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Translating, resisting, or escalating government programs? Accounting at the intersection of centrally imposed programs and local responses

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Abstract

This article examines the role of accounting in the recursive processes of continuous adjustment to programs that emerge when programs are imposed by central government on local government. Focusing on the Italian context and adopting the conceptual lens of governmentality, our study contributes to the extant literature by highlighting the role of accounting in the power dynamics and transactional realities at the intersection between the governors and the governed. In doing so, it considers how accounting can shape plural local government conducts and counter-conducts and how this, in turn, affects programs imposed centrally. It also sheds light on the transactional realities inherent in multiple, layered forms of central disciplining power and how this plays out to recursively redefine central discipline and local autonomy. The study highlights the importance of considering the different ways in which power is enacted and resisted through accounting in governmentality studies. By taking a pluralist and dynamic view of the ways in which programs are implemented, the study reveals multiple local translations and outcomes, as well as the underlying power dynamics at play.

KEYWORDS

counter-conduct, governmentality, local governments, power, roles of accounting, translation

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Traduire, résister ou intensifier les programmes gouvernementaux? La comptabilité à l'intersection des programmes imposés par le gouvernement central et des réponses locales

Résumé

En adoptant le concept de la gouvernementalité, nous montrons les dynamiques qui sous-tendent les processus récur-sifs d'ajustement continu des programmes du gouvernement central et des conduites des gouvernements locaux. Cet article contribue à la littérature existante en apportant un nouvel éclairage sur le rôle de la comptabilité dans la dynamique du pouvoir et les réalités transactionnelles à l'intersection entre les gouverneurs et les gouvernés. Ce faisant, il montre comment la comptabilité peut influencer les multiple conduites et les contre-conduites des gouvernements locaux et la façon dont elles affectent, à leur tour, les programmes centraux. Il met également en lumière les réalités transactionnelles inhérentes aux multiples formes de pouvoir disciplinaire central et la manière dont cela se traduit par une redéfinition récurrente de l'autonomie locale. L'étude souligne l'importance de considérer, dans le domaine des études sur la gouvernementalité, les différentes manières dont le pouvoir est exercé à travers la comptabilité et d'adopter une vision plurielle et dynamique pour comprendre les efforts programmatiques, leurs traductions et résultats locaux, ainsi que la dynamique de pouvoir sous-jacente.

MOTS-CLÉS

contre-conduite, gouvernementalité, gouvernements locaux, pouvoir, rôles de la comptabilité, traduction

1 | INTRODUCTION

The governmentality literature in accounting has provided rich evidence of the role of accounting technologies in connecting different actors, interests, arenas, and aspirations to make the conduct of people and organizations measurable and programmable and thus governable (e.g., Miller & O'Leary, 2007; Miller & Power, 2013; Miller & Rose, 1990; Rose et al., 2006). This literature emphasizes the processes through which government rationalities are translated into programs and technologies, disciplining the conduct of those who are governed. Yet the discursive nature of rationalities, programs, and technologies, and the bidirectionality of influences between the governing and the governed, have been highlighted as having potential for further investigation (Ahrens et al., 2020; Boomsma & O'Dwyer, 2019).

In this work, we respond to calls to explore how accounting is implicated in the reactions of the "governed" (Boomsma & O'Dwyer, 2019) and more general calls to adopt plural perspectives in the governmentality literature (O'Malley et al., 1997). Our article discusses how, over years of austerity, Italian central government programs were continuously revised, giving rise to a plurality of accounting-related conducts and counter-conducts in local governments, which in turn shaped central programs and central government accounting technologies. This strengthens our

understanding of the iterative, mutually constitutive, processes through which rationalities, programs, and technologies are interpreted, continuously translated, and counteracted by governed entities but are also adjusted by governing bodies. Moreover, it enables a greater understanding of the role of accounting in the power dynamics and transactional realities that represent contact points at the intersection of governors and the governed (Foucault, 2008). In these transactional realities, accounting technologies are shown to territorialize, enabling calculable spaces for central government to shape local government conduct and for local government to interact and resist (Mennicken & Miller, 2012; Miller & Power, 2013; Tuck et al., 2024). The arena of intergovernmental relationships is an ideal context in which to explore these discursive processes, as they can reveal how accounting iteratively mediates between different plural actors, rationalities, and interests. Yet this context has been surprisingly under-investigated (Bracci et al., 2015). While managerial reforms in the 1990s (often dubbed new public management [NPM]) generally gave local governments greater organizational and financial autonomy (Liguori et al., 2018) and increasing power to raise their own revenues, in the 2000s, austerity programs were centrally imposed in several countries, reducing local governments' fiscal autonomy and exacerbating conflict between central and local governments (Council of Europe, 2011). This has been particularly evident in Italy (Barbera et al., 2016), where local governments have suffered huge "cutbacks in the amounts of funding transfers from the central government and reduced autonomy over local taxes" (Barbera et al., 2020, p. 537).

Several studies highlight accounting's role in (1) fostering the financial-economic and neoliberal principles that contributed to the global financial crisis (Bracci et al., 2015; Chabrak & Gendron, 2015; C. Cooper, 2015; Garseth-Nesbakk & Kjærland, 2016; Hodges & Lapsley, 2016; Morales et al., 2014; Richard, 2015); (2) furthering constraining controls and measures (Gendron & Smith-Lacroix, 2015; Heald & Hodges, 2015; Lapsley et al., 2015; Van der Kolk et al., 2015); (3) encouraging greater accountability to citizens (Ahrens et al., 2023; Ferry & Ahrens, 2015); and (4) supporting short-term responses to and resilience in facing the crisis (Barbera et al., 2016, 2020; Garseth-Nesbakk & Kjærland, 2016). Some studies show how accounting can shape local practices in opposition to government austerity and can also become implicated in "actorhood" (Ahrens et al., 2023), with Barbera et al. (2016) and Ahrens et al. (2020) illustrating specific local governments' responses to central government (austerity) policies. Moreover, Ahrens et al. (2020) highlight the existence of concurrent programs that together contribute to shaping localized responses. These findings suggest that, to strengthen our understanding of central-local relationships, it may also be useful to consider reciprocity between local government responses and central government policies, and to consider conduct and counter-conduct as emerging from the plurality of the governed, giving rise to multiple micro-territorializations at the local level. This perspective relies on understanding that this reshaping is iterative and is fostered by a range of local responses and counter-conduct, given that the local government field is composed of plural entities. Our study thus contributes to a more nuanced understanding of how accounting is implicated in the power dynamics and continuous adjustment of programs, conduct, and counter-conduct; it shines a light on the space in which local and central government interact (i.e., their transactional realities) while highlighting the plurality of local responses. This is achieved by investigating evolving Italian central government programs and related municipal responses in the period 2007–2015, showing how diverging (before) and increasingly converging (after) actions at the local level shape counter-conduct, specifically focusing on the role of accounting in mediating compromises in the central-local relationship (see also Miller & Power, 2013) and providing the transactional reality where central and local governments continuously renegotiate discipline and autonomy.

The article is structured as follows. Section 2 reviews the literature, and Section 3 describes the methods used. Section 4 illustrates the context, and Section 5 presents the findings, which are discussed in Section 6. Section 7 concludes.

2 | THEORETICAL FRAMEWORK AND RELEVANT LITERATURE

2.1 | Concepts of governmentality: Rationalities, programs, and technologies

A growing body of literature examines the role of accounting technologies in governing economic life (Miller, 1990, 2008; Miller & O’Leary, 2007; Miller & Rose, 1990; Rose & Miller, 1992), drawing upon theoretical frameworks based on the idea of governmentality (Dean, 2010; Foucault, 1979, 1997; Miller & Rose, 1990; Rose & Miller, 1992).

This literature recognizes accounting as a pivotal technology in translating the rationalities and macro programs of government into micro, localized practices (Jeacle, 2015; Miller, 2008; Miller & O’Leary, 2007). Rationalities are ideals and aspirations about the world addressing societal and economic problems and issues (Miller & Rose, 1990; Rose & Miller, 1992) and are often given public attention through a process of problematization. Such ideals and aspirations are translated into programs—that is, interrelated plans and policies for intervention and for guiding behaviors toward specific aims (Rose & Miller, 1992), including, for example, NPM policies or austerity programs. Technologies, encompassing “calculations, techniques, apparatuses, documents and procedures through which authorities seek to embody and give effect to governmental ambitions” (Rose & Miller, 1992, p. 175), allow the translation of programs into practice, serving as “actual mechanisms through which authorities of various sorts have sought to shape, normalize and instrumentalize the conduct, thought, decisions and aspirations of others in order to achieve the objectives they consider desirable” (Miller & Rose, 1990, p. 8; see also Neu, 2000).

2.2 | The governmentality perspective in accounting studies

The concepts outlined above have laid the foundation for a substantial body of research contributing to our understanding of how accounting technologies emerge from the interplay of institutions, issues, and processes, connecting different actors and domains in policy, the economy, and science.

Of particular interest are those studies investigating how accounting transforms abstract ideals of economic rationality and modernity into concrete applications, enabling the governance of actions at a distance (e.g., Keevers et al., 2012; Kurunmäki, 1999; Miller et al., 2008; Miller & O’Leary, 1987; Miller & Rose, 1990; Power, 1994, 1997; Preston et al., 1997; Radcliffe, 1998, 1999; Robson, 1991; Thomson et al., 2014; Wickramasinghe et al., 2021).

This literature enhances our understanding of the role of accounting in the economy, society, and public policy by first focusing on a “genealogical” approach that provides insights into how assemblages of people, practices, and tools attract attention to new ideals and rationalities, accelerating the implementation of government programs and their translation into accounting tools and practices (Boomsma & O’Dwyer, 2019; Dean, 2010; Miller & Rose, 1990; O’Malley et al., 1997; Rose & Miller, 1992; for a discussion, see Stacchezzini et al., 2023). Second, it emphasizes the “economizing” role of accounting, in which it serves as “a vehicle for the realization of economic ideas and the economization of the enterprise” (Miller & Power, 2013, p. 594), translating economic ideals and principles into concrete tools and practices. Third, this literature highlights the failures inherent in program development and implementation (Rose & Miller, 1992), whereby programs often suffer from unintended consequences because of contextual conditions or how they are perceived, interpreted, and practiced by the “governed.” In other words, the processes of translation of abstract ideals and rationalities into specific practices are crucial for making ideas and reforms operable but may not yield the desired outcomes in specific contexts (e.g., Mennicken, 2008; Neu & Heincke, 2004). As argued in more detail below, these considerations highlight a need to move from the static concept of “failure” to a dynamic perspective of continuous adjustments and to consider how these adjustments are influenced by both those governing and the governed.

2.3 | Advancing our understanding of governmentality in accounting: The perspective of the governed and the recursive nature of programming

The governmentality literature described above mostly focuses on the perspectives of actors in charge of, or responsible for, bringing programs forward. The emphasis on the “translation” of rationalities into programs and technologies and then behaviors implies considering a single direction, and the perception of difficulties in the process as impediments or failures suggests a predominant attention paid to the perspective of the governor (not the governed) at a specific point in time. Studies taking predominantly this perspective (e.g., Neu, 2000; Spence & Rinaldi, 2014; Vollmer, 2003) may overlook the roles played by a plurality of actors, not only in embracing programs but also in resisting and reshaping them through their possible influence on the decisions of governors.

This approach contrasts with those governmentality perspectives that point to power and the governing of conduct as the results of an assemblage of efforts, practices, and behaviors of diverse agents (Free et al., 2020; Miller & Rose, 1990; Rose & Miller, 1992). As O'Malley et al. (1997) argue, empirical governmentality studies may have emphasized a “genealogical” rather than critical focus, perhaps because of the risk of becoming “insensitive to social variation and social heterogeneity” and may thus need to rethink “programmes of rule not as formed by programmes alone, nor even as formed in relations of contest with the subjects of rule, but also as themselves multivocal and decentred” (p. 505). Similarly, Ahrens et al. (2020) observe, “The absence of counter-rationales in governmentality studies is in part due to the desire to explain clearly the linkages between the dominant rationales, programs, and technologies and the roles played therein by accounting. This is a difficult enough task in its own right, without drawing attention to the complexity of surrounding and competing rationales, programs, and discussions” (p. 2).

In light of the above considerations, there are calls for more attention to be given to a multiplicity of voices and discourses and the perspectives of the governed rather than the governors (Boomsma & O'Dwyer, 2019; Ghertner, 2010; Larner, 2000; McKee, 2009; O'Malley et al., 1997; Vallentin & Murillo, 2011), as well as for governmentality research “to be more explicit about concurrent and, especially, competing rationales and programs than it has” (Ahrens et al., 2020, p. 2). From an initial simplistic view of “programmatic failure” (Hunt & Wickham, 1994), in the last decade scholars have started to focus on forms of resistance and counter-conduct (Ahrens et al., 2020; Bigoni & Funnell, 2015; Boomsma & O'Dwyer, 2019; Chenhall et al., 2013; Clune et al., 2019; Crvelin & Becker, 2020; Grisard et al., 2020; Odyseon, 2016).

2.4 | Counter-conduct

Counter-conduct is described by Foucault as the “art of not being governed too much” (Foucault, 1997, p. 45; Lorenzini, 2016). Counter-conduct encompasses the ways in which the governed express their desire for alternative ways of being governed, while remaining subject to the relevant power. Rather than forms of open revolt, misconduct, and direct reaction to external rules of conduct, counter-conduct represents more “diffuse and subdued forms of resistance,” which rely on the power of the governed to change the rules of conduct without challenging existing power relations and forms of government (Foucault, 2007, p. 200).¹ Thus, counter-conduct

¹A parallel conceptualization of counter-conduct is the idea of “resistance as everyday practice” (De Certeau, 1984; see also Crvelin & Becker, 2020). According to De Certeau, resistance is not only a direct response to forms of power but may also take the form of proactive use of imposed rules. Drawing on this perspective, Crvelin and Becker (2020), in their ethnography of a large international nongovernmental organization operating in Nepal, examine the ways in which accounting was used to implement a market-based approach to development in the local everyday practices of beneficiaries and how, in turn, the latter resisted such processes, reshaping accounting regimes to reflect their interests. In doing so, the authors demonstrate how “resistance through (rather than against) accounting left the NGO with little capacity to guard against the ways in which the project became used for different ends locally” (Crvelin & Becker, 2020, p. 1).

does not completely reject external power; instead, it expresses aspirations to be governed differently, through different means, and/or toward different goals (Foucault, 2007).

In the accounting literature, counter-conduct has attracted relatively limited attention (see also Ahrens et al., 2020). A few studies tend to focus on it as a form of translation adopted by individuals—for example, managers adapting corporate social responsibility business-case discourses (Grisard et al., 2020) or health care and social service reforms (Allain et al., 2021) to incorporate their own views and visions. Similarly, Ahmad et al. (2021) describe service providers as interpreting requirements for services in a way that is consistent with their existing perspectives. Describing stronger forms of resistance, Ahrens et al. (2020) outline how a British local government used accounting to articulate its opposition to central government austerity policies, suggesting the existence of concurrent “programs” shaping local action. Nagirikandalage et al. (2021) account for resistance to management accounting practices in the context of Vietnam. Boomsma and O’Dwyer (2019) examine how the interactions between nongovernmental organizations (NGOs) and the government shaped Dutch NGOs’ accountability over time, pointing to five forms of counter-conduct. This contribution differs from others in focusing mostly on the governed, highlighting the importance of further exploring the iterative, discursive processes taking place at the interface between the governed and governors, and related issues of power.

For the purposes of the present study, where the governor is the central government and the governed are local governments, it is worth highlighting that studies adopting different conceptual lenses have emphasized the role of local agency in responding to central reforms. For example, Barbera et al. (2016, 2020, 2021), drawing on the resilience literature, show how local governments reacted differently to government constraints, providing evidence of a plurality of responses, depending on local circumstances. In a similar vein, Ahrens et al. (2023), drawing on institutional perspectives, illustrate the “agentic actorhood” of Newcastle City Council in its fight against central government austerity cutbacks. These studies suggest a need to move away from seeing the give governed as a single entity and consider them as pluralistic, with the potential to translate (and give feedback to) central impulses differently.

2.5 | The interface between the governed and the governors: Governmentality and power

Although a plural, bidirectional, and iterative perspective has received limited research attention to date, it appears to be consistent with Foucault’s (1976) view that power is everywhere—it is decentralized, omnipresent, and diffused. Far from being “possessed” by certain actors or imposed on the governed by those who govern, it is in continuous flux as a process of “transaction” between actors, through discussions, conflicts, concessions, agreements, and disagreements (Foucault, 2008). These conflicts and compromises reflect “transactional realities” that are the contact points at the interface between the governors (and their attempts at conduct) and the governed (and their conduct and counter-conduct) (Foucault, 2008). Transactional realities are continuously problematized by governed and governors, through “games of truth” (Cadman, 2010). Where these intersect is a place of power struggles, in which the governors and the governed continuously negotiate their respective power positions, discursively and interactively defining problems, priorities, and technical solutions. In this “game,” governors structure “the possible field of actions of others” (Foucault, 2001, p. 1056), exerting power on the governed and bringing forward their “truths.” Accounting can serve as an important means for structuring the fields of action because of its “territorializing” role in constituting the “domains of economic action” (Miller & Power, 2013, p. 580), whereby “the calculative instruments of accountancy presuppose and recursively construct the calculable spaces that actors inhabit within organizations and society” (p. 561). However, territorialization also implies that different narratives and rationales are assembled at different levels and articulated in different arenas

(Ferry et al., 2023; Miller & Power, 2013), leading to different ways of problematizing accounting techniques (see Maran et al., 2023; Robson, 1991). As highlighted by Mennicken and Miller (2012), the governing of conduct happens in multiple micro-territorializations, whereby the governed carve out their own space in which to deploy different types of conduct (Foucault, 2001). Micro-territorialization itself can be an important form of counter-conduct, representing an attempt to think differently and to question the regime of truth imposed by governors. This implies that the concrete space of possibilities left for action is defined and redefined in the processes of problematization, as well as through the concrete implementation of programs and the emergence of conduct and counter-conduct. Political governmentality is not simply imposed by governors on the governed but emerges from governmental counter-conduct in which the governed can free themselves from the subjugation of the governor (Cadman, 2010). Power both shapes and reflects relations; “modifications of these same relations transform those situations of power” (Foucault, 1976, pp. 121–123). And yet, more needs to be known about how the governed limit or shape the field of action of governors and about the role of accounting in “transactional realities.”

Renewed attention on counter-conduct and our initial knowledge of it provides a basis from which to examine the continuous adaptation of programs that emerge from conduct and counter-conduct, rather than seeing a challenge to government as the cause of program failure (Ahrens et al., 2020; Boomsma & O'Dwyer, 2019). This allows for exploration of the often overlooked perspective in which resistance, or counter-conduct, is not only shaped by, but also shapes, the actions or rules of those governing; that is, programs may ultimately reflect the alternative views of those contesting them (O'Malley et al., 1997).

Such an examination requires exploring the dynamic and iterative processes through which programs, rationalities, and technologies are not only interpreted and continuously translated, but also readjusted. Moreover, it also requires examining the “transactional realities” at the interface between the governed and the governors and the games of truth they play in problematizing and reproblematising issues, shaping and reshaping programs, conduct, and counter-conduct. In addition, since power structures a field of possible action in which subjects must act (Foucault, 1982), it follows that resistance can be enacted in different ways, based on the specific social sites in which it is nurtured. This requires consideration of the multiple locations of resistance.

3 | METHODS

This research mobilizes concepts from the governmentality literature to understand the dynamic interplay between forms of central government disciplining power and local government resistance and counter-conduct over time. The Italian local government sector, having witnessed significant financial pressures, as well as changes in the regulations of local governments' financial autonomy and accounting regulations over time, represents a relevant context of study, as further illustrated below. The following subsections describe the sources of data and the approach to the analysis. The next section describes the main features of Italian local government, providing context for the ensuing analysis (D. J. Cooper & Morgan, 2008; Steccolini, 2023).

3.1 | Collection of data and analysis

This study considers the years between 2007 and 2015, a period that witnessed the eruption of the global financial crisis, ensuing austerity programs, and the adoption of, and experimentation with, local government accounting reforms. The global financial crisis meant that Italy, as

a member of the eurozone, came under significant pressure to improve its public sector financial conditions, bringing about a sustained period of austerity and encouraging the adoption of new accounting reforms in 2011, which were implemented in the following years and reached maturity in 2015. This latter year marked the achievement of a certain degree of stability in accounting and financial issues for Italian local governments (at least until the COVID-19 pandemic), including the end of the Internal Stability Pact, the lifting of rules about surpluses in municipal budgets and local tax discretion, a loosening of debt constraints, and administrative and accounting simplifications, especially for smaller municipalities (Ferri, 2020; Galeone, 2020).²

We conducted retrospective interviews in eight municipalities (see below). Retrospective interviews were considered appropriate for several reasons. First, they are useful when investigating the perceptions of participants in a change process after its completion (Roberts & Bradley, 2002). In our case, this choice also reflects the need to investigate translation processes and counter-conduct, which may be easier to discuss in hindsight, rather than at the time of enactment. Second, unlike past research that examines how counter-conduct unfolds and manifests (Ahrens et al., 2020, 2023; Barbera et al., 2016), this study aims to shed light on the origins of counter-conduct, which again requires the participation of those who experienced counter-conduct practices; official documents would not provide “the whole story.” Third, interviews have the potential to create opportunities for self-reflection and encourage reflexivity (Cassell et al., 2020), allowing the researcher to capture the interviewees’ view of the reality in which they are immersed and the meanings they attach to that reality (Dai et al., 2019). In our case, this proved helpful in unpacking the origins of municipal counter-conduct. In each municipality, up to four semistructured interviews (Bailey, 2007) were conducted between March and August 2015, 30 in total.³ The interviewees included general secretaries,⁴ finance officers, social services officers, and public works department officers.⁵ Appendix S1 provides further details about the interviewees.⁶ While finance department officers can provide direct information about finances, accounting technologies, and related reforms, service department officers can provide perspectives on public services, which traditionally absorb significant resources. General secretaries, conversely, enjoy a “big picture” view of their organization, its services, and related events. The selection of these key informants allowed for the triangulation of information and views. Each interview lasted 30–120 min and was recorded and transcribed. Transcripts were sent to the interviewees for corrections and additional comments. Through the interviews, we aimed to understand key actors’ views on central government programs taking place over the period analyzed, the role played by accounting technologies in implementing them, and the implications for their municipality. The interviews were complemented by analyses of documents, including legislation (reported in Appendix S2)⁷ and reports published by the Institute for Local Finance and Economy (IFEL), the National Association of Municipalities (Anci), the Italian Supreme Audit Institution (Corte dei Conti),⁸ and the Italian State Treasury (Ragioneria Generale dello

²Andrea Ferri and Pierciro Galeone are, respectively, the Head and the Director of the Italian Institute of Local Finance.

³Interviews were conducted in Italian by the authors. The excerpts quoted in this contribution were translated by the same authors.

⁴General secretaries cooperate with, and assist, from a legal point of view, municipal bodies—that is, they are responsible for legal compliance. They also oversee the actions performed by directors and coordinate their activities if there is no CEO appointed in the local government.

⁵In two cases, additional actors were interviewed because of their knowledge and their interest and willingness to be involved. In the Municipality of Ferrara, the director responsible for planning and control and the chief cabinet of the mayor were interviewed; in the Municipality of Parma, the councillor for welfare and social policies was interviewed.

⁶See the Supporting Information.

⁷For a more detailed list of laws and regulations cited in the article, see Appendix S2.

⁸According to Article 100 of the Italian Constitution, the Corte dei Conti “exercises preventive control over the legitimacy of Government measures, and also ex post auditing of the administration of the State Budget. It participates, in the cases and ways established by law, in auditing the financial management of the entities receiving regular budgetary support from the State. It reports directly to the Houses on the results of audits performed. The law ensures the independence from the Government of the two bodies and of their members” (Corte dei Conti, n.d.).

Stato [RGS]]⁹ (see Appendix S3). This provides a government perspective while also offering a view of local conduct and counter-conduct (or the results thereof) as reconstructed by subjects other than municipalities, thereby enhancing data triangulation. Material collected from documents and interviews was coded. The first level of coding was derived from the governmentality literature, referring to such concepts as rationalities, programs, technologies, translation processes, conduct, and counter-conduct. A second level of codification identified emerging themes, especially from the interviews (Fereday & Muir-Cochrane, 2006; Zahir-ul-Hassan et al., 2016), including specific typologies of accounting technologies or types of municipal conduct.¹⁰ During the coding process, comments and memos were written that aimed to describe the collected materials and further refine the coding. After a first round of coding, the emerging codes identifying main discourses and relevant issues were compared. Overall, the analysis was conducted through an iterative process, going back and forth from data to theory to better interpret the empirical information through a theoretical lens and enrich the latter through the former.

3.2 | Selection of local governments

A multisite investigation was conducted in order to gain insights into municipal perspectives on government programs, conducts, and counter-conducts and to observe how counter-conducts unfolded in different contexts. This proved useful in shedding light on how resistance can territorialize, adding new insights to governmentality research. Eight municipalities were selected from among those with a population of at least 40,000. Assuming that entities with different financial situations may have experienced government programs differently, municipalities with different surplus measures were identified, ranging from low to medium and high. Appendix S4 provides additional methodological and comparative information.

4 | THE CONTEXT OF ITALIAN CENTRAL-LOCAL GOVERNMENT RELATIONS

This section provides context to the following analysis by describing the main features of the Italian local government sector and the state of central-local government relations before the global financial crisis. It thus represents a baseline against which the subsequent analysis can be contextualized.

⁹The Italian State Treasury “provides support to Parliament and Government in their duties of delivering policies, processes and budget compliance. Its main institutional task is to ensure proper planning and rigorous management of public funds. It has been given the duty and responsibility to ensure proper and reliable government fund accounting, to audit and analyse government expenditure trends. Its responsibilities include drafting an outline for the annual budget, with its variation and adjustment measures, and an outline for the multi-year government budget as well as the draft budget law and related measures” (Italian Ministry of Economy and Finance, State General Accounting Department, n.d.).

¹⁰For example, the quotation “[There are] political logics that attract consensus . . . you gain consensus by implementing ad hoc (infrastructural) works which sometimes do not respect a cost–benefit assessment, thereby representing wrong investment decisions” from the interview conducted with the Social Services Director of the Municipality of Parma was coded as “MUNICIPAL-RATIONALITY_POLITICAL CONSENSUS&SELF-INTEREST” to refer to the main rationality at the local level to achieve local consensus and provide services to the detriment of economic measures. The following quotation from the Municipality of Rozzano (Finance Department Director) was codified as “COUNTER-CONDUCT_HIDDEN_COUNTER-CONDUCT_STRAT-OUT” to refer to the adoption of strategic tools or accounting strategies aimed at formally complying with law—in this case, through “opportunistic” outsourcing: “The ‘debt issue,’ in our case, has been shifted to subsidiaries, which are particularly indebted.”

4.1 | Context: The Italian local government sector

Italy is a particularly relevant setting for this study. With 13.5% of the European population, Italy has one of the world's highest public-debt-to-GDP ratios (144.4% in 2022).¹¹ Its public sector has been under continuous pressure to improve the state of its finances, with the central government requesting local governments to contribute to such improvements. The country has the characteristics of a neo-Weberian, civil-law state, where laws, regulations, and decrees play a central role in shaping public sector organizations' behaviors, and lack of compliance with them is sanctioned by law. In this context, neoliberal reforms have only been implemented to a limited extent, with traditional bureaucratic, hierarchical principles largely overriding them (see Liguori et al., 2018). Italy has three levels of government: the central government, 20 regional governments, and about 8,000 local governments,¹² including provinces and municipalities. Italy has traditionally seen tensions between local governments' aspirations for autonomy and centralizing forces exerted by the central government. It embraced managerial reforms and delegation of power to local governments in the 1990s and then reversed this position with recentralizing policies and austerity programs in the 2000s (Barbera et al., 2016, 2020).

The central government defines the legal setting in which local governments operate, encompassing issues from the functions they can perform to the ways in which they can organize, as well as rules concerning public employment and public employees' responsibilities; procurement; public finance; and accounting. The formalized and overly regulated nature of the Italian local government sector and continuous changes to relevant laws limit municipalities' capacity to adequately plan, budget, and organize for public service delivery (see Barbera et al., 2016). The main functions of local governments are identified by law and are exercised under constraints established by the central government. While municipalities have the power to organize services and raise local taxes (the most relevant being property tax) and service fees, they must do so within very specific limits set by laws. The Italian Ministry of the Interior manages treasury transfers and state contributions granted to municipalities (and to the provinces). Between 2007 and 2015, municipalities' own revenues accounted, on average, for 75% of their current income, with the remainder of current revenues coming mostly from transfers from the central and regional governments.

Similarly, public sector accounting rules and standards are defined centrally but with some involvement from local governments. For example, laws define when and how revenues and expenditures are to be recognized and how budgets must be balanced, and decrees further specify how laws should be implemented in practice. These rules are then translated into specific accounting policy documents at the local government level. These documents must comply with laws and decrees to ensure alignment of accounting behaviors across the whole sector. Moreover, local government accounts and compliance with accounting rules are potentially subject to the control of specific bodies, including local auditors, the Corte dei Conti, and the General Inspectorate of Finance of the State General Accounting Office (within the Ministry of Economy and Finance). Italian local governments traditionally follow cash- and commitment-based accounting; accrual-based reporting was introduced in the 1990s as an additional requirement but is not used for the allocation of funding, incentives, or any other specific purposes, including budgeting for resources (for example, Anessi-Pessina & Steccolini, 2007).

¹¹From Eurostat (2023).

¹²In Italy, both municipalities and provinces are called "local governments," with the former representing the lowest level of government (there were 7,901 Italian municipalities in 2023) and the latter being an intermediate level between the municipality and the region that has been increasingly weakened by successive attempts at abolition and replacement and thus has undergone continuous changes and shifts. This study focuses on the former.

4.2 | Local government reforms before the global financial crisis: An overview

Traditionally, Italian public finance was highly centralized. The 1990s began with a new impetus for reform, inspired by NPM ideals of efficiency and effectiveness and by the Maastricht Treaty, which required signatory countries, including Italy, to achieve specific financial targets defined in terms of public debt and deficit. NPM (“aziendalizzazione” in Italian) required local governments to adopt new managerial tools, such as accrual accounting, new internal controls, and nonfinancial performance measurement and management systems, aimed at enhancing measurement and monitoring of results. By the end of the 1990s, local governments increasingly relied on budgets, reports, and performance indicators, coupled with significant growth in their financial and organizational autonomy. Between 1994 and 1999, central government transfers were reduced by about 8%, and local tax autonomy¹³ increased from 37.52% in 1994 to 40.23% in 1999 (Italian Ministry of Interior, 2003; real and nominal values).

Relationships between the Italian central government and local governments significantly changed at the end of the 1990s, when Italy adopted the euro, in a context where Italian public finances were problematized as falling short of the Maastricht Treaty’s expectations. In particular, Italy had struggled to keep its public debt, deficit, and GDP in line with European requirements. In response, the central government shifted attention from local government financial autonomy and local public service performance toward the imperative driven by the European Union (EU) to redress the state of public finances overall (European Commission, 2007). The central government imposed stronger constraints on resource allocation decisions at the local level, and thus on local budgeting decisions, and in 2008 reduced municipal financial autonomy by abolishing one of the main sources of municipal revenue, the municipal property tax.¹⁴ A new program, the Domestic Stability Pact (DSP), was adopted, which identified detailed fiscal targets or expenditure ceilings and set out specific budget items for local governments. The introduction of the DSP by the central government substantially constrained local possibilities for resource allocation and found many and varied translations in local budgeting and spending practices. While some municipalities complied with the new rules by improving planning, reducing expenditure, and keeping debt under control, others tried to ignore or avoid them (see Table 1) using financial planning and budgeting solutions aimed at avoiding central constraints (Garlatti, 2008; Guarini & Pattaro, 2019). These included (1) massive outsourcing of public services motivated not by value for money but by efforts to avoid having to account for the relevant public debts or expenditures, given the lack of consolidation of accounts of controlled entities; (2) classification of current expenditures as investment, of ordinary expenditures as extraordinary ones, and of personnel costs under budget items not subject to the DSP rules; (3) overestimation of revenues without attention to their actual collection; and (4) the use of extraordinary financial instruments to cover current expenses. An example of (4) was the deployment of derivatives to cover operating expenditure, as the positive flows of derivatives, despite their nature of capital gains, were used to cover repetitive current expenses instead of investment expenses. The first two columns of Figure 1 summarize the changes over time in the dynamic interplay between rationalities, programs, accounting technologies, conducts and counter-conducts in the 1990s and before the global financial crisis.

¹³Local tax autonomy is calculated as the ratio between the municipality’s own tax revenue and total current revenues. Municipalities’ main taxes are property tax, a personal-income tax surcharge, and waste management tax (the latter, however, can take the form of a fee rather than a tax, and so it can be excluded from fiscal revenues when municipalities have systems in place for the precise measurement of the quantity of waste delivered to the public service). Municipalities can vary the tax rate within the range limits set by law.

¹⁴In particular, this tax was abolished in 2008 by Legislative Decree 93/2008, except for certain categories of luxury properties; it was restored in 2012 with Legislative Decree 201/2011 but was then subject to a new abolition in 2013 for owner-occupied dwellings—again, except for certain categories of luxury properties.

TABLE 1 Accounting technologies for Italian central government control over local governments across different types of disciplining power, and local governments' conduct and counter-conduct.

Types of disciplining power	Italian central government use of accounting technologies for governing local governments' conduct	Local governments' conduct through accounting	Examples of quotes of conduct and counter-conduct from local governments
Power to decide on the use of resources	<ul style="list-style-type: none"> "Domestic" Stability Pact (DSP) defines the main principles for the coordination of Italian public finances and how local governments must contribute to keep public debt and deficit under control. The central government has constantly changed the rules (and targets) of the DSP (see Appendices S5A and S5B),^a which has become more binding over the period 1999–2007. The following main subphases took place up to 2007 (see Bartolini & Santolini, 2012, p. 6): <ul style="list-style-type: none"> From 1999 to 2004, the focus is on the budget balance; "the objective of the DSP is to limit the deficit which arises as the difference between revenues and current expenditures—with the exception of year 2002 when an explicit limit to the growth of current expenditures was added" From 2005 to 2006, the DSP follows a system based on budgetary spending limits—that is, it "poses a direct limit to the growth of expenditures." In 2006, capital expenditure is also included In 2007, the focus is again on the budget balance In general, until 2007, local governments were required to improve their yearly budget balance compared to past budgets Local governments required to adopt performance measurement systems and accruals-based accounting Implementation of new accountability rules and ex post controls However, there was poor control from the central government 	<p><i>Conduct</i></p> <ul style="list-style-type: none"> Adequate planning and control No overestimation of revenues (where overestimation is associated with the tendency to keep high amounts of revenues to be collected in the budget) No excess personnel (i.e., keeping the expenditure for personnel under control) No or low debt Use of cost accounting (but not widespread) <p><i>Hidden counter-conduct</i></p> <ul style="list-style-type: none"> Discretionary accounting: <ul style="list-style-type: none"> Disposal of assets (possibility granted to local governments by the state, in breach of accounting rules, to use any surplus obtained to cover operating expenditure) Use of derivatives to cover operating expenditure "Opportunistic" outsourcing—that is, instrumental creation of subsidiaries to circumvent the constraints and fiscal controls imposed on local government, in the absence of consolidation of accounts (in many cases, subsidiaries also tend to be highly in debt and repeatedly refinanced by the local government) Overestimation of revenues As a consequence of these accounting strategies, misrepresentation of financial information and thus of 	<p><i>Conduct</i></p> <p>"We tightly control spending to consciously plan resources." (Citizen and Social Services Director, Municipality of Piacenza)</p> <p>"In compliance with the rules on average personnel size defined by the Ministerial Decree identifying the municipal population-employees ratio standards, the Municipality of Lissone should have around 420 people, but we have only 200, so there has been a 50% reduction in personnel cost . . . we may have hired but we didn't." (General Secretary, Municipality of Lissone)</p> <p><i>Counter-conduct</i></p> <p>"In my opinion, 10 years ago we did not give importance to revenue collection." (Budget Officer, Municipality of Rozzano)</p> <p>"When a series of limitations began, i.e., financial constraints, rules on personnel, the Domestic Stability Pact . . . the first thing that we did was not to adapt to these constraints but to find a way to dodge them. The creation of subsidiaries was found to be the best way to dodge these constraints." (Social Services Director, Municipality of Parma)</p>

TABLE 1 (Continued)

Types of disciplining power	Italian central government use of accounting technologies for governing local governments' conduct	Local governments' conduct through accounting	Examples of quotes of conduct and counter-conduct from local governments
Power to define the reporting/accountability rules on the use of resources	<ul style="list-style-type: none"> • Stricter constraints over local tax bases and rates • Stricter limits in the application of the DSP (i.e., Law 112/2008 requiring all local governments subject to the DSP to achieve a budgetary surplus): <ul style="list-style-type: none"> – From 2008 to 2010: constraints on the budget balance (same as in 2007), but, unlike in the past, the balance is determined on a "mixed accrual basis,"—that is, the sum of the balance on an accrual basis for the current account and on a cash basis for the capital account (net of the proceeds of credit collections and of outlays for loans granted) • Legislative Decree no. 78/2010 requiring local governments to reduce the number of their subsidiaries • Increased control over local governments' financial performance and finances, with new requirements to report to audit bodies 	<p>local governments' financial position (showing compliance with rules, but open to interpretation)</p> <ul style="list-style-type: none"> • Poor or absent attention to the actual collection of revenues <p><i>Open counter-conduct</i></p> <ul style="list-style-type: none"> • Poor control over subsidiaries <p><i>Conduct</i></p> <ul style="list-style-type: none"> • Embarking on a path toward the reduction of municipal debt • Taking measures aimed at increasing revenues (but not widespread): <ul style="list-style-type: none"> – Increase of taxes and fees – Disposal of assets – Improving the capacity to recover revenues from taxes and fees – Enhancing the search for external funding • Reduction of operating expenditure • Improving planning and control capacities (but not widespread among local governments) • Use of cost accounting (but not widespread) • Use of reserves <p><i>Hidden counter-conduct</i></p> <ul style="list-style-type: none"> • Benefiting from extraordinary revenues but using them in a discretionary way: <ul style="list-style-type: none"> – Getting a dividend from an in-house company to cover operating expenditure – Transformation of the building lease right into a full property right 	<p><i>Conduct</i></p> <p>"Services have been reviewed in light of income and expenditure ratio . . . since 2008." (Social Services Director, Municipality of Rozzano)</p> <p>"Here in Emilia there are local governments that are very careful, they have immediately, since 2009, understood these things and have immediately begun to introduce changes [such as] to reduce services and they have been coping better with what has been happening in the last two years." (Councillor for Welfare and Social Policies, Municipality of Parma)</p> <p><i>Counter-conduct</i></p> <p>"The 'debt issue,' in our case, has been shifted to subsidiaries, which are particularly in debt." (Budget Officer, Municipality of Rozzano)</p> <p>"Our problem is that, when a series of financial limitations, i.e., the personnel, the Pact, began . . . we immediately thought not about how to adapt to it but about how to get around it. The subsidiaries seemed to us immediately as the best tool to circumvent these limits. Then, over the years, these limits have</p>

(Continues)

TABLE 1 (Continued)

Types of disciplining power	Italian central government use of accounting technologies for governing local governments' conduct	Local governments' conduct through accounting	Examples of quotes of conduct and counter-conduct from local governments
Power to define how the use of resources is measured	<ul style="list-style-type: none"> Central government centralization of power with increased uncertainty over the revenue base and the exacerbation of fiscal targets for local governments, with the overall aim to contribute to national economic recovery and to address municipal avoidance practices <ul style="list-style-type: none"> Uncertain and continuously changing rules about the amount of resources allocated to local governments and about the fiscal basis and fiscal rules (e.g., after the abolition of the local property tax in 2008 through the Legislative Decree 93/2008 [except for certain categories of luxury properties], the Legislative Decree 201/2011 restored it, starting from 2012; a new abolition of the property tax on owner-occupied dwellings in 2013 with the Legislative Decree 133/2013 [again, except for certain categories of luxury properties]; and the introduction, in 2014, of the "Indivisible 	<ul style="list-style-type: none"> Using revenues from urban planning programs (capital gains) to cover operating expenditure Discretionary accounting: <ul style="list-style-type: none"> "Opportunistic" outsourcing, overestimation of revenues, and subsequent misrepresentation of financial information (see above) <p><i>Open counter-conduct</i></p> <ul style="list-style-type: none"> New or continuous emphasis on operating expenditure Continuous access to debt or keeping high debt Poor planning and control Failure to comply with the limits imposed by the DSP 	<p>become increasingly stringent." (Social Services Director, Municipality of Parma)</p>
		<p><i>Conduct</i></p> <ul style="list-style-type: none"> Use of cost accounting (very limited) Intensification of control within local governments Revision, rationalization, and reduction of operating expenditure Reduction of debt and no new debt Use of reserves Measures aimed at increasing revenues: <ul style="list-style-type: none"> Increase of taxes and fees Disposal of assets Improving the capacity to recover revenues from taxes and fees (included fight against tax evasion) Enhancing the search for external funding Improving planning and programming 	<p><i>Conduct</i></p> <p>"This is the first year that we have used these financial health indicators." (CFO, Municipality of Piacenza)</p> <p>"There is a joint venture between a consulting firm and a software house, aimed at instructing us on how to introduce any type of control . . . imposed through law at the local level." (General Secretary, Municipality of Lissone)</p> <p>"Now we communicate more with citizens and we provide them with more information and data." (CFO, Municipality of Faenza)</p> <p>"We tried to strengthen the coordination and synergy with local stakeholders that are sensitive to these issues . . . to have</p>

TABLE 1 (Continued)

Types of disciplining power	Italian central government use of accounting technologies for governing local governments' conduct	Local governments' conduct through accounting	Examples of quotes of conduct and counter-conduct from local governments
	<p>Services Tax" [TASI] to finance services from which the whole community benefits, such as public green spaces, urban furniture, street lighting, local police services)</p> <ul style="list-style-type: none"> – Reduction of transfers from central to local governments – Increasing constraints imposed on local governments through the DSP (local governments asked to introduce cutback measures and/or to reach cash surpluses) – Local governments asked to reduce debt and, more generally, adoption of measures for the containment of public debt (including the "balanced budget" provision, Law 1/2012) – Local governments asked to reduce operating expenditure • Intensification of the constraints to the hiring of new personnel • Implementation of accounting reform—harmonization of accounting systems (Laws n. 42/2009 and n. 196/2009): <ul style="list-style-type: none"> – Experimentation (2012–2014) – Final implementation to all local governments from 2015 • Increased relevance to account for financial results and compliance with financial constraints • Law n. 213/2012 enhancing internal control within local governments • New impositions that increase the complexity of financial and nonfinancial reporting of local governments, including the need to report to an increasing variety of external auditors 	<ul style="list-style-type: none"> • Adoption of plans for the reduction of subsidiaries/subsidiaries reduction • Adoption of new, or strengthening of existing, tools and processes aimed at keeping financial performance under control • Adoption of new, or strengthening of existing, tools and processes aimed at keeping nonfinancial performance under control • Introduction or strengthening of management control systems • Increasing control over expenditure • Increasing control over subsidiaries • Enhancing external accountability through increased information provided to citizens and increased dialogue with citizens • Increased dialogue with private sector entities <p><i>Hidden counter-conduct</i></p> <ul style="list-style-type: none"> • Use of the reserves taken from municipal subsidiaries • Transformation of the surface right into a full property right <p><i>Open counter-conduct</i></p> <ul style="list-style-type: none"> • Continuous presence of high debt (but tends to be context specific, i.e., to finance local investments that cannot be avoided) • New debt (but limited) • Poor control over subsidiaries (political problem) and related high debt 	<p>joint programming." (Citizens and Social Services Director, Municipality of Piacenza)</p> <p>"There is a renewed focus on the topics of performance measurement, planning, and strategic control." (CFO, Municipality of Faenza)</p> <p>"Looking at the composition of the surplus, only in recent years have we made a revision of our revenues to be collected that have been removed from our latest budgets." (CFO, Municipality of Faenza)</p> <p><i>Counter-conduct</i></p> <p>"I must say that, internally, the culture on revenue collection is not yet well developed. . . . Sensitivity on this is lacking, also because perhaps it is not a political workhorse. . . . It is not something that a mayor likes to do, so it is generally not a key municipal strategy." (Budget Officer, Municipality of Rozzano)</p> <p>"With reference to municipal debt, it is not high since it is below the 1% limit. However, if we extend our view to subsidiaries, then the situation is quite critical." (Responsible for the budget, Municipality of Rozzano)</p> <p>"Until 2012 we behaved like nothing had happened. . . . even when we were under commissioner." (Councillor for Welfare and Social Policies, Municipality of Parma)</p>

^aFor details about the DSP, see Appendices S5A and S5B, "The Italian Domestic Stability Pact: main evolution (years 1999–2007)" and "The Italian Domestic Stability Pact: main evolution (years 2008–2015)," respectively.



FIGURE 1 The dynamic interplay between rationalities, programs, accounting technologies, conduct, and counter-conduct.

5 | CENTRALIZED ACCOUNTING DISCIPLINE VERSUS LOCAL AUTONOMY AND (COUNTER-) CONDUCT

This section analyzes the dynamic evolution of the Italian central government's rationalities and programs for local public finances, and the related conduct and counter-conduct of municipalities. The analysis is broken down into two subsections reflecting two different phases of evolution, each characterized by shifts in central programs, forms of central disciplining power, related local autonomy, and conduct and counter-conduct.

Figure 1 provides details for each phase of evolution, including also the baseline presented in Section 4 (i.e., the first two columns), linking central rationalities, programs, and technologies with forms of rising disciplining power. It also details local translations, in terms of conduct and counter-conduct, problematization, and relevant autonomy, showing that central programs shape and are shaped by both government accounting technologies and local resistance. In doing so, it illustrates a bidirectional and iterative approach to governmentality. Table 1 shows the main results from the interviews, with interviewees' quotes used as examples and document analysis concerning the type of specific accounting technologies used by the central government to discipline municipalities in implementing their programs and the related local conduct and counter-conduct.

5.1 | The global financial crisis: Problematizing local budgetary autonomy to tighten central controls

5.1.1 | Central government's perspective: Problematizing local government behaviors and embracing an austerity program

Section 4 highlighted that, after a decade of managerial reforms supporting local financial autonomy (column 1 of Figure 1), the early 2000s saw a return to central coordination of local financial policies (column 2 of Figure 1). The establishment of the DSP set centralized constraints on budget decisions at the local level, which were embraced by some municipalities and resisted by others (Garlatti, 2008; see also Giuriato & Gastaldi, 2008). Against this background, the risks associated with the global financial crisis meant that the central government increasingly problematized local practices as counter-conduct that it considered likely to undermine national financial stability. The Corte dei Conti (2009), for example, claimed that

growth in current expenses . . . [which increased] by 3.8 percent with peaks above 4 percent in large and medium-small entities . . . [between 2007 and 2008, or a] notable decline in the rate of increase in overall revenue on an accrual basis [represented] a first important indication that a significant slowdown in the flow of revenues was taking shape, which has so far allowed substantial compliance with the internal Stability Pact and a positive contribution of local governments to the reduction of the overall deficit. (pp. 65–66)

Similar considerations were made by the State Treasury in 2009 and by the Corte dei Conti in 2010:

The financial situation of municipalities appeared very critical in relation to the [following] factors: current spending trends; current budgetary equilibrium; cash balance; the management of revenue ascertained but not yet collected; the

consistency and truthfulness of the budgetary results. Furthermore, these aspects are often accompanied by the classic phenomenon of off-balance sheet debts . . . ¹⁵ [which] has worsened exponentially. (RGS, 2009, p. 55)

Despite the overall positive results at the local level, the 2009 DSP clearly shows critical issues of a system which has not always led to a better expenditure quality, investments, and local development and which has, rather, allowed the progressive spread of behaviors aimed at only formally respecting the DSP objectives. (Corte dei Conti, 2010, pp. 6–7)

In other words, local autonomy was seen as an obstacle to the dominant rationality—increased control over public finances—and the counter-conduct embraced by municipalities was considered inappropriate.

In response to these behaviors, the Italian central government, concerned about its high deficit and debt levels, launched an austerity program in November 2008, accompanied by a renewed focus on controlling macroeconomic data—for example, debt-to-GDP ratios and deficit-to-GDP ratios (Steccolini, 2019). The DSP became an integral part of the austerity program, requiring even tighter constraints than in the past and translating centrally defined fiscal goals into concrete technologies and practical guidelines for local governments (Bolgherini & Lippi, 2016). In particular, Law 112/2008 imposed strict caps on what in Italy was labeled “staff turnover,” requesting that the number of new staff recruited did not exceed 20% of the number of staff terminated in the previous year, and requiring local governments to achieve a budget surplus. The rules of the DSP were (once again) changed in 2008 (see Appendices S5A and S5B), “making it difficult for a municipality to budget for new debt to finance capital expenditures” (Guarini & Pattaro, 2019, p. 24). Local governments were at a crossroads—they either had to stop investments or significantly cut operating expenditure on local services. The rules for 2009 and 2010 became even stricter, making it difficult for local governments to use accumulated surpluses to fund their budgets (Amatucci et al., 2009).

In addition to greater budget constraints, Italian local governments were increasingly subjected to measures aimed at more control of public spending—such as the requirement to reduce municipal subsidiaries—and over their financial performance. New reporting requirements for local and central audit bodies were introduced to scrutinize local governments’ compliance with the new rules and fiscal constraints. Together, these programs and technologies undertook a territorializing role in allowing the central government to exert its disciplining power not only through tighter budget rules and expenditure limits (*ex ante*), but also through enhanced budgetary control and reporting rules (*ex post*). Figure 1, in the upper section of column 3, illustrates the central government’s rationalities, programs, technologies, and problematizations after the global financial crisis.

5.1.2 | Local governments’ plural perspectives: Emerging conduct and counter-conduct and underlying rationale

Figure 1, column 3, in the bottom section, illustrates local governments’ rationalities, problematization, and counter-conducts in response to the central government’s programs

¹⁵“The off-balance sheet debts’ dynamics proved pathological in the most critical [municipal] financial situations [observed]. In these cases, the off-balance sheet debt far from being an extraordinary event . . . became an ordinary way of managing expenses. In order to respect the forecasted budgetary equilibrium, in fact, the expenditure allocations are systematically underestimated, especially those on the budget current side concerning the purchases of goods and services (i.e., the part of expenditure which can be considered not mandatory). This allows formal approval of the budget, but does not allow a real expenditure reduction which, by contrast, accrues through the assumption of obligations in violation of accounting rules, creating off-balance sheet debt to be recognized and financed in future years.” (RGS, 2009, pp. 55–56).

illustrated in the previous subsection. Italian local governments, now subject to stringent budgetary and reporting requirements, witnessed a further reduction in their financial autonomy. Their contribution to the improvement of the overall state of public finances between 2008 and 2010 was significant: “The aggregate reading of the data, therefore, seems to indicate that, during the recession phase, the burden of budgetary discipline has fallen on local governments to a greater extent than on central administrations” (Corte dei Conti, 2010, p. 27).

However, behind the official data suggesting overall compliance with central requirements, the picture emerging from interviews, official sources, and other studies (Corte dei Conti, 2012a, 2012b; Guarini & Pattaro, 2012) is more nuanced. Indeed, overall, and as a form of more or less covert resistance, municipalities reacted to the new constraints by engaging in conducts formally aligned to the central government requirements, but also by adopting plural forms of counter-conduct (see Table 1). Municipalities that embraced the central government’s requests (e.g., Sesto San Giovanni, Lissone, Piacenza, Ferrara) paid increased attention to collecting revenues, improved planning and control capacity, reduced operating expenditures, and reduced municipal debt. For example, the General Secretary of the Municipality of Lissone pointed to prudent management by hiring fewer personnel than allowed by the central government. Ferrara invested in enhancing municipal awareness of citizens’ needs by activating a dialogue with the third sector.

Counter-conduct mainly took the form of (1) outright violation of the DSP (IFEL, 2010b), via the approval of year-end reports in deficit, and ad hoc contractual or financial transactions (Corte dei Conti, 2011, p. 14) (“open counter-conduct,” that is, conducts which were explicitly against centrally set rules); (2) the use of fiduciary guarantees to enhance debt capacity, using extraordinary revenues in a discretionary way, budgetary manipulation through overestimation of budgeted revenues, and the instrumental creation of subsidiaries to circumvent central government constraints, in the absence of consolidation of accounts (“hidden counter-conduct”; that is, conduct which formally complied with central rules but substantially did not—for example, as a consequence of manipulations, a formal balanced budget was approved) (see Table 1). For example, as highlighted by the Corte dei Conti (2012a): “Local governments hold in the budget an amount of revenues of uncertain collection to be collected. This causes the unreliability of the related budgetary surplus” (p. 167).

According to interviewees, these forms of counter-conduct emerged from conflicts between local needs and national rules. Interestingly, counter-conduct relied on the same accounting technologies put in place by the government to territorialize its central rationalities and programs. For example, Parma, Rho, and Rozzano formally complied with the central government’s encouragement to contract out services, using this as an opportunity, not necessarily to realize efficiency gains—as expected by the central government—but to shift debts to the subsidiaries: “The ‘debt issue,’ in our case, has been shifted to subsidiaries, which are particularly indebted” (Finance Department Director, Municipality of Rozzano).

The Rozzano case is an example where subsidiaries were initially created to provide and charge for services offered to other municipalities, such as waste collection and gas distribution, in line with the market logic supported by central “managerialist” programs. During austerity, the presence of subsidiaries allowed municipalities to move expenditure out of the municipal budget while maintaining services. Interviewees also highlighted the use of extraordinary revenues (e.g., dividends, capital gains) to fund operating expenditures instead of investments. Though not sustainable in the long term, and lacking compliance with national budgeting rules, this practice had become routine to facet tightening budget constraints: “To ensure very good services, given increasing fees is impossible,¹⁶ we decided to sell buildings to fund citizens’

¹⁶The interviewee here makes reference to different national regulations that, since 2002, had imposed limits on the possibility for local governments to increase service fees, limiting the fiscal autonomy of local governments.

services, and especially welfare and education. Now the problem is how to keep those services” (Budget Officer, Municipality of Parma).

Ferrara struggled to reduce its debt, having to provide a wide range of services while being responsible for ensuring the building maintenance that comes with its status as a UNESCO World Heritage Site:

The Municipality of Ferrara has always had a strong debt: we are a world-heritage city with extremely valuable and important historical-cultural buildings, a wide range of school services and kindergartens, and a large road network covering a very big territory. (CFO, Municipality of Ferrara)

Overall, the desire to maintain a high level of welfare and service quality, and thus to keep political consensus, provided the rationale and underlying problematization that justified engaging in the counter-conduct described above. Local needs and aspirations translated into the systematic adoption of practices that allowed municipalities to temporarily absorb the impact of central requests but that were unlikely to be sustainable over time: “Even selling of assets after a while reaches a zero-point” (Public Works Director, Municipality of Lissone).

5.2 | The impact of austerity: Escalating discipline toward accounting rules

5.2.1 | Central government’s perspective: Problematizing local government accounting practices and adopting accounting reforms

As highlighted above, the central government’s austerity program and related technologies achieved only superficial results. In reality, many municipalities circumvented strengthened budgetary and reporting rules by manipulating them using the leeway inherent in accounting regulations. This contributed to municipalities’ limited space for counter-conduct in terms of expenditure and revenue classification, timing of recognition, and reporting entity (municipality versus subsidiaries).

Along these lines, IFEL (2010a) explicitly refers to the need to broaden the boundaries of what must be reported and increase the transparency of local government accounting;¹⁷ enhance government capacity to appropriately quantify and keep public debt under control; improve the rules on the consolidation of accounts between local governments and their subsidiaries; identify intergenerational equity as the bottom line of local governments; and develop an adequate information base for management accounting—in particular, cost accounting.

Similar concerns were also raised by the Corte de Conti in relation to shrinking municipal investments and the absence of local government compliance with central government requirements (Corte dei Conti, 2011, 2012a). This prompted the central government to problematize municipal counter-conduct as a threat to efforts to manage Italian public finances in line with EU expectations.

Verification conducted on local governments’ financial statements confirmed what has emerged in recent years regarding the increase in situations of “financial distress” and the presence of accounting phenomena that can hide situations of financial imbalance . . . [linked to] compliance with the Domestic Stability Pact rules and with debt limits, to the existence of significant situations of budget imbalance on the current side . . . to failure to contain some particular types of expenditure

¹⁷Implicit is the reference to the lack of substantial adoption of an accrual accounting system at the local level.

(mainly personnel, but also external contracts) . . . to the widespread use of external subsidiaries to provide public services. (Corte dei Conti, 2012a, VIII–IX)

The existing accounting system was described as flawed because it still allowed avoidance of both budgetary constraints and controls, therefore limiting its own territorializing role:

The rules . . . did not specifically identify the accounting system that local authorities must adopt [to provide the basis] for reporting, leaving full autonomy on the methodology deemed most suitable . . . with clear negative impacts on the quality and reliability of the accounting data. (Corte dei Conti, 2012b, pp. 379–380)

Austerity programs and reporting requirements were further toughened, and a balanced budget provision was added to the Italian Constitution (see Table 1 for details). Leeway in the accounting systems was seen as the weak point which the central government sought to address by pushing for a new accounting reform aimed at harmonizing public accounts.¹⁸ To enhance acceptance, these reforms were adopted through a participatory process of experimentation in which local governments trialed the new system before its wider application. Uniform accounting rules and a common integrated plan for accounts were adopted. The new rules were expected to set stricter limits on the ability to manipulate accounts. Among the new rules was a requirement to create provisions for risks related to revenue collection, suggesting a more conservative recognition of budgetary surplus and thus implicit cuts to current expenditure. Figure 1, in the upper section of the fourth column, illustrates the central government's rationalities, programs, technologies, and problematizations when bringing forward programs to strengthen accounting rules.

5.2.2 | Local governments' plural perspectives: Shrinking space for autonomy and counter-conduct

Figure 1, column 4, in the bottom section, illustrates local governments' rationalities, problematization, and counter-conducts in response to the central government's programs described in the previous section.

The disciplining space defined by the central government after the accounting reforms outlined above resulted in a greater alignment of municipalities' conduct with the rationalities and programs of the central government and a decline in counter-conduct. The multisite interviews allowed a more granular view of municipalities' behaviors, with interviewees providing examples of conducts such as revising and rationalizing expenditure (Sesto San Giovanni, Rho) or adopting new tools and processes for planning, programming, monitoring, and reporting (e.g., Piacenza, Lissone, Faenza): "Considering the progressive reduction of government transfers . . . , our budgeting process is set according to zero-based-budgeting logic" (Finance Department Director, Municipality of Sesto San Giovanni).

These conducts were accompanied by new solutions, such as engaging in forms of codelivery of services with citizens and associations (Faenza and Piacenza) or enhancing external accountability toward citizens, as municipalities felt local decisions taken because of austerity measures needed to be explained and accounted for to external stakeholders (Faenza, Piacenza, Rozzano):

¹⁸The accounting harmonization reform took so long to be adopted and implemented because of the specifics of the Italian context, as pointed out by Liguori et al. (2018)—that is, the "predominant juridical background of Italian bureaucrats and politicians (Kickert, 2005; Ongaro, 2011)" and "little incentives to replace the old ideas and systems" with new ones (p. 322).

We are always looking for shared formulas in the management of sports facilities to reduce expenditure. (General Secretary, Municipality of Faenza)

I must say that, internally, the culture of revenue collection is not yet well developed. . . . This is not something that a mayor likes to do, so it is generally not a key municipal strategy. (Budget Officer, Municipality of Rozzano)

Counter-conducts did not completely disappear, with some municipalities engaging in opportunistic behaviors. For example, Rozzano highlighted that attention toward actual revenue collection continued to be an underestimated approach. Additional examples are provided in Table 1. Political, consensus-related reasons were reported to be the main justification for this persistence in counter-conducts.

The changes in accounting systems and rules after 2010 led to a reduction in local governments' debt from 47.7 billion euros in 2010 to about 40.9 billion euros in 2016, according to data from the Bank of Italy (2016 and 2017), and a reduction in their expenditure (−4.1% of current expenditures and −16.9% of investments) between 2010 and 2015, according to IFEL (2016). These changes also led to increased compliance with DSP objectives.¹⁹ Overall, the measures adopted by the central government after 2010 increased municipalities' dependence on central government, significantly reducing local tax autonomy and increasing budget uncertainty (Corte dei Conti, 2014, 2015): "As a result of central government decisions, local authorities have less fiscal autonomy and less power over tax imposition" (Corte dei Conti, 2015, pp. 64–66).

Greater alignment between local conduct and central expectations meant sacrifices at the local level as keeping the same level of services became more difficult. Interviewees highlighted that their local government's freedom to choose had become more limited, while central government disciplining power had intensified: "It is increasingly difficult to maintain services to citizens as requested by the administrators" (Budget Officer, Municipality of Piacenza).

After several years of interpreting budgeting, reporting, and accounting rules and provisions to address and counteract austerity measures, municipalities found it increasingly difficult to continue adopting the same counter-conduct in the face of the new accounting reforms. The gradual tightening of central government disciplining power, now ranging from budgeting to reporting and accounting rules, shaped and progressively decreased the degree of autonomy of municipalities, forcing them to align their conduct with that desired by the government.

6 | DISCUSSION

6.1 | Toward an iterative, pluralistic view of governmental programs and counter-conduct

The findings presented above highlight that jointly considering the perspectives and interaction of the governors and the governed, and the plurality of the latter, over a certain period of time enables insights into (1) the processes through which rationalities, programs, and new technologies are implemented by central governments—particularly how such processes are

¹⁹Based on data retrieved from the yearly reports on local public finances published by IFEL between 2013 and 2017, the percentage of noncompliant local governments with respect to the DSP decreased from 3.5% in 2012 to 0.2% in 2016 (see also Corte dei Conti, 2016, p. 30).

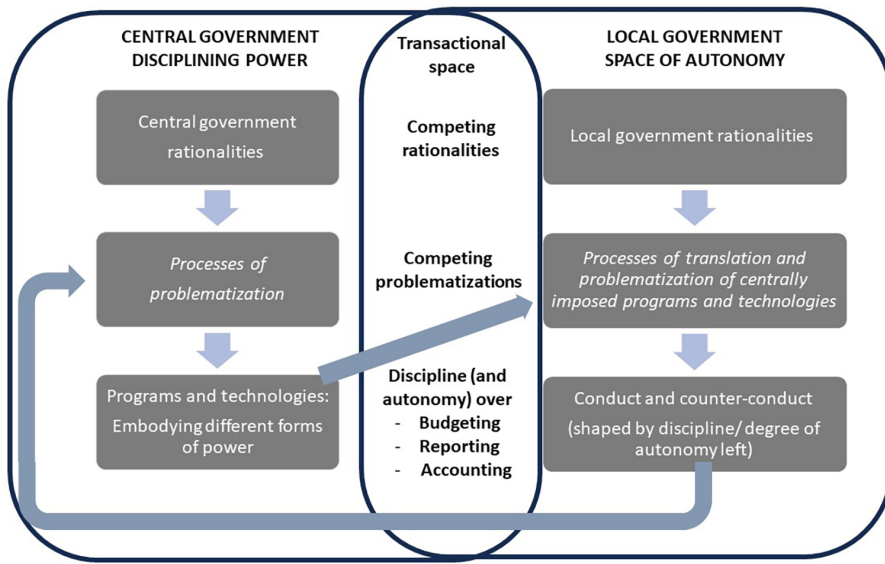


FIGURE 2 Government disciplining space versus local governments' autonomy space.

shaped recursively by extant local conduct and counter-conduct; (2) the multiple ways in which local governments translate processes into conduct and counter-conduct, and the origins of such local translations; and (3) the dynamics of the transactional realities between local and central government, where the disciplining space of the latter and the autonomy of the former continuously shape, and are reshaped by, new programs and technologies and evolving conduct and counter-conduct.

The study provides an account of how new accounting technologies emerge at the central level, are interpreted and translated into local practices, and then are continuously adjusted in a recursive process. This is further illustrated in Section 6.2 and in Figure 2, which highlights the features of, and interrelations between, processes at the central level (left-hand side) and local level (right-hand side). Different types of accounting technologies were used and entrenched over time to constitute the calculable spaces of interaction between central and local government. In this space, accounting technologies were used by the central government to discipline and govern the conduct of municipalities (Ferry et al., 2023; Mennicken & Miller, 2012; Miller & Power, 2013). Yet the study also shows the micro-territorializing role of counter-conduct as local governments carve out their space of autonomy. This is further illustrated in Section 6.3 and Figure 2, where the central area highlights the transactional realities in which the space of discipline of the central government and the space of autonomy of local governments are continuously redefined.

The integrated model proposed in Figure 2 addresses some of the limits of the extant literature as outlined in Section 2. Specifically, it takes a dynamic perspective, shifting the focus from concepts of success or failure to ideas of continuous adjustment and evolution. It also addresses calls for consideration of plural perspectives, particularly incorporating those of the governed in addition to the traditional focus on governors (Ahrens et al., 2020; Boomsma & O'Dwyer, 2019), as well as providing renewed attention to counter-conduct. Our study not only identifies a typology of plural conduct and counter-conduct (illustrated in detail in Table 1) but also highlights how

they emerge from plural sites of compliance or resistance and how the governed make sense of them.

6.2 | Toward a dynamic view of programs and counter-conducts: Improving our understanding of continuous adjustment and counter-conduct

This study shows that taking an iterative and pluralistic view of program adoption and implementation allows a reconceptualization of the outcomes of programs, highlighting the need to shift from the static view of “failure” (or “success”) to a dynamic view of the continuous evolution of programs and technologies. This requires taking into account continuous changes in rationalities, programs, and technologies from the perspective of those governing and how they are recursively shaped by the (plural) reactions of those governed.

In responding to calls to consider the perspective of the governed, our study illustrates the plurality of conducts, and especially counter-conducts, emerging across different local realities and over time, highlighting how counter-conducts initially escalated in response to austerity programs but then lessened in scope and variety over time. Counter-conducts were shaped by the space left by the autonomy carved out by local governments, using the leeway afforded by various types of accounting technologies.

The multisite perspective adopted in this study allowed a more finely grained view of the multiple origins and multifaceted nature of conducts and counter-conducts, relying on political rationalities and the search for consensus, but also on alternative approaches to combining market-based solutions (such as contracting out or subsidiaries) with community-based participation (through enhanced participatory processes). These were dictated by the requirements of specific local contexts, which are not easily captured by central policy-makers and one-size-fits-all programs. These specificities, for example, may mean that a local government characterized by adequate planning and control may become unable to meet central expectations about debt reduction because of its unique heritage and thus engage in counter-conduct. Our study identifies counter-conduct as an important way in which the governed carve out autonomy and space for action and reaction. It also finds that counter-conduct problematizes central governments’ discipline, in turn forcing the latter to rethink rationalities, programs, and technologies. We also highlight how the governed should be seen not as monolithic but rather as having multiple rationalities and problematizations and, thus, translations of programs. This shows the “power” of counter-conduct, not only in allowing the space for local government autonomy, but also in providing the basis for problematization and rethinking of programs by the central government. In the specific case examined here, observing these processes over time reveals a disciplining approach through a layering of accounting technologies, which progressively narrows local autonomy.

In addition to considering the perspective of the governed, as suggested above, our study also looks at the ways in which attempts at governing shape, and are shaped by, local conducts and counter-conducts, displaying a recursive process, as shown in Figure 2. Local rationalities and circumstances bring about multiple problematizations and interpretations of central programs, generating diverse forms of conduct and counter-conduct. As a consequence, the central government is faced with unexpected and unwanted results, triggering a rethinking of underlying rationalities and new problematization of local government conduct. In turn, this prompts continuous, parallel reinterpretations and translations by local governments through conduct and counter-conduct. Figure 2 shows that understanding such processes requires consideration of the “transactional realities” where governors and the governed continuously renegotiate the respective spaces of influence emerging from conflicts and compromises resulting from discipline imposed centrally and the autonomy carved out by local governments. In this transactional space, competing rationalities at the central and local levels are reflected in

potentially conflicting problematizations (“games of truth”) of how local public finances should be managed, reported, and accounted for. Accounting technologies play a central territorializing role in this transactional space, providing the basis for the central state to impose discipline on local governments, but also for the latter to either focus on autonomy, including via counter-conduct, or yield to central government requests.

6.3 | The role of accounting between disciplining power and autonomy: Making sense of transactional realities

The analysis shows that accounting was central to the processes described above, shaping the respective power, decisions, and actions at the central and local levels. It is thus useful to reflect on its role from the perspective of the governor (central government) and the governed (local government) and in the transactional space between the two.

Specifically, accounting provided the tools and rules for the central government to translate its aspirations into wide-ranging, continuously adjusted programs, and to shape local practices, in a stratification of different types of disciplining power. At the same time, counter-conduct relied heavily on the specific features of the budgeting, accounting, and reporting systems in place.

Accounting represented the transactional space in which central and local governments reciprocally positioned themselves, the former using accounting technologies to expand its disciplining power over time and the latter using it to try to maintain autonomy. In this transactional space, three different types of discipline and autonomy emerged, each shaped by specific accounting technologies: (1) discipline/autonomy on the use and allocation of resources, generally shaped by budgeting rules; (2) discipline/autonomy on how the use of resources is made visible and controlled, generally shaped by reporting, monitoring, and auditing requirements; and (3) discipline/autonomy on how resources are measured, including accounting rules and standards. These three layers of discipline/autonomy are illustrated in Figure 1, where the (gray) space of autonomy of local governments initially covers budgeting, reporting, and accounting and is gradually reduced over the years until all three come to be fully “disciplined” by the central government (becoming “white”). Table 1 illustrates further these concepts with reference to the analyzed cases.

The analysis shows that, initially, the central government focused its disciplining power on budgeting, trying to shape the local space of autonomy by strengthening constraints on budgetary decisions and balances. With central rationalities focused on sound public finances and local rationalities on the preservation of public services, accounting mediated potential conflict by allowing some leeway via local counter-conduct. As budgeting rules became stricter, local government buffered central requests by relying on potentially different interpretations of accounting and reporting rules. This allowed both central and local government to emphasize their respective rationalities. Going further, in extending budgetary constraints, the central government first strengthened controls over reporting and then introduced accounting reforms, progressively reducing local autonomy by making the interpretation of accounting rules less possible. As the central government embraced new layers of reforms, from budgeting to reporting to accounting rules, disciplining power escalated. In response, at each stage, specific types of counter-conduct emerged, first at a large scale, then gradually shrinking as the leeway for local governments was significantly reduced. It should be noted that the analysis illustrates how different local circumstances and rationalities meant immediate compliance in some cases, a slower build-up of compliance in others, and the persistence of plural forms of counter-conducts in others, confirming the importance of considering the multiple sources of resistance to and compliance with programs.

Overall, what emerges is a bidirectional perspective on accounting territorialization in which the continuously changing role of accounting created an evolving micro-territorialization in the

face of local resistance as a way to adapt central discipline to local needs. This iterative process gradually brought about a shrinking of the local space of autonomy and an expansion of the disciplining power of the central state.

7 | CONCLUSIONS

This article provides a more nuanced understanding of the reciprocal influences of the rationalities, programs, and technologies of central government, the rationalities and conduct of the governed, the related power dynamics, and how they evolve over time. In particular, it seeks to overcome a focus on the static concept of “programmatic failure” and embrace a view of recursive processes in which the actions and reactions of the governed and the governors shape each other. Understanding these dynamics requires consideration of the transactional realities in which the disciplining power of the governor and the autonomy of the governed come to be continuously redefined through accounting technologies in a bidirectional territorializing process at the interface between the governors and the governed.

This research makes several contributions to the literature. First, it extends the accounting literature on governmentality, responding to calls to further investigate the perspectives of the governed (Ahrens et al., 2020; Boomsma & O'Dwyer, 2019; Tuck et al., 2024) and explore counter-conduct (Alawattage & Azure, 2021; Boomsma & O'Dwyer, 2019; Ghertner, 2010; Grisard et al., 2020; McKee, 2009; O'Malley et al., 1997; Vallentin & Murillo, 2011). The study sheds light on the role of accounting in translating different forms of disciplining power into programs and technologies of government and in supporting resistance to these forms of disciplining power through counter-conduct. This type of investigation relies on an iterative approach that enables examination of the vertical interdependences of governmentality, the horizontal perspectives of governors and the governed, and the plurality of the latter.

A second contribution of this study is its exploration of the role of accounting in territorializing, and thus shaping, the disciplining space of governors and the autonomy space of the governed. Here, accounting is seen as providing the transactional space where central and local governments continuously renegotiate their respective influence and autonomy at a distance, through problematizations and progressive escalation and layering of programs and counter-conduct, allowing continuous adjustment and compromise. In practice, accounting both supports the central government in seeking compliance with austerity programs and supports local government in resisting, avoiding, and counteracting them. From this perspective, this study shows how accounting can have a territorializing role not only in constituting calculable spaces where the power of the governor can be exerted but also in supporting resistance through conduct, especially counter-conduct, where the governed carve out their autonomy. Our analysis specifically highlights the role of different accounting technologies—namely, budgeting, reporting, and accounting—in playing this territorializing role.

Overall, the study illustrates the importance of taking a plural, iterative, and dynamic view to understand centrally imposed programs and their processes and outcomes to avoid a static and unilateral view about their supposed successes or failures.

The study has also implications for practice and policy. From a general policy-makers' perspective, it shows how governmentality programs, especially when the rationalities of the governed and of the governors are not aligned, need to be implemented and evaluated, taking a long-term view that is focused on anticipating possible counter-conduct, considering the multiple rationalities and circumstances of the governed, and allowing their stronger participation. The case in this study highlights how programs involving governmental finances need to take a holistic perspective of accounting systems in seeking to shape behaviors. Programs that only focus on budgeting rules or controls may fall short of fully disciplining behaviors, opening the possibility of manipulation and accounting-related

counter-conduct. From the perspective of the governed, however, the study shows how, in the presence of tensions, the different layers of accounting can provide the necessary space and ambiguity for governors and the governed to avoid direct conflict and for the governed to carve out their space of autonomy. Moreover, it also shows that accounting counter-conduct can provide temporary truces in power struggles over the implementation of programs but can also contribute to reshaping them.

As with any research, this study is subject to some limitations. It is based on evidence collected through interviews, and as with all qualitative research, it may suffer from the subjective interpretation of information collected by the researchers; however, this method allows a granular view of specific accounting practices and tools, which enables the investigation of the origins of conducts and counter-conducts. It also takes place in a single context (Italy). Future studies may extend the analysis to different contexts.

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DATA AVAILABILITY STATEMENT

Data are available upon request from the authors.

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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