed?
Was there a renegotiation or rescheduling of the debt? Under what conditions?
Were the projects consistent with the interests of the population or contrary to the interests of the population?
Are there any signs of corruption?
Have the creditors taken advantage of their creditor status and enriched themselves in an abusive way?
What were the social impacts of debt-financed projects?
What were the human and environmental impacts of debt-financed projects?

Source: CADTM, 2016, *my translation*.

For instance, in the evaluation of human and environmental impacts for a dam construction project financed by taking on debt, the audit commission had to take into account the people who were displaced following the flooding of their land (CADTM, 2016). The committee had to validate whether the compensation agreements with the displaced population for the construction

of the dam had been respected, and to give an opinion on whether the agreement provided sufficient compensation to the displaced population (CADTM, 2016).

On some occasions, the audit report presents the methodology of the audit work directly, as in the following example:

The analysis of the origin of the Ecuadorian commercial external debt is based on information provided by the undersecretary of Public Credit of the Ministry of Finance in the final stage of the work of the CIAC. The commission also verified the two volumes of *External Public Debt Contracts* that remained in that ministry but which a replicate version constitutes the primordial document delivered by the audit commission in charge of the commercial debt that will facilitate the access to information about the Ecuadorian indebtedness process. The Central Banks did not present to the CIAC the records of the external debt that were demanded on the basis of article 119 of the Organic Law of Financial Administration and Control, and represented a limitation to the work. (CIAC, 2008, p. 27)

Where the audit report mentions documents consulted to perform the audit, as in the previous excerpt, it often also mentions a significant limitation of the auditors' work: members of the commission deplored that many of their information requests to various ministries were denied, even though those requests had legal force. Another auditor, Alejandro Olmos, describes the work he performed as a member of the audit committee and some obstacles faced in the process:

I've been in the Ministry of Finance [for a month and five days], I've asked for documents and the Undersecretary of Public Credit doesn't give them to me, or gives me very limited papers. So, one of the great incongruities at this moment is that the Audit, being an official organ of the State, created by the President of the Republic, functions in a Ministry that refuses to give it the papers it needs to do its job. Another major problem is that most of the public debt contracts are supposedly filed in the Central Bank of Ecuador, in Amaguaña, in the Casa de la Moneda. When I got to that archive, I couldn't believe it: administrative chaos, chaos in the paper archive. When you enter you find a gigantic room full of boxes, and when you open them you find mixed documents, from '94, '83, 2000, etc. Drawers in which there are 100 folders and others in which there are four; then one supposes that they were hidden or stolen; others where one finds piles of boxes with magnetic supports that are not classified, they are all thrown away, mixed... (Falconí, 2008, *my translation*)

Experiences shared by the auditors bring to the fore the numerous obstacles they have faced during the auditing process.

Although a number of differences exist between the debt audit as performed by Ecuador and traditional financial auditing, Ecuador made the choice to put in place an audit, for which

“practices performed in its name are largely prima facie presumed” (Andon & Free, 2012, p. 150). Some configurations of the debt audit, such as the presence of external members and the long duration of the work (16 months), clearly exhibit some of the legitimizing work of the Ecuadorian government to enhance the perceived legitimacy of its debt audit. This legitimacy faced significant challenges, as the audit was targeting dominant actors of society, but also with the lack of established auditing norms, which is often the case when auditing travels to new spaces (Andon, Free, & O’Dwyer, 2015). This section has also brought to the fore that when performing this type of emancipatory debt audit, auditors can experience difficulties in obtaining the necessary documents to perform their work, as some people working within the government were not cooperative (potentially to protect themselves from what the auditors might find).

5.2 Audit Content: The Production of Illegitimacy and Accountability

Having presented the mandate, makeup, and methods of the audit commission, it is now timely to examine the content analysis of the audit report itself, which shows how auditors have mobilized the dominant ideology’s discourses and language to support their claim about the illegality and illegitimacy of the Ecuadorian public debt. Auditors exploited the contradiction within the neoliberal ideology arising from the priority given to economic liberal measures (e.g. privatization, deregulation) and the resulting erosion of liberal democratic values and institutions (e.g. human rights, state sovereignty) on which neoliberalism relies rhetorically to legitimize its economic policies (Brown, 2003). As argued by Brown (2003), while neoliberalism pretends to be at the service of liberal democratic values and institutions, it instead leads to their “powerful erosion” (p. 38).

Liberal Economic Policies

A first theme presented in the audit report is the argument that the debt contracts offered to Ecuador were in fact debt traps, contingent on the imposition of liberal economic measures in the country, for which the report highlights the role of multilateral organizations, especially the IMF, as well as international private banks⁴. The following passage illustrates the liberal economic policies that are denounced in the audit report:

⁴ Based on Harvey’s work (2005), a debt trap refers to a situation in which “national and supranational political institutions [such as IMF] were using loans and lending agreements to enforce neoliberal reforms favoring the lenders, but placing the borrowers at a solid disadvantage” (Morales, Gendron, & Guénin-Paracini, 2014, p. 437). Similar debt

After the decade of 1980, international pressures were increased in order to introduce new liberal policies, which restrain the intervention of the state so that the market may act freely. The fundamental idea of these policies has been the reduction of the size of the state and of public expenditures; deregulation; privatization of enterprises and institutions, with the handing over of public assets and competencies to the private sector; labour flexibility; and market opening. (CIAC, 2008, p. 72)

The audit report accuses multilateral organizations of using debt as a tool to gain control over an emergent country's policies:

To ensure the adoption of these policies [deregulation and privatization] within the emergent economies, the multilateral organizations, constituted as financial agents, [...] utilized credit agreements in which the mandatory adoption of policies by governments was included in order to receive the disbursement agreed upon. (CIAC, 2008, p. 72)

The auditors argue that Ecuador was forced to deregulate strategic sectors such as telecommunications and electricity, and was also forced to decentralize and privatize social sectors such as healthcare and education (CIAC, 2008). These actions were interpreted by the auditors as having the objective of reducing the size of the state and opening the market to foreigners. The report asserts that a critical moment when Ecuador became vulnerable to the imposition of such policies occurred during the interest crisis of the 1980s (CIAC, 2008). During this crisis, a major rise in interest rates significantly increased Ecuador's debt, and the auditors allege that the IMF took advantage of this situation to impose more neoliberal policies on the country via an economic stabilization program aimed at ensuring the debt service payments.

The *Economic Stabilization Program* of 1982, recommended by international organizations, especially by the IMF, [...] was meant to ensure the generation of enough surplus to fulfill the service of the debt, without taking into account the economic and social needs of the country [...] On the contrary, despite having paid growing volumes [...] the debt instead grew [...] This submitted the country definitively to the decisions of the banking and financial interests, and began a period of successive and growing pillage that generated poverty, inequality, and misery for the Ecuadorian people. (CIAC, 2008, p. 33)

The auditors assert that power was firmly in the hands of the creditors: Ecuador was forced to prioritize its public debt over the needs of its population that then had to deal with greater poverty and inequality due to the implementation of neoliberal policies (CIAC, 2008).

trap situations (also involving the IMF) have occurred in numerous countries around the globe and have been well documented (see, for example, Payer, 1974).

However, the deplorable situation endured by citizens due to massive public debt and the introduction of neoliberal economic policies has not historically been a successful argument to convince creditors and multilateral organizations of the illegitimacy and illegality of the amount owed to them by indebted countries (Toussaint, 2017). This may be why the audit report mobilizes more intensively another line of argumentation: the violation of liberal democratic values, principles, and institutions. Indeed, the audit report extensively refers to the violation of human rights as well as to the violation of democratic principles and institutions, including the state's sovereignty, constitution, and system of laws (Brown, 2003), thus exploiting a contradiction and a flaw of neoliberalism (Marcuse, 1968).

Human Rights

Discourses related to *human rights* are “ubiquitous in global democracy” and the auditors relied on this liberal democratic value to declare Ecuador's debt as illegal and illegitimate (Brown, 2003, p. 50). For instance, the report explicitly refers to Article 25 of the Universal Declaration of Human Rights:

The high cost of these debts has represented for the state heavy expenditures of resources that had been intended to cover the economic priorities of the Ecuadorian people. In the face of reality, it is appropriate to mention article 25 of the Universal Declaration of Human Rights of December 10th, 1948, that states:

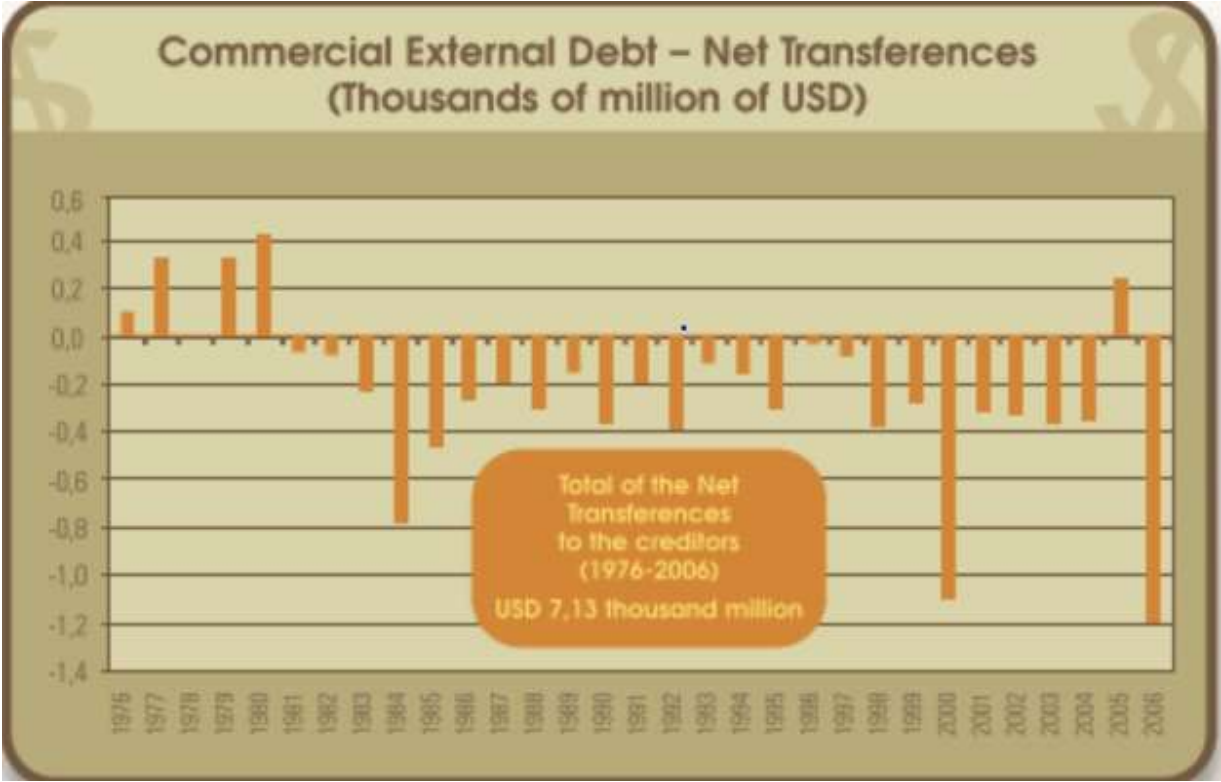
‘Every person has the right to an appropriate quality of life that will assure her/him, as well as her/his family, health and well-being, especially nutrition, dress, housing, medical assistance and the necessary social services; she/he has, as well, the right to insurance in case of unemployment, illness, invalidity, widowhood, old age or other cases of loss of subsistence through circumstances independent of her/his will’.
(CIAC, 2008, p. 24)

The auditors conclude that the money dedicated to the service of the debt precluded the Ecuadorian government from spending money in areas needed for the well-being of its population, preventing the population from enjoying an appropriate quality of life and thus violating the Universal Declaration of Human Rights. To support such an argument, the auditors rely on accounting numbers, quantifying budget envelopes to show concretely how much money the country was forced to dedicate to its (mostly foreign) creditors rather than to serving its population. Specifically, the report states that in 2007, the service of the debt reached US\$1.8 billion, which was more than the amount budgeted for any social service to the population in 2008. For instance,

US\$1.6 billion was budgeted for education, US\$0.7 billion for health, US\$0.5 billion for social well-being, US\$0.4 billion for urban development and housing, and US\$0.08 billion for the environment (CIAC, 2008, p. 24).

The argument based on accounting budget numbers is reinforced by information on the monetary flux between Ecuador and its foreign creditors in order to further challenge the legitimacy of the Ecuadorian debt. The audit commission compiled the inflow and outflow of money between Ecuador and its international creditors between 1976 and 2006 (see Figure 2).

Figure 2. Commercial External Debt: Net Transfers.



Source: Data from Central Bank of Ecuador, compiled by CIAC in CIAC, 2008, p. 25.

Figure 2 shows that the money received from creditors was only superior to the flow of money paid out to those creditors by Ecuador during the years 1976 to 1980 and in 2005. In all other years, outflow exceeded inflow. The auditors calculated that over the 30-year time period, Ecuador paid out approximately US\$7.1 billion more to its creditors than it received from them. For the auditors, this “proves that the commercial debt has not been a source of financing for the

development of the country, but a perverse mechanism to pillage its limited resources” (CIAC, 2008, p. 25).

Democracy: Principles and Institutions

Another argument mobilized in the audit report is the *violation of democracy* and its various principles and institutions. For instance, there are many references to the violation of Ecuador’s constitution, an important pillar of liberal democracy. Some of these mention specific articles of the constitution, as in the following excerpt regarding a structural loan that was linked with the obligation to privatize state services: the loan was found to be “presumably *unconstitutional* because its objectives and actions of privatization violated Art. 46 of the constitution in force at that time” (CIAC, 2008, p. 76). Other references to the constitution provide more general arguments, such as in the remark regarding the renunciation of Ecuador’s right of prescription with the Tolling Agreement⁵. Prescription allows debtors to be discharged from their debt obligation if they do not make any payment over a specific period of time; six years in the case of Ecuador’s commercial debt contracts (CIAC, 2008). It should be noted that the 6-year limitation period for the prescription was coming soon when Ecuador was forced to sign the Tolling Agreement. The auditors stipulate that the Tolling Agreement that Ecuador signed in 1992 “must be considered as a null act due to the violation of the constitution and laws of the Republic which prohibit the surrender of this right” (CIAC, 2008, p. 150).

Falling under the same theme of the violation of democracy is the denouncement of Ecuador’s commercial debt as originating from a dictatorship regime. “[I]n the audit, it was revealed that loans were contracted by the Military Dictatorship and refinanced during the restoration of democracy” (CIAC, 2008, p. 56). The audit report shows that the debt that was built under a dictatorship regime was the nucleation point for the massive public debt that was later refinanced (see also Weiss, 1997), calling the legitimacy of the current refinanced debt into question. In addition, as seen in Figure 2, most of the years that Ecuador received a positive flow of money from creditors were during the dictatorship regime (which ended in 1979). The audit report challenges the morality of organizations in democratic countries that lend money to a dictatorship

⁵ The Tolling Agreement (1992), by which Ecuador waived its right of prescription, was the preliminary step in the renegotiation of its commercial debt (the Brady Plan, see note 6).

regime that uses this money to oppress its population, and then hold the succeeding democratic regime accountable for their own questionable support of a dictatorship regime.

Another critique made by the auditors toward Ecuador's creditors is the failure to respect Ecuador's sovereignty by interfering in its internal affairs, as expressed in the following statement:

The measures and conditions imposed by the IMF, the agencies of the World Bank, multilateral financial organizations, international private banks, the Paris Club and other creditors of the Ecuadorian external debt, violate basic international law principles such as the sovereign equality of the states, the free self-determination of the peoples, and non-intervention in the internal affairs of the states. (CIAC, 2008, p. 34)

In addition to general critiques towards Ecuador's creditors, the auditors also specifically name several international private banks that had committed such violations. For instance, the audit deplors that "Salomon Smith & Barney and J.P. Morgan intervened in the negotiation of July 27th without Ecuadorian authorization" (CIAC, 2008, p. 59).

Another form of violation of Ecuador's sovereignty presented in the audit is the illegal application of private laws to public debt agreements. More specifically, it is noted that:

[t]he concept of *iure [jure] imperii*, as an exercise or practice of sovereign power, was substituted by the concept of *iure [jure] gestionis* in all contracts celebrated with financial organizations, which means that the state did not proceed in use of its sovereignty, but contracted as a conventional debtor, these agreements being as mere commercial acts, and in consequence, susceptible to be judged by the jurisdiction agreed upon in them. (CIAC, 2008, p. 64)

This was the case for instance in the Brady Plan⁶ in which "[u]pon agreement that the contract was a private right (*iure [jure] gestionis*), Ecuador accepted to be treated as a conventional merchant, renouncing the essential principles of its sovereign condition" (CIAC, 2008, p. 57). The fact that Ecuador was forced to abandon its rights as a sovereign nation was strongly condemned

⁶ The Brady Plan, named after US Treasury Secretary Nicholas Brady, was designed to "resolve the Latin American debt crisis of the 1980s" (Feibelman, 2017, p. 48). The Brady Plan led to the "exchange of bank debt for tradable bonds" (Lienau, 2014, p. 193). Ecuador issued its Brady Bonds in 1995, joining many Latin American countries (Feibelman, 2017). In 1999, "Ecuador became the world's first government to default on its Brady Bonds" (Porzecanski, 2010, p. 253). The commission charged with resolving the situation found that creditors were reluctant to enforce the guarantees (CIAC, 2008, p. 58). Ecuador's default on the Brady Bonds in 1999, led to the exchange of the Brady Bonds in 2000 for two new bonds called Global Bonds, the first maturing in 2012, and the second in 2030. These two Global Bonds will be the two targets for Ecuador's debt renegotiation in 2008-2009.

in the audit report as undermining or outright nullifying the legitimacy and legality of the Ecuadorian debt.

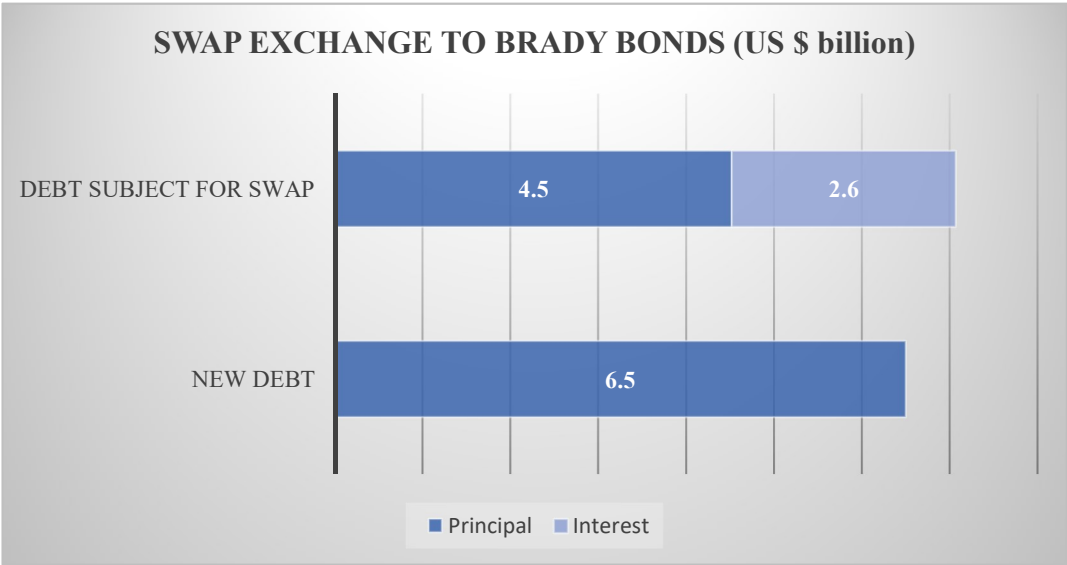
System of Law

The final set of arguments used in the audit to support the denunciation of Ecuadorian debts relate to violations of the system of law, a central element of democracy. The audit revealed that many debt agreements did not respect Ecuadorian laws, laws of creditors' countries, and/or international laws and principles. At the national level, the audit report finds that Ecuador's creditors often disregarded Ecuadorian laws:

Evidence obtained demonstrates the continual violation of the Constitution, the Civil Code, the Code of Commerce, the Organic Law of Financial Administration and Control, the Law of Consultation, and the Law of Public Hiring, etc. (CIAC, 2008, p. 149)

As with law violations, the report at times refers to specific articles of law that were violated, such as Article 2140 of the Ecuadorian Civil Code, which stipulates that "it is forbidden to charge interest on interest" (CIAC, 2008, p. 42). Based on this, the auditors denounce as illegal the capitalization of interest in arrears when commercial debts were grouped together and swapped for Brady Bonds (see Figure 3).

Figure 3. Swap Exchange to Brady Bonds.

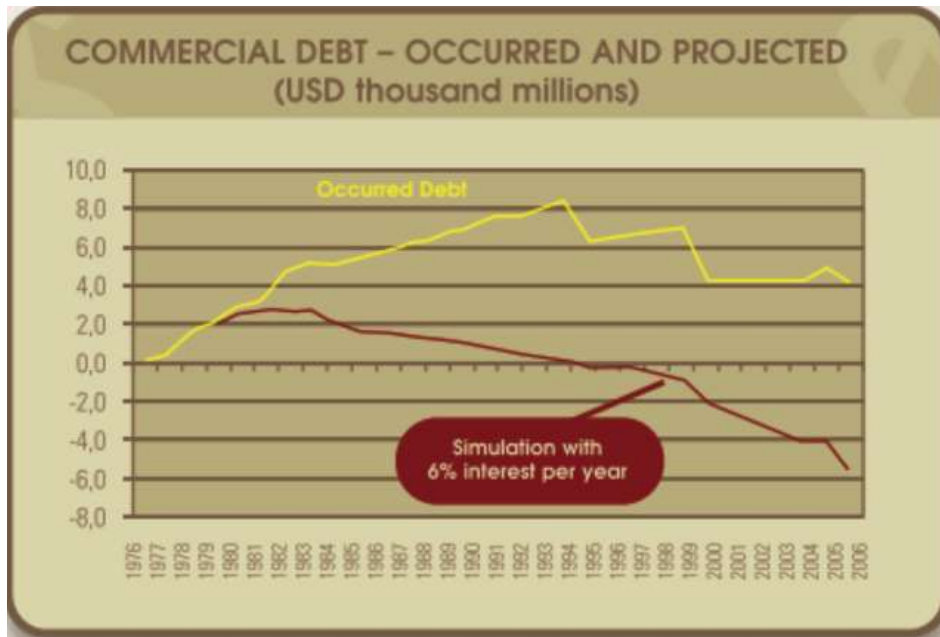


Source: CIAC, 2008, p. 41.

The principal of the debt subject to a swap to Brady Bonds was US\$4.5 billion, while its market value was approximately US\$1.1 billion, corresponding to approximately 25% of its face value. As part of the refinancing under the Brady Plan, the principal owed was reduced by US\$1.2 billion, to a total of US\$3.3 billion. However, at the same time, the interest due (US\$2.6 billion) was capitalized, and Ecuador was required to buy a guarantee of US\$0.6 billion to participate in the refinancing. Together, the new principal (US\$3.3 billion), the capitalized interest (US\$2.6 billion), and the guarantee (US\$0.6 billion) added up to the new debt of US\$6.5 billion. The capitalization of the previous interest is the point of contention raised by the audit, as this allowed for the charging of interest on previous interest, making the Brady Plan refinancing illegal under Ecuadorian law. Further, while Ecuador could have bought its debt at a market value of US\$1.1 billion, under the Brady Plan it instead found itself with a debt of US\$6.5 billion.

The audit report also mentions the violation of international and extranational laws, as well as failure to respect international legal principles, such as in the case of the major increase in interest rates in the 1980s. From 1976 to 1981, the prime interest rate jumped from 6.3% to 20.5%. The auditors argue that this rapid and significant rise in interest rates constitutes a *fundamental change in circumstances*. Based on the *Rebus Sic Stantibus* principle and on Article 62 of the 1969 Vienna Convention on the Law of Treaties, international private banks should have allowed Ecuador to request a review of its payments (CIAC, 2008, p. 31). To illustrate the extent to which Ecuador's current debt is a product of this arguably illegitimate interest rate increase, the auditors simulated what the state of the commercial debt in 2006 would have been if the increase had not occurred (see Figure 4).

Figure 4. Commercial Debt: Occurred and Projected.



Source: CIAC, 2008, p. 32.

Figure 4 demonstrates that the commercial debt would have been reimbursed by 1995 if the interest crisis of the 1980s had not happened. Furthermore, this figure is used in the audit report to show that the floating interest imposed on the country's commercial debt by international private banks and multilateral organizations was one of the major reasons that in 2006 commercial debt represents 44% of the Ecuadorian service of the debt.

The report also mentions more general principles of international laws in effect in the creditors' countries:

There is also evidence that general legal principles, which are the source of international public law, have not been observed, along with legislation in force in the *United States* and other creditor countries to whose jurisdiction debt contracts were submitted. Commonly accepted international treaties and legal doctrines were not acknowledged, including the following concepts: voluntary autonomy, odious debt, good faith, excessive onerous burden, unforeseen circumstances, threats, fraud, and error. (CIAC, 2008, p. 149, *emphasis added*)

It is worth highlighting that the previous excerpt mentions a specific foreign country with regard to the failure to respect basic international law principles: the United States. The United States is the country of origin of many of the international private banks that issued Ecuador's commercial

debt, as well as the leader of the main multilateral organization implicated in most of Ecuador's debt agreements, the IMF. The preceding quotation also refers to several principles that emanate from the International Institute for the Unification of Law, such as "good will, excessive onerous burden, force majeure, fraud, error, and threat" (CIAC, 2008, p. 33).

To conclude, the content analysis of the audit report highlights the attempt of the auditors to construct creditors as *accountable* to Ecuador and to declare *illegal* and *illegitimate* the imposition of their commercial debt on the country. The audit report served to produce an *alternative narrative* in regards to public indebtedness. In order to achieve this, the auditors have leveraged dominant ideology and discourses, and particularly their contradictions/flaws. Indeed, to declare most of Ecuador's public debt as illegal and illegitimate, the auditors associated the debt with harmful neoliberal economic reforms imposed on the country, and demonstrated that creditors have violated liberal democratic values and institutions, which tend to suffer under the neoliberal ideology, while they are central in neoliberal rhetoric to justify liberal economic policies (Brown, 2003).

5.3 Perception of the Audit by Financial Market Actors

The present section unpacks the ways in which financial market actors reacted to the debt audit performed by Ecuador during the debt renegotiation process initiated by the country. More specifically, this section presents two types of perceptions present in the financial market media coverage with regard to the audit: the roles the audit was perceived to play in the debt renegotiation (Section 5.3.1) and criticisms of the audit and the audit commission (Section 5.3.2).

5.3.1 The Perceived Roles

Analysis of the media coverage unveiled several roles that financial market actors attributed to the audit with regard to Ecuador's debt renegotiation strategy. It is worth mentioning that analysts individually cannot be placed in one box only, as each analyst can perceive the audit as playing various roles in the process, and the same analyst's perception can change over time. These roles can be grouped in three categories, according to whether the audit was perceived as playing no role (useless), as helping to gain legitimacy for Ecuador's debt renegotiation project, or as helping to reverse power relations between Ecuador and its creditors (Table 3).

Table 3. Roles of the debt audit as perceived by financial market actors.

ROLES IN DEBT RENEGOTIATION	ARGUMENTS
USELESS	Has no power outside Ecuador Will not have any effect, Correa is the one who will make the decision Is not important in the decision to pay the debt or not, only oil prices are important
GAIN LEGITIMACY	Provides support that was not there before Supports decisions already made Generates internal consensus over the debt restructuring plans
REVERSING POWER RELATIONS	Gains credibility and shows how serious the country is about a default of payment Creates fear and insecurity among investors Supports legal actions and the threat of legal actions Brings creditors to the negotiation table

The first category of role the audit was seen to have within the renegotiation of Ecuador’s public debt is actually no role. Indeed, some observers referred to the debt audit as a useless exercise, and gave various arguments to support this claim. The first reactions of this type in financial market media appeared following the government announcement of the establishment of an audit commission that would work to identify Ecuador’s illegitimate debt. For example, Daniel Linsker, an analyst at Control Risks in London, felt that “[t]his commission can say whatever they want, but they don’t have any powers outside Ecuador” (Reuters, 07/12/2007). Linsker and other analysts were not overly concerned by the announcement of a debt audit, as they did not believe that the audit could have any validity outside Ecuador, and, moreover, they discredited the very concept of illegitimate debt, which they saw to be highly ambiguous (Reuters, 07/12/2007).

This perception of the audit commission as useless or powerless was still present in media discourses, even after a statement on September 11th 2007 from a member of the audit commission declaring that the audit commission had found signs of illegality and might ask for the annulment of Ecuador’s debt (Dow Jones Newswires, 11/11/2007). That the audit commission would “threaten” annulment was not surprising or worrying to financial analysts and did not lead to a reevaluation of the relevance of the debt audit. Gianfranco Bertozzi, an analyst at Lehman Brothers, recommended “ignoring anything coming from the [audit] committee for now. [...] Debt decisions will have much less to do with this committee than with oil prices and liquidity” (Reuters, 09/11/2007). Most analysts believed that the outcome of the audit commission would not influence decision-makers and that ultimately, “[i]t [was] up to Correa to make a decision on debt payments”

(Reuters, 08/18/2008). It thus appears that many analysts and commentators did not believe, at least at first, in the influence of the audit commission. Instead, they believed that the decision to pay the debt or not would be influenced by more concrete pressures such as oil prices (since Ecuador's finances are highly dependent on oil income).

Although some analysts refused to consider that the debt audit might be influential, or that Ecuador was serious about its threat of a default of payment following the publication of the audit report, this was not the case for every analyst. Indeed, many perceived the debt audit as increasing the legitimacy, both internally and internationally, of Ecuador's debt renegotiation project. The debt audit was perceived as a way to gain legitimacy and to secure and maintain that legitimacy in the eyes of the people in the face of an approaching election.

Roberto Villacreses, an analyst with the Institute for Political Economy, said the presentation Thursday of the debt audit report 'was a political calculation [...] The majority (of Ecuadoreans) doesn't appear to be wanting to pay the debt and Correa is capitalizing on this, looking towards the upcoming elections'. (Dow Jones Newswires, 11/20/2008)

In Villacreses' view, then, the audit was only carried out as a political calculation. The legitimacy of the government was seen as the ultimate objective pursued. For Whitney Kane Gomez, an analyst with Morgan Stanley, the objective in performing an audit was also to gain legitimacy for the government's decision to confront financial market actors. Indeed, Gomez mentions that "[t]he audit gives them [the Ecuadorian government] the political cover they need to have a broad *consensus* over their [debt] restructuring plans" (Reuters, 02/16/2007, *emphasis added*). The audit was a way to provide more legitimacy to the government in its decision to stop paying part of its foreign public debt than it would have had without such work.

The audit report was also seen as a legitimizing force by those observers who felt that it only served to support a decision that had already been made. It is important to note that Rafael Correa, who had previously been the Minister of Economy and Finance, already knew much of the information that the audit commission was later to review. In addition, the president of the audit commission, Ricardo Patiño, had actively campaigned for the annulment of the Global Bonds for some time, and was therefore also aware of many problems with these bonds before the audit began. It is accordingly not surprising that some analysts, like Gomez (above) or Credit Suisse, highlighted that "the debt audit commission provides cover that wasn't there before" (Dow Jones

Newswires, 11/17/2008), or as fund manager Diego Aramburu phrased it, “the commission’s report gives Correa an opportune excuse to default” (Dow Jones Newswires, 11/18/2008).

Another role perceived to be played by the debt audit was to influence the relation of power between Ecuador and its international creditors. For instance, Patrick Esteruelas, analyst for the Latin America region at Eurasia Group, has referred to Correa’s strategy of debt renegotiation as “a giant game of chicken’ with bondholders” (Financial Times, 11/20/2008). Esteruelas believed that:

Correa clearly feels that this is the right time to extract savings in a potential restructuring negotiation before oil prices continue to decline and before emerging market sentiment recovers. And his only way of doing that is if he *credibly* threatens default [...] Otherwise bondholders won't entertain any proposal from the government, especially knowing full well that they have the money to pay. (Financial Times, 11/20/2008, *emphasis added*)

In order to bring creditors to the negotiating table, it is crucial that there be some disadvantage to them in *not* restructuring a debt – usually, that they might receive no money at all (i.e. that the debtor country will default on payments), as Ecuador had threatened to do. However, this threat was made less meaningful in this case given that it was known that Ecuador had the capacity to pay. Commissioning an audit of more than 30 years of indebtedness was an effective way to show how serious Rafael Correa was about a potential default of payment.

It is worth noting that the intention to stop payments on debt considered illegitimate was not the only threat posed by the audit report. Correa had also mentioned several times that he would use the audit report to prosecute those who acted illegally during the issuance and renewal of Ecuador’s public debts.

Rather than an outright default, it is possible that the government could use the findings of the debt audit commission to press charges against previous government officials, possibly on the grounds of negligence or something stronger, and could decide to challenge some of the debt's legitimacy in international courts. (Dow Jones Newswires, 09/27/2008)

This threat’s credibility was strengthened by the fact that the Ecuadorian government had hired two law firms to evaluate, based on the audit report, whether the country could file lawsuits against some of the actors involved in debt issuance and renewal over the past 30 years.

Thus, some analysts or commentators perceived the audit as part of Correa's overall strategy to draw bondholders into negotiations in a situation where they would not otherwise see any reason to do so, as Ecuador had the capacity to honor its debt payments. One analyst argued that:

[t]he government will likely use these findings to enter into talks with bond holders over restructuring terms, driving a very hard bargain that will hamstring any negotiations and could likely lead the government to default. (Market Watch, 11/19/2008)

In other words, the audit was used within a strategy "to get bondholders to the negotiating table and pressure them to accept a government offer to lower its debt burden in coming years" (Reuters, 11/14/2008).

By enhancing the credibility of Ecuador's threat of default, the debt audit contributed to increasing insecurity and fear among bondholders. Fear that increased significantly on November 14th 2008, when Ecuador announced that it would not pay the amount of US\$30.6 million due the following day for the Global Bonds 2012. Instead, the country announced that it would take advantage of the 30-day grace period included in the debt contract to decide whether the country will honor this debt or not. President Correa justified his decision on the basis of the upcoming publication of the audit report (scheduled for the following week), arguing that they were "not playing around. If there is enough basis [in the audit report] for us to say we cannot pay this debt because it is illegitimate, that is what we will do. Let the bonds (prices) fall, let the country risk go up (...) that doesn't concern us" (Dow Jones Newswires, 11/17/2008). In the previous excerpt, President Correa reiterates his threat not to pay any debt considered as illegitimate, and insists that the results of the debt audit committee will guide his decision to pay or not pay this debt.

The decision to take the 30-day grace period took many analysts by surprise and the threat was taken seriously. For the Financial Times, "Rafael Correa, Ecuador's leftwing president, has heightened fears that the Andean nation will default on parts of its \$10bn foreign debt, saying an internal audit due this week will determine if the debt is 'illegitimate'" (Financial Times, 11/16/2008). Others commented that as a result of the announcement on November 14th 2008, "Ecuador raised the specter of a debt default by delaying interest payments of its 2012 bond while it analyzes the findings of the government-appointed debt audit commission" (Reuters, 11/17/2008). The rise in fear is corroborated with a drastic drop in prices as "[t]he 2012 bond on Friday [November 14th 2008] dropped to trade at 14.00 cents on the dollar after the news [...]"

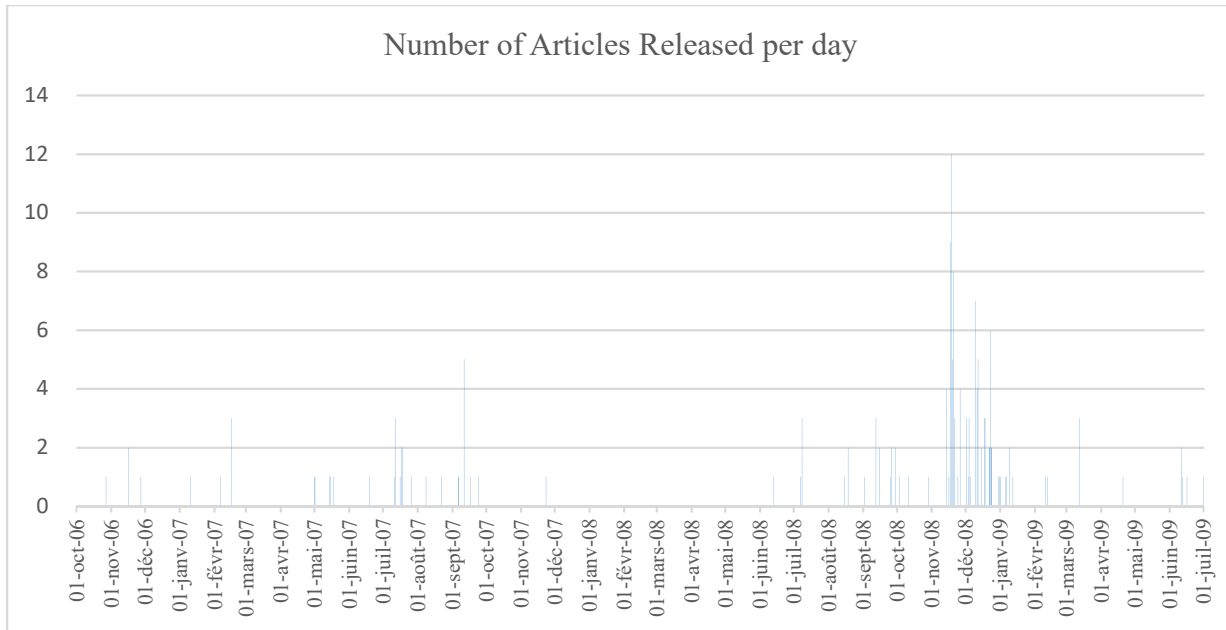
[while] [o]nly two months ago, the bonds were bid at more than 90 cents to the dollar” (Reuters, 11/17/2008). Although it is difficult to say whether the same drop in bond prices would have occurred without the audit, the fact remains that it was the principal argument used by Ecuador to delay its payment.

The audit report publication date was chosen to fit this “spectacle” orchestrated by Ecuador to take advantage of the already fragile market sentiment due to the 2008 financial crisis. As noted in one article published by Reuters, “[t]he debt audit commission, created by Correa a year ago, is *watched closely* by investors who are *worried* about Correa's pledges to annul debt found to be ‘illegitimate,’ or loans contracted by corrupt past governments to benefit debt-holders” (Reuters, 07/07/2008, *emphasis added*). Other articles also spoke to growing concerns among bondholders (and analysts):

Fears are rising that Ecuador may default on its external debt, as a national audit commission has identified numerous irregularities in the country's foreign debt and is likely to recommend Thursday for the suspension of payments. (Market Watch, 11/19/2008, *emphasis added*)

This publication appeared one day before the debt audit report was released. At that time, media coverage of the audit had increased drastically (see Figure 5), as the audit gained additional attention from many media outlets, such as Market Watch above, which had not previously followed the work of the audit commission.

Figure 5. Articles Published about Ecuador’s debt audit commission.



During the 30-day grace period, investors were taking more seriously the possibility that Ecuador might follow through on its threat and not pay some of its bonds. One market analyst reported that “[t]he government’s threats to not honor the 2012 coupon could further drive down the value of the debt, easing the repurchase” (Dow Jones Newswires, 12/10/2008). What most financial market actors did not see is that Ecuador was already buying, through a financial intermediary, its own debt at the low prices resulting from Ecuador’s threat of default of payment.

In sum, analysis of the media coverage demonstrates that the debt audit performed by Ecuador has played various roles within the debt renegotiation. The debt audit contributed to enhancing the legitimacy of the Ecuadorian government’s decision in regards to its intention not to reimburse specific portions of its public debt, and was an important tool in Correa’s strategy to reverse the power relationship with bondholders. The analysis also reveals that the debt audit contributed to enhancing insecurity and fear among financial market actors, an important element in the process as the alternative narrative produced by the auditors could not be perceived as legitimate by all stakeholders.

5.3.2 *The Criticisms Directed Toward the Audit Commission and its Work*

In addition to the roles attributed to the audit that were conveyed in the media, various criticisms have been leveled against the audit commission and its work. These criticisms can be grouped into

four categories: lack of independence, lack of (ideological) objectivity, lack of competence, and poor quality of the audit report (see Table 4). These criticisms aimed at challenging the audit commission's legitimacy, and ultimately, its outcome.

Table 4. Criticisms directed toward the audit.

CRITICISM OF THE AUDIT	ARGUMENTS
LACK OF INDEPENDENCE	Audit had no independence - close relation with Rafael Correa
LACK OF (IDEOLOGICAL) OBJECTIVITY	Subjectivity of the participants Audit was ideologically driven
LACK OF COMPETENCE	Not a technical audit Weak technical expertise of the participants
POOR QUALITY OF THE REPORT	Report contained vague information Report contained uncorroborated assertions

One of the first criticisms addressed to the audit commission was its lack of independence, highlighted directly or indirectly in the media coverage of the audit commission work. Indirect remarks were conveyed by allusions to the close relationship of President Correa and the president of the audit commission, for example, by referring to the latter as “Correa’s close ally Ricardo Patiño” (Reuters, 06/13/2008). Ricardo Patiño was the Minister of Economy and Finance in Correa’s government up until he was named President of the audit commission in July 2007, and had also been Rafael Correa’s campaign advisor.

A more direct criticism of the lack of independence of the audit commission is demonstrated by the following passage:

Some market participants view this latest chapter as a move by Correa’s government to pull investors to the negotiating table, a view built on the premise that the debt commission isn’t as independent as it purports to be. (Dow Jones Newswires, 11/18/2008)

This excerpt reports a criticism that was conveyed throughout the media coverage of Ecuador’s debt renegotiation, namely the close relationship of the audit commission with President Correa, who orchestrated the audit. As has been previously mentioned, Rafael Correa was aware of many irregularities with Ecuador’s debt even before becoming president, and he was present at various occasions during the audit process. Accordingly, the audit commission could be perceived by some observers as not being independent, but rather influenced by President Correa. However, it should

be noted that the notion of audit independence has varied over time in terms of its importance in determining what constitutes a “good” audit (Andon et al., 2015; Everett, Green, & Neu, 2005; Power, 2011).

A second criticism leveled against the audit commission was its lack of objectivity; more precisely, the lack of ideological objectivity of its members. This criticism arose at various occasions throughout the audit work process. For instance, when the audit was first announced and the names of some members of the audit commission were made public, strong reactions were seen in financial market media regarding those members, especially the commission president, Ricardo Patiño. Reactions from financial market actors following the designation of Ricardo Patiño (the former Minister of Economy and Finance) as President of the audit commission are partly due to the fact that he was known for his strong opposition to abusive debt, and was not seen as “market-friendly,” potentially making him unsuitable for such audit work.

The lack of ideological objectivity was also raised by numerous market actors when the audit commission released its preliminary results and when it published the final audit report, as observed in the following passages:

The strong finding from the commission is not unexpected — particularly as its membership includes Ecuadorian and international anti-debt campaigners. (Global Capital, 10/03/2008)

The debt commission appointed by the government clearly lacks ‘a proper balance of views on the issue’ and the audit commission report, officially released Thursday, is heavy on rhetoric and innuendo, Goldman [Sachs] added. (Dow Jones Newswires, 11/20/2008)

For financial market actors, the fact that members of the commission were overtly positioned against abusive public debt created an intractable bias, such that the results of the audit may well have been determined in advance, on the basis of the ideological position of the auditors. This perspective is not without some justification - it is worth noting that neither bondholder representatives nor members of the International Monetary Fund were included in the audit commission.

In line with criticism regarding their lack of ideological objectivity, audit commission members were also criticized in the finance media as lacking the appropriate competencies for the task. As

soon as the names of some of the audit commission members were made public, vehement criticism on this point began to appear:

‘Given the weak technical expertise profile of the potential members of the commission mentioned in the local press, we expect the work of the commission to take a long time and its report to be rather vague, subjective, and doctrinaire,’ Goldman Sachs said. (Dow Jones Newswires, 07/12/2007)

It should be noted that in fact, many of the members of the audit commission are considered to be experts in odious public debts; however, financial market actors do not recognize this type of expertise or do not hold it in high esteem. As the previous excerpt suggests, some financial market actors expected the work performed by the auditors to be unprofessional in terms of both speed and quality, due to what they considered as lack of competence.

Once the report was published, criticism shifted from the audit commission and its process to also include the quality of the report itself. For example, one economist, after reading the executive summary, was dismayed at the report’s argumentation:

Alberto Ramos, senior economist of Goldman Sachs, said Thursday that the executive summary of the report is full of anti-debt rhetoric as well as vague and uncorroborated assertions of the damage caused by debt. (Dow Jones Newswires, 09/25/2008)

This is an example of direct criticism of the report’s form and its content, as well as references to the ideological bias of the audit commission that produced it. This criticism appears to confirm the expectations voiced by financial market actors soon after the audit commission was formed, as previously discussed above.

Finally, while criticisms toward the debt audit were especially virulent prior to Ecuador’s defaulting, following the confirmation of the default of payment on December 15th 2008, no further criticism was directed toward the audit. After the default of payment, the focus was instead on the existence and purpose of the audit as part of explaining Ecuador’s decision not to pay. Thus in some way, the decision made based on the audit report served to further legitimize the debt audit performed.

6. Epilogue

Following the market depreciation of Ecuador’s debt bonds, the country managed to reduce its public debt by approximately US\$2.1 billion when it reached a mutual agreement with its creditors,

a total saving of more than US\$7 billion when the interest saved is included. In June of 2009, Ecuador announced that 91% of its commercial debt bondholders (Global Bonds 2012 and 2030) gave in and accepted Ecuador's offer to buy back the outstanding bonds at 30-35% of their face value (Jijon, 2009). Indeed,

[o]n Thursday [June 11th 2009] Ecuador announced [that] the government has retired 91% of its Global 2012 and 2030 defaulted bonds, spending US\$900 million. [...] Local analysts say more than 50% of the repurchased bonds were bought last year on the open market through intermediaries before the auction was launched April 20. (Dow Jones News Services, 06/12/2009)

Unbeknownst to international analysts, at the same time that the Ecuadorian government was threatening to default on payment of Global Bonds, it had hired a financial intermediary to buy many of its own bonds at the low cost driven down by the recurrent threats of defaulting that caused fear to increase among bondholders. Members of the Ecuadorian government showed their enthusiasm, qualifying the strategy adopted to achieve this outcome as a success (Dow Jones News Services, 06/12/2009).

While some analysts such as Alberto Ramos at Goldman Sachs believed “that Ecuador has ‘created a permanent stigma-cost over future external financial transactions’” (Reuters, 11/18/2008), the launch of a bond issue of US\$2 billion in 2014 by the Ecuadorian government has shown that this is not the case. However, since this episode, the Ecuadorian President Lenin Moreno, who succeeded Correa and who was to continue the movement of the ‘citizen revolution’ imagined by the latter, has re-embraced the neoliberal ideology (Ramírez Gallegos, 2018). The acts of resistance analyzed in the present paper were therefore short-lived. However, they remain imprinted in the collective memory.

7. Discussion

This paper presents the case of the Ecuadorian government, which chose in 2007 to conduct an audit to establish and publicize the illegality and illegitimacy of the Ecuadorian public debt. Taking advantage of the explosion of auditing in the neoliberal mode of governance (Power, 1997), and the legitimacy that auditing has gained (Andon & Free, 2012), the President of the country, Rafael Correa, viewed auditing as a useful tool to mobilize in order to emancipate Ecuador from part of its external debt. A debt was initially contracted with contemporary dominant actors, namely international private banks, and refinancing of this debt has been linked with the obligation

to introduce neoliberal economic policies in the country with the supervision of the IMF. The debt audit commission, by examining Ecuador's debt contracts and accounting books, and by evaluating the social impacts of the public debt, supported Ecuador's strategy to renegotiate its public debt to its advantage. This study thus illustrates how the weapons of the dominant system can be turned against them (Everett, 2002), and corroborates other studies that show that an effective means of fighting neoliberalism is with neoliberal discourse (e.g. Sandberg, 2006).

The study argues that auditing, which is usually a tool used by dominant actors (such as shareholders) to reproduce the existing power structure (Power, 1997), can also be a tool to support a project of emancipation from the neoliberal order. Auditing is especially relevant due to the explosion of its uses under the neoliberal regime (Power, 1997). In addition, this study shows that auditors have mobilized the language of their more powerful opponents to attack the legitimacy of the debt imposed on Ecuador (Saïd, 1994). More specifically, the content analysis of the audit report reveals that, in alignment with Marcuse's (1968) theory, the audit exploited one specific flaw in the dominant ideology in order to challenge it. Namely, the audit capitalized on the contradiction in neoliberalism between the priority given to liberal economic policies and the resulting erosion of principles of liberal democracy on which the neoliberal ideology rhetorically relies (Brown, 2003).

As a first step in exploiting this flaw and thus producing illegitimacy of dominants' actions, the audit report argues that the neoliberal economic measures imposed on Ecuador and linked to the external debt, were a direct cause of the poverty experienced by Ecuador's citizens. By dictating the deregulation and privatization of key social and economic sectors and by imposing a significant financial burden in the form of debt and interest payments, these policies were responsible for diverting the Ecuadorian budget from areas related to citizens' welfare and quality of life. Thus, the report demonstrates that the very policies purported by neoliberal ideology to create wealth and reduce poverty paradoxically have had the opposite effect.

As a second (and main) step, the auditors showed how creditors violated liberal democratic values and institutions in Ecuador, such as universal human rights, as well as the state's sovereignty, constitution, and system of law. The audit report extensively leverages the violation of democracy by creditors to contend that Ecuador's external debt was illegitimate. The report questions the morality of Ecuador's creditors who imposed on the now-democratic country the

reimbursement of a debt initially contracted by a military dictatorship regime. The report frequently mentions the violation of Ecuador's sovereignty, such as the interference of international banks in its internal affairs. The report also condemns the violation of the Universal Declaration of Human Rights, as the reimbursements of Ecuador's public debt have prevented the country from providing an appropriate level of well-being for its citizens. Further, the report specifically documents the violation of national and international laws in the debt conditions offered to or imposed on Ecuador.

By documenting how Ecuador's creditors violated universal human rights and violated various principles and institutions of a democracy, and by documenting also that the imposition of neoliberal economic measures have worsened Ecuadorians' state of poverty, the auditors provided an alternative narrative in regards to public indebtedness, and brought to the fore the accountability relationship of creditors toward Ecuador. While it is widely assumed that an accountability relationship creates the demand for the execution of an audit (Power, 1997), the present study shows that auditing can also serve to establish a relation of accountability. This means that auditing can be performed even when those whose accountability the audit brings to the fore do not recognize any responsibility toward those on whose behalf the audit is performed. In this study, auditing served as the means by which a debtor country that was accountable to its creditors turned the situation around and instead asked these same creditors to be accountable for their actions. Ecuador's public debt renegotiation shows how audit that adopts the dominant language (Saïd, 1994) and exploits the dominant system's flaws (Marcuse, 1968) can be mobilized as a tool of emancipation by providing an *alternative narrative* and by *introducing an accountability relationship* where none previously existed.

Auditing, used as a tool of emancipation, relies on the legitimacy that it has gained within neoliberal societies, as well as its capacity of legitimating. As argued by Andon and Free (2012), "the very idea of audit can be a powerful legitimating resource in crisis and the credibility of practices performed in its name is largely prima facie presumed" (Andon & Free, 2012, p. 150). However, when traveling to new spaces, its legitimacy is sometimes shaken (Andon, Free, & O'Dwyer, 2015). For instance, the perceived legitimacy of traditional financial auditing is partly based on a set of established norms, which often do not exist when auditing enters a new field. In the present case studied, no set of official auditing norms existed for the debt auditors to perform

their work. Additional work is then required to legitimize the activities performed under the name of auditing (Andon & Free, 2014). In the case of Ecuador, one of the actions taken to gain this perceived legitimacy was to name international experts drawn from academia and social movements. The presence of these external members within the debt audit commission was important as these actors do not have any pecuniary interest of any sort in the outcome of the debt renegotiation, and could have been seen, accordingly, as independent auditors. However, the international auditors chosen to be part of the audit committee all actively fought against odious and illegitimate debt. Their set of values and beliefs largely differs from financial market actors. As the very legitimacy of auditing is a function of “accepted norms, values and beliefs” (Andon et al., 2014, p. 77), this leads to a substantial obstacle for an emancipatory audit to be perceived as legitimate by financial market actors, who do not share the same perception in regards to Ecuador’s external debt.

Nevertheless, some argued that the audit was key to gaining legitimacy for the debt’s payment suspension both internally and internationally, as the debt audit provided support that was not there before, supporting a decision already made by helping to gain an internal consensus over the debt-restructuring plan. The work performed by the Ecuadorian government to gain legitimacy for its debt renegotiation by resorting to an integral audit of its public debt produced an interesting *paradox*. Whereas auditing has been theorized as a tool to produce legitimacy (Power, 2003), the present case study shows that in addition, auditing also and importantly produces illegitimacy. To legitimate the decision of not reimbursing the debt, the audit commission has produced the illegitimacy of most of Ecuadorian’s public debt, the illegitimacy of financial market actors to impose such debt on Ecuador, and the illegitimacy of neoliberal policies attached to this debt. In fact, the production of illegitimacy is a general outcome of auditing, but is often less apparent. For instance, by producing the financial statements as legitimate, financial audits render, to some extent, the challenge of these financial statements as illegitimate. This paper shows that producing legitimacy always means producing the illegitimacy of something else; most frequently, the illegitimacy of challenging dominant actors, of questioning the established order.

As the audit attempted to produce the illegitimacy of the actions of financial market actors and as the set of values and beliefs defended were in contradiction between these two groups, it is not surprising that financial market actors actively criticized the work and legitimacy of the audit

commission. It is interesting to note that the criticisms were not directed against the arguments raised by the audit commission and its members, but mainly against the form and process of the audit. Indeed, criticism regarding auditors' independence, lack of objectivity, lack of competence, and poor quality of the audit report were highlighted at different stages of the debt renegotiation process by financial market actors. When, in a similar manner, counter-interests attempted to undermine the legitimacy of the audit in the case of the salary cap scandal studied by Andon and Free (2012), the answer was a series of "defensive counter-claims seeking to re-affirm the legitimacy of the audit and the salary cap process" (Andon & Free, 2012, p. 150). However, analysis of the media coverage reveals that this was not the case in the present study. For the renegotiation of Ecuador's debt, the counter-interests are among the most powerful actors in society - financial market actors - while Ecuador is a small Third World country, resulting in a large power imbalance. While Andon and Free (2014) have shown the importance of symbolic capital for auditors to gain legitimacy, especially important when auditing enters new spaces, it is difficult to imagine how auditors could have worked to obtain this legitimacy in the eyes of financial market actors, accused by the auditors to be irresponsible and having imposed illegal and illegitimate debt on Ecuador.

This does not mean that the debt audit has played no role in the debt renegotiation process. In fact, the roles played by the audit vary among different stakeholders. In addition to the role played by the audit to enhance Ecuador's legitimacy both internally and internationally for its debt renegotiation, the audit was also perceived to play a role in reversing power relations. For instance, some argued that the debt audit was helpful to gain credibility and indicate how serious the country was about a default of payment, to support legal actions and the threat of legal actions, and ultimately, to bring the creditors to the negotiation table in a situation in which investors would normally not have accepted to negotiate as the country was not in financial distress.

It can also be argued that the Ecuadorian government used the audit as a *spectacle* by mobilizing it to create fear and insecurity among investors and in doing so, exploiting one flaw of financial markets, namely the fragility of market confidence, enhanced at that time as the debt renegotiation followed the financial crisis of 2008. While it is usually taken for granted that an audit must be legitimate to effectively work, the present study shows that even when it is impossible to legitimate an audit, it can produce the desired effects by playing on other levels, namely the emotional level.

Indeed, while for the debt audit to gain legitimacy in the eyes of several financial market actors was an almost impossible mission, as it directly challenged the dominant *values, norms, and beliefs*, the mobilization of the audit contributed to increasing investors' fear. This paper accordingly argues that when an audit cannot rely on its legitimacy, audit can be used as a *spectacle* to act on the emotional rather than the rational level.

8. Conclusion

Alongside tax audit, business risk audit, environmental audit, IT audit, or salary cap auditing in professional sport, to name just a few (Andon & Free, 2012; Andon, Free, & O'Dwyer, 2015), this paper shows another example of the explosion of auditing as described by Power (1997). The fact that the Ecuadorian debt audit does not meet the traditional expectations of what an audit should look like, and yet is unquestioningly accepted as being an audit by financial market actors, illustrates the "vagueness" of the category of audit as an activity. For Power (1997), this "[v]agueness is an important part of the audit explosion phenomenon" (p. xvii). The empirical material of this paper thus brings to the fore that audit is a messy, ill-defined concept that depending upon the situation may or may not be mobilized in various ways.

By examining a non-traditional audit, this paper contributes to the literature in several ways. First, the paper investigates a case in which auditing does not function as a tool to reproduce the existing order, but as a tool to challenge that order and support an emancipatory project. In doing so, this paper joins the accounting literature regarding its emancipatory role (Andrew & Cahill, 2017; Gallhofer & Haslam, 2006), and serves as a nucleus for expanding this research agenda in the auditing literature. Second, while auditing is usually seen as integrating pre-existing accountability relationships, this study brings to the fore that auditing, when serving an emancipatory project, might have to work to create an accountability relationship to support its claims.

Third, while it is also taken for granted that auditing must be legitimate in order to be effective, this paper shows that this is not necessarily the case. Particularly for auditing serving as an emancipatory tool, the actors targeted by the results of the audit might never see this audit as legitimate. In these circumstances, this paper shows that in addition to acting on the rational level via the arguments presented in the audit report, auditing can also be used as a spectacle to act on the emotional level, such as on investors' fear in the case of Ecuador's debt renegotiation, which

was useful to bring down the bond prices. In that matter, the study joins the literature exploring the relationships between auditing and fear (Guénin-Paracini, Malsch, & Paillé, 2014). Finally, this paper draws attention to public debts in the accounting and auditing literature.

The present paper invites continuing work in at least three lines of research. First, future research could continue to highlight what has been taken for granted in regards to auditing, but which is actually socially constructed and might operate differently when supporting a project of emancipation. Second, more research on public debt in accounting research is needed as accounting is at the very heart of the production and communication of public debts. Lastly, and importantly, future research should also investigate other cases of resistance and emancipation processes in which auditing has played a role. These cases can illustrate the positive side of auditing (which is mostly portrayed negatively in critical auditing literature) and also inspire future movements of resistance.

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CHAPTER 5: CONCLUSION

CONCLUSION

By addressing a major issue of the contemporary neoliberal era, this thesis is intended to be the beginning of the exploration of the multiple roles and limitations of accounting in the resistance and emancipation from neoliberal regimes under which debt has become an important mechanism for governing populations. This work began with Chapter II, which examines one way of constructing indebted subjects and illustrates that, at the individual level, vague and imprecise accounting processes can play a determining role in disciplining them to become financially responsible and financialized subjects, through the generation of emotions such as fear, shame, and anxiety. This contribution builds on the work of Fourcade and Healy (2013), who show that in neoliberalism, the credit system is more inclusive than before, but that people are then classified according to their credit scoring and individual characteristics. For example, a poorer person will have access to a bank loan, but will be obliged to pay a higher interest rate than the general population. Fourcade and Healy (2013) also show how credit scoring acts as a disciplining tool. This thesis takes this study a step further by examining the lived experiences of people within this neoliberal credit system.

Subsequently, Chapter III continues this work by showing the construction, this time at the state level, of a discourse advocating the absolute priority of debt repayment (over the needs of the population), and by demonstrating how organic intellectuals who want to resist this dictate are trying to organize themselves to defuse it. This study reveals that accounting can make their task more difficult given its complexity, especially in regards to debating public debt in the public space. The paper invites organic intellectuals to get out of the accounting complexity trap, either by drawing on the common sense as highlighted by Sikka (2000), or by translating accounting concepts into other fields, such as in the environment, in order to also get in touch with the population on an emotional level rather than just a rational level.

This thesis ends on a more positive note in Chapter IV, which examines a case where accounting, and more specifically auditing, helped a small Third World country to reverse the power dynamic with international holders of financial capital. The audit, which was mobilized in the Ecuadorian government's strategy to renegotiate its public debt at its advantage, offered an alternative narrative to create an accountability relationship that did not previously exist, contributed to creating a sense of fear among investors, and provided legitimacy in the eyes of some stakeholders

regarding the renegotiation of the country's debt. This study contrasts with previous literature that typically presents auditing as a tool of neoliberalism (Gendron, Cooper, & Townley, 2007; Parker, Jacobs, & Schmitz, 2019; Power, 1994, 1997). This chapter is particularly inspiring for future cases of resistance and/or emancipation from debt as a governance tool because it shows how one country has challenged the presumed fact that all debts must be repaid. Ecuador, by adopting the language and tools of the powerful (Saïd, 1994), was able to exploit the flaws of the dominant system (Marcuse, 1968), both in terms of its rhetoric and existing market weaknesses.

The thesis contributes to an emancipatory project by challenging the taken-for-granted idea that any debt must be reimbursed (Graeber, 2013). For instance, why must we support the idea that vulnerable refugees should honor a debt to cover the cost of transporting them to their new country? This stress adds to the high anxiety generated by adapting to a new country they know little about, whose language they often do not understand, where they often lack the skills to enter the workplace with good working conditions, and in which they have a very limited or even non-existent social network. At the state level, how can one believe that a vulnerable population of a Third-World country on whom a debt has been imposed under a military dictatorship to which private international banks have decided to lend money, should have to repay that debt? These insights need to be deepened, and since accounting is at the very heart of the operationalization of debts, future research in accounting must continue to challenge the general belief that any debt should be reimbursed.

In summary, these three papers contribute to our understanding of the roles of accounting and its limitations – accounting in its broadest sense – within neoliberalism by investigating a specific dimension of it, namely debt, through both personal credit and public debt, which have become central devices of discipline and control. By studying both the processes of domination and emancipation, this thesis provides insights for future acts of resistance and/or emancipation from the dominant neoliberal system.

This thesis contributes to the literature, and more specifically to the community of critical scholars who are interested in praxis, or *action* as Gramsci refers to it (Catchpowle & Smyth, 2016; Cooper, 2014; Cooper & Coulson, 2014; Everett, 2004; Everett, Neu, Rahaman, & Maharaj, 2015; Gallhofer, Haslam, & Yonekura, 2015; Irvine & Moerman, 2017; Neu, Cooper, & Everett, 2001; Shapiro, 2009; Sikka, 2000; Thomson, 2014; Tinker, 2002; Tinker & Gray, 2003; Vinnari & Laine,

2017; Willmott, Puxty, & Sikka, 1993). This community believes that critical scholarship should foster "social change" (Everett et al., 2015). Importantly, and similarly to Antonio Gramsci's concept of action, "praxis involves not only a transitive activity in which we transform the external world (the objective dimension), but also a reflexive activity in which we ourselves become transformed (the subjective dimension)" (Shapiro, 2009, p. 945). This means that by taking action in the public sphere, a critical accounting researcher also enriches her or his own theoretical reflections, a path that this thesis invites one to pursue (Sikka & Willmott, 2005).

Implications for Accounting Research and for the Public Interest

This thesis offers a range of practical implications. For instance, the analysis of Chapter III reveals some deficiencies in the Province of Quebec's public accounting standards and in what is disclosed by the government in terms of public debt. This is an area that few critical accounting scholars in the Province of Quebec have paid attention to. As critical accounting academics, we should act as guardians of the public interest and, accordingly, monitor developments in public accounting standards and government disclosures. If we fail to do so, we leave it to traditional intellectuals to impose their views and present, without opposition, their numbers and their rhetoric to the population.

Through its various theoretical approaches, this thesis also facilitates reflections on another dimension: the influence of the choices made by accounting researchers with regard to theoretical lenses. While this thesis first uses Foucault's writings as its basis, it subsequently turns to the theoretical work of the Italian intellectual Antonio Gramsci. Like Gramsci, Foucault develops his *theory of power* and argues (as does Gramsci) that power is diffused in society, not just held in the hands of a few.¹ However, Foucault's work has led us to believe that the most important work to do is to understand how this power operates. This does not directly take us to the next step, which Gramsci's *philosophy of action* does. Indeed, "Foucauldian research [...] tends to assume that social life is unpredictable, thereby rendering the domain of specific intervention particularly perilous (Flyvbjerg, 2001)" (Gendron, 2018, p. 8). This leads many Foucauldian scholars to be "cautious about the role of researchers in the policy-making and prescriptive domain" (Gendron, 2018, p. 5), preferring to focus on the important task of revealing power relations.

¹ Foucault has declared that few people (excepting him), were aware of Gramsci's work.

The way power operates is rooted in place and history, meaning that constant work is required to keep up with all the changes taking place in different societies in order to understand the power dynamics within them. This can be time-consuming for academics, who might otherwise spend time acquiring influence in the public space and disseminating the knowledge the academic community has gained. It could, accordingly, be argued that the overuse of a Foucauldian theoretical lens has led some – though by no means all – critical accounting scholars to avoid taking any political action (political in the broadest sense). While it is important to study how power operates (as Gramsci also did), if we, as academics, devote all our time and energy just to unveiling these processes, there is no time left to disseminate this knowledge to an audience broader than our own community.

Disseminating knowledge beyond the academic community that goes against the hegemonic discourse, as brought to the fore in the thesis, is a difficult task. It requires many people to work actively to influence the common sense due to the imbalance of power (Irvine & Moerman, 2017). It could then be relevant to further reflect on the consequences of the domination of one theoretical lens over another, and on our community's contributions to society. We could also be more reflexive regarding the choice of our theoretical lens and be aware of whether it is part of a *philosophy of action* or a theory of power. Both perspectives are important. However, the overuse of one over the other could lead to a disequilibrium and loss of significance of our role as intellectuals in societies. I believe it is important to reflect on this topic with a community-based perspective, meaning that it is the responsibility of the community as a whole, not of every individual member, to work towards all of the community's objectives. In such a community, similarly to a society, each individual has a different role, depending on one's tastes, aspirations, and conditions of possibilities. For instance, one academic could work actively to expand the community of critical accounting researchers worldwide, while another will be more inclined to gain influence in the public sphere and to disseminate knowledge. However, I believe it is important to keep in mind what our community seeks to do, as inscribed in the initial project of *Critical Perspectives on Accounting*: “encourage *community-building* around other important issues such as critical accounting *interventions* and their potential, or ways to bring out more emancipatory perspectives on accounting” (Morales & Sponem, 2016, p. 1, *emphasis added*).

Limitations and Future Research

This thesis is only the beginning of a larger research program, and at this stage, several limitations can be identified. At the individual level, the study is limited in terms of understanding the lived experiences of individuals with debt. These experiences may vary depending on indebted individuals' social and economic backgrounds. As a result, much more research could be done on individual indebtedness, and the roles of accounting and auditing in the construction of the indebted individual. At the state level, more research is needed to better understand how debt is used to govern populations and, more importantly, what avenues for emancipation are possible. Chapter III proposed some alternatives for organic intellectuals to escape the trap of accounting complexity. However, future studies could go further and study the perceptions that populations have of counter-discourses on public debt in order to enrich our understanding of this issue.

Another limitation that deserves further study is the lack of detail on the concepts of 'good debt' and 'bad debt'. It seems important to continue this line of research on these two concepts that are invoked in both personal and public debt, and are grounded in the common sense. Chapter II refers indirectly to these two concepts as part of what the entrepreneur of the self must learn to distinguish, but without going into much detail. Chapter III and Chapter IV show that this distinction between a 'bad debt' and a 'good debt' can be interpreted in different ways. Chapter III shows how investments in tangible assets are considered 'good debt', while investments in intangible assets are rather considered 'bad debt'; this demonstrates that the difficulty in accounting for the benefits associated with intangible assets can affect the common sense regarding this distinction of 'bad' vs 'good' debt. Chapter IV, which details Ecuador's advantageous renegotiation of its external public debt, notably shows that what is qualified as a 'bad debt' changes depending on whether one wishes to reproduce the power structure or challenge it.

Another line of research concerning debt and accounting would be to study their relationship with religions. This issue was not addressed in the thesis, but was identified during the literature review as a relevant topic for a better understanding of the societies in which we live today. Debt has in fact been a major concern for the main religions. For instance, Catholics are prohibited from usury, while Jews are allowed to charge interest, but only to non-Jews (Soll, 2014). This latter Jewish religious law was useful to Christians in Venice in the 14th-15th centuries, and is at the

origin of the word ‘bank’, derived from the word ‘banch’ on which Jews sat in their ghetto when lending money to Christians (Soll, 2014). A restriction on usury is also included in the Koran.

The thesis also allowed me to delve deeper into a specific theme, which could, in the future, lead to the elaboration of an additional research paper, namely the link between emotions (or affect) and accounting (including auditing). The thesis, for instance, through the emotional closeness I established with interviewees, highlighted how emotions can come to compensate for, and be even more effective (and efficient) in obtaining desired behaviours than, investing time and resources in improved accounting and administrative processes. An article covering this theme could address the debate in the literature that tries to determine what comes first between the cognitive and the affective, and could argue that sometimes one falls into place while the other fades away, as also discussed in Chapter IV.

Following the work of this thesis, more research could also be undertaken on debt repudiation, especially in terms of historical research to better understand why and how debt repudiation was possible in the past and what makes it almost impossible today. This type of research could examine the roles of accounting and auditing both in making repudiation possible in certain (historical, geopolitical, etc.) contexts, and in making it unthinkable in others.

To conclude, in addition to the theoretical contributions to the accounting literature as highlighted in each paper, the research in this thesis addresses major social issues of our contemporary world, including indebtedness, refugees and migration, and emancipation/resistance. These issues have been studied by various disciplines, including accounting, but require further investigation within the accounting sphere if we are to better understand the stakes in these social and political issues, given the central place that accounting technologies and calculative practices occupy in today’s societies.

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