

RATIONALITY AND COMMUNITY IN AN AUDIT SOCIETY

A Theoretical Reflection on New Public Reforms and the Value Basis of a Welfare Society

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This is a theoretical paper focusing on the mutual interdependence between formal and informal processes in the interface between state apparatus and community in modern capitalistic and democratic societies. Simple and direct hierarchical control is no longer feasible or efficient. This problem is apparently solved by introducing complex and detailed audit systems. The correct way of reporting can become more important than the correct execution of tasks threatening established informal relations of personal judgement and trust. Value rationality can be stifled by instrumental procedures and values and in the end the universal value basis of a welfare society may be weakened.

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This theoretical reflection has been triggered by the reading of "Sense of Community: Trust, Hope and Worries in the Welfare State". The point of departure of the reflection is a pervasive trend in countries like Sweden and Norway in which both public and private sectors are haunted by series of expanding regimes of indirect control possibly threatening or perverting a necessary social space for the exercise of personal judgement and trust. This development is emerging in the interfaces between policy interests and different kinds of expert groups. Examples of such groups can be medical professionals in hospitals, academic staff at universities and engineers in big companies. In this case, these perversions of judgment are happening in the interface between different public agencies and local communities.

The tension between formal and informal social processes, like the one in relations between administration and community, is a classical theme in the social sciences. The great story of modernisation is essentially based on the sad notion that human and intersubjectively constituted "forms of life" are being colonised by the mighty impersonal forces of "systems" (Habermas 1987[1984]). The present analysis is slightly less eschatological focusing on the mutual interdependence of formal and informal social processes in modern capitalistic and democratic societies.

In the last couple of decades a massive increase in problems of scale and complexity seemingly has disrupted some previously established balances between formality and informality in policy processes.

These disruptions are happening simultaneously in many sectors as well as at many levels originating in core problems connected to social control in complex systems and environments. Recently such problems of complexity have been encountered by a wave of neoliberal inspired reforms. This combination of complexity and reform is transforming the informal interfaces between the state apparatus and community.

Simple hierarchical control is, in many situations, no longer efficient or even feasible. Direct modes of control based on command-and-compliance are therefore being supplemented or substituted by formal and indirect modes of control of self-control (Jang 2005). Self-reporting systems, or audits, are gradually replacing personal judgement and trust with standardised quantitative indicators and rule-based control regimes. Thus, formal procedures of reported self-control are becoming pervasive.

In his seminal "The Audit Society. Rituals of Verification" (Power 2001), Michael Power addresses a major development in the use of audit systems both in private businesses and public governance. His arguments are simple but basic. All audit systems are substitutes for trust and shared values. If people trust somebody, or firmly share the same beliefs, they don't have to check their actions. Furthermore, Power insists that audits can never replace trust. All audits have an ineradicable core of obscurity. "Accounting arises to count not the visible and clear, but the invisible and vague" (Jang 2005: 309). In other words, a gap will always exist between the audit and the audited. An audit is never a one-to-one replication of the processes being checked. The audit is simpler (smaller and less complex) than the process being audited.

Logically, control by replication would make trust and shared values superfluous, although checking everything by doing everything would lead to infinite regress and infinite cycles of control procedures. To borrow one of Wittgenstein's phrases, an accountant is expected to know when to "turn the spade" (Wittgenstein 1974). An accountant can neither do everything nor check everything. There is no general or precise rule or procedure for deciding

when the "digging" should stop. At the end of the day, the validity of an audit is based on confidence in the skills and integrity of the accountant and in the capacity of their personal judgement. This concrete placement of trust in a person is a self-referential belief that hinders a possible eternal regress of control circuits. Ultimately, it is a question of faith.

Audits are founded on paradox. On the one hand an audit is a substitute for trust, while on the other hand it is based on trust. The force of this paradox is weakened if we consider that substitutes of formal trust are not based on other formal instances but on personal trust. The "invisible and vague core of obscurity", the gap in accounting, can never be managed by formal procedures alone. It has to be bridged by personal judgement and trust.

The great impact of Power's book must be related to the rise of Margaret Thatcher, Ronald Reagan, etc., and the development of New Public Management (NPM). This is not the place for a general discussion of this broad and heterogeneous transformation of public governance and policy-making (Sørhaug 2006). Suffice it to say that the NPM-inspired processes of delegation, deregulation, leadership and privatisation – whether imagined or not – have changed and probably increased political needs for control. The outsourcing of public services has accentuated the role of political control. At the same time, general problems of scale, flows and complexity have reduced the belief in the efficiency of direct control and encouraged the development of indirect forms of control, thus leading to an invention of a huge and varied repertoire of audit systems.

Basically, an audit system is a set of formal procedures for control of self-control. In this perspective, "governmentality" is more (and less) than Michel Foucault's evocative picture of many subtle, diffuse and often unconscious internalisations of power organising (governing) the mentalities of modern public servants and their clients. The present "conduct of conduct" (Foucault 2002) in the public organisation of services is an explicit, intended, formal and reflexive policy. People working for public agencies – whether directly employed by them or not – have to report on their activities in standardised and

often rather detailed ways, and these reports trigger controls, instructions and incentives. Reactions from the upper hierarchical levels will eventually be anticipated by the agency lower in the hierarchy, there being internalised into expectations that motivate further interpretations and actions struggling to anticipate and control the consequences of future actions and reactions from above.

Running complex organisations like modern public administration without audit procedures would clearly be akin to madness, although Power makes a fundamental point by insisting on the necessity of realising the implications of the inevitable gap between the auditor and the audited. The “core of obscurity” has to be respected. By definition, audits suggest distrust and the inadequacy of shared values, which is why audit procedures – and especially the introduction of new ones – have an inherent tendency to disrupt and subvert existing patterns of trust and values.

The goal of organisational, and even more so of inter-organisational, transparency is not only utopian, but might even turn out to be one of distortion. The belief in transparency can too easily serve as a substitute for a trust that must be trusted (Gambetta 1990). Without this trust in trust, reliance on an audit will be based on illusions of formal comprehensiveness. The loss of knowledge created by the specific obscurity of a specific audit can only be redeemed through the exercise of informal relations and qualities, e.g. confidence in the skills and integrity of some experts, or confidence in the competence and value basis of a community.

Forcing professional knowledge to be translated into administratively defined categories of incentives thus controlling and changing the validity of the learning procedures of a public agency always risks affecting the loyalty of the informal processes to the legitimate purpose of the agency, and modern democratic societies are founded on this kind of loyalty.

Technically, audits are being based on indicators and reports. In a public agency, these reports are impacting the future flow of instructions and resources. Reporting properly may therefore become

more important than executing the tasks properly. All report systems have an inherent tendency to a cognitive and normative drift from territory to map and from ends to means. In sociology this drift is often called goal displacement. If the report system is coupled to the allocation of resources it may end up becoming the practical guidelines of work. When “correct” reporting is the key to the budget, it will also become the main route to personal and organisational survival. The validity claims of the tasks will be overshadowed by the validity claims of the incentive-oriented indicators.

The indicators of failure and success become identical with failure and success turning the indicators into results, since it is the indicators and not the results that release incentives. In this situation the map has turned into territory, and, along with this transformation, successful actions are tactically motivated by how they trigger incentives. The tactical mode of operation generated by this shift will almost certainly spread to the agency’s clients. In order to release the incentives to acquire a satisfactory life, clients will have to learn to comply with the rules and practices generated by the agency’s need to report.

What I am depicting here is the possibility of a slow and incremental legitimisation crisis (Habermas 1976) reflecting an imbalance between instrumental rationality and value rationality (Weber 1956/1978), where the former slowly suffocates or expels the latter. Value rationality is committed to the logic of appropriateness, while instrumental rationality is oriented towards the logic of consequences (March 1994).

In themselves, instrumental actions have no value, purpose or legitimacy. They are only regarded as a means to an end. On the other hand, Weber defines value rationality as “a conscious belief in the value for its own sake of some ethical, aesthetic, religious or other forms of behaviour, independently of its prospects of success” (Weber 1956/1978: 23–24). Instrumental rationality is a procedural and methodological attitude directed solely at calculation and efficiency – towards getting and counting results however these are defined. It is basically a formal,

and in some ways, empty rationality, while value rationality is motivated by something substantial and valuable that cannot easily be formalised or measured.

In “real life” any kind of formal rationality is based on a substantial rationality, entailing that value rationality will never simply go away. It may not even diminish in any absolute or relative sense, although the sense of what is appropriate may be diverted from the substantial value basis of the formal rules and procedures that are being tactically complied with. Instead of the universal substantial values of the welfare state, more particular substantial values will emerge motivating different tactical modes of interaction. In this process value rationality may be transferred and limited to social domains like family, network, professional groups or local community. Interacting inside the frames of audit systems, professionals in public service and their clients may at least partly abandon the values of solidarity and the universal rights and duties that are the foundation of the welfare state. By treating substantial values, rights and duties as a means to an end, values risk being reduced to incentives and preferences.

Just as the language of the market reduces values to prices, the language of administration tends to reduce values to incentives. In the market the transformation to prices is intended and can be perceived as a kind of social law, whereas in administration it is “only” a tendency. Administration is often legitimated by its defence of substantial values. Politics and professional ethics can protect and develop value rationality in administrative systems, but this needs to be worked on.

Arguably, all systems of government can be described as specific and different combinations of control, incentives and shared values (Sørhaug 2004). Most political interventions and reform strategies are directed towards control and incentives. Auditing procedures and the recent series of public reforms are heavily dependent on systems of formalised, indirect control allocating incentives. In the shadow of such systems the formation of value rationalities are more often than not left to its own devices turning into non-intended and residual ef-

fects of the implemented policies. This development threatens to infuse organisational structures and processes with wall-to-wall instrumental rationalities. Without effective politics of value rationality, welfare societies risk an internal and insidious corrosion of values. The pervasiveness of indicators, incentives and formalised control can lead to personal judgements and trust going underground allying itself with local and particular patterns of values and organisation. Such patterns can be both benevolent and vicious. They may be articulated as a culture of care in one community, or as the exploitation and violence of a mafia network (Gambetta 1993) in another. Sometimes cultures of care and violence can evolve in the same community.

Being embedded in the particular is not in itself a deplorable practice. Both humanely and socially this is inevitable since leading a social life outside particular patterns of values and organisation is downright impossible. Left on their own, however, such practices can create considerable problems. The interface between government and community can become drained of universal substantial rationalities, thus allowing communication between hierarchical levels of public administration to be dominated by formalised systems of indicators designed to release incentives. In this rather sombre scenario, personal judgement and trust will retreat from the production of universal values. This will subsequently mean that the implementation of public policies will not be founded on a legitimate frame of universal values. Instead, governance will reproduce itself as an aggregate of tactical interactions that are eminently vulnerable to unintended consequences and the rule of subcultures.

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