Book Review

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Do National Accounting Traditions fit in a Globalized World? A Review of “A Global History of Accounting, Financial Reporting and Public Policy” Edited by Gary Previts, Peter Walton and Peter Wolnizer

Abstract: The four-volume set of “A Global history of accounting, financial reporting and public policy” edited by Previts, Walton and Wolnizer is a promising attempt to contribute to our understanding of national specifics, differences, and parallels in accounting traditions. Fifty-one authors capture “global accounting history” in a still diverse and non-standardized world by providing 28 different national perspectives with almost 1,000 pages in total. This seems to be a reasonable and careful first step to handle the current challenge of accounting internationalization and harmonization – out of consideration for and fully aware of the national traditions, thoughts, and institutional settings.

Keywords: accounting history, accounting regulation, accounting theory

JEL Classification: K20, M41, N00, O10

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Accounting is deeply rooted in national traditions, thoughts, and institutional settings. Even culture might have an impact on accounting rules and behavior (e.g., Gray, 1988). In consequence, accounting has heterogeneously developed over time and fulfilled divergent roles in divergent environments. This heterogeneity also applies in times of “international” accounting when the IASB tries “to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards” (IFRS Foundation, 2010). Research provides evidence that even the application of the same accounting system can lead to different accounting outcomes in cross-

country settings (e.g. Carmona & Trombetta, 2008, Jeanjean & Stolowy, 2008, Soderstrom, 2007). This evidence is not so much a deficiency, but rather a result of efficient contracting in those countries. The IASB seems to believe that the strict focus on the valuation objective by providing “decision useful” capital market information can reduce the undesired heterogeneity. Every detail shall be standardized by means of complex standards, interpretations, application guidances, illustrative examples etc. Contracting has been scoped out or is conceptually neglected, although IFRS-accounting has been and will be used as a contractual device – of course differently in the diverse national settings. The illusion of one global accounting system has been kept alive also aside the capital markets, in the context of small- and medium-sized entities (SMEs) which are even more active in strongly nationally regulated contracting environments.

Against this background, it is fundamental to emphasize the existence of national divergent accounting traditions. It is important to highlight their specifics and different developments over time as a function of a unique, but changing environment. It can help understanding why differences in accounting rules and behavior occur. It can also explain why sometimes parallels exist between countries in some areas, especially when countries share common historical experiences, developments, and traditions. Such knowledge seems to be essential in dealing with the sensitive task of standardization and internationalization of global accounting in a still non-standardized world. It also questions simplified binary classifications of national accounting and governance systems (e.g. La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1997), which are widely used in econometrical empirical archival research (“mainstream” according to Chua, 1986).

The book project “A Global history of accounting, financial reporting and public policy” is an attempt to contribute to our understanding of national specifics, differences, and parallels in accounting traditions. According to the publisher (Emerald), it “aims to establish a benchmark reference source that covers the evolution of accounting, financial reporting and related institutions for all major economies in the world in a comparable way” (book back side). Apart from marketing rhetoric the purpose is clear: To capture the historical development of selected accounting systems and their related institutions. This purpose is highly appreciated in times of fast-paced internationalization and standardization in accounting and financial reporting regulation. Quite naturally, the country selection remains subjective. However, the reference to the economic power as identification procedure reduces the bias and the intention to publish the four volumes altogether and seems to mitigate the problem. Last but not least, the notion “in a comparable way” indicates the Herculean task to find a common structure in all these descriptions.

The editors of the four-volume project are Gary J. Previts (Case Western Reserve University, Cleveland, USA), Peter Walton (ESSEC Business School, Paris, France), and Peter Wolnizer (University of Sydney, Australia). In the foreword to volume 1 “Europe”, Previts points out that the 1995 project “European Financial Reporting: A History”, edited by Walton, served as a benchmark. The “Walton Formula” has been applied in a more global scale (Previts, 2010) when Previts and Wolnizer joined in. The project covers again “Europe” (Vol. 1) and, moreover, “Americas” (Vol. 2), “Asia and Oceania” (Vol. 3) and “Eurasia, the Middle East and Africa” (Vol. 4). Each of the volumes has been edited by a regional related editor: Walton for “Europe”, Previts for “Americas” and “Eurasia, the Middle East and Africa” and Wolnizer for “Asia and Oceania”. Between 2010 and 2012, the four volumes have been published by Emerald as “Studies in the Development of Accounting Thought” (Vol. 14A – 14D) of the Accounting Foundation of the University of Sydney.

The four volumes contain with indexes almost 1,000 pages in total. Altogether, 28 country chapters are written by 51 authors. The editors successfully endeavored to engage well-known researchers from those countries or regions to assure country specific knowledge about development and status quo of accounting, economics, and law. The authors are introduced by short biographies at the beginning of each volume.

The first volume “Europe” comprises ten country chapters. The selection considers Belgium (authored by Ann Jorissen and Peter Stabel), France (Claude Bocqueraz), Germany (Wolfgang Ballwieser), Italy (Mara Cameran and Angela Pettinicchio), The Netherlands (Kees Camfferman), Poland (Alicja A. Jaruga and Przemyslaw Kabalski), Spain (Carlos Larrinaga and Marta Macias), Sweden (Kristina Artsberg), Switzerland (Ann-Kristin Achleitner and Reto Eberle), and the United Kingdom (Christopher Napier). In contrast to the 1995 study of “European Financial Reporting: A History”, three countries from Scandinavia (Denmark, Finland, Norway) have been removed and Poland, the only Eastern European country, has been newly introduced (Previts, 2010). The chapter about Poland heals the absence of other Eastern European countries to a certain extent and, therefore, provides in this volume the only field report of the transformation process of a former socialist country after 1990. However, chapters in other volumes especially about Russia and, to a lesser extent, about Egypt (in Vol. 4: “Eurasia, the Middle East and Africa”) describe the accounting changes during the conversion of a state-directed to a market economy.

Although comparability has been a declared intention, the editors have not excessively standardized structure and content to allow the description of country-specific peculiarities. It is interesting to compare the different approaches of the authors to document the history of accounting and accounting regulation in

their countries. Common ground is the strong focus on the changing accounting regulation over time. Furthermore, the chapters cover aspects of the accounting practice, accounting profession, and institutional environment. Differences occur primarily with respect to the weighting of influencing aspects and eras. For example, the description of the transfer process in Poland after 1990 covers approximately 50% of the whole Poland chapter. This fact alone documents the importance of this newer development from the authors' perspective. In all other chapters, the focus is on the entire twentieth century. The more current process of internationalization regularly covers only a few pages. Some chapters also emphasize earlier times before the nineteenth and twentieth century (e.g., Belgium, Italy, Spain, UK). Moreover, the emphasis of the accounting thought and its impact on regulation development is different. The chapter about Germany devotes some space to German accounting theory which has significantly influenced German standard-setting over time. Other chapters do not address the development of accounting thoughts.

The second volume "Americas" includes five country chapters: Argentina (Sandra Aquel and Mabel Miletí), Brazil (L. Nelson Carvalho and Álvaro A. Ricardino Filho), Canada (Chester H. Brearey), Mexico (Ikseon Suh and Sandra Minaburo), and the United States (Stephen Moehrle and Jennifer Reynolds-Moehrle). This volume is smaller than the first one (160 pages compared to 302 pages) but similar in style and structure. The early eras of accounting development in these "younger" countries show the influence of Spanish, Portuguese, or English colonization and the adoption of the respective accounting thoughts and environments at that time. The chapter about Brazil details several chronological landmarks since 1500, from the time of Portuguese colonization till the times of Brazilian Kingdom and, finally, Republic, which have influenced Brazilian accounting and accounting regulation. Similar historiographies are included in the other chapters. Against this background, the five chapters illustrate how the original European distinction between code and common law system were transferred to the American continent. Comparable to the European volume, the authors emphasize the divergent sub-periods differently, especially with respect to the present and future development. The latter might also expose the importance attached in these countries to international accounting and IFRS. The US chapter, for instance, devotes not more than half a page to this issue whereas material parts of the Argentinean chapter covers the process of internationalization towards IFRS.

The third volume "Asia and Oceania" and the fourth and last volume "Eurasia, the Middle East and Africa" contain, respectively, another six and seven country chapters: The former deals with Australia (Graeme Dean and Frank Clarke), China (Daoyang Guo, Jialin Xu, Jun Kang, Lan Peng and Jinxiu

Zhang), India (Bhagwan Khanna), Indonesia (Rahmadi Murwanto, Bhagwan Khanna and Tony van Zijl), Japan (Eiichiro Kudo and Hiroshi Okano (Part One), Shizuki Saito (Part Two)), and Korea (Ik Soon Cho and Seok Woo Jeong). The latter includes chapters about Egypt (Salah A. Mostafa Ali), Iran (Zabihollah Resaee and Gholamhossein Davani), Israel (Yoram Eden and Dan Elnathan), Russia (Mikhail I. Kuter and Vyacheslav Y. Sokolov), Saudi Arabia (Abdulmalik A. Al-Hogail), South Africa (Grietjie Verhoef and Lucas van Vuuren), and Turkey (Yüksel Koc Yalkin and Volkan Demir). The 263- and 249-page volumes follow the other two in style and structure with variance in emphasis and weighting. One example: On the one hand, the chapter about Australia concentrates on the accounting profession and shows several interesting features (e.g. attacks on the accounting profession or claims against Australian accounting firms). On the other hand, the chapter about China is primarily driven by the attempt to address the historical development of bookkeeping and financial reporting practice. The sub-chapters about the evolution of ancient Chinese accounting span almost 20 pages. It is separated into the various dynasties and complemented by some interesting figures of ancient Chinese accounting devices (e.g. pictures from the “Ji Bu” from Late Western to Early Eastern Han Dynasty or the “red account” prepared by Shanghai Fukang Private Bank in the GuangXu period). In contrast, the Turkish chapter devotes less than one page, the Egyptian chapter less than three pages to ancient accounting in spite of their rich heritage of ancient civilizations.

Similar to the volume about the “Americas”, a lot of chapters in the volumes about “Asia and Oceania” and “Eurasia, the Middle East and Africa” address the colonial eras and external influences from other countries. Moreover, most of the chapters expose in detail the process of accounting internationalization and the role of IFRS in current regulation and practice. From the perspective of the Western hemisphere, it is interesting to read up on these developments in countries which differ in culture and legal tradition, and which are not regularly covered by European or North-American literature. Against this background, especially Islamic countries such as Iran or Saudi Arabia attract attention.

In addition to the country-wise descriptions, all chapters of all four volumes contain useful information about relevant literature. The literature sources are not restricted to the reference section. A lot of chapters amend the reference section by a literature list of “further reading”, fortunately quite often sources in English. The Brazilian authors have made an effort to distinguish the literature list according to the respective time periods. Even more helpful are written parts in the text where the authors evaluate possible sources for “further reading” (U.K. and Canada). In the chapter about The Netherlands Camfferman also provides a subchapter about “further reading in English” for a non-English country.

Summing up, the four-volume set of “A Global history of accounting, financial reporting and public policy” is indeed a useful compilation of national accounting traditions in times of fast-paced accounting internationalization and standardization. The concept of a comprehensive anthology with many different national perspectives seems to be really helpful to capture “global accounting history” in a still diverse accounting world. This is also a reasonable and careful way to handle the current challenge of accounting internationalization and harmonization – out of consideration for and fully aware of the national traditions, thoughts, and institutional settings. Maybe the editors feel encouraged to continue the series of volumes to expand the scope and to include also other countries, especially developing countries with their own specific accounting traditions and experiences. With regard to the content, the focus of the four published volumes is more on rules and regulation. Therefore, they might be combined with other, more conceptual works which cover the evolution of accounting thought, the development of accounting research, and the diverse research culture in the national communities (e.g., Biondi & Zambon, 2013, Mattessich, 2008). Against this background, I do hope that the editors’ attempt “to provide a type of historical sourcebook series for a readily converging world of accounting” will be achieved and that “students, professors, professionals, and regulatory authorities [will] consider the chapter of this work” (Previts, 2010).

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