Corporate Propaganda: Its Implications For Accounting And Accountability

David J Collison
Department of Accountancy and Business Finance, University of Dundee, Scotland, U.K.

email d.j.collison@dundee.ac.uk
Tel +44(0)1382 344857
Fax +44(0)1382 348421

Acknowledgements
I would like to particularly thank (chronologically) Rob Gray, Lee Parker and George Frankfurter for their advice and encouragement in the development of this paper. I would also like to thank David Power, Lorna Stevenson, and other departmental colleagues for very helpful comments, and also participants at seminars at the University of Glasgow and at Glasgow Caledonian University, and at the APIRA 2001 conference at Adelaide. I am extremely grateful to Sara Reiter, who was discussant of the paper at APIRA, for many very insightful comments and suggestions. Finally I am grateful for the very helpful critiques received from the anonymous referees.

Abstract
This paper examines the nature of propaganda and its use by corporations, particularly in the US, over a period of nearly 100 years. It emphasises the invisibility of much of this activity and propaganda’s importance for shaping acquiescence in corporate hegemony. The role played by corporate propaganda in the development of different forms of capitalism is addressed. The inculcation of accounting and finance students with values that serve corporate interests is considered in both the longstanding misrepresentation of Adam Smith, and the sustained illusion of competitive “free markets”. The role and language of the business media as a form of propaganda is considered, particularly regarding colonisation of social market economies by Anglo-Saxon capitalism which takes as incontestable the maximisation of shareholder value as the proper and necessary aim of corporate activity. It is argued that corporate propaganda has contributed to the accounting measure of business success being justified as an end in itself at the explicit expense of wider societal considerations.

Keywords: Propaganda, Adam Smith, Shareholder Value, Noam Chomsky

Introduction

This paper explores the use made of propaganda to further the interests of the owners and controllers of wealth; it focuses on private sector business in the Anglo-Saxon capitalist economies particularly the US. The effect of this use of propaganda, it will be argued, is to buttress the hegemony of discourse (see, for example, Cooper and Sherer, 1984; Chua, 1986; Tinker et al., 1991; Gray et al., 1996) in which the contestable values that are often implicit in the practices and terminology of accounting and finance are treated as though they are uncontentious.

The paper contends that propaganda, as defined, is a tool that can be used by powerful interests, often covertly, to support and proselytise a prevailing ideology. That is not to say that power cannot be exercised in even more abstruse or subtle ways. Eagleton (1991) acknowledges that, following Foucault, limiting “the idea of power to its more obvious political manifestations would itself be an ideological move” by ignoring the subtle imprinting of “our personal relations and routine activities”. From such a perspective propaganda, even covert propaganda, may be regarded as a relatively coarse or obvious manifestation of power and so a focus on it could be criticised as oversimplified and unduly reductionist. However it is the author’s contention that such a focus has explanatory power, and even some emancipatory potential, and has not received the scrutiny that it deserves.

The word “propaganda” has various possible connotations. One is that it represents a distortion of truth: implicit in that connotation is a claim that there is a truth to be distorted and that the putative observers of the propaganda naively assume themselves to be acquainted with it. This paper adduces evidence and argues a case but is not predicated on claims regarding truth - though it does recognise the phenomenon of deception.

Two principal “deceptions” are central to the paper: one is the misrepresentation of the writings of Adam Smith, and this is important inter alia because of Smith’s iconic status which was established during his own lifetime, and which has endured and been embellished ever since; the other is one, but only one, of the significant characteristics of much corporate propaganda - and that is the concealment of the originators of that propaganda.

A brief history of propaganda, and a discussion of the sense in which it is used in this paper constitutes the next section of the paper. In one sense of the word this paper is itself propaganda - in that it is an attempt to persuade the reader of the merit of certain ideas. However it differs from much corporate propaganda as described in the paper in (at least) two crucial respects. Firstly the authorship is clear to the reader, and secondly the resources available to deploy its message are somewhat smaller than those available to corporations (see Lindblom, 1977): the availability of large resources is an important aspect, and arguably a defining feature, of propaganda.

A motivation for the paper is a concern about the influence of laissez faire or Anglo-Saxon (henceforth Anglo-Saxon) capitalism and a preference on the part of the author for “social market capitalism”. A key difference, arguably the key difference between these ideologies (see eg Hutton, 1995; Dore, 2000), is the Anglo-Saxon preoccupation with maximising shareholder value. The paper does not set out primarily to critique a particular ideology per se, though such a critique is implicit, and there is also explicit criticism of its...
purported rationale and its outcomes. Rather it aims to identify, and also to postulate, certain potentially discernible processes by which Anglo-Saxon capitalist ideology is sustained and may be extended. It considers how highly contestable ideas and values may be rendered uncontentious - both within and beyond the technical discourse of accounting and finance.

Accounting and finance practices (and related education and research activity) are themselves part of the apparatus which maintains the ideological status quo (see, for example, Burchell et al., 1980; Tinker et al., 1982; Cooper and Sherer, 1984; Chua, 1986; Arrington and Francis, 1989; Guthrie and Parker, 1990; Gray et al., 1996; Reiter, 1997) and in that sense can themselves be thought of as a part of corporate propaganda. Accounting and accountants play a central role in corporate communication and reporting and research into these activities could perhaps be informed by a propaganda perspective - a perspective that is considered within this paper. However the focus of the paper is not on accounting practice as propaganda though this is alluded to, but on how propaganda has been used to establish the "taken for grantedness" of values implicitly incorporated in conventional accounting. This approach accords with the observation of Cooper and Sherer (1984) regarding any challenge to the contestable objectives of accounting: "the politically determined nature of the value of accounting prevents any such resolution within accounting itself" (p.208).

The scope for accounting or corporate reporting in the broadest sense, to function and to develop as an accountability mechanism to a range of stakeholders is acknowledged. Developments, both voluntary and mandatory, in, for example, social and environmental reporting might suggest that a phrase like "values implicit in accounting and finance" might be under specified. If accounting is thought of as "all possible accountings" (Gray, 2002) of which conventional accounting is a rather selective subset - then an emancipatory role for accounting can readily be acknowledged. For the purposes of this paper however these "implicit values of accounting and finance" are interpreted, perhaps a little narrowly, as the privileging of shareholders' interests above all others. The dubious rationale for such privileging and the technical procedures that may limit any consideration of these built-in and rarely contested values is considered in the paper. While the paper does consider accounting and finance practice - the main focus is on the techniques used to make the contestable rationale for MSW so widely accepted and taken for granted (see Kelly, 2001) that any challenge is almost unthinkable or "irrational" - especially by those exposed to a business oriented education or to the business media.

The lack of attention given to propaganda in the field of accounting and finance reflects a wider lack of visibility. Indeed it has been claimed that for "a topic of such incredible significance"(Chomsky, 1996a) little serious research interest has been paid to corporate propaganda at all. As an exception to this lack of interest Chomsky (1996a pp16-17) cites, in particular, the work of Carey (1997) and also that of Fones-Wolf (1994). Carey and Chomsky have been key influences in the development of this paper (see e.g. Chomsky, 1989, 1996a, 1996b; Carey, 1997). The marginalisation of the work of Chomsky, who, (with Herman) developed the "propaganda model" (see Herman and Chomsky, 1988) of how the media operates, is arguably a testament to the capitalist hegemony of which Chomsky has for long been an observer and powerful critic. The extreme paucity of references to Chomsky's work in the academic literature on accounting and finance, is arguably a serious omission in explaining the nature of hegemony.

The rest of the paper is structured as follows: in the next section the literature on propaganda is briefly reviewed and the meaning of the term is analysed and defined for the purposes of this paper; this is followed by a section which explores the misrepresentation of Adam Smith with particular focus on the illusion of competition; there follows a section which, drawing on Carey and other sources, provides examples of corporate propaganda; the next section considers, with acknowledgement to the "propaganda model", how the media (an integral part of the corporate landscape) can further the corporate agenda with particular reference to international variations in the practice of capitalism and pressures on more pluralist economies to conform to the (much propagated) Anglo-Saxon variant; finally a concluding section considers the implications of the phenomena described in the paper.

Propaganda

The term "propaganda" dates from the seventeenth century though the practice is as old as human history. The word covers a range of activities and is often, although not always, used pejoratively. The modern term is derived from a committee of Cardinals of the Roman Catholic Church "Congregatio de propaganda fide" (congregation for propagating the faith) founded in 1622. The term may refer to any "concerted movement for the propagation of a particular doctrine or practice" (OED, 1989). Propaganda has been classified (Linebarger, 1948/1972) as: white, grey or black: white propaganda having an identifiable and acknowledged source; grey propaganda coming from a source which is not clearly identified; and black propaganda being intended to mislead the target audience into thinking that the source is other than the true one. These terms will not be used in this paper: but deceptive propaganda, corresponding to Linebarger’s "black" classification will certainly be considered. Unhelpfully, and potentially confusingly, the white/grey/believe they are also a "modern" term (Sproule, 1994) to purportedly distinguish accurate or "true" propaganda (white), from biased information (grey) and distortions or outright falsehoods (black). The naivety of classifications that turn on assessments of truth was discussed above.

In this paper the term propaganda is used to mean:

"the systematic propagation of information or ideas by an interested party, especially in a tendentious way in order to encourage or instil a particular attitude or response".

(OED, 1989)

Agents, as distinct from instigators, of propaganda may be witting or unwitting, and successfully prosecuted propaganda will result in the creation of more potential, unwitting agents. Opinions and beliefs may be honestly held by these agents as a result of propaganda and it could be argued that their further promulgation (by these agents), may not constitute propaganda because of an absence of a self-interested motive. However the practical effect of further promulgation is to further the interests of the original sponsors of propaganda and so the term "indirect" propaganda will be used in this paper. The effectiveness of such a "multiplier" effect was noted by Lasswell (1927/71): "All the valuable men (sic) of the day - writers, reporters, editors, preachers, lecturers, teachers, politicians - are drawn into the service of propaganda to amplify a master voice." As clearly implied by Lasswell, there may at times be no distinction between education and propaganda in practice (see Loewen, 1990 for some striking examples). However education (from "lead out" - its Latin derivation), at least ideologically, seeks to open minds, to encourage critical appraisal of arguments and can, in principle, be contrasted with propaganda which, whatever its motive, is characterised by an intention to bring "some target audience to adopt attitudes and beliefs chosen in advance by the sponsors of the communications" Carey (1997).

Propaganda may or may not be recognised for what it is by those at whom it is aimed. Explicit advertising, whether to promote specific products or to bolster a corporate image of responsible citizenship (increasingly common in the context of environmentally sensitive
Arguably the term "propaganda" still, for most people, evokes images of wartime government obscuring its potential use by groups within it. Summarising her review of propaganda, Robins (1997) observed that, like many others, Robins has devalued and sidelined an expressive and generally well understood term effective. These writers have, I submit, both obscured the connection between organisation and the public relations (Grunig and Hunt, 1984) in a formulation of asymmetric: "the more well known and authoritative the better - or by giving the appearance of spontaneity to a co-ordinated but hidden campaign. A recent US Congressional investigation into the activities of one of the most influential (both then and now) US business associations concluded that "This pretense of disinterestedness is an integral part of the propaganda campaign of the National Association of Manufacturers. The deception was carried out in minute detail ... There can be no doubt that the reaction of the public was influenced by the fact that the advertisements were apparently the result of a "spontaneous movement" by independent citizens' groups..." (US Congress, 1939, p.200)

A special but endemic case of the abuse of apparent independence and authority is the routine placement of self-servings press releases or videos as news items. It has recently been estimated that 40% of all "news" is virtually unedited material produced by public relations offices (Dowie, 1995). In 1949, Fortune magazine estimated that nearly half of the content of the "best" newspapers and nearly all of that of the "lesser" papers was based on PR materials. The impact of "deceptive" propaganda is always likely to be a matter of conjecture and speculation. It is an activity which, by its nature, is always likely to resist replicable empirical research that lacks the power to subpoena witnesses. Nonetheless overwhelming evidence of its historic and contemporary effectiveness can be adduced (US Congress, 1939; Truman, 1948; Korten, 1995; Stauber and Rampton, 1995; Beder, 1997; Carey, 1997) and some examples appear below. In spite of the light that has been shined on it from time to time it has been claimed "that the success of business propaganda in persuading us, for so long, that we are free from propaganda is one of the most significant propaganda achievements of the twentieth century" (Carey, 1997).

Within the literature on propaganda there are, according to Robins et al. (1987), two theoretical paradigms. These paradigms are not held to be antagonistic or mutually exclusive, rather they overlap and co-exist. One paradigm applies a psychological model, a behaviourist stimulus-response framework, to the study of propaganda while the other "conceptualises propaganda within a broader political theory and political economy of communications". Robins et al. argue that the former paradigm has eclipsed the latter, and that within the former paradigm "the very notion of propaganda (has) been depreciated and discredited" as the stimulus-response (hypodermic) framework was shown to be oversimplified at the level of the individual. The focus on what could be called the micro paradigm rather than on the macro aspects of propaganda has arguably sidelined issues that are crucial to society. Robins et al. (1987) argued that important issues were obscured as propaganda and communication became objects of study in the fields of psychology and sociology, rather than of political philosophy and political economy. They approvingly quote Quater (1885): "preoccupied with the mechanics of empirical research and the trivia of detailed case studies, scholars turned away from such still unanswered questions as the role that public opinion can or ought to play in a democracy, and the impact of propaganda and the manipulation of public opinion on ... government".

The apparent irrelevance and passé nature of propaganda as a worthy focus of research is corroborated to some extent by the declining frequency with which the word appears in the academic literature. A review (Singer, 1970) of public opinion research, based on an index of Public Opinion Quarterly covering the period from 1937 to 1967 (the date of the journal's inception) to 1967 noted that articles indexed under "propaganda" declined from 65 in 1937-47, to 25 in 1948-57 to 6 in 1958-67. An online (JSTOR, 2000) search for the word in the full text of both Public Opinion Quarterly and The American Journal of Sociology - (shown in parentheses) yielded the following appearances by decade: 1940s 198(80); 1950s 115(34); 1960s 57(15); 1970s 27(10); 1980s 17(10). Equivalent appearances of the term "public relations" were: 1940s 111(9); 1950s 52(15); 1960s 34(11); 1970s 16(5); 1980s 17(9).

The terms "propaganda" and "public relations" were used by some practitioners quite interchangeably in the early part of the twentieth century but the pejorative overtones of the former term have probably lead to its eclipse by the latter. Edward Bernays, one of the pioneers and most famous figures in the history of the field clearly referred to "propaganda" in the context of pursuing clients' commercial interests (Tye, 1998 p.68). Indeed he wrote a book entitled "Propaganda" (Bernays, 1928) much to the disquiet of some professional colleagues: "Creditable propaganda for public relations Propaganda wasn't" (Culip, 1994). Chomsky has commented on the term "propaganda" being used in more innocent times.

A purported distinction between "propaganda" and "scientific persuasion" was made by Grunig and Hunt (1984) in a formulation of models of public relations (see also Harrison, 1999). In a discussion of these models, Harrison identifies propaganda with the activities of the showman P.T. Barnum or the UK tabloid publicist Max Clifford and contrasts it with scientific persuasion as propounded in another work of Bernays entitled "Public Relations" (Bernays, 1922). Grunig and Hunt describe the model whose purpose is propaganda as "Press agentry/publicity: one way, truth not essential" whereas the equivalent descriptions of "scientific persuasion" are "Two-way asymmetric: ... unbalanced effects". (The "two-way" aspect refers to feedback that is sought solely to make future persuasion more effective.) These writers have, I submit, both obscured the connection between organised corporate activity and propaganda while their language has devalued and sidelined an expressive and generally well understood term (see Orwell, 1968).

Robins et al. (1987) acknowledge the current relevance of much of the early (macro) literature on propaganda: "In drawing our attention to the relation between information/communications and power: ... this approach identifies perhaps the central axis of the political order" but, like many others, Robins et al. associate the notion of propaganda with social control at the level of the "modern-nation state" thus obscuring its potential use by groups within it. Summarising her review of propaganda research (see above) Singer, (1970) stated "Apparently propaganda" is something a government - usually a foreign government - does, particularly in wartime" (emphasis added). Arguably the term "propaganda" still, for most people, evokes images of wartime governments or authoritarian regimes: such perceptions heighten the potential effectiveness of deceptive corporate propaganda. A random sample of entries in a recent review of
propaganda, A Chronology and Glossary of Propaganda in the United States (Nelson, 1996), showed 62% of the entries referred to various sorts of state agency propaganda including government activity in wartime, 17% referred to breakthrough developments in communications and related technology, 12% referred to a variety of extremist or lobbying groups, 5% to workers' protests or trade union activity and 2% to non state-owned corporations.

A particularly telling example of the invisibility of corporate propaganda, even to a specialist academic researcher let alone the general (and voting) public, is conspicuous in a substantial piece of work (Galambos, 1975) devoted to documenting the public image of American "big business". This substantial text, The public image of big business in America, 1880-1940: a quantitative study in social change, reported an extensive content analysis of a range of specialist media. Galambos was not only interested in recording the "image", stating "I am as interested in the process as I am in the patterns of change" (p19). Astonishingly, I would argue, Galambos completely fails to consider corporate propaganda (or public relations) as a material factor in his analysis - he seems unaware of the phenomenon. In concluding remarks about the New Deal period, for example, he states:

"While most Americans wanted the government to cure the nation's economic ills, they did not want to use harsh medicine that would attack the major centres of power and wealth in the business system. Big business was shielded from reform politics by ... acceptance of the corporate culture - a conclusion that poses problems for both a New Left and progressive interpretation of New Deal reform." (p263)

This acceptance appears to be taken as given: in fact the New Deal period saw a colossal mobilisation of corporate propaganda (see below), aimed at inducing precisely the effects that Galambos records.

If "Oriwellian mind-management on a national scale" (Carey, 1997) is instinctively regarded as the preserve of governments then populations will be particularly susceptible to propaganda orchestrated within society to serve powerful vested interests. Furthermore the use of censorship which may be regarded as a "negative form" of propaganda similarly may not be instinctively associated with the pursuit of private commercial interests in Western democracies: "the London reader, unlike the reader in Pakistan, is falsely reassured that there is no censor snipping out sections of copy" (Palast, 1999a). Palast, a Guardian columnist, acknowledges the lengths many editors would go to to resist any form of government censorship yet they "will slash news reports, ... or pulp entire journals based on a single note from Monsanto" (Palast, 1999b). Cross ownership can be a reliable aid to censorship: see, for example, Beder (1997) for a description of the effects of General Electric's ownership of the US television network NBC. While this paper focuses on propaganda in its "positive form" examples of commercially inspired censorship have been alluded to here as brief illustrations. As with deceptive propaganda such censorship is not meant to be apparent and does not lend itself to investigation or quantification by conventional research methods. Clearly there are various ways in which journalists who seek to criticise business can be constrained: perhaps more subtle, and more in keeping with the unseen tentacles of corporate propaganda, is the way business controls its own image through popular entertainment. One of the most powerful advertisers in the world, Proctor and Gamble, once issued a memo relating to broadcast policy: "there will be no material that will give offense, either directly or indirectly to any commercial organisation of any sort" while Prudential Insurance stated "A positive image of business and finance is important to sustain on the air" (see Lee and Solomon, 1990, p.61). And of course the importance of advertising for the press and commercial television, quite apart from direct ownership, binds the media into supporting the values of big business. A large readership is not enough to sustain mass newspapers as the demise of the Daily Herald[14] in the UK makes clear (see Curran, 1977): they cannot afford - even if they so wished to offend their paymasters, the advertisers.

Evidence of large-scale deceptive propaganda will be adduced below but first a case of "inferred propaganda" will be presented: it is the case of Adam Smith which is relevant to this paper in two respects. Firstly as an example of propaganda, much of which is "indirect propaganda" given that the misrepresentations of his work have become common currency and, secondly, because these misrepresentations are used as justification for profit (or shareholder value) maximisation which is taken for granted in most financial education and practice (Collison and Frankfurt, 2000). Most of the direct corporate propaganda cited in the subsequent section promotes the interests of private capital using variations of these misrepresentations.

Adam Smith: Self Interest And Competition

This section reviews the portrayal and veneration of the ideas of Adam Smith particularly as recorded in his classic text (Smith, 1776/1880) An Inquiry Into the Nature and Causes of the Wealth of Nations (WN). It will be argued that, through repeated misrepresentation, his humane and enlightened views and his name have been pressed into service as propaganda to defend a covert partiality which has become deeply implicit in the way economics, finance and accounting is presented and discussed in modern Western culture. Selective and self-serving quotation of his work is central to the "meta-narrative of neo-classical economics and explains ... the overriding focus on business owners' interests" (Reiter, 1997).

Attention to the interests of shareholders above all other groups is implicit in much of what is taught to accounting and finance students[13]. The very construction of a profit and loss account (see e.g. Tinker 1980; Chua, 1986; Kelly, 2001) is a continual, and usually un stated, reminder that the interests of only one group of stakeholders should be maximised. Indeed it is may be very difficult for accounting and finance students to even conceive of another way in which affairs are conducted (see Burchell et al., 1980), even at the algebraic level, let alone the moral. This is not to say that conventional financial statement formats need necessarily lead as a consequence to maximisation of shareholders' wealth (MSW). Alternative forms of capitalist society in which shareholders are not the dominant factor of production do exist (though they are becoming a "threatened species") in continental Europe and Japan (see McGoun and Kester, 1992; Thurow, 1992; Hutton, 1995; Gray et al., 1996; Whitley, 1999; Dore, 2000). And a formidable a priori challenge to a privileged position for the providers of capital was made in the classic text by Berle and Means (1937). However, conventionally taught accounting does at least limit the likelihood that students will question the status quo. It might be salutary to expose students (and practising accountants) to financial statements in which the recompense to providers of non-debt capital was recorded as a cost[14] so that increases in this recompense were viewed as an increase in costs to customers rather than as an indicator of business success.

Financial description of the factors of production in the business media, and even in text books, makes clear that profit is an output to be maximised while recompense to labour is a cost to be minimised. Furthermore, a high cost of capital may be described as an exogenous constraint on business, rather than as an indication of the size of resource flows to providers of capital. Financial Times contributors are fond of words like "ominous" to describe real wage rises: such words are not used to describe profit increases. This is a distinction that did not commend itself to Adam Smith who berated recipients of profits for their double standards in complaining about wage costs while remaining silent about the costs of their own rewards. An explicit debit and credit to recognise, and treat as a cost, the recompense to providers of equity capital might help to influence the way that factors of production are perceived. Appropriate rewards for owners can
be viewed differently even without such treatment (see Collison and Kozuma, 2002a and 2002b): holders of equity capital in Japan are traditionally treated in the same way as preference shareholders or bondholders in the UK (Cooke and Kikuya, 1992; Thurrow, 1992). Such a satisfying of the legal owners of a company was commended by Berle and Means (1937). It is rather ironic that they have, perhaps through association with the agency literature (see for example Jensen and Meckling, 1976 and Fama, 1980) become identified with conflicts of interest between owners and controllers of wealth when they explicitly argued that both should be subservient to wider interests:

"Neither the claims of ownership nor those of control can stand against the paramount interests of the community. . . . the passive property right of today must yield before the larger interests of society" (Berle and Means, p356).

They commended public policy rather than self interest ("private cupidity") as the proper mechanism for allocating corporate income streams. As with Adam Smith their names have arguably become misleadingly linked with a particular agenda.

The rationale for the favoured treatment of shareholders comes from neo-classical economics and is based on the supposed benefits of the pursuit of self interest as encapsulated (see also Reiter, 1997) in one of the best known quotations from the Wealth of Nations: "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest."[17]

Adam Smith's endorsement of the benefits of self-interested behaviour depends crucially on the existence of competition[19]. The operation of competition to prevent exploitation of market power is intuitively reasonable and is at the heart of arguments in favour of so called free markets: it was succinctly described and enthusiastically endorsed by one of the leading exponents of laissez faire economics, Milton Friedman, when he stated that:

"The consumer is protected from coercion by the seller because of the presence of other sellers with whom he can deal. The seller is protected from coercion by the consumer because of other consumers to whom he can sell."[18]

Milton Friedman (1962/82, p.14)

The benefits that Smith described were traceable to atomistic competition "in which no agent of the productive mechanism, on the side of labour or capital, was powerful enough to interfere with or to resist the pressures of competition." (Heilbroner, 1953/91). Challenges to this utopian atomistic market could come from governments through regulation, or from labour in the form of trade unionism or from anti-competitive action by capitalist employers. It is the contention of this paper that the first two challenges have been demonised by powerful and influential forces but that enormous efforts (witting and unwitting) have gone into obscuring and allaying fears about the third challenge. Adam Smith himself was well aware that conditions in the world he inhabited did not conform to the competitive ideal: he was not opposed to government action in pursuit of general welfare; indeed he favoured it, and was acutely conscious of the danger of undue power in the hands of the capitalist class.

The Wealth of Nations was slow to come to prominence and when it did its "protagonists came from an unexpected quarter" (Heilbroner, 1953/91). These were the new industrialists who chose to interpret Smith's advice, summarised by Heilbroner as "let the market alone", as an argument against basic humanitarian legislation. These were people condemned by Smith for their "mean rapacity" and of whom he said they "neither are, nor ought to be, the rulers of mankind". The misrepresentation of Adam Smith arguably exemplifies the power of propaganda in the service of the interests of the rich and powerful. For example, Heilbroner (1953/91) pointed out that:

"... by a strange injustice, the man who warned that the grasping eighteenth century industrialists "generally have an interest to deceive and even to oppress the public" came to be regarded as their economic patron saint." (Heilbroner, 1953/91, p70-71)

Chomsky (1996a) describes how the division of labour is frequently cited as an important aspect of Smith's work but states that little mention is made of his warning that without government regulation it may destroy human beings and turn them into creatures "as stupid and ignorant as it is possible for a human being to be". Chomsky goes on to describe the bicentennial edition of the "hero" (Adam Smith) by "the great bastion of free market economics" the University of Chicago ("a scholarly edition with all the footnotes and the introduction by a Nobel prize-winner") and draws attention to the index which has many entries under "the division of labour" with the exception of the one just referred to above.

What most famously survives from the dishonest (or duped) selective quoting of Adam Smith's enormously wide ranging works are, perhaps, the ostensible sanctity of untrammelled self interest and the putative benefits of "free market" competition (which crucially, for Adam Smith, spares society from the exploitation that self interest would otherwise foster). It may be that they survive because of their ideological and political value and because it has been possible for the repeated use of the term "free market" to disguise the lack of competition, in any sense in which Adam Smith would recognise it, amongst large corporations (see, e.g., Berle and Means, 1937; Galbraith and Salinger, 1979; Korren, 1995). Smith's concerns about regulation in the economic sphere were at least partly prompted by the centuries old practice of conferring monopoly powers on certain favoured subjects:

"It is to prevent this reduction of price, and consequently of wages and profit, by restraining that free competition which would most certainly occasion it, that all corporations, and the greater part of corporation law, have been established." (WN, Bk I, Ch. X, Pt II, p.97)

He also recognised that powerful interest groups could influence legislation in their own favour. Some of his less frequently cited observations concern the relative power of market participants. For example he pointed out that in disputes over wage levels the advantages lie with the "masters" who:

"being fewer in number, can combine much more easily.... In all such disputes the masters can hold out much longer.... In the long-run the workman may be as necessary to his master as his master is to him; but the necessity is not so immediate." (WN, Bk I, Ch. VIII, p.51)

He also documented the merits and its use to protect already powerful interests:

"Whenever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters. When the regulation, therefore, is in favour of the workmen, it is always just and equitable; but it is sometimes otherwise when in favour of the masters." (WN, Bk I, Ch. X, Pt II, pp112-113)

In other words Smith was against legislation that protected the strong and the privileged either by conferring monopoly powers over consumers, or by worsening the already weak position of employees. He did not counsel against steps taken to protect the weak and was not against regulation per se.

Smith has been called a pre-capitalist (Chomsky, 1996a) and he certainly did not argue for the maximisation of owners' wealth. A
Further quotation from The Wealth of Nations focuses very clearly on profit maximisation:

"Our merchants and master-manufacturers complain much of the bad effects of high wages in raising the price, and thereby lessening the sale of their goods both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people." (WN, Bk I, Ch. IX, p76)

Accounting practice and finance theory all assume that only one set of participants in the wealth creation process, the recipients of profit, should have their interests maximised but Smith's defence of self interest did not, in principle, distinguish between any of the participants in the wealth creation process - although in practice he recognised the disproportionate power of certain market participants (i.e. employers) to reduce their own exposure to the exigencies of competition.

The Illusion Of Competition

"The most important fact about enterprise monopoly is its relative unimportance from the point of view of the economy as a whole." (Friedman, 1962/82, p.121)

Given Smith's emphasis on competition one might expect to find, in a world of growing market concentrations, propaganda dedicated to preserving this "necessary illusion" (see Chomsky, 1989). J.K.Galbraith has argued that a very significant part of the economy (i.e. that dominated by large firms) operate without the discipline of effective competition to restrain the power and influence of those who control it: "... in at least half of the economy the impersonal regulation of the market has given way to the partly or largely self-regulating power of the large corporation ... with the decline of the market, economic behaviour passes out of the hands of the economist and into the realms of politics." (Galbraith and Salinger, 1979 p.56)

Furthermore, and crucially for the case made in this paper, Galbraith argues that the teaching of economics obscures this reality. Thus it could be argued that students are given an intellectual and even (based on the misrepresentation of Adam Smith) moral rationale which underemphasises the absence of effective competition in large areas of economic activity. Galbraith has been famous for many years as a critic of laissez-faire economics and its social consequences (see e.g. Galbraith 1969 and 1992). Many of his books have become well known to a lay audience and he has been the target of much criticism: the combatively entitled "From Galbraith to Economic Freedom" (Friedman, 1977), is one such example. The domination of the global economic system by large corporations is widely documented (see for example Korten, 1995) and the process of market concentration has intensified since Galbraith's first criticisms.

Even in the 1930s Berle and Means recognised that:

"when we speak of business enterprise today, we must have in mind primarily these very units which seemed to Adam Smith not to fit into the principles which he was laying down for the conduct of economic activity." (Berle and Means, 1937, p.346)

The resilience of the illusion of competitive markets was demonstrated by another of the twentieth century's most well known commentators on business, Peter Drucker. In a book entitled Big Business: A Study of the Political Problems of American Capitalism (Drucker, 1947), written after he had spent an 18 month consultancy with General Motors, he managed to construe competition and complete market domination by one firm as being compatible:

"When the theory of monopoly was developed by Adam Smith ... almost every commodity was irreplaceable ... In our developed economy there is tremendous interchangeability... Even if there were only one car producer there would still be a highly competitive market. For every used car actively competes with the new cars..." (p. 219)

A more recent discussion of competition and big business appeared in a pedagogic supplement to the Financial Times (FT). The piece gave the impression of a business environment becoming ever more competitive: "Now globalisation is forcing reduced tariffs, and the world-wide trend towards deregulation and privatisation of markets has allowed foreign and non-traditional competitors to ...". However, the article gave the following assessment of the operation of national markets:

"While national entry barriers remain strong, oligopolists are able to make money by using monopoly power over their customers to increase their prices. If they are the sole purchaser of a particular product or service, they can force suppliers to reduce their prices. Tacit quasi-collusion with rivals prevents price wars and other struggles that might decrease their margins." (D'Aveni,1998)

Such a frank description of the way many businesses operate is arguably unusual and it is in keeping with the thrust of this paper that such an admission should appear in an article entitled "Hypercompetition closes in". Another interpretation of the phenomenon, described by D'Aveni as "hypercompetition", is that the natural oligopolistic economic framework is simply being rearranged on a bigger global scale. It seems that forms of words exist to justify the relaxation of "free competition" when big business is the beneficiary. An FT analysis of the BP/Amoco merger spoke of the resulting market dominance as giving "a degree of protection from the unfettered operation of market pricing"; it went on to say that "modern business relies on these slivers of elbow room to achieve acceptable levels of profitability" (Martin, emphasis added). It has also been suggested, in a Financial Times supplement on marketing, that such high profile cases of abuse of market power as are brought by the US Justice Department or the Federal Trade Commission, often serve the interests of collusive US companies by confusing the general public, "who become convinced that covert cartels do not exist in the US and that price hikes are therefore due to competitive market forces" (Parker, 1998).

The misrepresentation of Adam Smith's ideas including the sustained illusion of the competitive environment which he prescribed have been examined in this section and it has been suggested that the teaching of economics, accounting and finance all indirectly perpetuate these myths and spuriously justify the conventional business objective of maximising profits or, more recently, shareholder value. Those who are further removed from the specious and self serving myths of accounting and finance - including the general public - are also wooed into acquiescence with business interests, these techniques are considered next.

Corporate Propaganda

Milton Friedman, who is fond of quoting Adam Smith's "devastating comments", (Friedman, 1977) is famously identified with the position that the social responsibilities of business are met if it maximises its profits (Friedman, 1962/82). Friedman's argument, and the corporate propaganda which is used to sell it to the public, were anticipated by the insightful and prophetic eloquence of Adam Smith who warned of powerful vested interests unrestrained by adequate regulation or competition:

"the clamour and sophistry of merchants and manufacturers easily persuade ... that the private interest of a part, and of a subordinate
part of the society is the general interest of the whole". (WN, Bk I, Ch. X, Pt II, p101)

Smith also recognised that propaganda involved the suppression of what was inconvenient as well as the use of "clamour" stating that "[W]e rarely hear ... of the combinations of masters, though frequently of those of workmen". But he warned his readers that "whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject." (WN, Bk I, Ch. VIII, p51-52)

This part of the paper draws particularly, but not exclusively, on Carey (1997), a text which describes in painstaking detail: techniques of corporate propaganda; very many examples of their application; and many bodies which played and continue to play a leading role. All of this work should leave the reader in little doubt as to the immense resources available to ensure that both public and policy makers embrace "sound American doctrines" (National Association of Manufacturers). More specifically these concerted efforts have aimed to "identify the free-enterprise system in popular consciousness with every cherished value, and to identify interventionist governments and strong unions (the only agencies capable of checking the complete domination of society by the corporations) with tyranny, oppression and even subversion" (Carey, 1997, p.18).

Modern corporate propaganda developed largely as a US phenomenon in the early twentieth century but its influence is now felt in many parts of the world. Impetus was given to the large scale concerted use of propaganda in the USA by The Committee on Public Information (21) (the "Creel Committee") which was set up under President Woodrow Wilson to influence US public opinion in favour of intervention in the First World War. Leading figures of the fledgling, but already significant, PR industry were recruited. The Committee's success impressed business leaders who borrowed its techniques and hired its members to further their interests. (see e.g. Grunig and Hunt, 1984; Chomsky, 1994; Tye, 1996). Business "realised that the great public could now be harnessed to their cause as it had been harnessed during the war to the national cause, and the same methods could do the job" (Bernays, 1925, p.87). Testimony given to a US Senate enquiry by a representative of private utility companies whose multi million dollar propaganda activities in the 1920s were under investigation, emphasised the strategic advantages of propaganda over conventional forms of influence: "to depend year after year on the usual political expedients for stopping hostile legislation is short sightedness ... isn't it better and surer to lay a groundwork with people back home who have the votes" (Dahl, 1959, p30).

The potential for those with sufficient resources to use propaganda for their own ends became clear to the well informed and the prescient. The President of Harvard University reproduced the following words in a discussion of public opinion:

"Popular election, it is said, may work fairly well as long as those questions are not raised which cause the holders of wealth and industrial power to make full use of their opportunities. But if the rich people in any modern state thought it worth their while, ... there is so much skill to be bought, and the art of using skill for production of emotion and opinion has so advanced, that the whole condition of political contests would be changed for the future." (Lowell, 1926, p43.)

Even then, as now, there was hard evidence to support these warnings for those who chose to seek it out. The instigator and co-ordinator of much propaganda in the US was The National Association of Manufacturers (NAM) and the scale of its resources as well as the extent of its ambition may be judged by the findings of a congressional enquiry which took place even before the Creel Committee's influence had been felt. A committee of the House of Representatives in 1913 had found, in a report described (Lane, 1950) as "notable for its balance and prophetic insight", that the NAM was:

"...an organisation having purposes and aspirations along industrial, commercial, political, educational, and other lines, so vast and far-reaching as to excite at once admiration and fear - admiration for the genius that conceived them and fear for the effects which the ... accomplishment of all these ambitions might have in a government such as ours"(27)

and that its methods included a "disguised propaganda campaign" involving newspapers and literature in schools and colleges (methods which were again condemned by a US Congressional enquiry in 1939, as described above).

Corporate propaganda was intensified as necessary to respond to particular threats. Particular instances of such threats occurred after major wars, and in the aftermath of the depression with Roosevelt's "New Deal" (see discussion of work by Galambos above). The pattern of intensified propaganda in response to major social and political events is similar in principle to the periodisation of legitimation activity, eg corporate social reporting, at organisation level (see eg Tinker et al., 1991; Lehman, 1992; Gray et al., 1995). Corporate propaganda could itself be characterised as an aspect of legitimacy theory at the systemic rather than organisational level (see, eg Gray et al., 1996). It is arguable however that describing corporate propaganda as an aspect of "legitimation" risks understating the overwhelming influence of the phenomenon, certainly in the US where even terminology which challenges corporate ascendency has been effectively demonised. (See Dewey's consideration of the word "socialism" in Westbrook, 1991). The notion of business legitimising its behaviour may be contrasted with Dewey's description of politics as "the shadow cast on society by big business" (Chomsky, 1994). Political economy theory and legitimacy theory at a systemic level may be indistinguishable (see Gray et al., 1996, and also Guthrie and Parker, 1990) but the former term avoids the risk of casting corporate power in the misleading role of supplicant - a role which its propaganda is often keen to promote.

In the US after World War I the Great Steel Strike centred around the right of workers to bargain collectively - public sympathy was with the strikers and a huge propaganda campaign was mounted to change the climate (23). Carey (1997) reports on a "remarkable body", the Interchurch World Movement, which monitored the strike. Its two volume report (IWM, 1920 cited in Carey, 1997) concluded that the strike was defeated not only by the use of strike breaking methods of the steel companies but also by "their effective mobilisation of public opinion ...through charges of radicalism, bolshevism and the closed shop. None of which were justified .. and by the hostility of the press giving biased and coloured news". The then Secretary of Labour described how corporate interests used propaganda to stir up public opinion into an anti-Red hysteria, and, though "the Great Red Scare soon subsided" it was "not before the forces of reaction ... achieved their goal ... the position of capital was greatly enhanced, and complete antipathy towards reform was enthroned" (Murray, 1955 in Carey, 1997).

Carey argues that in Europe a similar public mood for progressive legislation was "not cut off by a propaganda assault on public opinion". The abandonment of propaganda by the British who first "demonstrated ... the power of wartime propaganda" is contrasted by Snow (1998, p.18) with its use in the United States "led by Bernays" to manufacture support for "American-style democracy". The contrast between Anglo-Saxon capitalist culture and social market forms elsewhere perhaps owes its origins to such conscious manipulation - repeated and reinforced later in the twentieth century - rather than being an exogenous cultural "given" (see, for example, Whitley, 1999).

The depression presented a serious threat to the prestige of business and to the "free market" system; the climate became conducive to government intervention and culminated in Roosevelt's "New Deal" and the NAM (as well as other industry groupings) was once again
keen to influence events. The NAM's own publicity material describes its activities in the 1930s as follows:

"In 1934, concern over many of President Franklin Roosevelt's New Deal proposals and key labor issues prompted the NAM to launch a public relations campaign "for the dissemination of sound American doctrines to the public (emphasis added)." (NAM, 1998)

It goes on to list details of money spent on, for example, leaflets, radio speeches, movie shorts, films for schools, and columns in newspapers. In 1939 the La Follette Committee, a committee of the US Senate which had been set up to investigate violations of the rights of labour, reported that the NAM:

"blanketed the country with a propaganda which in technique has relied upon indirectness of meaning, and in presentation of secrecy and deception. Radio speeches, public meetings, news, cartoons, editorials, advertising, motion pictures and many other artifices of propaganda have not, in most instances, disclosed to the public their origin within the Association." (US Congress, 1939)

The NAM was by no means the only grouping of business interests which was anxious to influence opinion but was, by the admission of one of its own leaders, the most significant such group:

"By some process public opinion has been shifted to the right. Now, ...I am not undertaking to tell you that the N.A.M. program has been the only factor in the change. ... however... this program ... initiated a new era ... in public contact by industry, ... in volume of publicity the campaign has totalled more than all other similar programs combined, ... it has continually - day by day and week by week - expounded ... a certain set of principles, and ... millions of our people believe today in these principles who did not five years ago."

(Speech in 1938 to the Annual Congress of American Industry by R.L. Lund quoted in US Congress, 1939, p176)

The hegemony of business in shaping the nation's values was again challenged by World War 2 which intensified government involvement in the co-ordination of economic activity and in mediating the relationship between employers and employees. Furthermore, wars tend to nurture feelings of societal interdependence. In the War's aftermath business propaganda was again put to work (see, in particular, Fones-Wolf, 1994), on a formidable scale, to restrain and roll back the trends towards a social market economy. (Within the accounting profession, equivalently hostile attitudes to economic regulation by Government (or Canada) in a post war environment are documented in Simmons and Neu, 1997.) The dominant themes were the same as those of the 1930s: the symbolic linking of business free enterprise with democracy, the family, the church and patriotism and identifying government regulation of business and those who supported such steps with communism and subversion. (Carey, 1997 p.27). The common assertion (see, for example, Hayek, 1944; Friedman, 1962/82) that free enterprise is an important bulwark of political freedom - a key component of much corporate propaganda (Carey, 1997, p20) - is challenged by an extensive study of the evolution of the market economy in the US (Sellers, 1991). Sellers describes market values undermining traditional communities and a democratic impulse nurtured by the insecurity inspired by incipient capitalist hegemony: "[C]ontrary to liberal mythology, democracy was born in tension with capitalism, and not as its natural and legitimising political expression" (Sellers, 1991,p.32).

The NAM and other business groupings again spent millions of dollars to influence public opinion (often covertly as before) in order to weaken the power of organised labour and to oppose legislation that it felt threatened the interests of business. The NAM and the Chamber of Commerce launched a massive campaign to end price controls which President Truman wished to continue while civilian goods remained in short supply after the War. The techniques and the scale of the resources were described by President Truman.

"Right after the end of the war big business in this country set out to destroy the laws that were protecting the consumer against exploitation. This drive was spearheaded by the NAM, the most powerful organisation of big business in the country... " (Truman, 1948 in Schnapper, 1948-49, p84-85)

Truman went on to enumerate in great detail NAM's tactics - as described by one of its own officers who "spilled the story" - including thousands of talks to clubs and societies; publications targeted at teachers, the clergy, farm leaders23, women's clubs; and press releases sent to (7500) weekly newspapers. He also summarised surveys of opinion before and after the NAM campaign showing a massive reduction in support for the OPA (Office of Price Administration) from 85% to 26%. A contemporary cartoon reproduced in Fones-Wolf (1994, p80) exemplifies the NAM campaign. It shows a car containing an "American Family" whose road to a gleaming vision of a city called "Prosperity" is blocked by a barricade headed "OPA Artificial Prices" with alternative directions indicated as "Inflation", "Crushing Taxes", "Dictatorship", "Hatred" "Slavery" and "Poverty".

Although the post war period lay outside the period of his content analyses Galambos (1975) briefly traced how business was perceived up to the mid 1970s. The hostility to business in the post war period was noted but "long before 1950, however, this cycle ended as the country ended a period of prosperity" (p.266). Galambos viewed the Vietnam period of the 1960s as another challenge to the 'corporate culture' a challenge which subsided after US withdrawal and the end of the war. Galambos finished his book (written in the mid 1970s), by concluding that the change of attitudes to corporations in the period 1920-1940 had been decisive; that opponents of big business were unable to stir up anti-corporate sentiment; and that American Society was "steeped in the values of the corporate culture".

These shifts in sentiment, which Galambos ascribes to no particular process other than a general reaction to economic cycles or cataclysmic episodes such as wars, again took place during a period of reactionary corporate propaganda on an overwhelming scale. Noting the same collapse in public regard for business, Carey describes this upsurge in propaganda. An expert witness at a Congressional enquiry stated that US business was spending $1billion annually on 'grassroots propaganda' (Baxter et al., 1978 cited in Carey 1997). An Advertising Council campaign advocating free enterprise or ('economic education') was described in Fortune magazine by Weaver (1977): he described the scale of this body's operations as a "study in gigantism saturating the media and reaching practically everyone". This was only one of many such campaigns orchestrated by business and described by Weaver as political persuasion: "Don't quote me" says the director of one economic-education program, "but we're propagandising" (Weaver, 1977 p 186).

By the year of Ronald Reagan's election victory the percentage of Americans who thought there was too much government regulation had risen from 42% to 60% (MacDougall, 1980 in Carey 1997). In the 1970s as in previous post war periods there is persuasive evidence to suggest that business manipulation of public opinion had again been decisive yet "the moral and social significance" of this phenomenon "has not been raised in any substantial way by social scientists" (Carey, 1997, p90).

Arguably corporate propaganda, at least in regard to certain issues e.g. the environment, has become more visible in recent years (see, for example, Stauber and Rampton, 1995; Beder, 1997). A striking example is the Global Climate Coalition25 whose " mendacious propaganda" (Tickell, 1997) against climate change initiatives was comparatively widely reported. Nonetheless this very visibility may serve to obscure even further the systemic and longstanding "engineering of consent" (Bemays, 1947) for corporate values which has been outlined in this paper.
Increasing hostility towards corporate power may be discerned in recent widely reported events, for example demonstrations at the WTO conference in Seattle. More recently Business Week (11 September 2000) reported that 72% of Americans think business has gained too much power (see BizEthicsBuzz, 2000). On the basis of the historical precedents outlined above, such a current climate might be expected to lead to a renewed intensification of corporate propaganda. Notwithstanding such reported hostility towards corporate power Anglo-Saxon corporate imperialism appears to be unrelenting as illuminated in the following section.

The Media, Business Values And Propaganda

Evidence of the use of the mass media as a conduit for corporate propaganda has already been adduced - but even the foregoing expression is potentially misleading. The mass media is, arguably, not used by corporate power it is merely one manifestation of corporate power with fundamentally the same interests and concentrated oligopolistic structure, as other areas of commercial activity.

In contrast to much of the consciously orchestrated, but little studied (Chomsky, 1996a), corporate propaganda considered in the previous section, the role of the media in relation to powerful interests is comparatively well known and researched (eg Herman and Chomsky 1988; Eldridge et al., 1997). With their celebrated "propaganda model" Herman and Chomsky (1988) argue that, even in societies that purport to enjoy freedom of expression, the mass media serves the interests of a dominant elite. They emphasise that, even in societies where the media do periodically attack corporate wrong doing and "aggressively portray themselves as spokesmen for free speech and the general community interest" what is not evident is the limited nature of such critiques. Their model "traces the routes by which money and power are able to filter out the news fit to print, marginalise dissent, and allow the government and dominant private interests to get their messages across to the public." (Herman and Chomsky, 1988, p2)

Their propaganda model identifies five "filters", all of which have been indirectly alluded to already in this paper: firstly, the ownership structure of the mass media, as emphasised at the start of this section; secondly the significance of advertising revenue; thirdly pressures on journalists to maintain good contacts with the sources of news - principally the PR outlets of powerful interests; fourthly "flak" which refers to pressures brought to bear on journalist or editors who seek to be critical of powerful interests: fifthly is the ideology of anticommunism which, after the fall of the Soviet Union has "partly been replaced by a blind belief in the free market as the ultimate organising principle for society" (Josefsson, 2000). This is, of course, the message that largely informs the corporate propaganda discussed in the previous section.

The propaganda model identifies the nexus of state and corporate power as the elite whose interests are served. This paper is concerned with the latter and recognises the vulnerability of potentially democratic institutions and extant social market economies to the Anglo-Saxon capitalist ideology. This ideology is manifested, in particular, in the business media, which reflects the assumptions and practices of US/UK accounting and finance. The main focus of this final main section of the paper is the role of the business media in proselytising these values.

Economic Imperialism and Propaganda

Corporate propaganda may be important in understanding why social democratic values became established in many parts of Europe in the post war period but not in the US (see Carey, 1997). Since then of course the UK and other English speaking countries notably New Zealand and Australia have "aspired" to copy the US socio-economic model: the exogp(23) of corporate propaganda methods to Australia in particular and also the UK was described by Carey (1997). Evidence for an association between the size and longevity of the PR industry and the success of Anglo-Saxon capitalism is provided in a study by Miller and Dinan (2000). Having emerged in the US, the industry developed significantly in the UK in the 1940s and 1950s in response to pressure for the nationalisation of certain industries. However it was not until the 1980s and the Thatcher era that there was the prospect of huge gains for investors - Goldman Sachs had a term for the prospect - "a restructuring bubble" as "share prices discount unusually high earnings growth rates". It was acknowledged that shareholder value could not "be released(23) as aggressively" in Europe as in the US due to governments being "overburdened by social security commitments" (emphasis added). Even the usual pretext of "greater wealth for all" as an excuse for investor self interest is dropped in this remarkably frank analysis. A general OECD trend of returns to capital and labour moving in strikingly different directions since the early 1980s is described by Von Weizsäcker et al., (1997) who also note the "sweeping victory of the free market philosophy combined with 'restructuring' of social welfare systems" (p.279).

The candid tone of Riley's analysis in the FT in which he explicitly refers to the euphemism of "America's famous labour market flexibility" and then translates it into starker operational terms (reducing real wages) is consistent, as are some following examples, with observations by Chomsky about the media which serves the "elite". He notes that the educational system for the elite, unlike that for the general population, has to allow creativity and independence "otherwise they won't be able to do their job of making money". He adds that that the same phenomenon can be found in the press: "That's why I read the Wall Street Journal and the Financial Times and Business Week. They just have to tell the truth." (Chomsky, 1996a, p.31).

Plender (1997) wrote in the FT of deregulation of European labour markets continuing at "snail's pace" as "treasured social cohesion" impeded "a more robust, Anglo-Saxon style of capitalism". An FT feature on the Japanese economy described in similarly mocking terms
Japan's "cherished social contract", noting that it was no longer viable and calling for "a more flexible labour market" (Nakamoto, 1997). As with mainland Europe, finger-wagging at Japan, hardly an unproductive wasteland of centralist planning, is a common occurrence in the FT. An editorial (FT, 2000) prescribes for Japan "the discipline of modern management and accounting" while another bemoans the social barriers to "widespread restructuring" (FT, 1999). Nakamoto (1999), also in the FT, notes that the imminent implementation of consolidated accounting, which will highlight underperforming subsidiaries' impacts on profits, will help to change attitudes (see also Kinney, 2001). The same article notes management's traditional concern with the interests of employees when businesses are sold: "it is extremely important ... to reassure them (management) that jobs will be maintained". Nonetheless we are assured that "in spite of these problems" selling off a non-core business is often seen as necessary, though not commendable, in order to raise profitability.

A major FT supplement on corporate finance in Japan notes disapprovingly in its lead feature (Abrahams, 1999) that "the conversion of executives to shareholder value is not always entirely wholehearted". A series of investment banking representatives lament some executives' attachment to the interests of employees as preventing aggressive restructuring, but the capitalist imperative is merely being slowed up, it appears, by these attempts to "turn the clock back". The major investment banks are rapidly increasing their presence in the country. For example, Merrill Lynch Japan is quoted as "focusing significant resources here". "From an investing banking perspective" says Goldman Sachs' spokesman "Japan is the largest emerging market in the world". It is pointed out that "Japan Inc will no longer be able to afford lifetime employment" and that "the social dislocation could be huge" but that these effects on employees are the "consequences of a greater emphasis on the cost and return of capital". An FT article (Tett, 2000) reports a sharp rise in the crime rate in "one of the world's safest countries" and notes Japanese sociologists' concerns over growing income inequality and unemployment: Tett blames an economic downturn - there is no mention of sacrificing social cohesion on the altar of Anglo-Saxon capitalism in this piece. Writing in the OECD Observer, Jarrett (1999) asserts that labour's share of Japanese national income will have to decrease and that changes are needed in Japan to "focus managerial minds on profitability".

The changes to be foisted on Japan may have been slow in coming as "foreign investors first drooled over the potential for re-engineering back in 1993" (Riley, 1999) but now, thinks the head of Japanese equities at Baring Asset Management, "we are at an historic moment ... seeing the unravelling of 50 years of history" (Abrahams, 1999). Abrahams (2000a) in another FT survey continues in the same vein: he reports that Merrill Lynch has increased its staff in Japan from 670 in 1977 to 3650, and that Goldman Sachs is not far behind. Accounting practices are likely to be changed rather than to remain in the "quirky" Japanese system of consolidated accounting: "should prevent companies hiding non-performing subsidiaries and force them to restructure". The head of Goldman Sachs insists that the forces of globalisation will go to work here as they did in continental Europe. Abrahams (2000b) reminds his readers of the labour problems that loom large in any Japanese acquisition", and that attitudes of local managers exacerbate the tendency to consider workers' interests. However "the problem is social rather than legal" and the Deutsche bank chief executive confirms that "the foreign perception is wrong. There is nothing that prevents companies laying off workers, but it is a social taboo." The dismantling of the Japanese social consensus is commended by the FT Lex Column (Lex, 1997). As with mainland Europe, finger-wagging at Japan, hardly an unproductive was an FT assessment that "the American flag is a symbol of an economic and social system that works" (p.53). The child poverty rate in the US is amongst the highest in the developed world. Among industrialised nations only the Russian Federation has a higher child poverty rate (UNICEF, 2000 cited in AECF, 2000). A study by Rainwater and Smeeding (1995) cited in AECF (2000) indicated that the US child poverty rate was not only the highest amongst 17 developed countries studied but 50% higher than the next highest rate. It was more than three times higher than the rates in France and Germany. The number of children in "working-poor" families in the US increased by 35% to 5.8 million in the period 1989 to 1998; this period of booming stock-markets and a 30-year low in unemployment (AECF, 2000). Chomskey highlighted the hunger being suffered by Americans - most severely among children but also "surging" according to the Wall Street Journal (McCarthy, 1994 cited in Chomsky 1996b) amongst the elderly. About 16 per cent of the US population over 60 are either hungry or malnourished to some degree according to the Wall Street Journal report: - "again, phenomena unknown in other developed societies" (Chomsky, 1996b, p127).

‘Encouraging’ was the word used by the FT (Lex Column, 1998) for union malleability in the face of globalisation. The values that are implicit in this language are of course those of accounting in which only one group of stakeholders does not have their share of the cake counted as a cost. Such an unquestioningly one sided view of political economy is presumably responsible for what can be a breathtakingly biased presentation of issues to students: in a three page summary of the very wide ranging chapter contents of their introductory textbook on the 'Business Environment', Worthington and Britton (1994) made precisely one mention of the representation of labour: the single phrase used, with no qualification, was 'Curbing trade union power'. A more subtle but comparable example of such ideological ascendancy is given by Lohrey (1997) in his introduction to the work of Carey. He cites the example of the "Young Achievers" program in Australia in which school students learn to make profits by setting up and running a company - an activity widely seen as unproblematic. He then speculates on how an equivalent program aimed at training students in setting up and running a union would be perceived - it would probably 'be denounced as biased, one sided and 'inappropriate'. Yet what he asks 'has changed?'? In both situations the values of different economic interest groups are being incalculated - the gulf in the difference in likely perceptions indicates the success of propaganda. A propagandaised culture is, I would argue, similarly apparent from the use of language in some of the foregoing examples from the FT.

Some explicit consideration of the use of such loaded language (see, for example, Orwell, 1968; Corby, 1994) can occasionally be found. In a major FT article, Graham (2000) considers how French treatment of stock option taxation cast doubt on its "willingness to embrace corporate reform" (note, incidentally, the unassailability of the term "reform"): the episode "exposed the bile still felt ... about ... free-market capitalism" (emphasis added). French distaste for the English term 'stock-options' was noted, but, stated Graham, "universal reference to 'stock-options' in the media will, of itself, shift public perceptions and reinforce the transatlantic business vocabulary".

Conclusion

This paper has several foci but the underlying theme is acquiescence in an order which privileges returns to investors over all other economic and social interests. This order is not identified with capitalism per se: a key issue in the paper is the recognition of strikingly
different forms of broadly capitalist society. These range from US or Anglo-Saxon *laissez faire* to relatively social democratic forms of capitalism in continental Europe and Japan.

Propaganda on behalf of powerful commercial interests can be traced back at least to the time of Adam Smith: he warned of the use of 'clamour and sophistry' to spuriously identify their interests with those of wider society. And it is argued that the self serving (and the duped) misrepresentation of Adam Smith's ideas can be construed as a form of propaganda - of particular significance to those who become versed in the language and the procedures of accounting and finance.

Modern corporate propaganda, co-ordinated and on an overwhelming scale has been a feature of the US social and economic system throughout the twentieth century and can plausibly be judged as a significant factor in resisting and even demonising any social democratic reform. Evidence of this propaganda and some description of its techniques have been presented. This is not to ignore other ways in which capital can and has increased its wealth and influence. Power can be exercised in the service of vested interests without public approbation, and indeed in the face of measurably hostile public opinion (see, for example, Lewis, 2001). Even in such situations where hegemony is less than complete, it could be argued that propaganda helps elites to vitiate popular resentments and reduce the "risk of democracy" (Carey, 1997) if not remove it completely.

The role of the media as an integral component of corporate hegemony and as a conduit of direct and indirect propaganda was considered. The success of "market-based" over "centrally-planned" economies is now widely acknowledged both in the positive sense as a fait accompli and, arguably, as a normative model. What may be less acknowledged is the risk posed to social democracy by Anglo-Saxon capitalism. As part of this process the propaganda role of the business media has been exemplified in some detail - both as evidence of the process itself and as an indicator of how successful corporate propaganda has been in creating a climate in which corporate self interest has become an end in itself - even at the explicit expense of wider social interests.

It has been argued that corporate propaganda is a non-trivial, possibly a fundamental, and largely covert part of the process by which the Anglo-Saxon capitalist hegemony maintains itself and spreads its influence. This process has arguable implications for a number of areas of accounting and accountability research. The more the scale and the techniques of corporate propaganda are acknowledged and understood the better we may "evaluate the purposes of the powerful" (Eldridge et al., 1997, p.103), the less effective they are likely to be and the closer we may come to a pluralist, accountable and democratic ideal. Concern for organisational accountability often focuses on an absence of activity - that of an accountability mechanism to affected and interested parties. That concern needs to be mirrored by an awareness of forms of communication which are most effective when they induce an intended rather than an independent response.

References


FT (1999) "Japan Inc" Financial Times (editorial), 19 October, p.22.

FT (2000) "Mori's Regret" Financial Times (editorial), 1 August, p.18.


wealth distribution see, for example, Korten (1995) and Kelly (2001).

The phrase is submitted as a heuristic whose usefulness the reader must judge in the context of the paper. For more consideration of wealth distribution see, for example, Korten (1995) and Kelly (2001).

While the literal authorship of the paper is clear, one could ask a "second order" question regarding the provenance of ideas advanced by any author who presumes to critique or even inquire into a prevailing ideology or the processes that support it. The arguable fatuity of such an exercise, as well as powerful counter arguments, are entertainingly explored in Eagleton (1991 and 1994).

Whether gradations of capitalism merit identification as distinct ideologies may depend on which of a range of meanings of the word is preferred (Eagleton, 1991). For the purposes of this paper they are so regarded. Some would cavil at the term "ideology" being used at all to describe the Anglo-Saxon status quo: "generally speaking conservatives ... are nervous of the concept ... since to dub their beliefs ideological would be to risk turning them into objects of contestation." (Eagleton, 1991, p6).

For a concise critique see Gray et al 1996, Ch 1.

For further consideration of corporate influence on education and the opportunity this affords to influence young minds as well as research agendas see, for example, Soley (1995), Carey (1997) and Monbiot (2000).

The issue of accounting as propaganda merits more attention than the focus of this paper and space constraints permit. In particular it may be worthwhile to further examine whether the literature on (broadly) the reflexive relationship between accounting and society could be informed by the concept of propaganda. The critical literature can be seen as sharing many of the concerns reflected in this paper, even though few explicit references to propaganda may appear: less overtly critical literature which emphasises the behavioural influence of accounting could also have a propaganda perspective.

There is significant scope for novel, as well as traditional, forms of reporting to be subject to managerial capture. Detailed consideration of such corporate communication lies beyond the scope of this paper but arguably there is a need to examine propaganda practices within accounting.

Pratkanis and Aronson (1992) state that owing to this provenance the word "propaganda" took on a negative meaning in Protestant countries but a positive connotation (akin to education or preaching) in Catholic areas.

The loaded and arguably outdated language incorporated in this classification is acknowledged.

Some of the techniques of propaganda are described or alluded to in the paper. For a fuller treatment of the topic see, for example, Bernays (1928 and 1952), Petty et al. (1976), Grunig and Hunt (1984), Pratkanis and Aronson (1992).

See also Walker and Mitchell (1996) for a discussion of the "changing connotations" of the term.

Misleading propaganda even surrounds the end of this unique newspaper. Curran (1977) quotes the Chairman of Times Newspapers to illustrate the recurrent myth amongst journalists that "the Herald was beset by the problem which has dogged nearly every newspaper vowed to a political idea: not enough people wanted to read it." In fact, explains Curran, at its end the Daily Herald was read by 4.7m people, nearly double that of the Times, Guardian and Financial Times combined and research had shown its readers to be the most committed of any national newspaper readership. "The Daily Herald, the lone consistent voice of social democracy in the national daily press, died because its readers were disproportionately poor working class and consequently did not constitute a valuable advertising market" (Curran, 1977, p.225).

See also Collison and Frankfurter (2000) on which this section draws.

The value added statement (see ASC, 1975; Burchell et al., 1985) was a worthy and, apart from occasional appearances, a short lived alternative approach to addressing the loaded nature of conventional financial statements, by treating returns to labour as an appropriation rather than as a cost.

This quotation is, for example, prominently displayed in the first chapter (entitled "Understanding the Sources of Economic Wealth") of a leading economics text (Parkin and King, 1995) used as an introductory economics text on accounting degree courses.

The relationship between classical political economy and neo-classical economics is considered in some detail in Tinker (1980).

The argument against MSW made in this paper is partly based on the absence of the competitive conditions which are spuriously used to justify it (conditions which, if they did exist, would equally justify all interests being maximised). The argument against MSW on grounds of social welfare (see, eg Gray et al 1996) is a separate, important and pragmatic one.

The role of the business media and its use of language, particularly in the Financial Times, is considered further below.

See Snow (1998) for a detailed and insightful study of the Creel Committee and particularly its ongoing legacy, the United States Information Agency.

Galambos refers to this period in the following terms:

"In the immediate aftermath of the First World War, ...economic crisis, labor strife, and international problems produced a sudden outburst of hostility towards big business. Public opinion was extremely unstable as Americans lashed out at the giant corporations that seemed to be responsible for many of their difficulties. Soon, however, political and economic developments brought the postwar reaction to an end. Reform measures - regulation of the railroads and of the packers - convinced interested Americans that the government had solved the problems created by the large corporations in these industries. Higher incomes persuaded others that the trusts were no longer a threat". (p261/2)

Galambos appears entirely oblivious of corporate propaganda in spite of his avowed interest in "process".

Carey does argue that US culture is predisposed to symbolic manipulation which is a key part of propaganda (see Lasswell, 1953 in Carey, 1997, p12). In his view evangelical religious belief which is a feature of US society (an international Gallup poll showed belief in God, Heaven, the Devil and Hell to be significantly higher in the US than in European nations) predisposes towards a dualistic, Manichean world view. Such a view lends itself to propaganda which seeks to demonise enemies and contrast them with extravagant
ideals. “By associating welfare provisions and other (selected) government interventions with Socialism/Communism and conversely the Free Enterprise System with Loyalty, Patriotism, Freedom, the American Dream, the American way of Life, propagandists are doing no more than manipulating appropriate Satanic and Sacred symbols (Carey, 1997, p16).

[25] The clergy and farmers were two of the groups whose specialist journals were analysed for content by Galambos in his efforts to understand the way business was perceived.

[26] See http://www.globalclimate.org


[28] See also Snow (1998) for a study of the use of propaganda by the United States Information Agency (USIA) to further the interests of US corporations abroad.

[29] Aspects of the use of language are noted elsewhere in the paper: here the overtones of the word "released" in this example are worth consideration - would "acquired" have quite the same ring of barely perceptible self justification?

[30] Families where at least one parent worked 50 or more weeks a year, and family income was below the poverty level, (AECF, 2000).