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The sign value of accounting: IMF structural adjustment programs and African banking reform

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ABSTRACT

This paper examines an IMF structural adjustment program and the role of accounting technologies and agents within that program. Focusing on banking sector reform in Nigeria, the paper shows how IMF attempts to remake economic life come up against formidable contextual challenges, and how accounting may or may not be taken up to confront those challenges. Specifically, it shows that even where accounting numbers are 'managed', the potential disciplinary power of accounting's system of signs remains, though again that power may not be exploited if those who are responsible for governing lack the necessary desire. The study's findings challenge two sets of understandings: that which sees the economy as somehow separate or distinct from the wider socio-political field, and that which sees crises such as occurred in Nigeria as simply resulting from inadequate or insufficient accounting regulations and controls.

An increasing number of organizations have become involved in the provision of development assistance around the world. None however match the size and scope of the International Monetary Fund (IMF) and the World Bank, two organizations that are now tellingly being referred to as 'the institutions of global governance' (cf., O'Brien et al., 1998). The global influence of these organizations is particularly evident in the less-industrialized world. In Africa, for example, most countries currently have or have had an IMF loan, and recent figures put the portfolio of World Bank projects under implementation at $15.3 billion (World Bank, 2002 website). Typically, these loans have come with conditionalities as part of an overarching structural adjustment program (SAP) (or, more recently, a poverty reduction strategy initiative). Seen as key elements in the re-formation of the economic and social landscape in these countries (Stiglitz, 2002), these conditionalities are important factors in the transformation of the developing world. Yet, as Stiglitz (2002) argues, this re-formation process is often met with failure because of the absence of the social, economic and moral infrastructures of the industrialized nations. In such a case, we argue that the expected role of technologies such as accounting may not only be neutralized but exploited by those responsible for the implementation of these reforms. Included amongst these actors, it should be noted, are a number of accounting firms.

Using banking sector reform in Nigeria as a case illustration, this paper explores how accounting technologies and agents are enlisted in the IMF's attempt to re-make economic life within a developing country. We further draw on the work of

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Baudrillard to argue that despite its susceptibility to failure, the technology of accounting is productive in the sense that even when accounting numbers are not representationally faithful (Macintosh et al., 2000) they may still exhibit the *variability* and *discursive connectedness* that regulators need to effectively govern from a distance. Yet, accounting technology is also negative in the sense that accounting is necessarily implicated in sometimes highly unsuccessful programs of colonial or transnational governmentality (Scott, 1995; Kalpagam, 2000; Ferguson and Gupta, 2002; Merlingen, 2003). Indeed in the case at hand, IMF reforms nearly led to the collapse of one country's banking and financial services sector, with all of the financial losses that such a crisis entails.

Our analysis moves between the general and the specific. We start by providing an overview of structural adjustment initiatives within the African banking sector, focusing on the political and socioeconomic conditions that both convinced the international financial institutions that there was a need for reforms and motivated them to shape these reforms in a specific manner. We then examine the specific case of banking sector reform in Nigeria. Through the use of a variety of archival materials, we illustrate and theorize the positioning of accounting technologies and agents within such re-formation processes. The analysis illustrates not only how structural adjustment conditionalities within the banking sector are dependent on accounting technologies and agents, but also how the ability to remake economic life via the imposition of structural adjustments is almost always constrained by the challenges of context. In the case at hand, these challenges did not concern the absence of reliable accounting numbers or a strong symbolic order (Baudrillard in Gane 1993, p. 50); rather, they stemmed from local military élites that regulators, for quite good reason, were unwilling to challenge.

The analysis is important for three reasons. First, it provides concrete empirical detail on the functioning of a single structural adjustment program initiated by the IMF and the role of accounting technologies and agents within a particular loan conditionality: the liberalization of banking and financial services. The study of this area is certainly warranted in the context of sub-Saharan Africa, as banking crises have occurred there since the 1980s, leaving financial development to suffer major setbacks. Moreover, few accounting academics have paid any real attention to these crises and setbacks (Daumont et al., 2004).[1] On a related note, we also hope to provide additional information with which to evaluate the comment of the Nobel laureate Joseph Stiglitz (2002, p. 73), who suggests that the major blunder of the IMF has been to force liberalization without due regard for the timing and sequence of reform.

Second, the study illustrates the importance of variation within regulatory processes, since it is the variation in accounting numbers that allows regulators to judge and intervene. While ratios premised upon net income did not necessarily distinguish between banks, in part because bank insiders 'managed' the numbers, the inter-related nature of accounting signs ensured that variation existed in other accounting signs. This observation challenges both the presumption that regulation is impossible in the absence of correct income numbers and the idea that falsification and a spiral of lies somehow permeate this context (cf., Hibou, 1999, p. 109). Finally, the study highlights the difficulty in transporting first-world regulatory solutions to contexts where the complex of people and things to be re-formed differs from the context in which accounting technologies and agents are initially envisioned and promoted. From this vantage point, the study reiterates the observation of Miller and Rose (1990) that the realities of practice often undermine the eternal optimism that is inherent within programs of government.

1. Theoretical framing

To understand the sign value of accounting in this context, we draw on the Baudrillardian perspective of Macintosh and colleagues (Macintosh and Shearer, 2000; Macintosh et al., 2000). These authors explicitly address the nature of accounting signs, noting that there are different degrees or orders of correspondence between the sign and the event or thing that the sign attempts to re-present. For example, a set of financial statements almost always includes accounts such as inventory, which has a relatively close one-to-one mapping between object and sign (Macintosh et al., 2000, p. 44). Some accounts, however, such as accruals, are less reflective of reality and instead denature or mask reality. These are the counterfeit signs, signs which remain "grounded in a conception of income as the realized profits of the liquidated venture" (p. 23). Other accounts may do more than *reflect or mask* profound realities, income being one of these. That sign, now largely standardized and serialized, masks the *absence* of a profound reality (p. 15). This is on account of income's mass production and the depersonalized manner in which investors now buy and sell companies. Yet other accounts, such as financial instruments and stock options, become tied to a circular logic that has less to do with the actual operations of the underlying entity and more to do with analyst forecasts and market expectations. In such cases, accounting signs have no grounding apart from their positioning within a system of signs (p. 38); in fact, such signs come to *precede reality* (p. 15). According to Macintosh and colleagues, this amalgamation of the various orders of accounting signs within financial statements — this hierarchy of signs — effectively eliminates the possibility of a true net income sign-object pairing.

Implicit in our argument is the recognition that not only does the potential representational faithfulness of accounting signs vary but so too does the ability of the observed to falsify these signs. Accounting signs that are counterfeits or ungrounded in reality are more subject to falsification, whereas physical stocks such as inventory, property, plant and equip-

[1] We do note however that research in this area has been reported for some time now in the development economics and development studies literatures, as well as in international financial institution (e.g., BIS and IMF) working papers (cf., Honohan, 1997; Bongini et al., 2001).