

**Accounting Harmony, Neo-Gramscian
Disharmony: A New Zealand Perspective**

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David Carter* and Pala Molisa

School of Accounting and Commercial Law,
Victoria University of Wellington, PO Box 600, Wellington, New Zealand

*Correspondence to: David Carter, School of Accounting and Commercial Law,
Victoria University of Wellington, PO Box 600, Wellington, New Zealand

Email: david.carter@vuw.ac.nz

Tel: ++(64)(4) 463 5233 extn 7009

Fax: ++(64)(4) 463 5076

**Centre for Accounting, Governance and Taxation Research
School of Accounting and Commercial Law
Victoria University of Wellington
PO Box 600
Wellington
NEW ZEALAND**

Tel. + 64 4 463 6957

Fax. + 64 4 463 5076

<http://www.accounting-research.org.nz>

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“Every dollar spent by a charity in compliance costs is a dollar less that is available to be put toward the core task of the charity”.¹

Submission to the Social Services Select Committee, Charities Bill, 2004.

Abstract

This paper contributes to the harmonisation literature by problematising the ideological underpinnings of the International Financial Reporting Standards (IFRS) project and explores the implications of the introduction of Charities regulation and IFRS into the New Zealand charities sector. We adopt a neo-Gramscian lens in which to analyse the construction of hegemony by the many facets of Government, and examine the resistance to the Charities Bill introduced into New Zealand’s Parliament in 2004. This paper identifies how hegemony, culture, and ideology were employed to facilitate the legislative passage of the Charities Bill and the concurrent implementation of IFRS in New Zealand, as well as identifying actors, alliances, and coalitions in the development of a counter-hegemony opposing the proposed compliance. We identify examples of accommodation by the dominant hegemony, illustrating the maintenance of hegemony by granting weaker groups limited concessions in the Charities Bill as a result of social and political pressure.

KEYWORDS: Gramsci; Neo-Gramscian; Charities; Hegemony; Counter-Hegemony; Accommodation; New Zealand; Accountability; Transparency; Harmonisation.

¹ Submission to the Social Services Select Committee, Charities Bill, 2004.

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I INTRODUCTION: ACCOUNTING HARMONY

The accounting literature has often proclaimed the supposed benefits of international financial reporting standards (IFRS) (Alfredson, 2003; Haswell and McKinnon, 2003; Hegarty, 1997; Howieson and Langfield-Smith, 2003). Proponents of IFRS claim immense benefit to economies because of the reduced transaction and compliance costs, improved comparability, transparency, and accountability. In contrast, very little accounting literature problematises the accounting harmonisation phenomena and situates it within its wider socio-political context (although see Hines, 1989; Lehman, 2004; Arnold 2003; Arnold and Sikka, 2002; and Poullaos, 2004). While the author's accept that neo-liberal economic theory (which accounting draws its legitimacy from, or at least as suggested by the harmonisation literature) does suggest the above outcomes, we would question the empirical validity of its a priori assumptions. This paper aims to contribute towards addressing the imbalance evident in the literature.

There is a strong move for full IFRS implementation in New Zealand by 2007, though compliance with IFRS is possible from 2005. At this point in time, the extent of required compliance is unclear for non-listed entities, including the public sector and charities. In this sense, New Zealand provides an ideal situation to interrogate the proclaimed benefits of a move to IFRS (including the effects on non-listed entities). Given the importance of international trade and mobility for a small economy such as New Zealand, the legal, cultural, ideological, and discursive effects of such a significant change in direction, in respect of the governance of accounting procedure, provides a rich vein of research material for critical accounting researchers.

This paper adopts a neo-Gramscian lens to analyse the likely effects of an accounting driven structural change, as encapsulated by the move towards and the adoption of IFRS. Given the neo-Gramscian belief that institutions are hegemonic and not monolithic, the authors will attempt to analyse counter-cultures and counter-groups who are resisting (and are likely to continue resisting) the imposition of IFRS. In particular, the authors will examine the extensive resistance evidenced in the opposition to the Charities Bill introduced into New Zealand's Parliament in 2004. Consequently, the concern is that subordination of minority interests and lobby groups will result from the IFRS-capitalist hegemony. We analyse how culture and ideology was and is being employed to facilitate the implementation of the Charities Bill and the accompanying adoption of IFRS in New Zealand. It identifies actors, alliances, and coalitions that enable the introduction and legitimation of IFRS. Because culture and ideology are distinct from, yet related to the economic base, the paper utilises a neo-Gramscian lens to analyse how culture and ideology is employed as a legitimating and framing technology for constructing the framework for IFRS acceptance within New Zealand.

The authors are aware of the need to avoid economic and historical deterministic tendencies into which structuralism sometimes lapses. Hegemony has been said to rest on a broad base of consent rather than on the dictatorial will of a social elite (Levy and Egan, 2003). Hegemony is:

... Dominant groups in society, including fundamentally but not exclusively the ruling class, maintain their dominance by securing the 'spontaneous

consent' of subordinate groups, including the working class, through the negotiated construction of a political and ideological consensus which incorporates both dominant and dominated groups. (Strinati, 1995: 165)

The theory of hegemony is an attempt to explain how dominant groups are able to maintain power, and the capacity of dominant groups to persuade subordinate groups to accept, adopt, and interiorise their values and norms. This paper will analyse (primarily through document analysis) how consensus was reached and maintained between the affected stakeholders of the Charities Bill and the accompanying IFRS regime in New Zealand. In 2004, the Charities Bill was introduced to New Zealand's Parliament, requiring Charities to comply with the Bill's framework in order to qualify for Charity status, and through a subsequent review of the Financial Reporting Act, the Bill will require some Charities to comply with IFRS and most others to comply with some IFRS derivative. Consequently, through examining select committee submissions, it is evident that counter-groups and counter-cultures exist opposing the proposed compliance with IFRS and the existence of the framework itself. With this in mind, the paper will analyse the ongoing resistance on the part of charities and small to medium enterprises (SMEs) who are affected by New Zealand's move to IFRS. The authors are of the belief that though corporate power (which is privileged by the ideology of IFRS; and the increase in corporate power is inherently intertwined with the success of the move to IFRS) appears to be much greater than that of other social actors, it is nevertheless contestable. It is that contest that this paper seeks to document and to hopefully empower.

The paper will examine how weaker groups avoid direct confrontation with more powerful entrenched groups, and thus will seek to subvert from below 'by forming coalitions, partnerships, and strategic alliances'. For example, we see charities and SME's lobbying select committees. This represents an indirect expression of discontent against the dominant hegemony. The fact that these weaker groups have gained limited concessions in the Charities Bill as it has progressed through the Parliamentary process provides an example of "accommodation" by vested interests in the face of social and political pressure.

In order to consider the role of hegemony and the development of counter-hegemony in relation to a specific aspect of State governance, namely the Charities Bill, this paper proceeds as follows. In this first part of the paper, we provide an overview of the proposed Charities Bill, as well as depicting the tension between the financial accounting requirements pursuant to the Bill and the Government review of the Financial Reporting Act and the implementation of IFRS. In the second section, we introduce the theory of Antonio Gramsci, as well Neo-Gramscian developments in hegemonic theory. This theoretical overview will be used to explain and analyse the political process and rhetoric relating to the Charities Bill. In the third part of the paper, we outline the research methodology employed in this study, with particular attention paid to data collection and document analysis. In part four, we present Government rhetoric in relation to the Charities Bill and its accompanying change to the financial reporting structure, including the implementation of IFRS. In order to interrogate this rhetoric, we consider the special role and function of the charitable sector in New Zealand's culture, community, and society. The fifth section details the development by charitable entities of counter-hegemonies and counter-cultures in resistance to the imposition of the 'overly-burdensome' Charities Bill in respect of the costs of compliance, the annual return requirement, the content of the financial reports (IFRS compliance), and funding of the Charities Commission. Finally, the

paper will outline Government moves to accommodate these concerns, in order to make the Bill more acceptable to the charitable sector.

II OVERVIEW OF THE CHARITIES BILL

In June 2000, the then Minister for the Community and Voluntary Sector, the Honourable Steve Maharey, MP publicly acknowledged the importance of the community, voluntary, and Maori organisations to the health and wealth of New Zealand society.² In December 2001, the Government signed a “Statement of Government Intentions for an Improved Community-Government Relationship”, resulting, through consultation, in the establishment of the Office of the Community and Voluntary Sector in 2003. The Charities Bill was introduced into the New Zealand Parliament by the then Attorney-General, the Honourable Margaret Wilson, MP, on 30 March 2004. Essentially, the Bill proposed to continue the “Government’s commitment to improving its relationship, and strengthening its support to, the voluntary and community sector”.³ The Ministry of Economic Development states that the intention of the Bill is “to improve the accountability and transparency of the charitable sector and enhance public confidence in registered entities” (Ministry of Economic Development, 2004).

A The Rhetoric of Increased Accountability for Charitable Entities?

It is difficult to isolate a particular event or origin that has led to the call for the increased regulation of the charitable sector, although there are a number of potential events and occurrences that cumulatively have resulted in the call for increased regulation. In particular, in recent years, there have been several high-profile cases of misuse of charity and public funds that may have prompted a response from the Government to deal with this legitimacy crisis (for example the Gay Parade – Auckland; Dean Lonergan’s Fight For Life; Soccer New Zealand and several others). As an aside, this has resulted in Government using accounting information to restore public confidence and may indirectly justify the efficacy of IFRS as a framework for ensuring greater accountability and transparency. These cases have also demonstrated the inability of the Inland Revenue Department (IRD) to deal with such abuses as in most cases it is already too late to recover funds. IRD interventions are not able to establish and maintain donor confidence because it is usually an ex post intervention.

The ongoing liberalisation and privatisation policies, since 1984, implemented by the Fourth Labour Government and carried on by subsequent National and Labour Governments, have led to a continued rollback of the State, seriously impacting its ability to sustain and provide much-needed social services. It is our belief that the State has a responsibility to its people, in line with social democracy, to provide essential social services and the State rollback has “passed the buck” on to charitable entities to pick up the slack. By giving charitable entities tax-exempt status, the Government is acknowledging the vital social services provided. However, by demanding greater accountability from charitable entities the Government is pushing attention away from the argument that they should be providing those vital services in the first place. The irony is by recognising the important role of charities and requiring

² It is important to acknowledge that this paper considers the Charities Bill and its accompanying rhetoric alone. In that light, we are mindful of the fact that there has been discussion of regulation of charities in New Zealand for at least fifteen years. Hence, this paper is limited in its analysis. However, we hold that this detailed examination is illustrative of a continuing debate over the need for, and appropriate form of, governance in the charitable sector.

³ Hon Margaret Wilson, MP, 30 March 2004.

greater accountability, the State may be impeding upon the ability of charitable entities to carry out services that the State has traditionally provided. It is also interesting to note the “market language” that has framed the Government rhetoric, using such phrases as “donor confidence”, “greater accountability”, “greater transparency” and so forth. Thus, there is an acceptance of the need for the donor market to supply the necessary funds to maintain and provide key social services, no longer provided by the Government. As a consequence, the implicit assumption of the Charities regulation is that without increased accountability and transparency, the donor market would not provide adequate funds to continue the provision of these said social services.

The need for the Charities Bill at this particular point in time is further illustrated by the apparent change in Government policy since 1984, and reconstituted in 1999. In essence, the 1984-1998 period can be characterised by privatisation of New Zealand’s State assets, and a recoiling of the State. However, this period of light-handed regulation was generally considered to be unsuccessful due to a stagnating economy and poor competitive growth. In response, the incoming Labour-led coalition Government of 1999 has undertaken a series of moves to reconstitute the regulatory framework in New Zealand, including increasing the power and funding for the Commerce Commission, introducing a telecommunications regulator, an electricity sector regulator, as well as strengthening the powers of the Securities Commission. These fundamental changes to the regulatory environment have increased Government participation in the commercial sector, and hence, the Charities Bill can be considered as a natural progression from one sector to another.

B New Zealand’s Parliamentary Process – The Progress of the Charities Bill

The Charities Bill was read for the first time in Parliament on 30 March 2004, where it was sent to the Social Services select committee for consideration. The aim of the Bill is to establish a Charities Commission “to register and monitor charitable entities and approved donees to ensure that those entities receiving tax relief continue to carry out charitable purposes and provide a clear public benefit”.⁴ The purpose of the Bill is to:

- 1) Establish a 5-member Charities Commission, state its functions and powers, and require it to comply with obligations;
- 2) Provide for the registration of entities as charitable entities;
- 3) Provide for the registration of entities and funds as approved donees; and
- 4) Require charitable entities, approved donees, and certain other persons to comply with certain obligations.

The Bill requires charities that wish to retain or attain exemption from income tax register with the Commission. In short, charities will be allowed to continue operating without registration, but any unregistered charities will not be exempt from income tax.

The select committee called for submissions from interested parties, with all submissions to be received by 3 June 2004. 753 submissions were received, predominantly from charitable organisations. A number of these submissions, 161 in total, were given the opportunity to meet with the select committee directly, and the

⁴ New Zealand Parliamentary Library, Bills Digest No 1084.

committee received advice from the Ministry of Economic Development, the Inland Revenue Department, the Ministry of Social Development, the Treasury, and Parliamentary Counsel (Social Services select committee report, 2004). Following the hearing of evidence and consideration, the select committee proposed a series of amendments to the Bill. In relation to the proposed amendments that derived from the submission process, the select committee consulted with a group of 30 major charities and sector organisations. The Social Services select committee then tabled its select committee report in Parliament on 17 December 2004. The Charities Bill received its second and third readings before Parliament under urgency in early April 2005. It was passed as an Act of Parliament (legislation) on 13 April 2005. The full force of the legal provisions of the Charities Act 2005 commenced on 1 July 2005.

C Tension – Concurrent Review of the Financial Reporting Act 1993

One of most concerning aspects of the proposed regulations was that the Charities Bill required charitable entities, under Clause 54 of the Bill, to prepare and present an annual return to the Charities Commission. The annual return is intended to improve the accountability and transparency of the charitable sector and enhance public confidence in registered entities. For charities, the most concerning aspect of this process was that the particulars of the financial reporting standards were the subject of an ongoing, concurrent review of the Financial Reporting Act 1993. The proposition that faced charities was that the Charities Bill, through the Financial Reporting Act, would require a significant proportion of charities to comply with IFRS, with the majority of charities having to comply with a far more detailed and rigorous measure of accounting standards than previously required. In other words, charities were asked to comment on the annual financial return, without any idea as to the content of those annual returns (as they are to be prescribed by regulation) or the requisite financial reporting standards.

In March 2004, the Ministry of Economic Development released a discussion document entitled “Review of the Financial Reporting Act 1993 Part 1: The Financial Reporting Structure” (Ministry of Economic Development, 2004). The discussion document focused on the current state of financial reporting in New Zealand, as well as looking at the regulatory impact and introduction of IFRS. In particular, the discussion document considered New Zealand’s tiered accounting and reporting framework, including exempt companies, the Institute of Chartered Accountants of New Zealand (ICANZ) *Framework for Differential Reporting*, and accounting for small and medium entities (SMEs) in general. The discussion document considered that the New Zealand approach to differentiating SMEs could be “improved, clarified, and made more internally consistent” (Ministry of Economic Development, 2004). In short, the Ministry of Economic Development proposed that there should be a simplified three-tier system for all entities. Essentially, the discussion document required all entities, including charities, to comply with either tier 1 (accrual accounting with reference to IFRS) or tier 2 (IFRS) reporting requirements.

Comment was sought from affected parties. Many submitters were concerned with the fact that all charitable entities would be subject to either tier 1 or tier 2 reporting requirements, facing potentially significant compliance costs in the preparation, production, and audit of complex financial reports. Charitable entities questioned the suitability of IFRS for the financial reporting requirements of charities, querying the applicability and suitability of general financial reporting requirements in accurately and appropriately reflecting the structure and role of charitable entities (Ministry of Economic Development, 2004).

Following a consideration of the comments submitted by affected parties, the Ministry of Economic Development released “Review of the Financial Reporting Act 1993 Part 2” (Ministry of Economic Development, 2004). The Ministry proposed that for registered charities, pursuant to the Charities Bill, there would be a three-tier financial reporting framework, differentiated according to annual income. The required content for financial reports would be determined by financial reporting standards set by the reconstituted accounting standards setting body in consultation with the charitable sector, the Charities Commission, and with reference to New Zealand’s commitment to the adoption of IFRS. Thus, the charitable sector will have charity-specific reporting obligations, but these will reflect IFRS. The exact detail of the financial reporting requirements would be promulgated in regulations pursuant to the Charities Act (once it received Royal Assent). The Ministry of Economic Development were mindful that the stated purpose of the Charities Bill is to ensure accountability and transparency, and in that light, the rationale behind the imposition of financial reporting standards is that there must be “public accountability ... for money obtained from the public or public sources” (Ministry of Economic Development, 2004). In short, the proposed tiered reporting regime is depicted in the table below.⁵

Table 1: Expected Financial Reporting Requirements			
	Income	Possible reporting requirements	Audit requirements
Small	Less than \$100,000	Receipts and payments	None
Medium	From \$100,000 to \$2,500,000	Accrual accounting	Independent review
Large	Greater than \$2,500,000	Requirements based on International Financial Reporting Standards	Full audit

Table 1: Expected Financial Reporting Requirements pursuant to the Financial Reporting Act and Charities Bill

In light of this context, including the Charities Bill and the concurrent implementation of IFRS into New Zealand, we will now consider the theoretical framework of Antonio Gramsci in order to understand the rhetoric employed by different parties affected by the proposed regulations.

III NEO-GRAMSCIAN THEORY

In the following discussion, we seek to outline the key concepts that underpin Gramsci’s conception of hegemony and resistance. This will include a discussion of hegemony (and the associated conception of the State), as well as the notions of counter-hegemony, counter-culture, accommodation, ideology, and culture. This should provide a workable outline for the development of a coherent theoretical structure for the analysis of the Charities Bill.

First, we will consider the most prominent of the Gramscian concepts, hegemony.

⁵ Note the lack of detail depicting what is actually required of charities in their financial reporting.

A *Hegemony*

Hegemony is a central concept in Gramsci's work.⁶ It is an intricate balance of achieving, maintaining, and supporting powerful groups within society. In short, hegemony is understood as an expression of "broad-based consent, manifested in the acceptance of ideas and supported by material resources and institutions" (Williams, 1977: 112). It is political power that flows from intellectual and moral leadership, authority or consensus, distinguished from military rule. A dominant group forms and maintains hegemony in civil society, by creating cultural and political consensus through unions, political parties, schools, media, the church, and other voluntary associations. In that sense, cultural perspectives become skewed to favour the dominant group. Though history, cultural, and political power in any arena has rarely achieved a perfect balance, hegemony results in the empowerment of certain cultural beliefs, values, and practices to the partial exclusion of others. Historically under capitalism, with regard to Gramsci's conception of hegemony, middle class intellectuals are the "administrators" of hegemony, "the organisers and consensus builders of capitalist culture" (Strinati, 1995: 163).

For Gramsci, there are two key building blocks to the theory of hegemony: 1) the notion of broad-based consent; 2) Gramsci's articulation of the State.

1 *Broad-based consent*

Strinati, develops the notion of broad-based consent through the following quote:

... Dominant groups in society, including fundamentally but not exclusively the ruling class, maintain their dominance by securing the 'spontaneous consent' of subordinate groups, including the working class, through the negotiated construction of a political and ideological consensus which incorporates both dominant and dominated groups. (Strinati, 1995: 165)

Thus, the theory of hegemony presupposes that the dominant group in society has persuaded other groups within a society to accept the dominant groups moral, political, and cultural values (Simon, 1982: 21). The claim to broad-based consent is potentially misleading, for Gramsci, it seems, was satisfied with the notion of majoritarian rule, that is, hegemony presupposes consent from a majority of the population. Gramsci accepted that the means required to obtain this consent may not necessarily be a peaceful process and may require much negotiation or may, bluntly, involve physical force or other forms of coercion (Gramsci 1971: 261). Generally, then, hegemony and the mode of social control is rule by consensus, where the worldview of the dominant group is voluntarily assimilated in the fabric of the society. But where necessary, to maintain hegemonic leadership, to counter threats to the hegemony, coercive control may be necessary to maintain social control. However, to summarise the notion of broad-based consent, the following quote is apt:

It can be argued that Gramsci's theory suggests that subordinated groups accept the ideas, values and leadership of the dominant group not because they are physically or mentally induced to do so, nor because they are ideologically indoctrinated, but because they have reason of their own. (Strinati, 1995: 166)

⁶ Gramsci attributes the development of the concept of hegemony to Vladimir Lenin and Benedetto Croce (an Italian philosopher who Gramsci concentrated much of his work on, as Gramsci considered Croce a symbol of the capitalist hegemony and the rise of fascism in Italy). See (Gramsci 1971: 55-56).

Hegemony is a powerful tool, connected to culture and ideology, but importantly separate from these concepts. Hegemony shapes both culture and ideology, and consequently it is both included and separate. For Gramsci, culture was a comprehensive term relating to the whole social process and how individuals define and shape their lives. Ideology differs in that it constitutes a system of meanings and values and is the expression or projection of a particular class interest. For Williams, then, the form in which this consciousness is expressed is also a depiction of how that is controlled, as it is "... a mistaken interpretation of how the world actually is" (Williams, 1992: 27). Williams depicts this inter-relational separateness of hegemony, culture, and ideology in the following manner:

'Hegemony' goes beyond 'culture', as previously defined in its insistence on relating the 'whole' social process to specific distributions of power and influence. To say that 'men' define and shape their whole lives is true only in abstraction. In any actual society there are specific inequalities in means and therefore in capacity to realise this process. In a class society these are primarily inequalities between classes. Gramsci therefore introduced the necessary recognition of dominance and subordination in what has still, however, to be recognised as a whole process. (Williams, 1977: 108).

In recasting the importance of culture, ideology, and the links with hegemony, Gramsci is seen as being more "dialectic" rather than "deterministic" (a criticism of Marx and many Marxists), so in this light, the theory of hegemony attempts to recognise the interdependence, the importance, and the autonomy of hegemony, culture, and ideology (Fraser 1992, 175). As a consequence, then, hegemony has been seen as 'the discursive face of power':

It is the power to establish the 'common sense' or 'doxa' of a society, the fund of self-evident descriptions of social reality that normally go without saying. This includes the power to establish authoritative definitions of social situations and social needs, the power to define the universe of legitimate disagreement, and the power to shape the political agenda. Hegemony, then expresses the advantaged position of dominant social groups with respect to discourse. (Fraser 1992, 179).

2 *The State*

Gramsci's articulation of the State is vital to an understanding of the concept of hegemony. For Gramsci, the State is much broader than traditional Western conceptions of the State, and includes both public and private functions. Gramsci, at several points in *Prison Notes*, depicts this duality in the constitution of the State:

State is equal to both political society and civil society, (in other words hegemony protected by the armour of coercion). (Gramsci 1971: 259).

He states further that we should not limit our understanding to traditional conceptions, but that a broader view of the apparatus of the State is necessary:

... State should be understood not only as the apparatus of government, but also as the 'private' apparatus of 'hegemony' or civil society. (Gramsci 1971: 263).

As was alluded to in the above definitions of hegemony, a dominant group forms and maintains hegemony in both political and civil society (the State). In regards to the extent of the State in civil society, hegemony is achieved by creating cultural and political consensus through unions, political parties, schools, media, the church, and other voluntary associations. Civil society and its integration into the State are an integral aspect of Gramsci's hegemony. For Gramsci, schools are the fundamental institution within the entire hegemonic apparatus, although Gramsci does define schools in very flexible terms. Schools are defined to mean "private initiatives and activities" as well as private associations such as trade unions and political parties. In Gramscian terms, any institution with a broadly educational capacity or dogma could be considered a 'school'.

It is important to briefly consider the concept of historical bloc and its relation to the State. An 'historical bloc' is a recognition of the process of achieving hegemony; how the dominant group manoeuvres itself into a relationship of influence and control over other contending social forces. For Gramsci, then, the different forms of State constitute an expression of particular historical blocs (of that struggle and process of achieving dominance). Therefore, the interrelationship between hegemony, the State, and historical bloc is known as the 'State-civil society complex' (Gramsci 1971: 261).

B Counter-Hegemony

Gramscian hegemony refers to rule by consent through moral and intellectual authority or leadership. However, this does not require nor necessitate that all society accept the dominant hegemonic position. At the very heart of hegemonic theory is the maxim that 'majority rules'. Given this, it is clear that groups can form alternative viewpoints, in opposition or counter to the dominant hegemony. For example, in relation to Gramsci's native Italy, there was much tension between the industrialists (traditionally to the North) and the peasantry (traditionally to the South). In his 1926 draft essay, "*On the Southern Question*", Gramsci refers to the 'hegemony of the proletariat' as a counter to the hegemony of the dominant class. This 'hegemony of the proletariat is defined as the "social basis of the proletarian dictatorship and of the workers State". With reference to the revolutionary capability of this 'counter-hegemony', Gramsci explains this '*social basis*':

... the proletariat can become the leading and the dominant class to the extent that it succeeds in creating a system of class alliances which allows it to mobilize the majority of the working population against Capitalism and the bourgeois State ... this means to the extent that it succeeds in gaining the consent of the broad peasant masses ... (Gramsci, 1971: 443).

Gramsci disagreed with Marxism's economic determinism, and sought to eliminate this aspect of Marxist theory. As a consequence, this increased the scope for counter-hegemony and revolution. There are two fundamental aspects to the elimination of economic determinism. First, Gramsci held that economic crises would not subvert capitalism by themselves. Thus, human agency is a constitutive element of historical change and to the process of struggle against capitalism. Second, conceptions of class struggle must be broader than seeking to overthrow the bourgeois. For Gramsci, class struggle must involve ideas and ideologies (Gramsci, 1971: 446).

Counter-hegemonies have a certain degree of power in their own right, in that counter-hegemony is a strategy to control the State or the extent of the dominant hegemony. Gramsci recognised though, that a multitude of diverse counter-

hegemonies are far less successful in controlling the State, essentially due to the ability to 'divide and rule'. Nevertheless, Gramsci stated that the only way to achieve true counter-hegemonic 'control' is by taking into account the interests of other groups and social forces and finding ways of combining them with its own interests to form a stronger collective counter-hegemony. If the working class, for example, is to achieve hegemony, it needs to patiently build up a 'network' of 'alliances' with other social minorities. These new coalitions ideally should respect the autonomy of the movement, so that each group can contribute to the development of a strong counter-hegemonic movement.

C Accommodation and Revolution

Hegemony is a process of constant readjustment and re-negotiation. Through antagonism, conflict, dispute, the development of counter-hegemony, and alliance building, Gramsci acknowledges that the dominant hegemony will attempt to accommodate the concerns by amending and re-constituting the dominant hegemony. This process of readjustment and re-negotiation provides opportunities for the dominant hegemony to strengthen and continue its ruling influence. In that sense, the constitution of the dominant hegemony is inherently flexible in that it is capable of taking many forms and positions in order to counter threats to the maintenance of the dominant hegemony. However, with respect to the position of the counter-hegemony, this accommodation can be negative, in the sense that accommodation also represents restatement of the dominant hegemony (in a more complete form than before), with the potential to quash the threat posed by the counter-hegemonic movement. Gramsci notes that this accommodation does not necessarily involve peaceful means, and where necessary, physical force can be exercised to maintain social cohesion.

Revolution is a real possibility under a Gramscian conception of hegemony. While it is possible to accommodate certain threats to the maintenance of the dominant hegemony, there may, at times, develop an 'organic crisis' in which the dominant group begins to disintegrate.⁷ This weakening of the dominant hegemony creates an opportunity for a lesser class to 'break the shackles' of its class limitations and build a strong counter-hegemonic movement capable of challenging the existing order and replacing the previous hegemony with the hegemony of this counter-hegemonic movement.

The key to 'revolutionary' social change in modern societies does not therefore depend, as Marx had predicted, on the spontaneous awakening of critical class consciousness but upon the prior formation of a new alliance of interests, an alternative hegemony or 'historical bloc', which has already developed a cohesive worldview of its own (Williams, 1992: 27).

D Neo-Gramscian Hegemony

A neo-Gramscian theoretical perspective informs this paper. However, the theoretical discussion to this point has focused almost entirely on a depiction of Gramscian theory, with little emphasis on the "neo". The following section seeks to draw out the main tenets of neo-Gramscian theory. Before doing so, it is worth acknowledging that neo-Gramscian theory, unlike some other "neos", does draw heavily from the original theorist. In short, a neo-Gramscian perspective does two

⁷ However, this is a limited opportunity, and if the subordinate class fails to take the opportunity then the balance of forces will shift back to the dominant class, which re-establishes its hegemony on the basis of a new pattern of negotiated alliances.

things: 1) it broadens the domain of hegemony; 2) it increases the flexibility of the conceptual building blocks of Gramscian theory. Importantly, the vast majority of neo-Gramscian theorists accept that Gramscian theory, situated in 1920-1930's Fascist Italy, was a particularly apt depiction of the situation. Consequently, the theory of hegemony is open for re-interpretation and adaptation in differing situations. The key tenets of hegemonic theory remain the same, but the development occurs at the margins.⁸ What follows is a brief depiction of the main developments in neo-Gramscian theory, with an analysis of the key assumptions that we have taken in this paper.

1 Neo-Gramscian theory

As stated above, the development of neo-Gramscian theory concentrates on two elements: a) broadening the domain of hegemony; b) increasing the flexibility of the conceptual building blocks of Gramscian theory.

(a) Broadening the domain of hegemony

There are a number of key developments:

- 1) **Essence of the Political:** For Laclau and Mouffe, Butler, Žižek, and Derrida, Gramsci's hegemony has been interpreted and theorised as the essence of the political. Through the power of the idea, pure democratic activity occurs at the creation and negotiation of hegemony between similar, disparate, and conflicting political groups. (Butler, Laclau, and Žižek, 2000: Chapter 5). For Laclau and Mouffe's discourse theory, the resulting construction of hegemony leads to a hegemonic message that is empty of meaning, due to the process of the creation and negotiation of equivalence. (Laclau and Mouffe, 2001: Chapter 3, in particular, see 113)
- 2) **Reducing State-dominance:** By focusing hegemony more broadly than State-dominance, hegemony is a powerful tool for analysing a wide variety of situations. For example, hegemony, for Cox, is a tool for the analysis of world affairs:

Within a world order, a situation of hegemony may prevail 'based on a coherent conjunction or fit between a configuration of material power, the prevalent collective image of world order (including certain norms) and a set of institutions which administer the order with a certain semblance of universality' (Cox 1981: 139).

⁸ There are four predominant challenges and critiques of neo-Gramscian theory. We merely acknowledge that neo-Gramscian theory is continuing to develop, and consequently, recognising the limitations of the theory should result in a stronger, more-developed theory.

- the role of ideas and an alleged empirical pluralism that promotes ideas as an independent explanatory variable that is then given equal weight to production (Burnham 1991);
- Cox's notion of the internationalisation of the state, in which the state is reduced to a transmission belt adjusting the domestic economy to the requirements of the global economy (Panitch 1994);
- a lack of engagement with creative forms of resistance or potential alternatives to the current order (Drainville 1994); and
- demands to historicise Gramscian concepts to consider what might be limited in a theoretical and practical translation of past ideas to present conditions (Germain and Kenny 1998; Morton 2003).

For further information on challenges and critiques of neo-Gramscian theory, see Morton, 2003.

- 3) The Role of Intellectuals - Gramsci acknowledges the key role of traditional intellectuals in the development and maintenance of hegemony. He distinguishes between traditional intellectuals and organic intellectuals. Organic intellectuals, in a 'free' sense, are vital in developing the consciousness of capitalist contradictions and its pervasiveness in everyday life. However, while we acknowledge the key role of intellectuals in Gramscian theory, it is equally clear that neo-Gramscian theorists have discarded or downplayed the requirement of organic intellectuals to be the source of the development of consciousness (See for example, Laclau and Mouffe, 1994, Cox 1981, Cox 1987).
- 4) A Particular Hegemonic Message or Activity: By focusing on a particular hegemonic message or activity, neo-Gramscian theorists are able to isolate particular strains of hegemonic activity and focus on that (Levy and Egan, 2003; Gill, 1993; Cox, 1981). This differs to looking at hegemony as an 'entirety', of the whole State.
- 5) Domestic/International – Gramsci situates historic bloc and hegemony as domestic phenomena, as hegemony requires a dominant social group to arise (Cox 1983: 168, 174). However, Cox has argued that once a particular hegemony is established domestically, the hegemonic message or group may expand on a world scale through international expansion (Cox 1983: 171, Cox 1987: 149-50).⁹ This expanding hegemonic message or group may further become supported by mechanisms of international organisation. Movements such as universal human rights and the 'war on terrorism' may be explained in this manner.

(b) Increasing flexibility of the conceptual building blocks of Gramscian theory.

Similarly, increasing the flexibility of the key Gramscian concepts enables neo-Gramscian theorists to consider a wide variety of social situations:

- 1) Non-Class Issues – While Gramscian theory dismisses economic determinism, there is still a focus on class-based revolution and counter-hegemony. Consequently, one of the key developments of neo-Gramscian theory is enabling hegemony to analyse broader social issues. Cox states “‘non-class’ issues - peace, ecology, and feminism - are not to be set aside but given a firm and conscious basis in the social realities ...” (Cox, 1987: 353). One manner of achieving this is a broad-based reading of the 'social relations of production'. Production 'covers the production and reproduction of knowledge and of the social relations, morals and institutions that are prerequisites to [the continuity of society] (Cox, 1989: 39). By discerning different modes of social relations of production it is

⁹ Gill has expanded further on this framework through the introduction of the concepts of 'new constitutionalism' and 'disciplinary neo-liberalism'. According to Gill, new constitutionalism involves the narrowing of popular participation within the world order of disciplinary neo-liberalism – “the move towards construction of legal or constitutional devices to remove or insulate substantially the new economic institutions from popular scrutiny or democratic accountability” (Gill 1992: 165). New constitutionalism is an “attempt to discipline states along a neo-liberal restructuring policy by disseminating the notion of market civilisation based on an ideology of capitalist progress and exclusionary or hierarchical patterns of social relations” (Gill 1995: 399).

possible to consider how changing production relations give rise to particular social forces that become the bases of power within and across states and within a specific world order (Cox, 1987: 4). This broader understanding of production is one way of reducing the potential for retreating to economic determinism – ‘social forces are not reduced to material aspects’ (Morton, 2003: 35).

- 2) The Media – Italy, at the time of Gramscian writing, was a Fascist State, where the media was almost entirely State-controlled, either directly or indirectly. Consequently, the depiction of hegemonic apparatus included the media as one of the strong forms of ‘spreading’ and ‘reinforcing’ hegemony. However, neo-Gramscian theory acknowledges that while media often plays an important role in State-support or hegemonic-support, there are channels of the media that are open to the critique of the State. Elements may well be more ‘free’, and consequently, more able and willing to critique the current hegemonic position, as well as the State. Of course, this does not necessarily result in such critique.

E Why Hegemony?

Our paper is concerned with analysing the ideological underpinnings of rhetoric surrounding the Charities Bill, more specifically, the rhetoric used by its promoters (the Government) and those that it affects (charitable entities and their various associations).

There are several ways that hegemony could be interpreted and conceptualised. A Gramscian analysis would hold that hegemony concerns the way in which the status quo is maintained. Now there are multiple ways that one can define the status quo and there also multiple sites where one could locate and develop the concept of hegemony, sites such as the economic, cultural, social, and political.

Gramsci’s writings on hegemony and political power provide a framework for analysing political negotiation and accommodation. What we were interested in analysing was the process of how rhetoric was deployed in taking different value positions with respect to the Charities Bill. Gramscian analysis seemed to be a good framework for making sense of these political processes.

1 Other sociological applications to charities

Theories are necessarily partial and one-sided and therefore hegemony itself highlights some things whilst excluding others. There is opportunity to apply other sociological theories to the process surrounding the Charities Bill, which will help in explaining the complex political processes of negotiation, accommodation, translation, and emergence.

Foucauldian analysis, for instance, may provide some insights not seen in an analysis using hegemony. Applying Foucauldian, Habermasian, and Actor-Network methodologies to discourse around the Charities Bill, may help in delineating the application of accounting to new areas of society, in this case the charities sector.

2 Genealogy

Genealogy analyses the interaction of discourses, in producing new forms of rationality and new ways of seeing. It traces the emergence of new “regimes of truth”,

the formation of scientific, authoritative knowledge. It aims to explain the existence and transformation of theoretical knowledge (Foucault, 1977). There is scope for further research in this area using genealogical analysis. The penetration of accounting technologies into new areas of social life lends itself to genealogical analysis. The charities sector is in the process of being subjected to accounting discipline and the form and shape of accounting standards and accounting practices are being shaped, as we speak.

Our concern, in this paper, however, was in giving a voice to counter-hegemonies, to privilege their subjectivities and agency. It was thus not about tracing the movement from one truth regime to the next, but on how resistance to impositional narratives are articulated, negotiated, and accommodated.

3 *Archaeology*

Archaeology traces temporally, the evolution of discourse over time. It is concerned with describing the historical suppositions of given systems of thought. The power of archaeological analysis is uncovering the rules of formation for a given discourse. It traces the forms of regularity and the discursive conditions which order the structure of a form of discourse (Foucault, 1972). Archaeological analysis would aid our understandings of accounting changes in the public sector by detailing the discursive changes undergone over time, how the introduction of IFRS is being translated into the charities sector, and the disciplining effect of new accounting systems to charitable organizations.

Our objective in this paper was not to analyse the historical assumptions of discursive formations, but to raise issues over political negotiation in the charities sector.

4 *Governmentality*

Gordon defines Governmentality as:

... a way of thinking about the nature of the practice of government – who can govern, what governing is, what or who is governed. The essence of Governmentality relates to how the practice of government is made thinkable and practicable, both to its practitioners and to those whom the actions of government are practiced (Gordon, 1991, p. 3).

Governmentality studies examine the relation between the government of the self, of others, and of the State (Dean, 1999, cited in Boyce, 2004, working paper). “Government” relates to any attempt to deliberately shape behaviour. Governmentality analysis would help us in understanding the way accounting shapes subjectivities in charitable organisations, it would help us in understanding the way rhetoric by the government, media, and charitable organizations within the submissions process have shaped and influenced each other.

We are however, concerned with the limited possibility of agency within Foucauldian frameworks where agents are depicted as bodies ready and “waiting for inscription”. We wanted to privilege the narratives of counter-hegemonic groups and thus chose to adopt the Gramscian framework.

4 *Habermasian frameworks*

Another methodology used in accounting when looking at the public sector has been that of Jürgen Habermas (Broadbent et al, 1996; Laughlin and Broadbent, 1993). The analytics of communicative rationality would have been helpful in analysing the distance between actual negotiated processes and Ideal Speech Conditions, and for explicating the colonisation of areas of the lifeworld by accounting technologies of the systemworld.

5 *Actor-network theory*

Drawing on the work of Bruno Latour, Actor-network theory posits the world as a mixture of both the social and technical. It seeks to explain the interaction between people, technologies, and their surrounding conditions. In this sense, actor-network theory would have been useful in explaining the processes of interaction between accountants, accounting technologies, Government and charitable organisations. However, what we were interested in was the rhetoric *leading up to* the implementation of accounting accountability systems within the charities sector. It would also have been useful in analysing the transition from current accountability systems to accountability systems under the Charities Bill regulatory framework.

G *Conclusion to Neo-Gramscian Theory*

In short, this paper is informed by neo-Gramscian theory. In particular, this means that we incorporate the following Gramscian concepts into the theoretical structure of the paper: hegemony, counter-hegemony, coalition, counter-culture, a modified State, accommodation, and the ability to analyse a particular hegemonic message or activity. Further, in relation to the neo-Gramscian theory informing this paper, the State is a broad, ambiguous concept. With respect to conceptions of Government, the State and notions of hegemony render it possible to couple Government together with other State apparatus, such as select committees, the Ministry of Economic Development, the Inland Revenue Department, the Ministry of Social Development, the Treasury, Parliamentary Counsel, the Minister, as well as other political parties.

IV *RESEARCH METHOD*

The primary research method used in this paper is document analysis,¹⁰ and consequently, our main concern was ensuring that there was method to the collection of the data, increasing claims to validity, as well as to the method of data analysis. We will explain our research method in two sections: 1) data collection; 2) document analysis.

A *Data Collection*

In this paper, there are two types of data used in the study: 1) Official Government documentation; 2) Media reports. We will consider the manner of collection in turn.

1 *Official Government documentation*

¹⁰ For a more comprehensive overview of the research choices involved in document analysis, see Norman K Denzin and Yvonna S Lincoln *Handbook of Qualitative Research* (2 ed, Sage Publications Inc, London, 2000). In particular, refer to the section on document analysis from 703 – 714.

An integral part of the 'democratic' process of New Zealand's Parliament is that all Government documents that constitute part of the legislative process should be publicly available. Hence, drafts of Bills, select committee reports on a Bill, Preparatory documents for a Bill, etc, are generally available on the New Zealand Parliament website.¹¹ Furthermore, almost all official documentation is held by the Parliamentary Library, and all members of the public, by appointment, are able to view this material and take photocopies, although this must be conducted within the confines of the Parliamentary Library. Consequently, the Library holds important information including select committee submissions and officials' reports pursuant to the submissions. The Parliamentary information used in this paper was gathered from the Parliamentary website and from the Parliamentary Library. Importantly, all information is publicly available and accessible.

2 *Media reports*

In considering the method employed for the collection of media reports concerning the Charities Bill, it is important to acknowledge that the Charities Bill received significant media attention in a number of months during 2004, reflecting the various stages of progress that the Bill had travelled through the legislative process.¹² In particular, this includes the months of April, May, September, October, and December. Furthermore, we chose only to look at media reports publicly available and accessible, and consequently, the media reports are entirely sourced from newspapers. There were two primary media databases used for the collection of material: 1) Stuff¹³ - a database for twelve New Zealand regional papers, including large circulation newspapers such as The Dominion Post (Wellington), The Press (Christchurch), The Waikato Times (Hamilton), The Sunday Star Times (Auckland), as well as many smaller newspapers;¹⁴ 2) The New Zealand Herald website (Auckland).¹⁵ These websites essentially cover the entire print media in New Zealand. Both of these websites have archived material with an attached search function. The basic search terms included "Charity", "Charities Bill", and "Select Committee". Media articles were collected in September 2004 and January 2005, so that there was a more complete survey of media reaction. As can be noted, there were both positive and negative media articles surrounding the 'controversial' Charities Bill. We have attempted to let the media tell its story, rather than the story that we want it to say.

B *Document Analysis*

In terms of validity, this is a key discussion. Our document analysis is focused around three themes: 1) How has the Government 'marketed' the Charities Bill? 2) How have the Charities responded to this rhetoric? 3) How has the Government shifted their position following the charities response?

¹¹ For further information, see, www.parliament.govt.nz.

¹² On reflection, given the amount of media coverage surrounding the Charities Bill and the select committee process, it is incredible to consider that there has hardly been a word of acknowledgement from the media following the passing of the Charities Bill into law. In fact, we have struggled to find a single statement.

¹³ For further information, see www.stuff.co.nz.

¹⁴ These smaller newspapers include The Marlborough Express, The Manakau Courier, The Manawatu Evening Standard; The Nelson Mail, The Southland Times, The Taranaki Daily News, and The Timaru Herald. Fairfax New Zealand Ltd also owns a number of small local mailers and newspapers, for a full list see, www.fairfaxnz.co.nz/publications/index.html.

¹⁵ For further information, see www.nzherald.co.nz.

1 Analysing the Government rhetoric

In order to gather the data for this section of the paper, we collected all available Government statements that introduced, supported, or overviewed the Charities Bill. This included official Government statements including archived speeches made in the House of Parliament, archived public speeches, Ministry of Economic Development reports, media releases, and other documentation on the Parliamentary website. This was then closely analysed for consistent themes, resulting in the identification of eight primary themes. The Charities Bill's sponsoring Minister, the Hon Margaret Wilson, MP was responsible for the majority of the Government comments.

2 Analysing the charities response

There were three key parts to this process:

- 1) It started with a careful read of the select committee report to the House of Parliament in respect of the submissions received on the Charities Bill. This report was published and released on 17 December 2004. In the report, it identified that there were a series of common themes that emerged from the 753 submissions received on the Charities Bill. For example, the select committee noted the predominant concerns of charities included the funding of the Charities Commission, the associated costs of compliance with the regulation, and the need for and components of an annual return. In terms of analysing the select committee submissions, this was our starting point. Another key document was the Officials' Report on the submissions, which summarises all of the submissions received, and the themes, in relation to the actual contents and clauses of the Bill. This report mirrored the emergent themes as presented by the Select Committee.
- 2) Next we physically read the submissions to the Select Committee, at the Parliamentary Library. The first task was to confirm the acceptability of the general themes. The second task was to gather evidence from the submissions as to the actual arguments in relation to the themes. This resulted in over 100 photocopied pages of material from the submissions. Furthermore, we photocopied extensively from the Officials' Report and other 'common template' submissions for this helped us to identify coalitions, partnerships, and strategic alliances between the charities.
- 3) Finally, we analysed the media reports for statements from Charities in response to the Charities Bill. In a similar process to the analysis of the Government rhetoric, this eventuated in the identification of three primary themes in reaction to the Charities Bill ranging from general discontent to the more extreme threats of resignation.

3 Government's response to the charities discontent

In short, there were two primary sources for the information relating to the Government's response to the charities discontent, namely, the media, and the Parliamentary website. In analysing the material, we were looking for Government comment that related directly or indirectly to the concerns raised by the Charities in relation to the Bill. In particular, this led to the identification of three themes of Government accommodation: 1) Government funding of the Charities Commission in response to concerns that Charities would need to fund the Commission; 2) the

Government changing the Annual Return filing date from four months to six months in response to the perception that four months was too short; and finally, 3) Increased emphasis in the Charities Bill on education and support of Charities in response to the perception that the Bill was too negative.

V NEO-GRAMSCIAN DISHARMONY

In the following section, we discuss the role of the charitable sector in New Zealand society and how neo-Gramscian theory helps us to understand and explain the political processes that resulted from the introduction of the Charities Bill. We then outline the significant rhetoric employed by the Government and other ancillary institutions in support of the Charities Bill. This is then followed by a detailed depiction of charities' reactions to the proposed regulations, which serve as a counter-hegemonic position outlining the tensions and contradictions 'inherent' in the Government rhetoric. The final element of the neo-Gramscian analysis involves a consideration of moves by the Government to accommodate and appease the concerns raised by the counter-hegemony of the charities.

A Introducing the Charities Bill: Neo-Gramscian Theory and the Role of Charities in New Zealand Society

Charities have always occupied a special place in Kiwi (New Zealand) life. They are vital organs of civil society that enable people to participate fully in the fulfilment of their aspirations. The size and range of activities that charities engage in make them one of the most important societal sectors in terms of providing diversity, choice, and energy at the community, local, regional, and national levels.

However their role goes beyond providing alternative spaces in civil society for full participation and involvement in society. Their role is a philanthropic and humanitarian mission. They provide services ranging from funding sports activities, providing food, shelter, healthcare, support services, advocacy, political activism, community education, job training, vocational training, religious education, counselling, and pro bono work just to name a few. They are largely maintained by the good faith of individuals, volunteering in organisational activities and relying greatly on the goodwill of donors. It is a vital organ of society and an important indicator of democratic participation. It is democratising in that it provides people with avenues for exploring their life choices as well as providing an important space in the public sphere for voicing political opinion.

They also play an important role in the national economy, though the extent and nature of their contribution is largely unknown, as no rigorous studies have been undertaken to ascertain the revenues, expenditures, assets and outputs of New Zealand charities. Nevertheless it would be safe to say that the very fabric of New Zealand is largely built on the work of New Zealand charities.

Tinker and Gray (2003) mentioned that human life in its material, psychological, cultural, spiritual, and aesthetic fullness could not be possible without reading a broader meaning into the idea of "production" by including non-wage labour (along with "free" gifts of nature). Many charities contribute greatly to the production of human life through activities that constitute non-wage labour such as volunteering.

Charities act as a means of wealth redistribution by channelling funds given by better-off members of society into those not so well off. The Government has acknowledged, "... the enormous contribution the voluntary and charitable sector makes to New Zealand society". New Zealanders are indebted to these groups for

the work they do in the community, especially in welfare, health, and education spheres. One of the main ways, if not the main way, that the Government contributes to supporting the role charities and voluntary organisations play in supporting social good is through exempting charities from paying income tax. However, there has been some concern over the transparency and accountability of the charities with respect to accounting for how the assistance was spent.

The Government has indicated that there is a need to know how much money the Government has spent on the exemption (wealth generation issues) as well as who the main beneficiaries are (wealth distribution issues). This would give greater confidence to donors of charities, knowing where and how their money is being spent. The means with which to accomplish greater accountability and transparency has been the proposed Charities Bill, which proposes a reporting framework, complete with the Charities Commission.

These concerns have been framed in a way that portrays the Government's concern and its proposed solution (the Bill) as in accordance with the public interest. However, potential natural justice violations of procedural fairness, the imposition of new compliance costs on already over-stretched charities, and the funding requirements of the Charities Commission would indicate that the Bill has been hastily thought through and ill-prepared with inadequate regard being given on how to best support the activities of charitable organisations.

In light of the multi-dimensional role that charities play in New Zealand society, the proposed changes (that is, the Charities Bill and IFRS) present a fundamental challenge to the extant institutional framework that charities operate within. Therefore, the political writings and thinking of Antonio Gramsci provides a framework for the analysis of social change by focussing on the political, ideological, and economic pillars of power (Levy and Egan, 2003). The Gramscian lens analyses agency-structure relationships, which allows us to analyse the political discourses surrounding the Charities Bill.

One of Gramsci's most powerful contributions to critical theory and in particular Marxist thought was his systematic deconstruction of economic determinism. He did this by re-theorising the relationship between the economic base and the superstructure. Instead of following deterministic readings of the base/superstructure relation, Gramsci submitted that the superstructure mutually defined the other. This was a move away from the notion that the bourgeoisie can and do work together to shape popular culture and discourse (Levy and Egan, 2003) and leaves open the possibility for groups to position themselves "in the eddies and counter-currents of plural and resistant ideologies that are nurtured by the contradictions of plural and resistant ideologies" (Levy and Egan, 2003, 808). In other words, the superstructure articulated and defined its relations with the economic base, a process that is ongoing and subject to fissures and junctures produced by the political, economic, and ideological clashes. Societal change was not conditional on the immutable laws of history but depended instead on a broad-base of consent, that is reliant on the "compromises and coalitions that provide a measure of political and material accommodation with other social groups, and on ideologies that convey a mutuality of interests" (Levy and Egan, 2003, 805).

Social change is a contestable and negotiated process. The Charities Bill process represents a conflictual and negotiated process between various groups with different powers. Subjecting charitable organisations to higher reporting requirements can be described as internal accounting imperialism. Gallagher and Robinson (1953) defines imperialism as "the sufficient function of the process of integrating new

regions into the expanding economy". The move to accounting reporting frameworks can be seen as domestic imperialism as it is subjecting a previously extant sector of the (measured¹⁶) national economy to accounting technologies. Such a view is overly harsh, however, as the Government's intent has been focussed on the social goal of improving the charities sector by increasing its accountability and transparency. The question is can it accomplish that without overburdening the charities to the point that it harms their effectiveness?

Levy and Egan (2003) state that, "hegemony depends on an alignment of forces capable of reproducing the field" such as "... the economic system of production, taxation and sales with its associated distribution of costs and benefits to various groups" (810). Therefore, the proposed changes encapsulated in the Charities Bill and the introduction of IFRS constitute a reframing of the charitable sector, and thus, the changes will impact and reconstitute the essential framework within which charities operate. This in turn, must affect the essential functions of charities including wealth distribution.

Hegemony is the neo-Gramscian tool by which to analyse the process of implementing the Charities Bill and the IFRS framework. As a process, hegemony is reliant upon a 'broad base of consent'. That is, hegemony is not necessarily achieved by force, but rather dominant groups attempt to achieve the 'spontaneous consent' of society (including those outside of the dominant hegemony). Hence, the moment of the political, in hegemonic terms, is an analysis of the persuasion and rhetoric employed by dominant groups to 'convince' and 'persuade' society to accept the proposed changes. Neo-Gramscian theory accepts that the majority rules, however, so this provides space for the development of counter-hegemonic movements. What has to be analysed then, is how the Government chose to frame the rhetoric in support of this fundamental reconstitution of the charitable sector, as well as an analysis of the reaction of the charitable sector to both the reconstitution and the accompanying rhetoric.

B The Harmony of Government Rhetoric

The Government was measured and considered in its rhetoric in support of the introduction of the Charities Bill, as well as the ongoing review of the Financial Reporting Act. The Government and its various organisations concentrated on three streams of culture and ideology in order to facilitate the acceptance of the Charities Bill and the accompanying implementation of IFRS in New Zealand. The key actors in this process were the Government itself, the Ministry of Economic Development (which is essentially an extension of the Government), and the media. In particular, the hegemonic message focused on attaining a negotiated political and ideological consensus through concentrating on the need for accountability and transparency in the use of public money, through identifying Government support for the voluntary and community sector, and by focusing on the lack of knowledge about the voluntary and community sector (and hence how a Charities Commission and collected financial reports will improve the information flow).¹⁷ A consideration of the various themes presented in support of the dominant IFRS-capitalist hegemonic rhetoric follows:

(a) Government Statements

¹⁶ Measured using the tools of neoclassical economics, tools that exclude non-wage labour.

¹⁷ Of interest, of course, is that the themes of these hegemonic messages are in fact recycled by charities as counter-hegemonies.

i) *Supporting the voluntary and community sector*

One of the strongest Government messages in 'selling' the passage of the Charities Bill was that the Bill was simply the result of the continuing Government policy of supporting and aiding the charitable sector. For example, in the first reading of the Bill, the supporting Minister, the Hon Margaret Wilson, MP commented that:

The Government's commitment to improving its relationship with, and strengthening its support to, the community and voluntary sector is ongoing and the tabling of the Charities Bill in the House today is further evidence of this commitment.

In a further speech in support of the Bill, the Hon Margaret Wilson, MP stated that:

The Charities Commission is the latest Government initiative to strengthen the voluntary and community sector ...

I would like to reiterate that the Government is committed to honouring the Statement of Government Intentions, signed in 2002 to create a genuine partnership with community, voluntary and iwi/Maori organisations.

To that end, we are also committed to making the Charities Commission work for the benefit of the charitable sector and the public of New Zealand. I believe the establishment of this Commission will maintain and build on the cooperative spirit that has begun to be established over the past four years.

ii) *Improving the accountability and transparency of the charitable sector*

The need to improve the accountability and transparency of the charitable sector was at regular intervals referred to by the Government as its prime justification for the introduction of the charities regulation. In fact, as stated above, the sponsoring Minister, the Hon Margaret Wilson, MP stated that this was the prime benefit of the Charities Bill in the first reading before Parliament. The select committee report back to the House of Parliament after receiving and considering the many submissions concerning the Bill stated:

The bill ... is intended to ensure that the sector becomes more accountable and transparent to the donating public, funders, regulators, and the Government.

The Government commented that "the ongoing monitoring ... will mean we can make sure tax-exemptions are being appropriately used by the organisations entitled to them". In a later speech, the Hon Minister argued that:

Much of the impetus for greater accountability and transparency has come from the sector itself. In recent years there has been a growing recognition that charitable organisations need to have effective accountability systems in place, so those who donate to them can, in return for their support, access information demonstrating how, and on what, funds are used.

iii) *Enhancing public confidence in registered charitable entities*

In terms of the role of charitable entities within New Zealand society, the Government emphasised the continuation and encouragement of public support. However, for that to happen, the public must have confidence in the charitable

sector, and the Charities Commission will play an important part in that. The select committee report stated that, “the majority anticipates that confidence in the charitable sector will increase as a result of the bill”. The Hon Margaret Wilson, MP stated that:

All information filed with the Commission will be publicly available and accessible on the Commission's website. This will increase transparency and promote good governance. The Government hopes this will, in turn, encourage more people to support charitable organisations.

iv) The need for the registration of charities

This relates to the need to increase public confidence. If the charitable sector as a whole is to be held in high regard and with integrity, then registration is the only option. This leads to the potential for monitoring and a regime of discipline and control. The Hon Margaret Wilson, MP stated that:

With registration ... people making donations can be assured of the organisation's charitable purpose and financial solidity.

v) Registration by charitable entities is voluntary

The Government attempted to ‘sell’ the Charities Bill by acknowledging that registration is not required and is voluntary.¹⁸ The Hon Margaret Wilson, MP stated that:

Registration with the Commission will be voluntary, but only those organisations that chose to become registered will be able to continue to access tax-exemptions or be classified as approved donees.

vi) Consistency with Commonwealth nations, in particular, the United Kingdom

The Charities Bill will help to bring New Zealand up-to-date, in that it will have a similar regime of registration and reporting to other countries, such as the United Kingdom.¹⁹ The Hon Margaret Wilson, MP stated that:

The establishment of the Charities Commission will also help bring New Zealand in line with other commonwealth countries, where registration and reporting regimes for charities are commonplace.

vii) Lack of information about the charitable sector

One of key strands of hegemonic justification is the lack of understanding and information concerning the charitable sector. In that light, the Charities Bill was consistently referred to as a mechanism for bridging the information gap. The Hon Margaret Wilson, MP stated that:

The registration and monitoring system will also provide more information about the charitable sector. Currently there is no general collection of information about the activities or funding sources of charities.

¹⁸ This seemingly ignores the reality of the situation. If one of the few benefits of charitable work is the tax-exempt status (see arguments below by the Ministry of Economic Development), then this is, as one of the submissions to the select committee noted, “oxymoronic”.

¹⁹ This model of regulation of the Charitable sector was consistently referred to in submission, as well as in the Social Services select committee report.

For example, one of the main forms of assistance available to the charitable sector is the exemption from paying income tax. The exact extent of this assistance is, however, unknown. The information collected by the Commission will provide a better indication of this support and the size and scope of the charitable sector. This will place us in a better position to assess whether assistance to the sector is as well targeted as it could be, whether it should be improved, and if so how.

In a later speech, the Minister reinforced the need for information, justifying the Charities Commission as an effective means of collecting, providing, and consuming that information:

The Charities Commission will also provide the Government with significantly more information on the size and nature of the sector, and what it does. In this way, the sector's work can be better acknowledged and issues and trends identified.

viii) Satisfying international obligations in relation to terrorism

Even terrorism gets a mention, that great hegemonic movement of the Twenty-First Century. The Hon Margaret Wilson, MP, in the first reading, stated that:

It is also the first step towards instigating measures to satisfy New Zealand's international obligations under the Financial Action Task Force Special Eight Recommendations relating to the financing of terrorist organisations through not-for-profit entities.

(b) Ministry of Economic Development:

As stated above, the Ministry of Economic Development focused much of its rhetoric on accountability and transparency. In further developing notions of accountability, the Ministry of Economic Development argued that for charities to enjoy particular benefits, namely, the tax-exempt status, such a benefit should attract certain obligations to account for the benefit to ensure that it is being exercised for the intended purpose. They argued that the production of financial reports will promote good internal governance, by requiring financial discipline, and finally, that the presentation and filing of financial reports will provide the Charities Commission with an important information source that will help inform the development of social policy and help the sector to develop more thorough monitoring of sources and trends (within a regime of deterrence and enforcement).

(c) Media

The media has been an interesting battleground in the continued negotiation of a hegemony that rests on a broad base of consent. Essentially, the media battles can be carved into two distinct areas of political and ideological negotiation: i) Political games playing; and ii) Public information and reassurance of the charitable sector.

i) Political games playing.

In New Zealand, at the time of the introduction and passing of the Charities Bill, the Government consisted of a dominant Labour Party (Centre-Left), the coalition partner Progressives (Left), and the minority support of United Future (Centre). This was a government accurately depicted as "Centre-Centre Left". In that sense, the

remaining political spectrum in New Zealand involved the Greens (Left-extreme left), National (Centre-right), and Act New Zealand (Right-extreme right). All of the opposition parties opposed the Charities Bill, and in that sense, the Government used the media as a medium for playing the extremes off at each other, appearing hegemonically, as though the Government sits upon the middle ground (Tinker, Lehman, and Neimark, 1991).

Political opposition to the Charities Bill

The National Party opposed the Bill on three primary grounds. First, the consultation process on the original draft Bill was inadequate and consequently, the Bill is perceived to and appears to take a heavy-handed approach to regulation. Second, there is little or no evidence of impropriety in the charitable sector, although this belief was used as the genesis for the legislation. Third, National was concerned with the impact of the Charities Bill on Sport and the tax-exempt free status of amateur sport administration.

Act New Zealand opposed the Charities Bill on three main grounds. First, the proposed regulation of the charitable sector will impose significant compliance costs on charities. Second, the Bill and the accompanying consulting processes were fundamentally flawed. Third, the charitable sector underpins New Zealand's civil society and consequently, the sector should be left "as free as possible from State control. This Bill seriously erodes their independence".

The Green Party opposed the Charities Bill. The concerns of the Greens focuses primarily on the inadequacy of the consultation process, and that as the community and voluntary sector plays a critical role in society, this Bill, in essence, is undemocratic in that it has the potential to capture the voice of this important values-based influence. The Green Party was concerned with the effect of the Bill on charities that engaged in advocacy.

The Government Responds – Rhetoric

The media has been an important mechanism for the Government in conveying its hegemonic message to the public, as well as staking a claim to the middle ground.

For example, in relation to the National Party's concern about sport, a Government media release, dated 3 September, 2004 stated:

The National Party has misunderstood both the Charities Bill and the Income Tax Act 1994 ... The changes proposed by the Charities Bill proposes will affect neither the charitable status of sporting bodies nor their ability to secure future funding.

The Government criticised its political opponents in a media release from 19 August 2004, commenting that:

Establishing the commission brings New Zealand into line with other Commonwealth countries where registration and reporting regimes are commonplace.

In the same newspaper article, the journalist acknowledged the Greens concerns with advocacy, but stated:

Concerns about the advocacy role of charities have been submerged beneath the overriding worry of the sector - that the costs, obligations and potential penalties heaped upon it will drive volunteers away.

In that sense, then, the media has been used by the Government to play political games, by appearing as the voice of reason, especially in its rhetoric of support of the voluntary and community sector, as well as the information gathering function.

ii) Public Information and reassurance of the charitable sector.

Much of the Government's media rhetoric is simply a repeat of the information above. However, there have been instances of the Government reassuring the charitable sector that they are listening to the sector and changes will be made.

The Government released a media statement dated 18 August 2004, acknowledging the importance of the sector, and commented:

The Government recognises the invaluable contribution the charities sector makes to society ... It is important for New Zealanders to have a charitable sector which has the full confidence and trust of its benefactors. "Many New Zealanders give money to charities in good faith and there are few checks and balances in place to ensure their expectations are met. I am open to changes in the bill. In light of submissions I have asked officials to work with the select committee to ensure that we get legislation that is workable and does not impose unnecessary costs on charities".

In an opinion piece published 11 November 2004, a freelance journalist stated that:

[The Charities Commission] will educate, provide advice to and support the trustees and officers of charities to ensure they understand and can comply with core regulatory obligations and duties and it will provide advice to the Government.

Therefore, all of this information is illustrative of extensive Government attempts to hegemonise support for the Charities Bill. This process illustrates the Government attempts at negotiating political and ideological consensus or a broad base of consent in terms of the Charities Bill and the accompanying implementation of IFRS into New Zealand.

C Charities Fight Back -Counter-Hegemonic Movements

The following sections detail the reactions of members of the charitable sector to the proposed changes as well as the rhetoric employed by the Government and its ancillary institutions in support of the Charities Bill and the implementation of IFRS.

1 The creation of classes of charity: the registered and the unregistered

A number of the charitable entities that submitted to the select committee were concerned with the fact that by having a registration system, this in effect creates two classes of charities. With having a voluntary registration process, this creates a choice between registration and non-registration, creating the classes of the registered and the unregistered charity. If the sole benefit of registration for a charity is the tax-exempt status, but this is accompanied with high costs of compliance in the production, presentation, and 'audit' of the financial accounts, the

'unregistered charity' class may well be a legitimate option. In that sense, this would defeat the intent of the Charities Bill. It is worth pointing out that submissions noting the class effect argued for no registration system, rather than a compulsory registration system.

2 *Media discontent*

The media has played a small, but significant role in the development of counter-hegemonic action in response to the Charities Bill and the accompanying implementation of IFRS. Headlines such as "Government reacts as outcry grows on Charities Bill 'monster'" (19 August 2004) and "Charities say bill will hamper them" (6 August 2004) and "Charity begins at home" (11 November 2004) are illustrative of the charitable sector's discontent with the proposed sector changes encapsulated by the Charities Bill. The development of the counter-hegemonies includes the listing of concerns about the Bill illustrated by the following list published in the New Zealand Herald on 6 August 2004 (a similar list was published 19 August 2004):

Concerns about Bill

- * Compliance costs from registration with the new Charities Commission.
- * Ban on officers of charities getting indemnity insurance.
- * Making officers personally liable for paying administrative penalties to the commission.
- * Requiring the charity's registration number to be used on all documents.
- * The commission's powers to deregister charities, which charities say are too wide and punish them - and the public - for minor infractions.
- * The lack of an advocacy role in the definition of charities, which they say puts them at risk of deregistration should they oppose Government policy.

The former president of Rural Women New Zealand (a charitable entity), Ellen Ramsay, wrote a comprehensive critique of the Charities Bill for the New Zealand Herald. It was entitled, "Charity begins at home" (11 November 2004). Excerpts from the article include:

The Charities Commission is a key proposal of the Charities Bill, which is itself an example of needless bureaucracy.

...

Regardless of what proponents of the bill say, the real beneficiaries of this proposal will be accounting firms, not those who should benefit from the millions of dollars New Zealanders donate to a raft of charities each year. Charities and the countless volunteers who give of their time and talents so generously to support them are the life-blood of rural communities, particularly since the centralisation of services in health, education and social services.

...

If passed, this bill will impact on some 30,000 charities in New Zealand that perform a range of essential functions. Government has drafted this legislation without any real knowledge of who most of these charities are, what they do and why they exist.

When Attorney-General and Commerce Minister Margaret Wilson launched the bill she said it would help to foster a culture of philanthropy and generosity within New Zealand.

This culture already exists in this country and the reality is this bill will have the reverse effect.

It will result in higher compliance costs being imposed on charitable organisations. These costs will be in the implementation of tighter accounting controls to preserve charitable status and so, fewer dollars will be available for charitable work.

Satisfying new levels of bureaucracy can be crippling for commercial businesses imagine how it will affect not-for-profit ones?

...

Government structures with the ability to allay any fears the public may have about how money they give to charities is managed already exist. The Charities Bill is a solution for an imagined problem and should be abandoned.

In the article entitled, "Charities say Bill will hamper them" (6 August 2004), a number of charitable organisations commented, including:

Salvation Army chief financial officer Victor Saywell said nothing in the bill encouraged a "generous philanthropic society" and real recognition of the millions of voluntary hours given each year.

He said the bill would create a "major bureaucracy with significant compliance costs and risks for no benefit".

The compliance requirements and risks could deter volunteers from giving their time and donors from giving money.

Mr Saywell said the bill's requirement that charities display their registration number on all correspondence was "burdensome and unnecessary".

3 *Submissions to the Social Services select committee*

In considering the submissions to the select committee, there are three primary strands of counter-hegemonic argument relevant to this paper (in terms of the Charities Bill and its IFRS implications). These include the proposed funding of the Charities Commission by the charities themselves (through a registration fee or levy); the costs of compliance including displaying registration numbers, registration, the production, presentation, and 'audit' of an annual return, compliance with an uncertain accounting regime (tied to IFRS), the requirement for an annual meeting of the Charities Commission and registered charities each year, and the requirement to present an annual return to the Charities Commission within four months of the balance date.

(a) *Funding*

In response to the original Charities Bill, Charities were greatly concerned by the fact that it appeared as though the Government contemplated that Charities, themselves, would need to fund the Charities Commission. This was, it seemed, in direct contravention of the role of the charity itself; publicly donated funds for the charities work being used to pay for the administration of the unwanted and unnecessary Charities Commission. For example, Rachel Roth and Julian Johnson submitted to the Social Services select committee on behalf of the Family Education Network that:²⁰

²⁰ Rachel Roth and Julian Johnson, Family Education Network, Submission to the Social Services Select Committee on the Charities Bill.

We cannot see how the Commission can be run without ongoing Government funding. Many charities are both small in size and financial capacity. Cost of compliance, registration, annual reports and returns etc will only add to the difficulties that are already here in doing the work we wish to do in the community ... The Commission must have ongoing Government funding and not seek to recover all costs through registration and/or annual fee.

Graham Hill, submitting for the Interchurch Council for Hospital Chaplaincy [IHC], was concerned with the drain on charity funds and the inequity of charities being required to fund a Government organisation for the public benefit. In short, if this was for the public benefit, let the public fund it.²¹

It seems to IHC that the purpose of the Commission is to provide information for the Government and the public, and therefore the Government should fund the costs of running the Commission. It should not have to come from money given by the Government to IHC, or similar organisations, as a contribution to the services they are to provide in partnership with the Government.

Clive Monds, submitting for the Environment and Conservation Organisations of NZ Inc, argued:

“Fees: The Government has suggested that the Charities Commission may be self-funding. That is at odds with the whole rationale for the charitable tax exemption, which is to recognise that charities carry out work, which is considered to be a public good. If the purpose of the bill is to establish a mechanism to protect the integrity of this public good provision, surely the mechanism itself is part of the public good and be paid for out of general revenue.”²²

(b) Cost of Compliance

In short, the majority of submitters concentrated their attack on the costs of compliance inherent within the Charities Bill. Not only was the fact of paying compliance costs an issue, but many submitters concentrated their attack on the inherent injustice of requiring charities to pay for compliance, when such payment detracts from the social services that the charities seek to provide. In particular, there appear to be two counter-hegemonic strands of argument. The first encompasses the uncertainty about the costs of compliance themselves given that all of the financial reporting requirements bar the need for an annual return are to be regulated for by Order in Council (in other words, the regulations are yet to be formed, and will be passed by the Governor-General when necessary and ‘without’ consultation). Secondly, charities submitted their frustration in relation to the sheer ‘idiocy’ of having to pay the costs of compliance, as this defeats the intention of charities, which the Charities Bill ‘supposedly’ seeks to support.

In terms of uncertainty, Christine Rogan, submitting on behalf of the Alcohol Healthwatch Trust, stated that:²³

²¹ Graham Hill, Clerk of the Committee, Interchurch Council for Hospital Chaplaincy, Aotearoa New Zealand Charitable Trust, Submission to the Social Services Select Committee on the Charities Bill.

²² Clive Monds, ECO Executive, Environment and Conservation Organisations of NZ Inc, Submission to the Social Services Select Committee on the Charities Bill.

²³ Christine Rogan, 2004, Alcohol Healthwatch Trust, Submission to the Social Services Select Committee on the Charities Bill.

It create [sic] a level of compliance that would impose significant and as yet unforeseen administration costs over and above those already imposed ... The financial and logistical costs are burdensome to the sector by requiring another level of reporting and fee [sic], (for example, retaining current tax status, registration fees, annual fees, the filing of annual reports, and the ongoing requirement to show a registration number on all organisational material) ... The non-government not-for-profit sector is limited in its capacity to meet compliance costs and obligations. The Bill imposes increased operational and compliance burdens on charities while providing little by way of protection, accountability and promotion for the good of the sector.

The Institute of Chartered Accountants of New Zealand [ICANZ] continued this concern with regard to uncertainty, submitting that:²⁴

The magnitude of these costs will be determined by the content of the regulations and by the way the Commission undertakes its functions.

Indirect and unintended costs of the proposed legislation must be taken into account ... This could mean that charities will have to pay more for compliance services.

In example of the apparent inconsistency between paying compliance costs and operating a charity, Binney Lock, commented that:²⁵

While respecting the good intentions of the Bill, I submit it will impose unjust and unnecessary burdens on charitable organisations. I recommend that the Bill does not proceed ...

Graham Hill, in continuing his submission for the Interchurch Council for Hospital Chaplaincy, argued that:²⁶

The ICHC is however concerned that organisations which by their very nature have been set up as charities, to relieve the public purse from funding costs that would otherwise have to be set up as a full charge on the Government, are to be charged a fee to register.

Finally, the cost of compliance argument was continued following the submissions in the media, with a New Zealand Herald article dated 6 August 2004 commenting that:

The [St Vincent de Paul Society] immediate past-president, Kevin Tansley, estimated the bill's requirements would occupy one person full-time - at a cost of \$30,000 to \$40,000 for a charity with an annual income of less than \$200,000.

(c) *Annual returns*

The proposed Charities Bill required that there would be an annual return to be produced and filed with the Charities Commission within four months. Many

²⁴ David Turner, 2004, ICANZ, Submission to the Social Services Select Committee on the Charities Bill.

²⁵ Binney Lock, 2004, Submission to the Social Services Select Committee on the Charities Bill.

²⁶ Graham Hill, 2004, Clerk of the Committee, Interchurch Council for Hospital Chaplaincy, Aotearoa New Zealand Charitable Trust, Submission to the Social Services Select Committee on the Charities Bill.

submitters were greatly concerned by this requirement, submitting that more time was required. Submitters submitted that the proposed timeframe for reporting was too short,²⁷ that it should be six months,²⁸ that it should be nine months,²⁹ that it should be eight months,³⁰ that it should be seven months,³¹ that it should be five months,³² and that it should be a longer period without making an express recommendation as to the optimal timeframe.³³ Furthermore, although the Bill makes

²⁷ Northland Urban Rural Mission, Bay of Plenty Multiplesclerosis Society, Tauranga (BOP) Hearing Association, Diocese of Palmerston North, Sporting Clubs of New Zealand, Catholic Diocese of Auckland, Chartered Secretaries New Zealand, Pamela Hopkins, Age Concern, Sport Manawatu, Royal NZ Plunket Society Inc, Museums Aotearoa Te Tari O Nga Whare Taonga O Te Motu (The Museums of NZ), Haven Child and Family Trust, Hutt Valley Education Service Trust BEST, Serving in Mission, Orpheus Choir of Wellington, Catholic Family Support Services, Downtown Community Ministry, Hamilton Diocese, St Joseph's Parish Fairfield, Saint Peter Chanel Parish Te Rapa, St Anthony's Catholic Parish, Compass Community Foundation.

²⁸ Margy-Jean Malcolm, Auckland Women's Health Council, Auckland Regional Migrant Services Charitable Trust, Workplace Support, Cancer Society National Office, Hospice NZ, WWF NZ, The Institute of Chartered Accountants of New Zealand, National Council of YMCA's of NZ, Arts Waikato, The Boys' Brigade Camp Wainui Trust, The Peace Foundation, Problem Gambling Foundation of NZ, Wyatt Consultants, Stedfast Park Camp the Boys' Brigade, Huntly Boys' Brigade, Auckland Medical Research Foundation, Dilworth Trust Board, Waikato Regional Community Houses, Barnados, Auckland District Council of Social Services (ADCSS), Pricewaterhousecoopers, Society of St Vincent de Paul, Independent Schools of NZ, Federation of Family Budgeting Services, Girl Guides Association of NZ Inc, SPELD Auckland Inc, Boys Brigade NZ, Smokefree Pacific Action Network, Habitat for Humanity NZ, Kidcare Foundation, Ngaruawahia Community House, Christchurch City Council, NZ China Friendship Society, Diabetes NZ Inc, Cora Baillie, Ngaruawahia TuTangata Trust, Ashburton Council of Social Services, Ngaruawahia Resource Centre, Autism NZ Inc Bay of Plenty Branch, Federation of Rail Organisations of NZ Inc, Muscular Dystrophy, Christian Blind Mission International NZ, The International Sailors Society Auckland, Toy Library Federation of NZ, Fiona Cartwright, Presbytery of Southland, Alpha Support Trust, Physiotherapy Acupuncture Association of NZ Inc, Action for Children and Youth Aotearoa Inc, Bay of Plenty Myalgic Encephalomyelitis Support Group Inc, Acorn Foundation, Central Regional Health School (CRHS), The NZ Secondary Schools Students Choir Trust, The Churches Broadcasting Commission, Sisters of Mercy Auckland Charities Limited, Mangakino Community Agency Inc, Southland Hospice Charitable Trust, Otorohanga Support House Whare Awhina Inc, St Paul's Cooperating Parish, Supergrans, Volunteering NZ, Diabetes Tauranga Incorporated, Napier Family Centre Inc, Dunedin Community Voluntary Centre Trust, Mervyn J Cranefield, Leprosy Mission NZ Inc, Fundraising Institute of NZ.

²⁹ New Zealand Trustees Association, Autism NZ Inc, The Scout Association of NZ and the Scout Youth Foundation, Mercy Hospital Dunedin, LifeLine NZ, Tairāwhiti Youth Development Trust, Kidcare Foundation.

³⁰ The Salvation Army Pax Christi Aotearoa New Zealand, De La Salle Brothers, Open Home Foundation, The New Zealand Council of Social Services, Catholic Congregational Leaders' Conference Aotearoa NZ, Sisters of Compassion, Te Whanau Putahi, The Cancer Society of New Zealand Central Districts Division, J L Woodward, NZ Council Christian Social Services, Inter-Church Working Party on Taxation, Child Evangelism Fellowship of NZ, The Work Peninsula Charitable Trust, SPELD Gisbourne, Anglican Action, Auckland City Mission, The Congregational of the Sisters of St Joseph of Nazareth, Alpha Support Trust, Social Services Waikato, Sisters of Mercy Wiri, The Methodist Church of NZ, Women's Health Action Trust.

³¹ ANGOA.

³² Tear Fund, Institute of Chartered Accountants of NZ, Council for International Development, Crosslight Trust.

³³ NZ Federation of Voluntary Welfare Organisations Inc, Tauranga Budget Advisory Service Inc, Te Ora Hou Te Tairāwhiti Inc, The Tokomaru Bay Community Group Charitable Trust, Paul Currie, Tauranga Ray of Hope Trust, Hamilton East Community House, Huntly Baptist Church, National Council of Women of NZ, WEC International NZ, Scouting Otago, CEP Environment Trust, Catholic Women's League of NZ Inc, New Horizons For Women Trust Inc, Alcohol Healthwatch, NZ Playcentre Federation Inc, Friends of Te Papa, Missions Interlink, Manukau City Council,

no reference to the concurrent review of the Financial Reporting Act and the accompanying implementation of IFRS, it is clear that some submitted made the link between the two activities, submitting either that the charitable sector was unable to cope with the financial complexities of IFRS,³⁴ or that IFRS and its derivatives were too complicated a regulatory requirement for the simple accounting of charities.³⁵

As an example of charities submitting for a longer timeframe for the presentation of financial reports, WWF New Zealand argued:³⁶

The requirement for charitable entities and approved donees to file annual returns within 4 months after balance date is too short a time period. WWF New Zealand understands that the need for the Commission to have up to date information, but this requirement is more onerous than that currently placed on companies. WWF recommends that clause 54 be amended by deleting 4 [months] and inserting the words 6 months.

Brian McCloy, submitting for the Sisters of Mercy Auckland Charities Ltd, continued this theme, commenting succinctly:³⁷

Clause 54 requires charitable entities to submit their annual returns within 4 months of balance date. This period is unrealistically short and it is our view that a period of 6 months should be allowed.

In terms of the requirement for an annual report and its contents, Al Eastley, Chair of the Southland Mature Employment Charitable Trust, submitted that:³⁸

... the Bill adds another layer of regulation with the necessity for an Annual Return to the Charities Commission. While the Bill does not prescribe the contents of this Return, it is a concern ...

Once a return is added to this, the goodwill we receive from our accountants and auditor will be stretched even further, not to mention the extra staff time involved in fulfilling this need when the time could be better spent in our core activities. This can have a huge impact on our already stretched bottom line.

Presbyterian Support Upper South Island, Dunedin City Council, Southland Regional Support Inc, Dunedin Council of Social Services, MEISS Inc, Disability Information Service Inc.

³⁴ Catholic Diocese of Auckland.

³⁵ This appears to be constitute a counter-coalition of Baptist churches and organisations from around New Zealand, including Westland Baptist Church, Christian Centre, Dannevirke Baptist Church, Motueka Baptist Church, Opawa Baptist Church, Northwest Baptist Church, Village Baptist Church, Fielding Baptist Church, Milford Baptist Church, Levin Baptist Church, Dargaville Baptist Community Church, Owairaka Baptist Church, Fairfield Baptist Church, Ranui Baptist Community Trust, Howick Baptist Church, Titahi Baptist Church, Otahuhu Baptist Church, Epuni Baptist Church, Lincoln Baptist Church, Whangaparaoa Baptist Church, Stratford Baptist Church, Windsor Park Baptist Church, Belmont Baptist Church, Malvern Baptist Church, Bryndwr Baptist Church, Riccarton Baptist Church, Blockhouse Bay Baptist Church, New Plymouth West Baptist Church, Doubtless Bay Baptist Church, Dunedin City Baptist Church, New Lynn Baptist Church, Halswell Baptist Church, Waikanae Baptist Church, Taumaranui Baptist Church, Oxford Terrace Baptist Church.

³⁶ WWF New Zealand, 2004, Submission to the Social Services Select Committee on the Charities Bill.

³⁷ Brian McCloy, Sisters of Mercy Auckland Charities Ltd, 2004, Submission to the Social Services Select Committee on the Charities Bill.

³⁸ Al Eastley, 2004, Chair of the Southland Mature Employment Charitable Trust, Submission to the Social Services Select Committee on the Charities Bill.

The required high levels of financial and organisational accountability, with the associated compliance costs, do not correlate with the decreasing funding many charitable organizations are receiving ... The real teeth of this Bill are going to be in the Regulations.

In relation to the link between the Charities Bill, the concurrent review of the Financial Reporting Act 1993, and the implementation of IFRS and its derivatives, the Presbyterian Savings and Development Society of NZ Inc submitted:³⁹

Another area of concern particularly for small Charitable Organisations such as many of the Church Congregations throughout New Zealand is the standard of accounting required. Many organizations do not have accounts prepared by chartered accountants because of the cost, they are not audited, but they may be checked by an independent person who would not meet the international standards about to be imposed, nor would they be familiar with the complexities of IFRS. Unless there is a drastic re-think about the standard of reporting required for Charities then many organisations are going to suffer.

4 *Development of coalitions, partnerships, and strategic alliances*

Gramsci's theory of hegemony argues that in attempting to challenge hegemonic coalitions, in the development of counter-hegemony, certain affected groups will attempt to conduct a "war of position" through forming strategic alliances or coalitions. This coalition-building may for the benefit of a group of charities collectively appearing stronger and larger to the dominant hegemony, than a lone voice, or it may provide an example of weaker groups attempting to avoid direct confrontation with more powerful entrenched groups, and thus they seek to subvert from below 'by forming coalitions, partnerships, and strategic alliances'. We have identified four distinct examples of coalition-building in our analysis of the submissions to the Social Services select committee.

(a) *New Zealand Cricket and the Cricket Associations*

New Zealand Cricket is organised around a very simple structural model with a central body, New Zealand Cricket, and 27 district associations (split between 6 principal and 21 secondary associations). In analysing the submissions to the select committee, we discovered that New Zealand Cricket, the central administrative body, created a template submission identifying the primary concerns surrounding the Charities Bill from the viewpoint of New Zealand Cricket. New Zealand Cricket tendered this submission on behalf of all of the cricket associations in New Zealand and itself. However, on further analysis, it was evident that the central organisation had distributed the template to each of its 27 district associations, and these individual associations, in turn, had copied the template, submitting it to the select committee and signing it on their own behalf. This is illustrative of two forms of coalition-building initiatives: first, the tendering of a template, common submission from one set of common groups constitutes an attempt to increase the size of a counter-hegemonic 'voice'; secondly, this coalition identifies weaker groups, namely the domestic cricket associations, tying themselves and their concerns to a larger, more powerful body, namely New Zealand Cricket.

³⁹ Presbyterian Savings and Development Society of NZ Inc, 2004, Submission to the Social Services Select Committee on the Charities Bill.

(b) *Baptist Churches and the coordinated attack on the need for simple financial reporting requirements.*

As recorded above, in the section on submissions to the select committee on the annual report requirement, the Baptist Churches of New Zealand undertook a strategic campaign by submitting that IFRS and its derivatives were too complicated a regulatory requirement for the simple accounting of charities.⁴⁰ In terms of the scope of this paper, this is a unique submission, for this constitutes one of the few examples of charities explicitly tying the Charities Bill to the concurrent review of the Financial Reporting Act and the accompanying implementation of IFRS and its derivatives.

(c) *Smaller charities uniting under a collective banner – one submission on behalf of a number of charities*

There was some evidence of smaller, weaker charities adding their voice to the debate by supporting a larger 'umbrella' organisation. For example, the Plimmerton Presbyterian Parish submitted that it supported the submission of the Presbyterian Assembly of New Zealand. Another example of smaller, weaker charities banding together in attempt to avoid direct confrontation and to strengthen their counter-hegemonic voice included the submission of a New Plymouth Lawyer who represented three small New Plymouth charities.

(d) *New Zealand Cricket, Basketball New Zealand, and other sporting organisations*

The final example of coalition-building involves New Zealand Cricket and other central sporting administration bodies. This is particularly interesting given the sport was largely outside of the consideration of the Charities Bill. Sporting bodies predominantly in the promotion of amateur sport are entitled to a tax-exemption under the Income Tax Act 2004, but under a different provision than that which exempts charities. However, many sporting bodies submitted to the select committee in an attempt to protect their tax-exempt status and to agitate for acceptance and inclusion within the Charities Bill regime. Hence, the breadth of the New Zealand Cricket submission, alongside the parallel submissions of the 27 district cricket associations went further. There is evidence of New Zealand Cricket distributing its template to other sporting administration bodies, with Basketball New Zealand, amongst others, submitting exactly the same submission as that tendered by New Zealand Cricket. This provides evidence of an attempt to counter-hegemonise at the broad-base level.

5 *Drastic action – threats of resignation*

⁴⁰ In particular, this included Westland Baptist Church, Christian Centre, Dannevirke Baptist Church, Motueka Baptist Church, Opawa Baptist Church, Northwest Baptist Church, Village Baptist Church, Fielding Baptist Church, Milford Baptist Church, Levin Baptist Church, Dargaville Baptist Community Church, Owairaka Baptist Church, Fairfield Baptist Church, Ranui Baptist Community Trust, Howick Baptist Church, Titahi Baptist Church, Otahuhu Baptist Church, Epuni Baptist Church, Lincoln Baptist Church, Whangaparaoa Baptist Church, Stratford Baptist Church, Windsor Park Baptist Church, Belmont Baptist Church, Malvern Baptist Church, Bryndwr Baptist Church, Riccarton Baptist Church, Blockhouse Bay Baptist Church, New Plymouth West Baptist Church, Doubtless Bay Baptist Church, Dunedin City Baptist Church, New Lynn Baptist Church, Halswell Baptist Church, Waikanae Baptist Church, Taumaranui Baptist Church, Oxford Terrace Baptist Church.

In response to the Charities Bill, certain leaders in the Charitable sector have attempted to use drastic measures in order to demonstrate the seriousness of the counter-hegemonic movement. Submitters (in person) to the select committee demonstrated their discontent by threatening to resign and quit the sector. In particular, the fact that charitable officers were not entitled to indemnity insurance was a major concern. This campaign was continued in the media, with the national treasurer of St Vincent de Paul Society, Patrick Sheehan commenting in a New Zealand Herald article (6 August 2004) that:

... he would resign if the bill became law in its present form because it banned officers of charities getting indemnity insurance.

He said the bill would "seriously damage" the charitable sector by restricting its work because valuable resources would be diverted to meeting larger administration and compliance costs.

Mr Sheehan said the society opposed the provision making officers personally liable for paying administrative penalties to the commission.

"It is difficult enough to source individuals willing to assume leadership roles without imposing a potential personal liability as part of their job description," he said.

Mr Sheehan said not only officers would be put off joining, but other volunteers would be as well.

6 *Counter-culture of discontent – summarising the counter-hegemonies*

In the previous sections, the paper outlined the nature of the movements against the Charities Bill, as well as the arguments that they articulated. Submitters argued against a registration system that would on the one hand create classes of charities whilst on the other hand also compel charities to register in order to gain tax exemption status. The media played a role in promoting the issues surrounding the Charities Bill, and portraying it as piece of legislation that was overly burdensome. The media also highlighted the spirit in which charity is or at least should be conducted – voluntarily and in good faith – values that the Bill 'kind of missed'.

It was noted that the real beneficiaries of the Charities Bill appear to be accounting firms. It raises questions over the supposed benefits of accounting accountability frameworks and whether they are able to confer benefits to the charity sector. It is questionable how much "fostering of philanthropy and generosity" the accounting framework will provide if its effect is to reduce the ability of charities to carry out their social work. Compliance costs also come with added risks, risks that may put people off from giving their valuable time and money to charities.

Submitters attacked the funding structure of the Charities Bill, a structure that drew funding from the charities themselves. It was perplexing that a body set up for the public interest had to be funded by charities that were themselves performing services that the State should be and has traditionally provided to its people.

Cost of compliance and the timeframe for annual returns was a major theme of the counter-culture's articulations with submitters and media pointing out the effect increased costs would have on organisations already struggling to make ends meet.

There was some evidence that a collective mobilisation of charitable groups and supporters had taken place around submissions to the Social Services select

committee, through information sharing, template distribution, and group submissions.

One of the strongest counter-hegemonic messages, flying in the face of the public accountability and public confidence rhetoric, is that:

“Every dollar spent by a charity in compliance costs is a dollar less that is available to be put toward the core task of the charity”.

E Government Accommodation of Counter-Hegemonic Movements

Neo-Gramscian hegemony is not static (Williams, 1977). Gramsci discusses that when faced with concerted pressure, a hegemonic message may shift position or change direction in order for that message to be ‘purchased into’. In that sense, as the Charities Bill has progressed through its Parliamentary process, from the inaugural introduction (first reading) to the House of Parliament, to the call for submissions from interested parties, to the select committee process of hearings, through to the final report of the Social Services select committee, the minor tweaks, changes, and concessions is illustrative of the Government amending its hegemonic message. For Gramsci, these tweaks, changes, and concessions represent “accommodation” by the dominant hegemony. Upon analysis of the select committee submissions, media reports, and the final select committee report, there is evidence of at least three Government attempts to “accommodate” the social and political pressure mounted by the counter-hegemonies of the charitable sector. These include the Government promising to fund the new Charities Commission for the first two years, that the annual return timeframe will be amended from four months to six months, and that the Charities Commission will focus more on educating and supporting the charitable sector, as opposed to compliance and regulation. We examine each of these in turn:

1 Government promises \$9.8 million to fund new Charities Commission

As noted above, one of the key concerns with the Charities Bill, from the perspective of submitting charities was the proposal that charities would need to fund the Charities Commission. For charities, this would interfere with the core function of ‘charity’ and seems unfair given that the Government funds such regulatory bodies as the Commerce Commission, the Electricity Regulator, the Telecommunications Regulator, and the Securities Commission. In a Government media release dated 22 October 2004, the Government attempted to appease the concerns of many of the charitable sector by announcing plans to fully fund the initial two years of the Charities Commission followed by a review. The media release is entitled, “The Government has backed off plans to heavily regulate charities”. The key statements include:

The Government has backed off plans to heavily regulate charities.

Yesterday it announced it was allocating \$9.8 million to fund the new Charities Commission for two years so charities would not have to pay registration fees.

Charities have been concerned that the Charities Bill forced them to pay for their regulatory body ...

Commerce Minister Margaret Wilson yesterday said in announcing the changes that registration with the commission would be free thanks to the funding.

Registration would be voluntary but charities would miss out on tax exemption if they did not sign.

Thus, it is clear that the Government has 'accommodated' the funding concern, by alleviating some of the funding fear. However, the title of the media release is interesting, "The Government has backed off plans to heavily regulate charities". The only theme of the media release is that the Government will pay for the Charities Commission for two years; there is no mention of alleviating or accommodating any of the other regulatory requirements. In that sense, one could speculate that this is an attempt at limited concession with an accompanying attempt at deflecting the charitable sector.

2 *Annual return – present in six months after balance date*

One of the key concerns surrounding the regulation of the sector was the requirement to prepare, present, and 'audit' an annual report within four months of the balance date. Almost all submitters agitated for a longer period with the majority submitting that six months would be a more suitable requirement. Hence, in the final select committee report presented to House of Parliament on 17 December 2004, the Government accommodated this concern by amending the text of the proposed Charities Bill to require the annual return to be completed no later than six months after balance date. The Social Services select committee report comments:

Submitters suggested that it may be difficult for charities, particularly smaller entities, to comply with a 4-month time limit [under clause 54], and proposed that the Bill allow more time for the preparation of the annual return. The majority agrees, and recommend amending clause 54(1) to require the completion of an entity's annual return within 6 months after each balance date. This was the most common timeframe proposed by submitters.

The language of this concession is certainly the language of 'accommodation'. Furthermore, it is demonstrative (to the charitable sector) of the stated Government willingness to listen and concede where necessary.⁴¹

3 *Education and support introduced*

The final illustration of 'accommodation' is more cosmetic than an actual change. A number of submitters were concerned that the focus of the Charities Commission appeared to be heavily geared towards compliance and regulation, to the detriment of education and support.⁴² The select committee report incorporates the following recommendation:

We found that most submitters were concerned that the [Charities] Commission would operate mainly as a regulator of the charitable sector, where they considered that the Commission should also have an extensive

⁴¹ See, Hon Margaret Wilson, MP, Media Release (18 August 2004), where the supporting Minister stated:

I am open to changes in the bill. In light of submissions I have asked officials to work with the select committee to ensure that we get legislation that is workable.

⁴² See Robin Read-Bloomfield, Chairperson, Western Community Centre, 2004, Submission to the Social Services Select Committee on the Charities Bill:

We also oppose the intent of the Bill because of the focus on compliance and regulation instead of support and education.

education and support function ... In our view, the Commission should have an important role in informing, educating, and supporting charitable organisations, as the effective exercise of this role should help charities to build their capacity and develop capability. The majority therefore recommends amending the Bill to include, as one of the Commission's key responsibilities, the provision of general advice and assistance on governance and management, and recommendations on best practice. Such advice should be available to all charities, registered or not.

The reason as to labelling this cosmetic is that the Explanatory Note on the Charities Bill mentions education and support as being a key responsibility of the Charities Commission in the regulation of the sector. Hence, it is cosmetic as it moves this requirement from explanation to the legislation.

4 Conclusion – Government accommodation

The counter-hegemonic movement led to the Government making limited concessions in the form and shape of the Charities Bill. The fact that these weaker groups have gained limited concessions in the Charities Bill as it has progressed through the Parliamentary process provides an example of “accommodation” by vested interests in the face of social and political pressure. However, what is more interesting from the viewpoint of the authors is what the Government has not conceded. Nothing has been said about IFRS, nor nothing about the costs of compliance, bar the initial funding of the Commission. The dominant hegemony has made limited concessions, but that is the key point in its own right.

V CONCLUDING COMMENTS

The concluding comments to this paper focus will focus on two observations: first, we will reflect on the Government rhetoric and the existing counter-hegemonies in an attempt to tease out alternative potential counter-hegemonic interventions; second, the paper will consider certain limitations of Gramsci's theory of hegemony.

A Reflecting on Government Rhetoric and Existing Counter-hegemonies

This case study attempted to document resistance by a sector to unwanted accounting colonisation that had the effect of constraining the ability of charities to carry out their work. The arguments of those opposed to the Bill centred around its compliance costs, funding of the Charities Commission, and the filing of annual returns.

However the Charities Bill also raised the profile of what is often a low-profile yet important sector of New Zealand society. What came out of the debates was a sense of caring, generosity, and love that so many of the organisations depend on. What is perplexing is the timing and need of the Charities Bill. There has not been a comprehensive study of the charities sector in New Zealand and because of this we do not have good estimates on the number, size and nature of charitable entities in New Zealand. Because of the lack of information we also do not have a good idea of what organisations would benefit (if at all) from the ‘increased’ accountability and transparency apart from accounting firms. Moreover, because of the lack information about the sector, we do not know the level of defalcation and misuse of charity funds that goes on. There is evidence that though charity abuse is underreported in the United States of America, its prevalence is minimal (Fremont-Smith and Kosaras, 2002). If the same can be said of New Zealand charities then one would question the need for such a heavy-handed Bill.

From the rhetoric articulated by the Government to the arguments presented in the submissions, there does seem to be a real “mutuality of interests” as most of the arguments are based on a universal public interest. Most charities do support greater accountability and transparency on their part, as it will improve the performance of their functions whilst the State has outlined their obligation to ensure accountability to the New Zealand public, the taxpayers. From the evidence that we have gathered (submissions, publicly available discussion documents, Government documents) there appears to be evidence of coalition building amongst the charitable organisations and stakeholders. For example, the use and distribution of common templates throughout the submissions do suggest that there has been widespread networking and dissemination of information in order to unify disparate groups and collectives under a common cause.⁴³ Such mobilisations would represent a counter-hegemonic movement.

The ambiguity relating to accounting standards has also implied that the imposition of IFRS is being conducted in a sort of “backdoor” way. The lack of certainty concerning the standards has also meant that submitters were prevented from properly assessing the extent of compliance costs that were being imposed.⁴⁴

[I]mposing uncertain, open-ended, and continuing charges on charitable organisations is, I submit, contradictory and unjust.

The possibility of charities having a separate set of accounting standards also makes a mockery out of the international accounting harmonisation’s claims for increased comparability as there would already be differences in information reported.

The media has played a part in providing legitimacy for the Charities Bill by focussing on several high profile cases of alleged defalcation and misuse of funds by charity officers such as the Fight for Life. This may have served to heighten public perceptions of widespread impropriety.

In a time of ongoing budget cuts and privatisation of essential social services, the Charities Bill represents an ongoing commodification of all spheres of life; in this case the commodification of a sphere that draws on voluntary work and which provides healing, sanctuary, empowerment, spirituality, and creativity to so many. It is the sector that loses much from quantification by accounting numbers because the numbers do not capture that which volunteers know intuitively: people matter.

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⁴³ See below “D 4 Development of coalitions, partnerships, and strategic alliances”.

⁴⁴ Binney Lock, 2004, Submission to the Social Services Select Committee on the Charities Bill.

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