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Abstract
Jeremy Bentham's (1748 – 1832) work while vast is generally considered to be based primarily on economics, law, social control, public administration and public interest. His most notable contributions are in the areas of utilitarianism, a moral theory where the correct action is one which produces the greatest amount of happiness or least amount of pain for the greatest number of people, and the use of a system of constant surveillance, panopticon, to internalise the desired behaviour of individuals. Bentham also made significant contributions to public sector financial accountability through his work on the principle of publicity where he outlined the need for "the doors of all public establishments … to be, thrown wide open to the body of the curious at large" (Bentham cited in Bowring 1843, p. 46). The purpose of this paper is to identify and examine the similarities of Bentham's work and the New Public Management practices currently influencing public sector financial reforms. The theoretical framework of this paper is shaped through a reflection of Bentham's work on utilitarianism, public administration, bookkeeping and publicity (reporting) and a review of the rationale behind the relatively recent New Public Management ideology which has driven many of the recent public sector financial reforms. The paper argues that many of today's public sector financial accountability processes and procedures associated with recent public sector financial reforms, which are based on New Public Management, reflect much of Bentham's work. For example the preparation of publicly available budget reports such as Portfolio Budget Statements, which contain the proposed annual expenditure of government departments and are used to assist in the discharge of public sector organisations' financial accountability, could be linked to Bentham's principle of publicity. The key finding of this paper is that research based on Bentham's work will improve the understanding of the recent New Public Management based public sector financial reforms.

Keywords
New Public Management, Public Sector Financial Accountability, Jeremy Bentham

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The influence of Jeremy Bentham on recent Public Sector Financial Reforms

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Abstract

Jeremy Bentham's (1748 – 1832) work while vast is generally considered to be based primarily on economics, law, social control, public administration and public interest. His most notable contributions are in the areas of utilitarianism, a moral theory where the correct action is one which produces the greatest amount of happiness or least amount of pain for the greatest number of people, and the use of a system of constant surveillance, panopticon, to internalise the desired behaviour of individuals. Bentham also made significant contributions to public sector financial accountability through his work on the principle of publicity where he outlined the need for "the doors of all public establishments … to be, thrown wide open to the body of the curious at large" (Bentham cited in Bowring 1843, p. 46). The purpose of this paper is to identify and examine the similarities of Bentham's work and the New Public Management practices currently influencing public sector financial reforms. The theoretical framework of this paper is shaped through a reflection of Bentham's work on utilitarianism, public administration, bookkeeping and publicity (reporting) and a review of the rationale behind the relatively recent New Public Management ideology which has driven many of the recent public sector financial reforms. The paper argues that many of today's public sector financial accountability processes and procedures associated with recent public sector financial reforms, which are based on New Public Management, reflect much of Bentham's work. For example the preparation of publicly available budget reports such as Portfolio Budget Statements, which contain the proposed annual expenditure of government departments and are used to assist in the discharge of public sector organisations' financial accountability, could be linked to Bentham's principle of publicity. The key finding of this paper is that research based on Bentham's work will improve the understanding of the recent New Public Management based public sector financial reforms.

Key words: New Public Management; Public Sector Financial Accountability; Jeremy Bentham;

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> *"[Double entry accounting] an almost universally unintelligible mode: what is the consequence [of its introduction into the public sector]? Answer – Exit Public Opinion: enter Darkness: such as that which forms the characteristic of absolute government" (Bentham cited in Bowring 1843, vol. 5, p. 384).*

INTRODUCTION

The public sectors in a number of countries, including the UK, Canada, New Zealand and Australia, since the mid 1980s, have undergone a succession of financial reforms with the stated objectives of improving the efficiency and effectiveness of government organisations whilst maintaining a focus on improving financial accountability. The major implication of these reforms is an

increased emphasis on management rather than on the administration of services (Jackson and Lapsley 2003, p. 359). Many of these reforms are seen to be governments' response to a number of "social, economic and technological pressures" (Hoque and Moll 2001, p. 305) to improve the sector's effectiveness, efficiency, responsiveness and to become more accountable (Guthrie 1998, p. 6; Hoque and Moll 2001, p. 305). A more blunt explanation is the general public perception of the public sector as inefficient, in comparison to the private sector, (Guthrie 1998, p. 2; Barton 2005, p. 138; Ball and Grubnic 2007, p. 248), as well as being unresponsive to the needs of the government and of the public. This perception follows from "an entrenched public scepticism towards 'big government'" (Ball and Grubnic 2007, p. 248). This has led to public sectors adopting a number of private sector processes and practices in the belief they would improve the operation of public sector organisations and inturn address some of the perceived weaknesses of the public sector. This adoption of private sector practices is often termed as New Public Management where the focus is not on the reason for the delivery of the government service but on the operational efficiency and effectiveness of the delivery. From this it can be concluded that one of the desired outcomes of New Public Management is improved public sector financial accountability.

The area of financial accountability was of great interest to Jeremy Bentham (1748 – 1832). Bentham was "the acknowledged leader of a group of social and political reformers known as the philosophical radicals that included among its number both John Mill and his more famous son John Stuart Mill" (Martin 1997, p. 272) and was considered "a prominent exemplar amongst … Enlightenment writers on administration and modern reformers concerned to engaged in practice" (Gallhofer and Haslam, 2003, p. 24). Bentham's work on a variety areas such as utilitarianism, surveillance and the principle of publicity were significant contributions to public sector financial accountability where he outlined the need for "the doors of all public establishments … to be, thrown wide open to the body of the curious at large" (Bentham cited in Bowring 1843, vol 4, p. 46).

This paper will review a number of relatively recent public sector reforms which are associated with New Public Management and will discuss whether or not they reflect some of the ideas Bentham explored and discussed. The reforms to be reviewed include the adoption of accrual accounting, different financial accountability processes, and the associated reporting mechanisms and requirements of these reforms.

The following section will review some of the work of Bentham such as his work on utilitarianism, the use of surveillance to internalise the desired behaviour of individuals and publicity [reporting], which are all directly relevant when examining New Public Management.

BENTHAM AND FINANCIAL PUBLIC SECTOR FINANCIAL ACCOUNTABILITY

Bentham's work while vast is generally considered to be based primarily on economics, law, social control, public administration and public interest. His most notable contributions are in the areas of utilitarianism, a moral theory where the correct action is one which produces the greatest amount of happiness or least amount of pain for the greatest number of people (Gaffikin, 2008), and the use of a system of constant surveillance to internalise the desired behaviour of individuals. Such is the importance and influence of Bentham's work that Martin (1997, p. 280) suggests the current modern welfare state can be linked back directly to Bentham and his thoughts on utilitarianism.

UTILITARIANISM

Utilitarianism is a term which does not appear to have one clear definition (Martin, 1997) rather it is a principle based on the notion that the correct action is one which results in the greatest good or happiness for the greatest number of people (Martin, 1997, p. 273; Fritzsche, 2005, p. 48; Gaffikin, 2008, p. 170). There are two broad areas of utilitarianism; rule-utilitarianism which is based on identifying the "best rule" (Mautner 2005, p. 543) and the best action which conforms with the best rule; and act-utilitarianism where "the value of the consequences of the particular act … counts when determining whether the act is right" (Mautner 2005, p. 6). Bentham's focus on utilitarianism was the moral worth of actions is determined solely by their consequences and as such is more appropriately defined as act-utilitarianism. From this brief explanation of utilitarianism it is possible to link the principle of utilitarianism to the notion of public interest which inturn is the rationale for improving the level of public sector financial accountability.

Bentham's thoughts on utilitarianism included the role of government and the legislation created by government

> "The public good ought to be the subject of the legislator; general utility ought to be the foundation of his reasonings. To know the true good of the community is what constitutes the science of legislation; the art consists in finding the means to realise that good" (Bentham 1789, p. 1).

To determine the 'true good of the community' Bentham considers the concept of utilitarianism as the required goal of government and inturn the goal of legislation. Utility, 'or interest of a community', according to Bentham is an "an abstract term" based on the notions of good and evil through recognition that "evil is pain, or the cause of pain' and that "good is pleasure, or the cause of pleasure" (Bentham 1789, p. 2). Utility is seen as the total sum of the happiness based on the presence of pleasure or the absence of pain, of the members of the community. It is important to realise this rather simplistic explanation of utility does not mean that Bentham thought we all should be running around only doing those things which made us happy, which would be "a revival of Epicureanism" (Bentham, 1789, p. 17), rather he encouraged detailed examination of the 'interest of the community' to be undertaken to evaluate utility. A more complete definition of utility suggests it can be identified with "happiness, preference satisfaction, welfare or a combination" (Mautner 2005, p. 638).

When Bentham (1789) discussed pleasures and pains he identified two categories: simple pleasures, such as pleasures of riches and good reputation, and simple pains, such as pains of mal-address and pains of bad dishonour. These two categories may be further broken down into four classes of pleasures and pain; physical; moral; political and religious. It is the knowledge of these classes of pains and pleasures, upon which legislation should be based – "the sole object of the legislator is to increase pleasure and to prevent pains; and for this purpose he ought to be well acquainted with their respective values" (Bentham, 1789, p. 27).

According to the principle of utility in every branch of the art of legislation, the object or end in view should be the production of the maximum happiness in a given time in the community in question (Bentham cited in Bowring 1843, vol 3, p. 33). This idea could be considered consistent with the ideological move in society in which greater levels of reporting equate to greater transparency which implies better accountability. This will be covered in more detail later in the paper.

The following section discusses Bentham's ideas on surveillance and the possible role of surveillance in society and the use of surveillance in the public sector.

ENCOURAGING ACCOUNTABILITY

To encourage and increase proper accountability Bentham discussed the use of his brother's (Samuel Bentham: 1757 – 1831) design of a panoptic prison in a variety of different settings. The basic idea behind the panoptic prison is that the desired behaviour of individuals can be internalised through a system of *possible* continuous surveillance. Jeremy spent considerable time describing, championing and promoting the value of the panopticon in a variety of environments, such as "prisons … work-houses, or manufacturories, mad-houses, or hospitals, or schools" (Bentham cited in Bowring 1843, vol 4, p. 40).

> "… the more constantly the persons to be inspected are under the eye of the person who should inspect them, the more-perfectly will the purpose of the establishment have been attained. Ideal perfection, if that were the object, would require that each person should actually be in that predicament, during every instant of time. This being impossible, the next thing to be wished for is, that, at every instant, seeing reason to believe as much, and not being able to satisfy himself to the contrary, he conceive himself to be so" (Bentham cited in Bowring 1843, vol 4, p. 40).

The value of the panopticon principle is that individuals are under a "constantly visible but unverifiable gaze" (Macintosh 1994, p. 228). This view is consistent with Bentham's view of the objectives of surveillance mechanisms "the persons to be inspected should always feel themselves as if under inspection, at least as standing a great chance of being so" (Bentham cited in Bowring 1843, vol 4, p. 44).

A current example of panoptic surveillance in the public sector is the role of parliamentary committees where the key components of the government's business and policy delivery accountability are reviewed. For example in Australia the parliament sends the bills that "appropriate money from the Consolidated Revenue Fund to provide funds for government and parliamentary expenditure" DOFA (2006) to a committee of senators for review. The senators on these committees [Estimates Committees] can directly question officers of the public service about a government organisation's proposed expenditure and the effectiveness and efficiency of current and proposed programs (Evans 2004). These committees are public committees which means members of the public are allowed to attend the committee hearings. To further increase the surveillance of these hearings the proceedings are streamed live via the internet. The final component of surveillance of these committee hearings is that official transcripts of these, and all other public committee hearings and parliamentary debates, are made widely and freely available. In the UK, Canada, New Zealand and Australia these official transcripts are referred to as Hansard documents which are the verbatim reports, transcripts, of parliamentary proceedings (APH 2009; CAP 2009; NZP 2009; and UKP 2009).

Another component of Bentham's work in relation to surveillance is on "forms of publicity – such as … official reports of parliamentary activity – [which] can facilitate greater openness and transparency in society" (Gallhofer and Haslam, 2003, p. 32). Following on from the above example of the Estimates Committee the committee members [Senators] have several sources from which to draw information to scrutinise the estimates and to formulate questions for the government organisation's officers and the responsible Minister. These include the public sector organisation's budget statements, their annual reports, the reports of the auditor-general, corporate plans and other budget statements (Evans, 2004; Senate Brief 5). The keeping and publishing of these reports could

also be considered a function of the panopticon. In relation to the management of various bodies Bentham stated

> "I will then require him to disclose, and even to print and publish his accounts, the whole process and detail of his management, … on pain of forfeiture or other adequate punishment, to publish these accounts, and that upon oath" (Bentham cited in Bowring 1843, vol 4, p. 48).

The following section will discuss the adoption of private sector practices by the public sector which in recent times has been termed as New Public Management.

ADOPTING PRIVATE SECTOR PRACTICES

The adoption of private sector practices by the public sector is not a new occurrence. In the early nineteenth century the British government examined and adopted one of the most significant private sector accounting practices, the double entry system of accounting. The move to adopt the double entry system which was also referred to as 'commercial' or 'Italian' method was seen as an attempt by the British public sector to improve their financial recording practices. Initially it could be assumed Bentham would be supportive of such a move, as surely the adoption of double entry accounting would improve financial accountability and disclosure, making the performance of the public sector more visible. However both he and his brother Samuel were quite vocally opposed to the move to adopt double entry accounting. Bentham's initial discussion focused around the introduction of the double entry – Italian method – which he explicitly described as unsuitable because he thought it actually reduced the transparency of the operations of government:

> "I protest on two grounds: - 1. That, instead of being conducive to, it is incompatible … of rendering the state of accounts in question more effectually and extensively understood. 2. That if introduced, it would of itself produce deterioration, to an unfathomable degree, in a form of government which assuredly stands not in need of any such change" (Bentham cited in Bowring 1843, vol. 5, p. 383).

So not only was Bentham concerned about the adoption of the double entry method he also believed it would not improve the utility of the public sector and be of no appropriate benefit to the community it served. In addition Jeremy was particularly passionate in his critique by suggesting the consequences of changing to the double entry

> "… whatsoever may be the advantage derivable from the [double entry] method, never can it compensate for the *evil* [emphasis added] inseparably attached to the unintelligibility of the phraseology" (Bentham cited in Bowring 1843, vol. 5, p. 383).

As discussed by Gallhofer and Haslam the Bentham brothers "were concerned about 'correcting' accounting 'in its language' … rendering accounting more comprehensive and clearer in the public realm" (1994, p.437). "Bentham was fascinated by what he believed was the ability of language to obfuscate and mystify the common place" (Martin, 1997, p. 273). It was through the use of language that Bentham believed "the Italian mode conceals the nature of transactions from many to whom the information would be of use, is a waste of time and keeps non-professional eyes in darkness while not affording additional light for the professional" (Gallhofer and Haslam 1994, p. 440).

The following section will review and discuss some of the financial reforms associated with New Public Management and the value of Bentham's work in assessing the value as well as the impact of these reforms.

NEW PUBLIC MANAGEMENT

It is important to acknowledge the value of the Benthams' critique when reviewing the ideological shift in today's public sector to that of New Public Management where the focus is on business [private sector] values such as cost-effectiveness (Hood 1991, p. 15) and operational rationality (Skalen 2004, p. 251) whilst placing the sector on a more business-like footing, fostering a more competitive environment and shifting the culture to one of managing for results (Boxall 1998, p. 18; Skalen 2004, p. 251). This implies New Public Management may be associated with "the pursuit of frugality … with an emphasis on cost cutting and doing more with less" (Hood 1991, pp. 15-16). This view is consistent with Bentham's ideas on public sector management.

> "In every department of the public service, good management has two perfectly distinguishable branches: the first peculiar to itself, being correspondent to the particular nature of the service: the other common to it, with all the others – this universally applying branch of good management is frugality. (Bentham cited in Bowring 1843, vol 3, p. 28)

One recent financial reform which is associated with New Public Management has been the adoption of accrual accounting by a number of countries as the method for identifying, recording and communicating the financial activities of their public sector organisations. In Australia the adoption of accrual accounting by the federal government was based on the assumption that accrual budgets would [better] match the flows of economic benefits over particular periods to the flows of economic costs

> " … accrual accounting would eliminate the distortions in the cash based budget deficit or surplus caused by asset sales and repayments of advances. … it [accrual budgeting] would also include asset depreciation and accruing employee costs such as superannuation in the measure. This would make the resulting budget result (deficit/surplus) more transparent than the existing (unadjusted) cash based result" (NCOA Chapter 9, 1996).

Barton explains that the private sector has been using accrual accounting for over 200 years, and one of the reasons for it continued use is that it has been able to meet the changing information needs of businesses (1999, p. 31). However the public sector does not have the same information needs as the private sector so why adopt accrual accounting? Is there really any value in recording and reporting on the level of depreciation, a unique characteristic of accrual accounting, of government assets, especially when government organisations receive the bulk of their funds from consolidated revenue? Would an Art Gallery or Museum be considered a 'better' organisation because of the perceived strength of their balance sheets due to the value of their assets as opposed to a public sector organisation such as a government organisation that focuses on the delivery of welfare support services and would only have minimal assets? This argument is consistent with Bentham's argument over two hundred years ago when the British public service adopted double entry method of accounting "it is incompatible … of rendering the state of accounts in question more effectually and extensively understood" (Bentham cited in Bowring 1843, vol. 5, p. 383).

One of the key outputs of the New Public Management reforms, such as accrual accounting, is the increased focus on the performance of public sector organisations (Boxall, 1998) and the transparency of their operations and performance. Under New Public Management reforms the level and volume of reporting has increased such as in publication of general purpose financial reports: balance sheets [Statements of Financial Position]; income statements [Statements of Financial Performance]; and cash flow statements, as well as more management accounting type reports such as balanced scorecards and

performance audit reports. However does this increase in reporting actually increase transparency or does it hide or disguise the information required by the public behind a labyrinth of distracting reports? Bentham was very clear about the need for the public sector to be transparent "the doors of all public establishments … to be, thrown wide open to the body of the curious at large" (Bentham cited in Bowring 1843, vol 4, p. 46), however he was equally aware "that official publications were very prone to capture" (Gallhofer and Haslam, 2003, p. 32). For example some specific information on government spending is now, under New Public Management, considered to be Commercial-In-Confidence which means the public sector organisation has determined that some information can not be released publicly due to commercial confidentiality issues. A recent example in Australia was in relation the leasing of a ship by one of the government agencies for the purpose of scientific research. Information in relation to the cost of the lease could not be released as it was considered to be Commercial-In-Confidence and yet the public sector organisation was using taxpayer funds. The question then is does more public sector reporting associated with New Public Management reforms actually increase transparency or does it provide government an opportunity to capture the information for the benefit of others groups, such as industry, rather than the community at large. This was a concern of Bentham's as he argued that "publicity [reporting] could help people make good decisions" (Gallhofer and Haslam, 2003, p. 43). Would withholding information due to Commercial-In-Confidence allow people to make good decisions such as re-electing a government which is charged with the stewardship of providing the required public services and goods? "Bentham advocated openness [transparency] to as many people as possible so that governance would come to operate in the general interest" (Gallhofer and Haslam, 2003, p. 43), yet the adoption of private sector practices has not necessarily increased transparency.

CONCLUSION

Whether or not New Public Management is actually only a relatively recent ideological shift in public sector management or an old ideology promoted by new influential and active supporters or 'middle-aged' as considered by Hood and Peters (2004), or as considered by some to have "essentially died in the water" (Dunleavy *et al* 2005, p. 468), the impact and influence of New Public Management will be long lasting. While the initial reasons, on the surface, for adopting New Public Management based reforms are relatively sound [logical], increased performance and transparency, the types of processes and practices implemented will no doubt change. The adoption of private sector practices will continue to prevail as long as the private sector practices are seen as having the supposable desirable qualities [efficiency and effectiveness] that the public sector should seek to adopt. These practices will be identified as New Public Management matures and as these practices are adopted there will be more "unintended and unexpected outcomes and developments" (Hood and Peters 2004, p. 269), paradoxes, which become apparent. One of the recent unintended developments from the adoption of private sector practices is the plethora of reports produced which instead of increasing transparency actually mask the information required by decision makers external to the public sector. This is contrary to Bentham's reason, increased transparency and accountability, for suggesting "I will then require him to disclose, … and publish his accounts, the whole process" (Bentham cited in Bowring 1843, vol 4, p. 48). Another paradox is due to the drive to make the public sector more business-like, fostering a competitive environment and shifting the public sector culture to one of managing for results (Boxall 1998, p. 18; Skalen 2004, p. 251) which has led to the use of Commercial-in-Confidence to limit the amount and type of relevant information required by government to effectively discharge its financial accountability.

Bentham also made significant contributions to public sector financial accountability and much of his work is reflected in today's processes and procedures of ensuring and discharging public sector financial accountability. The key finding of this paper is that research based on Bentham's work will improve the understanding of the New Public Management based public sector financial reforms. Gallhofer and Haslam suggest "Bentham's vision continues to constitute an unrealised positive potential for an accounting that would be emancipatory today" (2003, p. 23). This finding indicates that a more thorough study of Bentham's work may lead to better evaluations of the recent public sector financial reforms and inturn could influence the development of appropriate public sector reforms in the future.

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