

## A Habermasian Approach to the Analysis of Globalisation Processes

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### ABSTRACT

*While the topic of globalisation has been widely discussed in both the academic and popular literatures, there has also been a growing body of work in the accounting literature which has analyzed the challenges and problems posed by globalisation. Many of these articles have been critical of the neo-liberal policies that have resulted in adverse consequences for people living in less developed countries; in particular, the policies and practices of transnational organizations like the World Bank, the International Monetary Fund and the World Trade Organization. This paper addresses the topic of globalisation from a somewhat different perspective. We employ a theoretical and methodological framework adapted from Jürgen Habermas to formulate certain constative statements about the topic of globalisation. This effort is seen as a first step towards developing a better understanding about globalisation.*

**Keywords:** globalisation, Habermas, World Bank, accounting research, neo-liberalism

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## **Introduction**

In recent years, that has been a growing body of work in the accounting literature which analyzes the challenges and problems posed by globalisation. Many of these articles have been critical of neo-liberal policies which have resulted in adverse consequences for people living in less developed countries; in particular, the policies and practices of transnational organizations like the World Bank, the International Monetary Fund and the World Trade Organization. In this paper we address the topic of globalisation from a somewhat different perspective. We employ a theoretical and methodological framework adapted from Jürgen Habermas to formulate certain constative statements about the topic of globalisation. This effort is seen as a first step towards developing a better understanding about globalisation processes.

The paper proceeds as follows. In Section 2, several recent views about globalisation which have appeared in the published works of Habermas are briefly summarized. In Section 3, an outline of Habermas' theoretical and methodological approach to communicative action and discourse ethics is presented. Section 4 discusses several recent accounts about globalisation that have appeared in the accounting literature. Section 5 discusses several accounts of globalisation which criticize the roles of transnational organizations like as the World Bank. A final section summarizes the paper and assesses prospects for developing a better understanding about globalisation processes.

### **Habermas' contributions to the globalisation debate**

The work of Jürgen Habermas has been employed in various ways in the accounting literature. See for example: Laughlin (1987), Arrington & Puxty (1991), Broadbent et al. (1991), Power & Laughlin (1992), Chua & Degeling (1993), Laughlin & Broadbent (1993), Power & Laughlin (1996), Yuthas & Dillard (2002) and Broadbent & Laughlin (2005). Most of these authors focus on Habermas' theory of communicative action and his ideas about ideal speech communities. Habermas' views about globalisation have not been adequately addressed in the accounting literature up to this point.

With respect to globalisation, Habermas makes the following observations:

*"The international economic system, in which states draw the borderline between the domestic economy and foreign trade relations, is being metamorphosed into a transnational economy in the wake of the*

*'globalisation' of markets. Especially relevant here are the acceleration of worldwide capital flows and the imperative assessment of national economic conditions by globally interlinked capital markets. These factors explain why states no longer constitute nodes endowing the worldwide network of commercial relations with the structure of interstate or international relations. Today, it is rather states which are embedded within markets than national economies which are embedded within the boundaries of states (Habermas, 2000: 52).*

He has also argued:

*"To what extent the logic of the market system should be 'turned loose,' where and in what framework the market should 'rule'; are ultimately questions, which, in a modern society, should be left to deliberative politics to decide. This sounds like voluntarism because this is a normative proposal, which cannot be put into practice in a national context. However, the attempt to resolve the dilemma between disarming welfare-state democracy or rearming the nation state leads us to look to larger political units and transnational organizations that could compensate for the nation state's functional losses in a way which need not snap the chain of democratic legitimation" (Habermas, 2000: 55).*

He advocates the creation of:

*"a reformed international organization to develop within the present loosely woven net of transnational regimes, so as to enable a global domestic politics to emerge in the absence of a global government. A politics of that kind would have to be conducted with a view to bringing about harmonization. The long-term aim would be the gradual elimination of the social divisions and stratification of world society, without prejudice to cultural specificity" (Habermas, 2000: 57).*

Finally, he observes that:

*"The correct solution to the problem of power politics is not the demoralization of politics, but rather the democratic transformation of morality into a positive system of law with legal procedures of application and implementation. Fundamentalism about human rights is to be avoided not by giving up on the politics of human rights, but rather through the cosmopolitan transformation of the state of nature among states into a legal order" (Habermas, 1997: 149).*

What Habermas contends is that there is an important role for transnational organizations in promoting democracy and increasing the welfare of people on a global basis. He points to the example of the European Union as a model for promoting what he calls a 'global domestic politics' (Habermas, 2000). He sees this as a 'middle way' between a total rejection of globalisation and a total submission to unregulated market forces. The way forward, as Habermas sees it, is to be found in the creation of transnational organizations that can develop a global domestic politics in order to ensure democracy and social welfare on a global basis. He recognizes that these are "normative proposals which cannot be put into place in a national context." Nevertheless, he feels that it is necessary to encourage further dialogue about these ideas in hopes of achieving a peaceful solution to difficult social problems. Habermas' views about globalisation are consistent with his formulations seeking peaceful solutions to social problems through communicative action and discourse ethics (Habermas, 1974, 1984, 1990, 1993).

### **Habermas' theoretical framework**

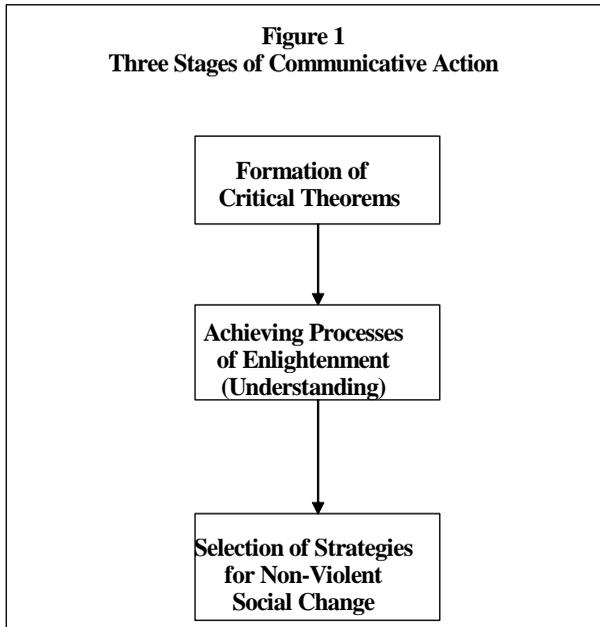
Habermas is best known for developing a theoretical framework involving three interrelated constructs: '*life-world*', '*systems*', and '*language decentration*' (Habermas, 1984; Giddens, 1982; Laughlin, 1987). The '*life-world*' encompasses the realm of everyday social reality, which is constituted and re-constituted by the culture, values, habits and myths of a particular social group (e.g. nation-state; community; ethnic or racial group; institution or organization). Distinct from the life-world, are '*systems*', which are the organizing and operating procedures of organizations and institutions which guide and direct human behaviour in social settings (e.g. laws and regulations; religious precepts; values imparted in schools and universities; operating procedures of organizations and institutions). The third aspect of social evolution, '*language decentration*', involves what Habermas argues is the ability of human beings to deal with complexity in the life-world and in the systems that control the life-world (Laughlin, 1987).

Habermas maintains that human beings have developed a capacity "for coping with the external world, the social world and the world of inner subjectivity" (Laughlin, 1987: 486; Giddens, 1982: 323). When individuals learn to successfully differentiate and integrate the requirements of the external world (thereby achieving technical competence), and the social world (achieving social competence), and the personal world (achieving emotional competence) then social progress can take place. When there is an imbalance between the technical, the social, and the psychological, problems

occur. Habermas maintains that technical competence has overpowered social competence in the current societies of Europe, North American and Japan (i.e. '*colonization of the life-world*', Laughlin, 1987: 486). He maintains that sustainable development can occur only if there is a re-assertion of the social over the technical, and that this re-assertion can be best accomplished through the use of a methodology focusing on communicative action and discourse ethics.

### **Habermas' methodological approach**

Habermas' methodological approach concentrates on improving the ability of human beings to manage relationships between the external world, the social world and the personal world (Laughlin, 1987: 487). In *Theory and Practice*, Habermas (1974) delineates three methodological stages, namely: '*formulation of critical theorems*', '*processes of enlightenment (or understanding)*', and '*selection of strategies (for non-violent social change)*'. Each of these stages has the purpose of achieving a better understanding of the relationships between the social and technical aspects of social phenomena and re-asserting the dominance of the social over the technical (see Figure 1).



**Figure 1: Three Stages of Communicative Action. Adapted from Laughlin (1987: 488).**

## The formulation of critical theorems

The formulation of critical theorems begins at a point where there is little or no information about a particular social phenomenon (*'quasi-ignorance'*). There may be partial knowledge about tangible features of the social setting, but it is unlikely there will be sufficient understanding of the history of the systems and the constraints that these factors impose (i.e. *'the steering media of the systems'*, Laughlin, 1987: 491). To move from a state of *'quasi-ignorance'* towards understanding (*'enlightenment'*), it is necessary to develop critical theorems about the social setting (see Figure 2).

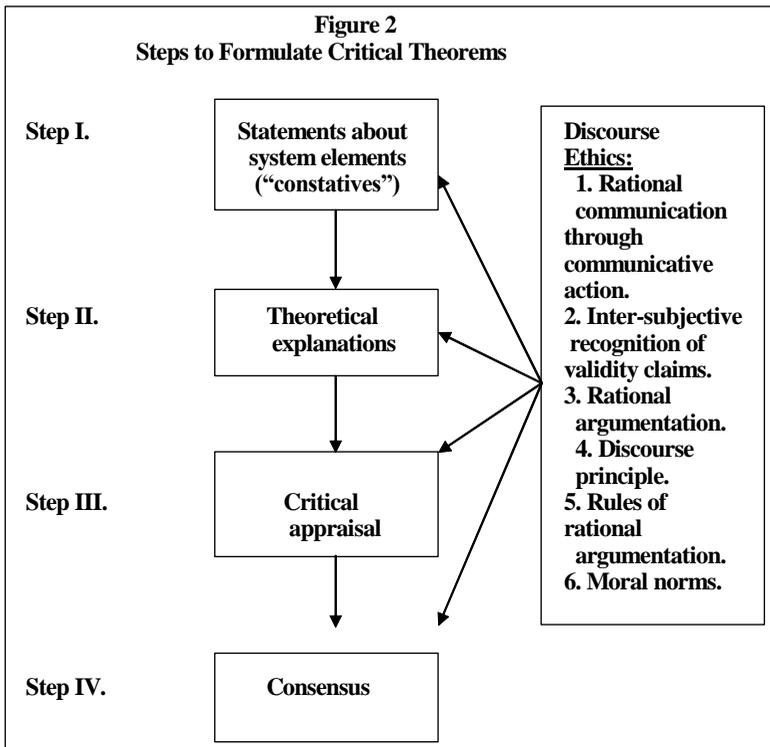


Figure 2: Steps to Formulate Critical Theorems. Adapted from Laughlin (1987) & Kelly (2000).

The formulation of critical theorems begins with participants in a social discourse advancing statements about the elements of the system (see Figure 2, Step 1). Borrowing from Austin (1962), Habermas refers to these statements as *'constatives'* (i.e. statements that impart information about a body of facts or set of circumstances). In the second step, participants offer

theoretical explanations pertaining to the social, historical and cultural roots of the constative statements (Figure 2, Step II). These theoretical explanations require support in the form of logical arguments and empirical evidence in order to convince discourse participants about the validity of the theoretical explanations. If the theoretical explanations gain acceptance, they must be critically appraised (Figure 2, Step III; Laughlin, 1987: 493). The ultimate purpose of formulating critical theorems is to reach a consensus leading to understanding (i.e. '*enlightenment*'); Figure 2, Step IV).

## **Discourse ethics**

Habermas argues that participants in a discourse must agree to observe certain procedural guidelines, which he refers to as '*discourse ethics*'. Figure 2 provides a brief list of the primary elements of discourse ethics. "Discourse ethics claims that there is a set of norms that is presupposed by rational communication. The idea is that we commit ourselves to advancing arguments that conform to these norms, if called upon to do so, insofar as we engage in the activity of rationally communicating with other people" (Kelly, 2000: 225).

Habermas believes that rational communication has a practical purpose, which is to coordinate the action plans of several actors. Communicative action takes place "when actors are prepared to harmonize their plans of actions through internal means, committing themselves to pursuing their goals only on the condition of agreement about the definitions of the situation and the prospective outcomes" (see Figure 2; Habermas, 1990: 134). The goal of communicative action is to reach a mutually acceptable agreement among discourse participants which will harmonize their actions plans. Communicative action is contrasted with '*strategic action*', where the goal is to achieve success by overcoming another actor's position (Kelly, 2000: 226).

Habermas maintains that when we want another person to understand us, we are trying to establish a relationship with that person that depends upon their acceptance of the validity of our statements. Thus, there is need for inter-subjective recognition of validity claims (Habermas, 1990: 58). Communicative action requires the possibility of rational argumentation.

*"The rationality proper to the communicative practice of everyday life points to the practice of argumentation as a court of appeal that makes it possible to continue communicative action with other means when*

*disagreements can no longer be repaired with everyday routines and yet are not to be settled by the direct or implied use of force” (Habermas, 1984: 18).*

Habermas notes that citizens of modern, pluralistic societies “find themselves embroiled in global and domestic conflicts in need of regulation” (Habermas, 1998). These citizens would like their conflicts to be resolved in a rational manner, but the shared ethos that may have previously allowed conflict resolution has disintegrated. Discourse ethics tries to move us away from the content of the disagreement towards a discourse principle which is summarized in the following way: “Only those norms can claim to be valid that meet with the approval of all affected in their capacity as participants in a practical discourse” (Habermas, 1990; Kelly, 2000: 228).

Habermas asserts that rational argumentation necessitates the observation of certain principles, including: freedom of access to the discourse; equal rights to participate; truthfulness on the part of participants; and the absence of coercion in reaching positions (Habermas, 1993; Kelly, 2000: 229). Finally, he argues that: “A norm is valid when the foreseeable consequences and side effects of its general observance for the interests of each individual could be jointly accepted by all concerned without coercion” (Habermas, 1998). In other words, the interests of each person are morally important. Thus, moral norms are not based on self-interested bargaining and compromise, but rather they involve a consensus that participants consider fair and in the best interests of all concerned (Kelly, 2000: 231).

The above-described summary of discourse ethics is complex and difficult to apply in practice. However, our argument is that by engaging in a process of developing constative statements we may be able to obtain a better understanding about processes of globalisation. The remainder of this paper seeks to contribute to the analysis of globalisation in the accounting literature by using a form of discourse ethics. Towards that end, the following section discusses several accounts of globalisation that have appeared recently in the accounting literature.

### **Accounts about globalisation**

This section discusses three accounts about globalisation that have appeared recently in the accounting literature. It is not claimed that these accounts constitute a comprehensive treatment of globalisation. The purpose is to discuss several different accounts in order to obtain a better understanding about globalisation. In accordance with Habermas’ methodology, there is first an identification of the constative statements put forth by the author(s),

and then a summary of the theoretical explanation(s) pertaining to the constative statements. A discussion of the constative statements, and their theoretical explanations, is then be presented. Habermas suggests that this discussion should take the form of a critical appraisal. The goal is to obtain a better understanding about process of globalisation through an analysis of the constative statements appearing in the accounting literature.

### **Professional groups and supranational agents**

Caramanis (2002: 382) has addressed the topic of globalisation in the following way:

*“Globalisation’, however, is not a stable signifier. Giddens defined it as a process of increasing interconnectedness between societies in a dialectical fashion such that events in one part of the world more and more have effects on peoples and societies far away and vice versa (Giddens, 1990: 64). It is frequently asserted that ‘globalisation’ affects every aspect of life – economy, politics, culture and society – although some commentators question its very existence (Hirst and Thompson, 1992, 1995, 1996), while others predict dire consequences if the attempt to impose it on the world were successful (Gray, 1998)”.*

In this quotation, Caramanis offers several constative statements. He states that globalisation is a non-stable signifier, thereby implying that it is difficult to define the term ‘globalisation’, as well as the underlying social phenomenon that it represents. The difficulty faced in defining the term globalisation has been noted by other authors (Hirst and Thompson, 1996; Neu et al., 2000). Caramanis’ also describes “the interconnectedness of national politics with regional and global forces and the implications of this interaction for the regulation of the accounting profession and the state-profession relationship.” Consequently, a second aspect of Caramanis’ constative statement involves the assertion that large international accounting firms have “mobilized powerful international political-economic actors to overcome the resistance of local players and weaker nation-states to the imposition of a neo-liberal agenda” (Caramanis, 2002: 380). Caramanis’ account of globalisation also presents a theoretical explanation pertaining to his constative statements, arguing that: “neo-liberal forces have created a hegemonic presence which imposes unwanted and undesirable globalisation processes on weak and less powerful countries throughout the world.”

Having noted Caramanis’ constative statements, along with the theoretical explanations he offers pertaining to these constative statements, the next step is to critically discuss these constative statements. Interestingly,

Caramanis has engaged in a sort of self-dialogue regarding his own constative statements by writing a subsequent paper in which he concluded that: “multiple social, economic and political actors with overlapping or differing interest interact with one another. The end result is that historical development is read as a fluid process whose outcome appears uncertain.” (Caramanis, 2005). The second paper presents a more complex theoretical explanation about the constative statements appearing in the first paper. Caramanis’ approach is therefore consistent with Habermas’ suggestions concerning the development of critical theorems. Discourse participants are invited to present constative statements which describe the social system and then to offer theoretical explanations about to their constative statements. The theoretical explanations must be critically appraised through an iterative process. The ultimate objective is to achieve a better understanding about the social system. In these two papers, Caramanis advanced the analysis of processes of globalisation by noting both the importance of neo-liberal forces as well the existence of multiple actors with overlapping and different agendas, thus implying that neo-liberal forces are not the only actors in globalisation. The complexity of globalisation is therefore revealed through the constative statements and theoretical explanations offered by Caramanis’ work.

### **Globalisation and the state-profession relationship**

In another account of globalisation, Arnold and Sikka (2001: 475), indicated that:

*“Globalisation is associated with the growing mobility of goods, services, commodities, information, people and communications across national frontiers. Its intensification is most visible in banking and finance where, with the aid of information technology, global stock markets, futures, debt, derivatives and interest rate swaps have accelerated the geographical mobility of capital, money and credit supply”..*

Arnold and Sikka’s account about globalisation offers several constative statements which describe globalisation as a series of rapid movements of capital and other commodities around the world in an unregulated manner. Their paper contributes to the analysis of globalisation by examining the events surrounding the bankruptcy of the Bank of Credit and Commercial International (BCCI). They focus on the role of bank regulators and their reliance on audit technologies. Arnold and Sikka argue that “while major Western states remain important players in the regulation of global business, the nation-state’s capacity to regulate global enterprises is compromised by

history, domestic concerns and relationships with class and capitalist interests rather than by globalisation per se" (Arnold and Sikka, 2001: 475).

Arnold and Sikka's account suggests that domestic concerns and class divisions within nation-states play an important role in processes of globalisation. In addition, the authors indicate the possibility of rational argumentation as a procedure for conflict resolution:

*"Making the regulatory process more open generally could arguably advance the interest of bank depositors and citizens. Requiring auditors to embrace wider social accountability and a duty of care to individual audit stakeholders could also advance these interests" (Arnold and Sikka, 200: 491).*

In essence, Arnold and Sikka are suggesting that encouraging dialogue about constative statements may lead to improved theoretical explanations. For example, an increase in the level of regulation of banking and auditing practices may be one response to the problems posed by the growth of transnational organizations and the rapid movements of capital. The challenge would be to identify effective multi-national, regulatory strategies to control activities that are harmful and disruptive. The dialogue should then focus on solutions rather than concentrating on problem definition. In this manner, the Habermasian theoretical framework may lead to peaceful conflict resolution.

### **Globalisation and nationalism in a multinational accounting firm**

In a third account of globalisation, Cooper et al. (1998) addressed globalisation in the following way:

*"There is much talk about the globalisation of economic life and there is little doubt that the large accounting firms both contribute to the possibilities of globalisation and, at the same time, exemplify globalisation processes at work in large organizations. Capital would seem to move relatively effortlessly around the world, seeking out profitable investment opportunities, and leaving nations and communities to celebrate or despair as a result" (Cooper et al., 1998: 531).*

Cooper et al.'s account describes how a large international accounting firm established an accounting practice in the Russian Federation after the fall of the Soviet Union. "This case presents issues of national pride, national stereotyping, constructing managerial identities and political decision

processes in a story of an emergent global strategy” (Cooper et al., 1998: 531). Cooper et al. advance a theoretical explanation about their constative statement which reflects “important implications for national public policies in relation to (accounting) firms. The issues (raised) are crucial in the emerging economies of Africa, Asia and Eastern Europe, where the spread of global capitalism is still open for debate” (Cooper et al., 1998: 531). Cooper et al.’s account provides rich evidence about the complexities of globalisation, including an intriguing description of the interaction between nationalism and economic imperialism.

While Cooper et al. argue that there has been a complicity of neo-liberal forces in facilitating processes of globalisation they also indicate that national pride, national stereotyping, managerial identities and political decisions play a significant role in globalisation processes. They raise a question whether neo-liberal ideologies impose market liberalization on developing countries, or whether less developed countries adopt such policies for their own reasons. The authors make a distinction between “the formal imperialism of rule and the informal imperialism of influence.” Encouraging further critical discussion about this point is useful, because as Habermas suggests, while enlightened political will can act to prevent the imposition of unwanted neo-liberal policies through the exercise of the democratic rule of law, when processes of globalisation are maintained through the political will of leaders in developing countries, it may be difficult to control such processes.

### **Constative statements about globalisation**

A certain similarity can be noted among the constative statements advanced in the accounting literature about processes of globalisation. There is a common thread running through these accounts regarding an imbalance and unfairness in globalisation processes, with less developed countries being adversely affected by such processes. At the same time, the theoretical explanations offered with respect to these constative statements range from ones which argue that the imbalance derives from the imposition of unwanted neo-liberal policies to other explanations which suggest that there has been a desire on the part of less developed countries to encourage such policies in their own interests.

In this regard, Habermas’ descriptions about globalisation, as quoted in Section 2 of this paper, may be usefully compared with the constative statements advanced by Arnold and Sikka (2001) concerning the acceleration of worldwide capital flows through globally interlinked capital markets. In

effect, Arnold and Sikka's constative statements about the adverse impacts on national economies caused by rapid movements of capital may be explained by the growth of unregulated, globally interlinked capital markets. A critical discussion of these constative statements would then lead to a discussion whether globally interlinked capital markets can be democratically controlled in order to prevent such adverse impacts (Habermas, 2000). This is where a transnational governmental organization becomes necessary.

In comparison, the constative statements of Caramanis and Cooper et al. concerning the negative impacts of globalisation on local accountancy bodies is supported by the theoretical explanation that neo-liberal ideologies have been imposed on such bodies. Critical discussion regarding the imposition of neo-liberal ideologies would then consider whether this explanation is complete given the apparent efforts by political actors in certain countries to increase participation in global markets (Lind, 2003; Taylor, 2002; Wei and Wu, 2001; IMF, 1997; Hirst and Thompson, 1996). While it may be valid to advance the theoretical explanation that processes of globalisation have been fostered by globally interlinked capital markets, this theoretical explanation must be subjected to further critical appraisal in order to address how and why globally interlinked capital markets have developed through time, and whether neo-liberal ideologies have caused the emergence of such markets, or whether certain other causes (e.g. increased global trade, globalized information technologies like the Internet, and national aspirations for economic development) may have contributed to the development of globalized markets independently of neo-liberal ideologies. Thus, a critical analysis of the constative statements and their related theoretical explanations leads to a more complex understanding of processes of globalisation.

### **Examining the role of transnational organizations in processes of globalisation**

Accounts about globalisation in the accounting literature have frequently argued that transnational organizations like the World Bank, the IMF and the WTO have been complicit in processes of globalisation in ways that are detrimental to people living in less developed countries (see for example: Annisette, 2004; Uddin and Hopper, 2003; Neu et al., 2002; Neu & Gomez, 2006). The International Bank for Reconstruction and Development (IBRD), generally known as the World Bank, was established in 1944 for the purpose of facilitating the recovery of the world economy after World War II. Currently, the World Bank's activities include the provision of loans, guarantees and technical assistance for economic development projects in

countries that are members of the Bank (World Bank, 2007). From 1944 through 2006, the Bank disbursed over \$400 billion in loans to over 130 countries (World Bank, 2007). Table 1 shows a list of the kinds of development projects in which the Bank has been engaged.

<b>World Bank Development Projects</b>	
Agriculture and Rural Development <ul style="list-style-type: none"> <li>• Commodity Risk Management</li> <li>• Forests</li> <li>• Land Policy</li> </ul>	Law and Justice <ul style="list-style-type: none"> <li>• Environmental</li> <li>• Insolvency</li> <li>• Legal and Judicial</li> </ul>
AIDS <ul style="list-style-type: none"> <li>• Africa</li> <li>• South Asia</li> </ul>	Macroeconomics and Growth <ul style="list-style-type: none"> <li>• Monetary Policy</li> <li>• Fiscal Policy</li> </ul>
Anti-Corruption <ul style="list-style-type: none"> <li>• Strategy</li> <li>• Investigations</li> </ul>	Mining <ul style="list-style-type: none"> <li>• Environment</li> <li>• Closures</li> </ul>
Debt Relief for Heavily Indebted Poor Countries	Community Driven Development
Education and Training <ul style="list-style-type: none"> <li>• Early Childhood</li> <li>• Girls</li> <li>• Digital Divide</li> </ul>	Poverty <ul style="list-style-type: none"> <li>• Inequality</li> <li>• Empowerment</li> </ul>
Energy <ul style="list-style-type: none"> <li>• Oil and Gas</li> <li>• Markets and Reform.</li> </ul>	Private Sector Development <ul style="list-style-type: none"> <li>• Corporate Governance</li> <li>• Privatization</li> </ul>
Environment <ul style="list-style-type: none"> <li>• Biodiversity</li> <li>• Climate Change</li> </ul>	Social Development <ul style="list-style-type: none"> <li>• Social Safeguard Policies</li> <li>• Conflict Prevention</li> </ul>
Financial Sector <ul style="list-style-type: none"> <li>• Banking Systems</li> <li>• Capital Markets</li> <li>• Payment Systems</li> </ul>	Social Protection and Labor <ul style="list-style-type: none"> <li>• Child Labor</li> <li>• Pensions</li> <li>• Safety Nets</li> </ul>
Gender and Development	Sustainable Development <ul style="list-style-type: none"> <li>• Environment</li> <li>• Rural Protection</li> </ul>
Governance and Public Sector Reform <ul style="list-style-type: none"> <li>• Decentralization</li> <li>• Tax Policy</li> </ul>	Trade <ul style="list-style-type: none"> <li>• Competition</li> <li>• Standards</li> </ul>

Health, Nutrition and Population <ul style="list-style-type: none"> <li>• Malaria</li> <li>• Safe Motherhood</li> </ul>	Transport <ul style="list-style-type: none"> <li>• Ports</li> <li>• Railways</li> <li>• Roads</li> </ul>
Information and Communication Technologies <ul style="list-style-type: none"> <li>• Internet</li> <li>• Telecommunications</li> </ul>	Urban Development <ul style="list-style-type: none"> <li>• Disaster Management</li> <li>• Municipal Finance</li> </ul>
Infrastructure Development	Water Resources Management <ul style="list-style-type: none"> <li>• Dams</li> <li>• Watershed Management</li> </ul>
Knowledge Sharing	Water Supply and Sanitation

**Table 1: World Bank Development Projects (Source: <http://www.worldbank.org/html/extdr/thematic.htm>)**

The World Bank describes itself as follows:

*“The World Bank Group is one of the world’s largest sources of development assistance. In fiscal year 2006, the institution provided more than US\$14 billion in loans to its client countries. It works in more than 100 developing economies with the primary focus of helping the poorest people and the poorest countries” (World Bank, 2007).*

Contrasting accounts of the World Bank contest this description. For example, in a document prepared for the *Organizing Committee for the World Social Forum* in Porto Alegre, Brazil in January 2002, Betto and Löwy (2002) offered this description of the World Bank:

*“An imperial dictatorship- under the economic, political and military hegemony of the United States, the only global superpower- which hides itself behind anonymous and blind ‘laws of the market,’ whose global power is well superior to that of the Roman Empire or the colonial empires of the past. A dictatorship exercised under the logic of capital, which is imposed with the aide of institutions that are profoundly undemocratic like the IMF and the World Bank and maintained under the menace of the their military arm (NATO)”..*

Clearly, these are contrasting views of the role of the World Bank in processes of globalisation. In order to encourage further discussion about the

World Bank's role, the following sections will discuss three accounts about the Bank that have appeared recently in the accounting literature.

### **Facilitating processes of globalisation**

Neu et al. (2002) argue that World Bank is a 'coordinating' agency for the imposition of 'best practices' of economic development. They also advance a theoretical explanation about this constative statement arguing that understanding globalisation processes requires thinking about globalisation within specific institutional fields. While they acknowledge the existence of different discourses about globalisation, they suggest that these discourses mask our understanding of globalisation, because they "erase, homogenize and universalize such processes," thereby distracting attention from the role of specific institutions in facilitating globalisation. Thus, Neu et al.'s emphasis is on the hegemonic or leadership role of the World Bank. At the same time, the 'best practices' fostered by the Bank are seen as problematic in many cases.

Neu et al.'s account also evaluates the extent to which the objectives of the Bank have been achieved in practice. The authors creatively employ a theoretical framework adapted from Bourdieu (1997) in order to make this evaluation. They advance the constative statement that the World Bank utilizes economic, social and symbolic capital in order to encourage the spread of best practices. In the empirical setting they examined, this did not involve capitalist institutions, but instead involved public institutions of higher education. Neu et al. usefully linked their work with others who have looked at the role of transnational organizations in fostering processes of globalisation. A critical analysis of the constative statements and theoretical explanations offered by Neu et al. leads to the conclusion that their work constitutes an important contribution towards developing a better understanding of the World Bank's role in processes of globalisation.

### **The ethics of World Bank lending**

In a more recent study, Neu & Gomez (2006) looked at the ethics of World Bank lending. In this latter study the authors examined the linkages among the social responsibility visions of the Bank, the social responsibility requirements that are contained in Bank lending agreements, and what happens when these requirements are implemented. Their analysis highlights not only the ways in which World Bank practices facilitate social responsibility, but also the ambiguities and tensions associated with these practices. Discussions about the effects of transnational organizations on

globalisation processes often focus on the question whether the impact of such organizations on the developing world is positive or whether their activities are merely a new form of economic imperialism. Neu & Gomez's article proposes that such questions can only be answered by examining the field-specific consequences associated with World Bank involvement. As their analysis highlights, how social responsibility is envisioned, as well as the accounting technologies that are used to implant social responsibility, are directly related to the actual practices that the Bank is trying to encourage. Thus, their study suggests the importance of requiring not only social responsibility on the part of borrower governments but also social responsibility on the part of supranational organizations. Again, a critical discussion of this constative statement and theoretical explanation leads to a proposal for a transnational governmental organization which can function in a democratic manner.

### **Accounting for privatization in Bangladesh**

In another account about the World Bank's role in globalisation processes, Uddin & Hopper (2003) stated that "the World Bank and the IMF have encouraged many less developed countries to pursue privatization policies" and that the performance of privatized enterprises in countries like Bangladesh has been no better after privatization than it was before privatization (Uddin & Hopper, 2003: 740). Uddin & Hopper indicate that the: "World Bank emerged as the Praetorian Guard of the Donor Countries Consortium (DCC)... and used the DCC's collective sanctions to enforce Bank directives requiring the government to promote the private sector and markets" (Uddin & Hopper, 2003: 741). They maintain that the World Bank has imposed privatization practices on the government of Bangladesh through a threat of non-extension of credits by donor agencies (see Table 2).

### **International Development Donor Agencies**

African Development Bank (AfDB)  
Arab Monetary Fund (AMF)  
Asia Pacific Economic Cooperation (APEC)  
Asian Development Bank (ADB)  
Commonwealth Secretariat  
European Bank for Reconstruction and Development (EBRD)  
Food and Agriculture Organization (FAO)  
Inter-American Development Bank (IADB)  
International Bank for Reconstruction and Development (IBRD)  
International Development Agency (IDA)  
International Monetary Fund (IMF)  
International Trade Centre (ITC)  
Islamic Development Bank (IDB)  
Organisation for Economic Co-operation and Development  
United Nations (UN)  
United Nations Conference for Trade and Development (UNCTAD)  
United Nations Development Program (UNDP)  
United Nations Economic and Social Commission for Asia and Pacific (UNESCAP)  
United Nations Economic Commission for Africa (UNECA)  
United Nations Economic Commission for Europe (UNECE)  
United Nations Economic Commission for Latin America and the Caribbean (UNECLAC)  
United Nations Economic Commission for Western Asia (UNESCWA)  
United Nations Industrial Development Organization (UNIDO)  
World Customs Organization (WCO)  
World Intellectual Property Organization (WIPO)  
World Trade Organization (WTO)

**Table 2: International Development Donor Agencies (Source: [http://tcbdb.wto.org/agency\\_prov.asp](http://tcbdb.wto.org/agency_prov.asp))**

While it may be valid to conclude that the DCC encouraged privatization as part of an agreement to extend credit to the government of Bangladesh, the theoretical explanation for this constative statement requires critical analysis and discussion. An examination of Table 2 indicates that 12 of the 27 agencies are sub-units of the United Nations. Thus, in order to reach the conclusion that the donor agencies imposed a neo-liberal ideology on Bangladesh, it would be necessary to conclude that the United Nations

imposed this agenda. While this theoretical explanation may be correct, it might be useful to examine this explanation in more detail.

### **The role of the World Bank in processes of globalisation**

Again, there appears to be a common thread running through the different accounts in the accounting literature to the effect that the World Bank has fostered a neo-liberal agenda which has had a detrimental impact on people living in less developed countries. The theoretical explanations offered in support of this constative statement range from the argument that the Bank functions as an arm of the US government in imposing a neo-liberal agenda, to an explanation that the Bank plays a hegemonic or leadership role in economic development. Obviously, there is an incompatibility among these theoretical explanations, which presents a challenge to achieving a consensus concerning the World Bank's role. Therefore it is important to engage in further critical discussion about the World Bank's role.

While he did not directly address the activities of the World Bank, Habermas (2000) did advocate a greater role for transnational organizations:

*"...the attempt to resolve the dilemma between disarming welfare-state democracy or rearming the nation state leads us to look to larger political units and transnational organizations that could compensate for the nations state's functional losses in a way which need not snap the chain of democratic legitimation...a reformed international organization (is needed) to develop within the present loosely woven net of transnational regimes, so as to enable a global domestic politics to emerge in the absence of a global government".*

What Habermas is saying here is that there is an important role for transnational organizations in promoting democracy and increasing the welfare of people on a global basis. He sees this as a middle way between a total rejection of globalisation and a total submission to unregulated market forces. He argues that the way forward is to be found in the creation of a transnational governmental organization which would develop a global domestic politics that will ensure democracy and social welfare. The problem is how to ensure that the Bank is democratic in its processes and administration. However, it does not make sense to reject the role of the Bank in facilitating economic development without attempting to reform its processes and procedures.

## Conclusion

In this paper we have examined several accounts of globalisation which have appeared recently in the accounting literature. The contributions of these accounts to the analysis of globalisation is recognized and appreciated. At the same time, we have sought to address globalisation from a somewhat different perspective. We have employed a theoretical framework derived from Habermas concerning social evolution, and a methodological framework centering on discourse ethics, in order to investigate certain constative statements about globalisation. This effort is seen as contributing to the analysis of globalisation in a way that may lead to a better understanding about globalisation. We have noted the constative statement that processes of globalisation have been fostered by globally interlinked capital markets, which have been derived from neo-liberal ideologies. This constative statement may need to be subjected to further critical analysis in order to determine how and why globally interlinked capital markets have developed through time, and whether neo-liberal ideologies have caused the emergence of these markets, or whether certain other non-ideological causes may have led to the creation of global markets. We have also noted that while there appears to be a common thread among differing accounts about the World Bank's role in globalisation processes which argues that the Bank has fostered a neo-liberal agenda which has had a detrimental impact on people living in less developed countries, the theoretical explanations advanced with respect to these constative statements range from the argument that the Bank functions as an arm of the US government to an explanation that the Bank plays a hegemonic or leadership role in promoting economic development. There is an incompatibility between these explanations, which presents a challenge to achieving a consensus about the World Bank's role. It is therefore important to encourage further analysis about globalisation processes and the role of transnational organizations in promoting such processes. Accounting researchers are contributing to this analysis, and it is important to continue this effort.

Overall, globalisation can be seen as a process which has many distinct aspects and each researcher may concentrate on only one of these aspects. We believe that the variety of differing claims about globalisation may pose a problem, which might be resolved through rational discourse of the type proposed by Habermas. Various authors in the accounting literature have made claims about globalisation regarding: "unwanted neo-liberal policies", "rapid movements of capital", "the growth of unregulated globally interlinked capital markets", and so forth. The contradictions among claims cannot be seen as illusory or imaginary if certain authors claim that there are unwanted neo-liberal policies which have adversely impacted the poor

while other authors claim that the efforts of the World Bank have been directed towards helping the poor. Which ones are correct? Rational discourse may help to sort this out.

The incompatibility among theoretical explanations regarding processes of globalization and the role of the World Bank can be clearly seen in the direct quotation from the World Bank about its role and the obviously different claim by Betto and Löwy (see page 18). The Habermasian methodology is suggested as a remedy to overcome this incompatibility. Whether it can be conceptually or empirically demonstrated that the Habermasian methodology is an effective instrument to overcome this incompatibility is difficult to say. However, it is a clear incompatibility which could potentially lead to violent confrontation. If a peaceful solution is desired, then the Habermasian methodology is worth trying. While we recognize that the paper has some lengthy quotations, we feel that these are necessary in order to properly illustrate the views of the various protagonists. We do not necessarily agree that these quotations are mere recapitulations of some well-known general statements about globalisation. The literature regarding globalisation, at least in the accounting literature has been rather critical of the role of transnational organizations. The Habermasian methodology might therefore be used to bring to bear a different way of looking at the role of transnational organization, recognizing their growing importance in an increasingly globalised environment.

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