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COMPARATIVE INTERNATIONAL GOVERNMENT
ACCOUNTING RESEARCH (CIGAR)
METHODOLOGY: ISSUES AND STRATEGIES

1. CIGAR: STATE OF THE ART

1.1 Accomplishments in Brief

The Lüder Contingency Model (Lüder, 1989, 1992, 1996) has served as the benchmark conceptual framework for comparative international government accounting research. The model seeks to explain why some countries have undertaken government accounting innovations while others have not. Lüder theorizes that those innovations are the result of complex interactions of contextual variables and behavioral variables that describe the users and suppliers of government financial information. For example, the general public may be influenced by interest groups (e.g. the accounting profession) and the capital markets, which serve as cost-reducing information intermediaries. Political culture (e.g. the norm of accountability) and political competition (e.g. between political parties or factions), along with occasional or frequent fiscal crises or scandals may affect the way political leaders view financial accountability. Similarly, the demand for administrative accountability and receptivity to private sector practices may influence the way the bureaucracy views the information it provides to the legislature and the public at large. In other words, societal, political and administrative structural variables are hypothesized to have significant effects on the expectations and behavior of those who demand and supply government financial information. When a particular configuration of these variables creates favorable conditions sufficient to overcome the implementation barriers, innovations are likely to occur.

The essence of the contingency theory is to explain the occurrence of government accounting innovations. The model has since been expanded and refined by Jaruga and Nowak (1996), by Godfrey, Devlin and Merrouche (1996). It has also been applied in different national contexts (e.g. Chan, 1994; Chan, 1995; Godfrey, Merrouche and Devlin, 1999).

The intellectual accomplishment of the CIGAR community is reflected in, besides individual journal articles, several edited proceedings of conferences (Chan and Jones, 1987; Buschor and Schedler, 1994; Montesinos and Vela, 1995; Caperchione and Mussari, 1999; Bac, 2001). In addition, Chan, Jones and Lüder edited a volume of *Research in Governmental and Nonprofit Accounting* in 1996.

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1.2 Lüder's Critique

Lest complacency set in, at the conclusion of the 7th biennial CIGAR conference, Professor Lüder articulated what I have termed the Lüder critique (Lüder, 1999). The critique addressed several concerns. First, a majority of CIGAR studies were not explicitly comparative. Most papers were exploratory and did little more than describing current practices in various countries. Second, the selection of countries was usually not guided by theoretical considerations, but by individual access, knowledge and preferences. Differing in subjects, definitions and designs, their results were incomparable and could not form the basis for cross-country analysis. Third, the few cross-country studies were long on descriptions and short on a systematic analysis of international similarities and difference. Finally, there were few conceptual and explanatory studies.

On the basis of these specific criticisms, Lüder implored CIGAR scholars to conduct more studies like those in Column A in the table 1, and less of the studies identified in Column B.

Table 1

<i>Column A</i>	<i>Column B</i>
Conceptual and explanatory studies	Exploratory studies
Analytical exploratory studies	Descriptive exploratory studies
Multinational comparative studies	National studies
Systematic studies	Accidental studies
Common definitions and designs	Differences in definitions and designs
Collaborative research	Individual Research

2. METHODOLOGICAL ISSUES AND STRATEGIES

The transition from type "B" to type "A" research requires the resolution of a number of methodological issues and the use of different research strategies from those commonly used in CIGAR to date. The proliferation of the non-cumulative exploratory studies reflects the lack of a paradigm that states the discipline's agreed-upon aim and agenda, as well as the lack of consensus on key methodological issues. These issues may be framed in the form of the following rhetorical questions:

- 1) What are the proper units of analysis in CIGAR?
- 2) What are the critical variables to study?
- 3) How can the process of change be captured?
- 4) How does government accounting work?

These issues are briefly analyzed, along with the research strategies for dealing with them.

2.1. Proper Units of Analysis.

There are two sorts of issues here. Firstly, as the terms “international comparison” implies, the nation is the presumed unit of analysis. By definition, the task of CIGAR is to study how government accounting works in different nation-states. As such, little attention is paid to intra-national differences, or there is an implicit assumption that government accounting policies and practices are so similar within a nation that it is not necessary to inquire into those differences. This may be the case in unitary states, such as France and China, but it may not be case in countries with a federal system, such as the United States and Germany. This raises the possibility that some CIGAR studies might compare local governments in different nations; central governments might be similarly compared.

One interesting research area is “central-local relations.” Here, we might hypothesize that the extent to which the central government’s regulation or influence over local government accounting is a function of the “central-local relations.” More specifically, the looser the relations, the more divergent central and local policies and practices are likely to be. Here “local” is a general term for sub-national governments, which may include regional, provincial (also American states, German Landers, and French departments), counties, municipalities/cities, towns and villages. The issue is that where there are significant intra-national differences, international comparisons should explicitly address those differences rather than simply assuming intra-national homogeneity.

The second “unit of analysis” issue pertains to what constitutes “government.” Should we limit our research to the governmental bodies possessing legal authority in a geographical area, such a city, region or nation? Or should the scope of our inquiry include the entire public sector, namely all the activities and organizations created or financed by the nation-state or accountable to it? Again this issue has not been explicitly addressed in the CIGAR literature. But it is of fundamental importance because without a common understanding of the “accounting entity” or “reporting entity,” it would be impossible to interpret government finance statistics. In addition, we may also miss the opportunity to study the effects of the different roles of government in the economy or society on government accounting. Specifically, we might hypothesize that the larger the public sector is relative to the whole economy, the less likely is government accounting to be similar to business accounting.

2.2. Critical Variables

The CIGAR literature has so far tended to stress “context” over “content” (Chan, Jones and Lüder, 1996). But content is important; it tells us about what a government accounting and reporting system does. For example, who supplies what financial information to whom? when? how? and to what ends? Answers to these questions in different national contexts would reveal the sources of the similarities and differences in the scope and function of accounting.

Specifically, we might hypothesize that the reporting characteristics of a government accounting system are influenced by user-orientation. User orientation may be managerial, legislative, or external. A managerially-oriented system would stress

administrative control in the form of interim reporting of budget execution. A legislatively-oriented system would emphasize annual reporting to parliament for the discharge of government accountability. An externally-oriented system would pay more attention to the government's ability to service debt and sustain the delivery of services, which are the interest of creditors and the general public.

Given the crucial role of the budget in government, another way of characterizing government accounting is to formulate "models of government accounting" in terms of their divergence from the traditional - i.e. one-period control-oriented - budget. In one model, government accounting could be dominated by the budget (as in the case of Germany, France and perhaps many Continental-European countries), In another model, government accounting is more or less coequal with the budget (as in the United States). In the third model, accounting concepts actually influence the budget rather than the other way around (as in Australia, New Zealand, and increasingly so in the United Kingdom).

Since the traditional budget tends to focus on one period and is control-oriented, the greater the departure from such a budgeting system, the more a government accounting assumes a longer-term and a holistic perspective, as evidenced by the accrual basis and consolidated reporting. In other words, after accumulating a substantial number of narrative descriptive country studies, the next step is for CIGAR studies to selectively focus on salient features of government accounting, such as user-orientation and departure from the traditional budget, for further inquiry.

2.3 Modeling Dynamic Processes.

In addition to the academic scientific interest of knowing how nations and governments differ in their accounting, CIGAR also seeks to understand how innovations occur. In an earlier article (Chan, Jones and Lüder, 1996), we voiced the need to open the "black box" of government accounting changes. One possible strategy for understanding such changes is to identify external and internal influences. There exists some preliminary evidence that foreign-aid donor organizations and nations have played a role in promoting government accounting reform in developing nations (e.g. Godfrey, Devlin and Merrouche, 1996). As is widely reported in the CIGAR and New Public Management literatures, the New Zealand model has exerted considerable intellectual influence on other nations in terms of framing the reform agenda of introducing the accrual basis and consolidated reporting. More recently, the IFAC Public Sector Committee's International Public Sector Accounting Standards (IPSAS) have generated a great deal of interest and discussions at least in academic and professional conferences. All of these indications point to external stimuli as a potentially important driver of government accounting reform.

However, with the exceptions of the countries that are the originators or promoters of government accounting reform, much less is known about the internal processes of government decision-making in the presence of such external stimuli. Such processes might be bottom-up in the sense of starting with experimentation by local governments, as is the case of the Federal Republic of Germany (Lüder, 1998). To some extent, that is the case with the United States, though the Federal Government has made more radical changes within a decade than local governments over a much longer period of time (Chan, 2001). Furthermore in the U.S. these policy changes were accompanied through

reforming the standard-setting institutions by creating more powerful boards independent of the government, which has not taken place in Germany. In other national contexts, such as unitary states (e.g. China), one would predict the process to be a top-down one, in which the national Ministry of Finance sets government accounting policies for all levels of government. The general point is that we need carefully documented case studies covering a long -period of time to know whether and how governments change their accounting systems.

2.4. Positive Research

From its inception, CIGAR has had a normative tendency, believing, for example, in “a more informative public sector accounting” (Lüder, 1992). There seems to be a largely unexamined premise, that the accrual basis is superior to the cash basis, that whole-of-government reporting is better than fund-based reporting. An implicit goal of CIGAR is therefore to encourage the adoption of such a government accounting model. This kind of research may be termed normative research. In contrast, positive research seeks to answer the question “what is” and not “what ought to be.” For example, if a government currently uses the cash basis of accounting, one would want to find out the reasons why it does that, rather than rushing to replace with it with the accrual basis of accounting. As in corporate accounting (Watts, 1992), one might study government accounting policy choices as products of political and market processes. Following the public choice view of human nature, one would assume that participants in these processes - e.g. public officials no less than managers - are motivated by self-interest. This line of inquiry therefore leads one to look at the incentive system that is conducive for certain type of behavior. For instance, politicians who have to compete in frequent elections can hardly be blamed for having short-term planning horizons. Nor should they be condemned for emphasizing short-term benefits or deferring costs to the future. In doing so, they are responding to the incentives provided by rules of the game in the political system. To the extent that government accounting is, as other types of accounting (Hopwood and Miller, 1994) are, viewed as a social and institutional practice, it can be understood as the product of rational calculations of costs and benefits by self-interested individuals who are its stakeholders.

The positive approach to CIGAR would be particularly timely in view of the strong advocacy for the global adoption of IFAC’s IPSAS. It would supply policy makers and their advisors with factual information about the type of government accounting that is compatible with the political and governmental system in place. It would help us predict the acceptance or rejection of policy proposals such IPSAS. As stated in the previous section, we know relatively little about the internal processes that lead to the acceptance, modification or downright rejection of government policy proposals. What is needed is a robust positive theory could explain or, better still, predict the survival of new ideas in a particular environment.

3. CONCLUDING REMARKS

Further progress in comparative international government accounting research (CIGAR) requires resolution of several methodological issues. (1) The nation-state may not be the appropriate unit of analysis when there exist significant differences between the national government and sub-national governments. Other alternatives include clusters of governments of similar political and economic characteristics. (2) Variable-oriented research can better reveal relationships between government accounting and its environment than case studies do. Narrative descriptions of country practices should lead to the specification of models of government accounting. (3) Dynamic models are needed to document the process of reform, especially the internal processes of government. (4) Positive research is needed to understand the incentives in the political system and government in order to explain and predict the acceptance of policy proposals.

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