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POUND FOOLISH – Accounting's Role in Deinstitutionalisation.

A thesis submitted in fulfilment of the requirements for the award of the degree

PhD in Accounting

from

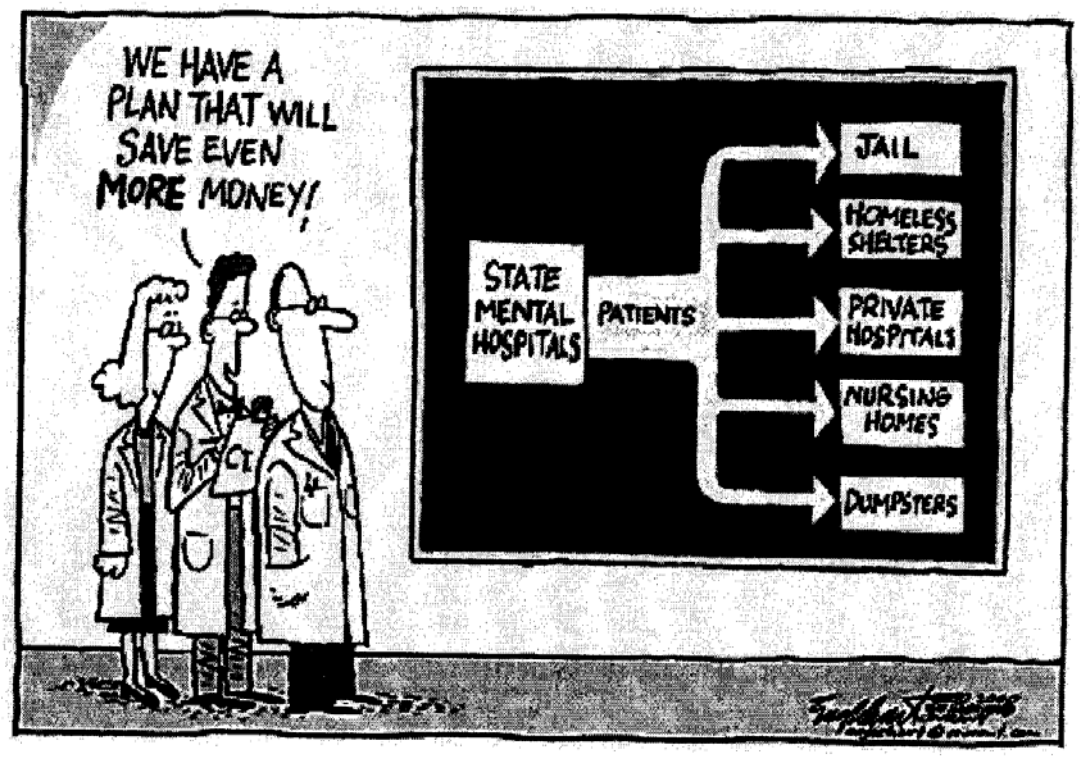
UNIVERSITY OF WOLLONGONG

by

Ciorstan Smark, BCom (hons)

Accounting and Finance 2002

POUND FOOLISH – Accounting's Role in Deinstitutionalisation.



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Dedication:
For my father, Peter, who I miss every day, and for my three mothers, Jan, Elisabeth and Elizabeth, who are wonderful.

Thesis Certification

I, Ciorstan Jan Smark, declare that this thesis, submitted in fulfilment of the requirements for the award of Doctor of Philosophy, in the Department of Accounting and Finance, University of Wollongong, is wholly my own work unless otherwise referenced or acknowledged. The document has not been submitted for qualifications at any other academic institution.

Ciorstan Jan Smark

21 November, 2002

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Abstract.

This thesis set out to examine two accounting questions. The first one was whether accounting had played a role in encouraging the shifting of costs between the government (particularly the State Government of New South Wales) and the following groups of people:

- People with mental illness
- Carers of people with mental illness
- Government institutions for health, jails, welfare and housing
- Non-government charitable institutions

The answer to this question was found to be that accounting had indeed played a role in the shifting of costs in this area. It had also played a role in making certain costs appear to be "real" and in causing other costs to disappear from view. The "Monetary" and "Entity" assumptions of accounting are particularly relevant here.

The second question explored in this thesis was, 'could accounting be used (acknowledging difficulties with quantification and identification of costs) as an analysis tool in the context of mental health in examining the issue of whether deinstitutionalisation from mental hospitals actually reduced costs. Or did it merely shift costs from one budget (government) to a wider budget (society)?"' The answer to this question was less clear cut. From a societal perspective, it seems that the costs of deciding to deinstitutionalise people from mental hospitals in the irresponsible and heartless way that it was done in New South Wales imposed vast and unfair burdens on the classes of people enumerated above. Whether the societal costs are the correct ones to be considered was found to be open to debate as was the potential usefulness of accounting in answering such questions.

Rationalist motivations were found to be overwhelmingly dominant when it came to the decision to pursue deinstitutionalisation as little more than dumping; but the rhetoric to go with the decisions was glibly humanitarian. From a narrow, accounting perspective, deinstitutionalisation was pursued in a very satisfactory manner. From the perspective of those most affected by the policy, and from an ethical viewpoint, deinstitutionalisation is argued to have had disastrous consequences for some of its "consumers" and to have been immoral.

What are the consequences of this sort of public policy analysis?

In the case of welfare providing social harmony through encouraging the people's allegiance to the state, the niggardly treatment of people with mental illness is perhaps a cause for concern. True, people with mental illness and their carers are a wise choice as targets for bad treatment – being amongst the most voiceless and powerless members of the community.

Where the state is endangering the social harmony aspect of welfare is that the "penny wise, pound foolish" treatment of people with mental illness seems to extend to a broader realm of government policy than just deinstitutionalisation. Society in general may risk alienation and unrest if the sort of narrow, unethical, accounting-based, economic rationalist decision making, so evident in deinstitutionalisation, spreads widely throughout areas of public policy.

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