

# Using historical institutional analysis of corporatism to understand the professionalization of accounting in Latin America

## Abstract

We investigate factors that have influenced the professionalization of accounting in five Latin American countries (Argentina, Brazil, Chile, Colombia and Mexico). Through comparative historical institutional analysis of corporatism in those countries, we explore the role of the organized labor movement and State-labor relations in the professionalization of accounting. We regard professional accounting associations to be a form of organized labor. Using a combination of primary sources and secondary sources, we identify the critical junctures, self-reinforcing sequences and reactive sequences involved in State regulation of accountants. We find that State policies pertaining to the incorporation and ongoing activity of organized labor movements were important influences on the evolution of the accounting profession. Generally, periods of corporatism that featured inducements for the labor movement were conducive to achieving market closure and the emergence and growth of professional accounting bodies. Developments in laws relating to organized labor bodies (such as trade unions) usually preceded the promulgation of regulations directed specifically at endorsing the formation and operation of professional accounting associations. This paper contributes by using the lens of comparative historical institutional analysis of corporatism to investigate accounting professionalization in corporatist states, report empirical evidence on accounting professionalization from a hitherto unexplored geographical region, and challenge the view that accounting professionalization is temporally enduring.

Keywords: Accounting professionalization, Latin America, comparative historical institutional analysis, corporatism, labor incorporation

## Introduction

We argue that the accounting profession in Latin America<sup>1</sup> benefited from inducements associated with periods of 'labor incorporation.' By this latter term, we mean 'the first sustained and at least partially successful attempt by the State to legitimate and shape an institutionalized labor movement' (Collier & Collier, 2002, p. 783). We contend that developments in the labor movement offer insights to the formation professional associations (such as associations of accountants).

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<sup>1</sup> We use the term 'Latin America' to refer to Argentina, Brazil, Chile, Colombia and Mexico.

As with Poullaos (2009, p. 247), we use the term 'professionalization' to refer to 'actions and processes undertaken to achieve the status of professional and to subsequently maintain and enhance that status through professionalism.' Often, professionalization is deemed to be evidenced by the creation of a professional association that exercises control over members (Edwards, 2001; Willmott, 1986). The success of professionalization is enhanced by political belief that professionalization accords with the public interest and should receive State support (Birkett & Evans, 2005). In the country-based case studies we conduct, State regulation of accountants is regarded to be crucial since 'reliance on the market and self-regulation is ... [not] adequate to protect the public or investors' (Cooper & Robson, 2006, p. 424). We concur with the view that professionalization processes 'take time and they change over time' (Poullaos (2009, p. 247). Thus, we conceive professionalization as emerging from political changes that occur in discrete processes that are characterized by long periods of stability or path dependence (Peters, Pierre, & King, 2005; Steinmo, Thelen, & Longstreth, 1992).

There is no universal process for achieving professionalization. Variations in the role of the State, and in the actors and organizations involved in the process of professionalization, affect the institutional forms professionalization takes (Johnson, 1972). A better understanding of professionalization can be obtained by analysing, as we do here, the power relations and historical conditions that lead to particular types of institutionalized control. This necessitates study of the interactions between professions and the broader society and State.

We conduct a comparative historical institutional analysis of corporatism in each of Argentina, Brazil, Chile, Colombia and Mexico to develop understanding of how the professionalization of accounting evolved. Corporatism is considered a pertinent analytical

frame in respect of accounting because it provides ‘the best description of how accountancy regulation appears to operate’ (Puxty et al., 1987, p. 285. See also Agrizzi & Sian, 2015; Richardson, 1989; Rodrigues et al., 2003; Walker & Shackelton, 1995; Yee, 2012). We investigate the critical factors that influenced the professionalization (and, in one instance, de-professionalization) of accounting in each country. We explore the critical junctures involved, the self-reinforcing sequences that supported professionalization, and the reactive sequences that impeded professionalization.

This paper contributes to understanding of accounting professionalization in several ways. First, it uses a novel research approach involving comparative historical institutional analysis of corporatism to explore the role of the organized labor movement and State-labor relations in the professionalization of accounting. This approach yields fresh knowledge by enhancing understanding of the factors influencing accounting professionalization. We proceed beyond already-identified influences such as those of gender, religion and race (Sian 2011; Sian, Agrizzi, Wright & Alsalloom 2020) to highlight the influence, over time, of State-generated inducements and constraints for the labor movement. The comparative-historical analysis approach<sup>2</sup> we adopt is claimed to be ‘one of the most fruitful research approaches in modern social science’ (Skocpol, 2003, p. 424; see also Mahoney & Terrie, 2008).

Second, this study of the development of accounting professionalization responds to the urgings of Dedoulis and Caramanis (2007) to ‘bring the State back in’ (Skocpol, Evans, & Rueschemeyer, 1985). The role of the State in accounting professionalization should not be

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<sup>2</sup> Such an approach investigates historically grounded explanations of large-scale and important outcomes. Several of the founders of social science (Adam Smith and Karl Marx) have pursued comparative historical analysis (Mahoney & Rueschemeyer, 2003). This approach was also used in the early 20<sup>th</sup> century by prominent social scientists such as Max Weber. After a period of neglect in the mid-20<sup>th</sup> century, the comparative historical tradition has re-emerged and ‘has reasserted itself at the center of today’s social science’ (Mahoney & Rueschemeyer, 2003, p.3).

overlooked because 'accounting associations under advanced capitalism are increasingly intertwined with the State in the regulation of economic activity' (Richardson, 1989, p. 415). This intertwining is especially so in Latin America, where the State has been prominent in economic and political development, and where there have been frequent military interventions in State administration. Because Latin America is 'more prone to bouts of political instability, regime change and economic crisis,' this has prompted the State to assume a stronger role 'as a "regular" intervener in professional, business and societal circles' (Ghattas, Soobaroyen & Marnet, 2021).

Cooper, Puxty, Robson and Willmott (1996, p. 592) draw attention to the inevitable interdependencies and tensions that arise between the State and the accounting profession. They elaborate on how 'accounting and auditing are implicated in processes of general social change,' citing the example of the UK's adoption of the Eighth Company Law Directive of the European Union (EU) (84/253/EEC). This required national governments to regulate auditors. Cooper et al. (1996) highlight the difficulties of reconciling modes of regulation of professional bodies with new economic and political thinking. We follow their general line of enquiry by analysing the interdependencies and tensions between the State and the accounting profession in Latin America. Thereby, we develop understanding of the accounting–State dynamic in a non-Anglo-Saxon or non-Western context (Ezzamel & Xiao, 2015; Yee, 2012).

Our use of comparative historical institutional analysis of corporatism as a theoretical framework to explore accounting regulation in national corporatist settings is motivated by the assessment of Cooper et al. (1989, p. 252) that corporatism offers a 'useful way of analysing the relations between the state and ... the accounting profession.' Other motivators were the views that 'corporatism is a tradition that is crucial for understanding Iberia and Latin America and to comprehend the nations of this culture area' (Wiarda, 1978, p. 6); and

that a corporatist framework will 'achieve better understanding of the relationship between the profession and the State in a particular geographical locale' (Noguchi & Edwards, 2004, pp. 55-56). In exploring corporatist settings, we were mindful that the State is very active in recognising or licencing various interest organisations [such as professional accounting associations].

Under corporatism, the State grants professional associations 'a deliberate representational monopoly within their respective categories in exchange for observing certain controls [which we refer as constraints] on their selection of leaders and articulation of demands and support' (Schmitter, 1977, p. 9). Thus, corporatism is 'a system of interest intermediation in which organized functional interests [determined by the State] are ... recognized as "legitimate"' (Yee, 2012, p. 427). In return for being granted monopoly representation rights in a corporatized system, 'the accounting profession is expected to both act in the interests of the State and control the membership of the profession [so that it acts] in those interests' (Cooper et al., 1989, p. 252). Historical institutional analysis helps to appreciate the extent to which the State and a profession act in this way over an extended period.

Third, this paper contributes by investigating a fresh and largely unexplored empirical setting. Most prior studies have analysed the development of accounting professionalization in the Anglo-American world, particularly in the former British colonies of Trinidad and Tobago (Annisette, 2000; 2003; 2010), Jamaica (Bakre, 2010), Canada (Richardson, 1989), Nigeria (Uche, 2010), Malaysia (Suesela, 2010), Sri Lanka (Yapa, 2010), India (Verma, 2010)

and Kenya (Sian, 2010).<sup>3</sup> There are some exceptions to this focus. Yee (2012, p. 426) studied China; Mihret, Alshareef and Bazhair (2017) studied Saudi Arabia; and Mihret, Mirshekary and Yaftian (2020) studied Iran. Nonetheless, very little is known about the development of accounting professionalization in the former colonies of Portugal and Spain. We address this oversight by analysing accounting professionalization in former colonies of Portugal (Brazil) and Spain (Argentina, Chile, Colombia and Mexico).<sup>4</sup> Although single country studies can provide crucial insights into the nuances and peculiarities of accounting professionalization, they are unlikely to provide results that are generalizable outside the chosen national setting. The multi-country approach we adopt helps to reinforce and/or challenge claims of universality that emerge from single-country studies. Exploring different contexts, as we do, has the potential to reveal common themes and issues that cannot be identified or explored by single country case studies.

In terms of the history and culture of Latin America, the major historical influence is colonisation by Spain or Portugal.<sup>5</sup> These countries have influenced Latin America corporatism but have not exercised much direct influence on the development of the accounting profession in their Latin American colonies. Some 'signals of movement' (Carnegie & Edwards, 2001) of accounting professionalization can be observed in Iberia, but no critical

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<sup>3</sup> Additionally, Poullaos and Sian (2010, p. 5) explore accounting professionalization by focusing on notions of the British Empire and the influence of the 'complexities and legacies of the metropole/periphery relationship.'

<sup>4</sup> Bourgeault, Benoit & Hirschkorn (2009) provide some empirical support for this claim. They identified 207 studies of 'the professions' that were published between 1960 and 2005. Only two of these were of a Latin American country (Mexico) and only four dealt with the accounting profession.

<sup>5</sup> Wiarda (1978) argues that corporatism is a tradition that is crucial for understanding Iberia and Latin America and to comprehend the nations of this culture area. 'By 1950 seventeen of the twenty Latin American countries, plus Spain and Portugal, had adopted constitutions containing articles dealing with labor's rights and responsibilities' (p. 6).

juncture is evident in the analysis period. This absence of influence arises because regulation of the accounting profession in Spain and Portugal is only a recent occurrence.<sup>6</sup>

Fourth, most previous studies have used modified corporatist frameworks to examine relationships between the State and the accounting profession in the context of one country only (e.g., in respect of the UK, by Cooper et al., 1989). A rare study of several countries by Puxty, Willmott, Cooper and Lowe (1987) used a corporatist framework to compare accounting regulation in Germany, U.K., Sweden and the US. Here we study five countries using a comparative historical institutional analysis of corporatism.

Typically, prior studies have concluded that accounting professionalization is the outcome of the idiosyncrasies of a country's ambient national, social, political and cultural conditions (Cooper & Robson, 2006). We build on, and reinforce, this conclusion by addressing three interlinked research questions [RQs] about the development of accounting professionalization in Latin America:

- RQ 1: How did incorporation of the labor movement influence accounting professionalization?
- RQ 2: How have corporatist inducements and constraints influenced whether registration of accountants was required?
- RQ 3: What were the main reinforcing sequences and reactive sequences influencing development of the accounting profession?

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<sup>6</sup> In Spain, despite the creation in 1942 of the Institute of Auditors, auditing did not assume importance until after Spain's admission to the EU in 1986. Spain's Auditing Law 19 of 1988 required mandatory auditing for companies over a certain size, and created a new statutory government regulatory body (the Accounting and Auditing Institute) to control the issue of accounting standards and the registration and supervision of auditors (Carrera et al., 2001). In Portugal, the professional official body representing auditors was formed in 1972 and the official body representing accountants in 1995 (Rodrigues et al., 2003).

We show that State policies relating to the labor movement were important influences on the professionalization of accounting and that the accounting profession benefited greatly from the exercise of strong control by corporatist States over entrance to professions (Ballas, 1998; De Beelde, 2002; Ramirez, 2009).

In broad terms, consistent with Skocpol and Solmers (1980), we contribute to theory development by comparing and contrasting the important role of context in professionalization processes. Specifically, we provide empirical evidence in support of three propositions. First, that the organized labor movement and State-labor relations in Latin America have been pivotal influences on the professionalization of accounting. Second, the interplay of labor politics and State-labor corporatist relations offers a good lens with which to assess how accounting professionalization evolved in Latin America. Third, there is empirical evidence challenging the ‘temporal endurance’ hypothesis of accounting professionalization. This hypothesis maintains that once professional status is achieved, subsequent losses of status are ‘difficult to find’ (West, 1996, p. 91). We find that the professional status of accountants can be damaged by State de-regulation of the accounting profession.

We begin by outlining the theoretical framework adopted and the research method applied. In the ensuing presentation of results, we analyse countries in two groups: those in which it *is* compulsory to register<sup>7</sup> as a member of a professional accounting association (Argentina, Brazil, Colombia), and then those in which it *is not* compulsory to do so (Chile, Mexico).

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<sup>7</sup> Registration is considered a master tactic for an occupation to obtain a legal monopoly and social closure (MacDonald, 1985).



## **Analytical framework**

### *Corporatism*

Corporatism is 'a mode of regulation based on an ideology or a system of ideas about how to organize an economy by making professional and trade corporations the basis of the commonwealth' (Theimer, 1939, p. 70). Collier and Collier (1979) elaborate on this definition by proposing that corporatism is a system of State-group relations where the State structures groups to produce a system of officially sanctioned, non-competitive, compulsory interest associations; subsidises these groups; and imposes constraints on their internal governance.

In a corporatist State, constituent groups or units such as professional associations (including professional associations of accountants)

... are organised into a limited number of singular non-competitive, hierarchically ordered and functionally differentiated categories, recognised and licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls [or constraints] (Schmitter, 1975, p. 93).

Corporatist provisions have characterized labor relations in Latin America. They have been promoted by governments ranging from repressive to populist.

In this paper, we disaggregate corporatism in terms of inducements and constraints in each of the five countries of interest, consistent with the approach of Collier and Collier (1979). We highlight the *inducements* extended by the State to win the cooperation of labor (including professional) groups and the *constraints* used by the State to control labor (including professional) groups. We acknowledge that because the contexts of Latin American countries differ, their corporatist systems have varied too in terms of the degree of structuring and the level of inducements and constraints introduced by the State (Collier & Collier, 1979).

*Inducements* are corporatist provisions that bestow advantages on labor organizations (including professional associations). They include the granting of official recognition, monopoly representation rights, compulsory membership, and the right to collect fees from members. Commonly, to obtain inducements from the State, labor unions or professional associations agree to accept members from rival groups who are competing to represent the same constituency. Additionally, these bodies often need to ‘be recognized as the legitimate representative of their constituency in their dealings with other sectors of society’; demonstrate a capacity ‘to recruit and retain members’; and have ‘stable sources of income’ (Collier & Collier, 1979, p. 969).

A major inducement arises when the State requires compulsory registration in a professional association (Collier & Collier, 1979). Such a requirement by the State helps achieve ‘social closure’ (Uche, 2002; Yapa, 1999; Richardson, 1997) or is considered part of ‘a process by which social collectives attempt to maximise their reward by restricting access to certain economic and social opportunities to members’ (Uche, 2002, pp. 475). Parkin (1979, p. 44) was among the first to define social closure in this way. In his view, social closure ‘entails the singling out of certain social or physical attributes for [...] “the monopolization of specific, usually economic opportunities” [...] its purpose is always the closure of social and economic opportunities to outsiders.’ The idea of ‘social closure’ helps to explain the mutual dependence of a profession and a State (Johnson, 1972; Poullaos, 1993). In the context of Latin America, as we demonstrate here, the State has been crucial in social collectives achieving market and social closure.

*Constraints* are corporatist provisions that are imposed to control labor organizations (including professional associations) and their leaders. Constraints arise when labor unions or professional associations concede the State the right to regulate and control them. This can

occur, for example, by allowing the State to engage in collective bargaining on their behalf, appoint their leaders, and intervene directly in their operations. Usually, labor groups are repressed in periods when there are *low* levels of inducements and high levels of constraints. When inducements and constraints are both low, this usually means the State does not regulate labor groups.

Argentina, Brazil, Colombia, Chile and Mexico have experienced varying forms of corporatism. Collier (1995, p. 146) underscores the point that corporatism 'takes different forms in different contexts.' One form of corporatism, classified as authoritarian or *State corporatism* (Schmitter, 1974), occurs where the State encourages the formation of a limited number of officially recognized, non-competing, State-supervised groups (such as professional associations). These groups are kept as dependent organs of the State. In such circumstances, the State depends on, and 'penetrates' the interests of professional accounting associations. This is what O'Donnell (1976) regards to be *statizing corporatism*.<sup>8</sup> The State has the power to give professional associations inducements or privileges in the form of monopoly rights and power to regulate members. O'Donnell (1972) calls this pro-labor variant associated with mobilization of workers *inclusionary corporatism*. He does so even though 'the weight of decision-making power lies very heavily on the side of the state' (Unger & Chan, 1995, p. 31). In *exclusionary systems*, State policy is used to demobilise and reduce power of the working class (O'Donnell, 1972).

Another form of corporatism is liberal or *societal corporatism* (Schmitter, 1974). This arises where 'corporate bodies emerge organically within civil society' (Richardson, 1989, p. 416). With *societal corporatism*, leaders of labor organizations and professional associations

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<sup>8</sup> 'Penetrate' in this context is taken to mean 'gain access to' or 'infiltrate.'

are 'beholden to their memberships instead of the State' (Yee, 2012, p. 429; Unger & Chan, 1995, p. 31). In settings characterized mainly by *societal corporatism*, professional associations are autonomous. It is they who 'penetrate' the State in what is known as *privatising corporatism* (O'Donnell, 1976).

*State corporatism* has been dominant in Latin America (Collier & Collier, 1979). However, corporatism should not be viewed as simply *either* societal corporatism *or* State corporatism or any sub-category thereof. Corporatism can be a blend of both societal and State corporatism. The country-based analyses we conduct later show that some Latin American countries strongly subscribe to State corporatism (e.g., Brazil, Colombia) whereas others are closer in type to societal corporatism (e.g., Argentina and Mexico). High levels of inducements and constraints usually reflect State corporatism. Low levels of constraints and low levels of inducements usually reflect societal corporatism (Collier & Collier, 1979).

Corporatism can explain why business and professional associations have opted to be closer to the State than to the market (Streeck, 1983) and why the State delegates functions to 'collective self-interest groups to create and maintain a generally acceptable social order' (Streeck & Schmitter, 1985, p. 129). Although Collier (1995, p. 156) observes that corporatism has not maintained momentum as an analytic framework, he also contends that 'concepts from the literature on corporatism continue to be relevant to the perennial issue of how new social groups and social movements relate to the state.' This on-going relevance is especially so in Latin America, where corporatist policies have deeper roots (Schmitter, 1977). In looking back over 35 years, Wiarda (2009, pp. 194-95) concluded that corporatism has

... now been widely accepted as one of the main approaches or theoretical frameworks in the political science/comparative politics field' [...] the persistence of corporatism and now the rise in some Latin American countries of neocorporatism, even within democratic regimes, is one of the great unstudied issues of these times.

Thus, our recourse to comparative historical institutional analysis of corporatism in the context of Latin America is highly pertinent. We argue that in corporatist political settings in Latin American countries, *inducements* for labor incorporation were important in achieving market closure by mandating registration as an accountant. Such inducements were a way for professional accounting associations to

... seek, build and defend resources including high occupational status ...[and achieve]... a degree of market closure [by] transforming one set of scarce resources — expertise and knowledge — into another — economic and social rewards (Chua, Dyball & Yee, 2019, p. 2255).

This is consistent with a neo-Weberian view that the accounting profession is a *status group* (that is differentiated on non-economic qualities such as prestige and honor) rather than a *social class* (differentiated on economic factors such as wealth) (Caramanis, 2005; Chua & Poullaos, 1993; MacDonald, 1985; Richardson, 1987).

#### *Comparative historical institutional analysis*

Collier & Collier (2002) explain that the labor movement develops through an *incorporation period*, a *legacy period* and an *heritage period*. The *incorporation period* begins when there is a significant change around a *critical juncture* that occurs when the State initially legitimizes, and begins to shape, an institutionalized labor movement. The *legacy period* is the period of reactions and counteractions immediately following the incorporation period. The *heritage period* is when the long-term consequences of the incorporation period are known.

Historical institutionalism offers a beneficial approach to institutional analysis (Peters et al., 2005) because it recognizes that historical change is shaped over long periods by sequences of social, political and economic behaviours (Rodrigues & Craig, 2018; Steinmo,

2008). In historical institutionalism, a critical juncture is regarded to be 'a period of significant change which typically occurs in distinct ways in different countries (or in other units of analysis), and ... produce[s] distinct legacies' (Collier & Collier, 2002, p. 782). Critical junctures may be relatively quick transitions around a point of time or they may occur over a longer period. Whatever the case, the selection of new policy solutions near the time of critical junctures makes it progressively more difficult to return to a prior policy position (Peters et al., 2005). A central goal of most historical institutional analysis is to estimate the impact of variations in institutional forms on a particular outcome (Lieberman, 2001). In the present study, the particular institutional outcome is accounting professionalization.

We explore critical junctures in the historical evolution of the regulation of the accounting profession in each of Argentina, Brazil, Chile, Colombia and Mexico. We draw attention to periods of fundamental change in the relationship between the State and the accounting profession in each country. Our focus is on the period in which the accounting profession was first regulated by the State. This period of fundamental change constitutes a critical juncture of professionalization. In Latin America, regulation of the accounting profession has occurred in distinctly different ways and has shaped the accounting profession in those countries. We are mindful that once a set of institutions (such as professions) is in place to support policy positions, actors adapt their strategies to reflect, and reinforce, the logic of the system.

Many historical institutional scholars share a common theoretical approach and a common set of methods that provide a powerful basis for making causal inferences. Nonetheless, we acknowledge the potential for similar patterns of change over-time and across places to lead to outcomes that will differ according to the context of ambient institutional arrangements (Lieberman, 2001).

To develop understanding of the professionalization of accounting in each country, we compare how the institutions that supported the development of professional accounting emerged from, and were embedded in, temporal processes. Each of the five countries has had a different historical trajectory and path dependence. This is important from a historical institutionalist perspective because policies tend to be path dependent and maintained unless there is an important external force for change. In the absence of pressure to change, accounting practices and professionalization are maintained.

The historical institutionalist approach envisages that after a decision to professionalize is made at or around a critical juncture, professionalization then follows a path sustained by *self-reinforcing sequences* that support the reproduction of professionalization over time (Collier & Collier, 2002; Mahoney, 2000; Rodrigues & Craig, 2018). Thus, *self-reinforcing sequences* strengthen and consolidate professionalization. In contrast, *reactive sequences* reverse the direction of professionalization or impede its progress and path dependence. While *self-reinforcing sequences* of corporatism increase and sustain professionalization, *reactive sequences* transform the way the profession has been institutionalized — or they de-regulate it. In Latin America, political periods marked by a commitment to liberalism have been *reactive sequences* to corporatist-inspired processes of professionalization. As we explain later in respect of Chile, *reactive sequences* have helped to de-regulate accounting.

### **Research method**

To address the three research questions, the comparative historical analysis we conduct combines a longitudinal approach (exploring how corporatism and labour law affect the accounting profession over time in a certain country) and cross-sectional analyses (cross-country variations).

We are particularly interested to discern whether there is a similar pattern in the levels of inducements and constraints for the labor movement and for accounting professionalization. In Exhibits 1 to 5, we reproduce measures of inducements and constraints in respect of labor law provisions, as reported by Collier and Collier (1979, Figure 1),<sup>9</sup> in each the five countries of interest. Collier and Collier (1979) applied scoring weights (ranging variously from 0 to 7) to indicate the strength of the inducements and constraints observed. They gave weighted values to five categories of *inducements*. These were related to whether there was provision for registration of unions, a right of combination, monopoly representation, compulsory membership, and subsidisation of labor bodies. Weighted values were given to four categories of *constraints*. These involved determining whether there were State controls on collective bargaining and strikes, decision-making, leadership, and internal governance of the labor organization.

To understand the professionalization process, we collected evidence (e.g., of regulation provisions) from the websites of national associations of accountants. We examined the relevance of national laws that were implicated in legitimating and enforcing the professionalization process and in providing ‘a form of State-led or powerful third-party sanctification’ (Ghattas et al., 2021, p. 4). Our analysis was informed by interviews published in professional accounting magazines, email correspondence with officials of associations of accountants, and publications and minutes of meetings of professional associations. We drew also from articles in scholarly journals that focused on corporatism, accounting

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<sup>9</sup> Collier and Collier (1979) presented results in graph form for Argentina, Brazil, Chile and Mexico in their paper’s Figure 1. However, they used a different form for Colombia in their paper’s Figure 2. To ensure a common graphical basis for comparison, we took the information Collier and Collier (1979) reported for Colombia and converted it to their paper’s Figure 1 format. We did so after considering the information they provided about inducements and constraints in Colombia between 1944 and 1980.



professionalization, and aspects of the political science of Latin America. Additionally, we conducted library-based and Internet-focused searches to understand the institutional context of each country. Many of the sources relied upon were in the Spanish and Portuguese languages. Whenever possible, we triangulated primary data with secondary data to affirm the reliability of information.

Using the method described by Collier and Collier (1979), and literature dealing with the sociology of professions, the first author assessed, and then coded, the data for each country in terms of the levels of inducements and constraints for *accounting professionalization*.

Major inducements coded were:

- compulsory registration and monopoly representation;
- knowledge recognition and/or credentials;
- right to collect fees from members or grants from the State;
- control of members' recruitment through a professional entry exam that reflects

'professional closure' (Richardson, 1997); and

- the right to set accounting and auditing standards and influence accounting education:

that is, a measure of 'professional power' (Richardson, 1997).

The coding with respect to constraints considered whether the State had the power to:

• require a professional association to be a private/non-profit entity and not a public sector entity;

- control leadership appointments;
- monitor and/or intervene in the association; and
- regulate the creation, governance and liquidation of the professional association.

Each inducement and constraint was scored as 1, 0.5 or zero, according to the intensity of the inducement or constraint. The total score for each country in terms of inducements

and constraints was computed as the unweighted sum of the individual scores for each item. The implied assumption is that each item of inducement and constraint is equally important for accounting professionalization in each country, and in all countries. We considered that any bias resulting from this assumption was likely to be smaller than the one that would result from assigning subjective weights to the items. A scale of 0 to 1 was used to facilitate comparisons between countries, and between accounting professionalization and the labor movement. This allowed comparison of the relationship between the inducements (X axis) and constraints (Y axis) for the labor movement and for accounting professionalization. By superimposing our results for accounting professionalization on those for the labor movement in Exhibits 1 to 6, we were able to ascertain whether the pattern between the general labor movement and accounting professionalization in each country was similar; and whether there were any leads and lags between them.<sup>10</sup>

We do not study all nine Latin American countries analysed by Collier and Collier (1979) but conduct a more focused and contextualized study by reducing the number of countries to five: Argentina, Brazil, Colombia, Chile and Mexico. Our rationale was that analysis of these countries would not be duplicative, and would generate richer insightful comparisons. Accordingly, we conducted a cross-period analysis within each country, and between all countries, to assess how change over-time affected accounting professionalization. Our analysis proceeded mindful that the nature of labor movement has varied across Latin America due to differences in the ideological characteristics of incumbent political regimes, the timing of international developments affecting individual countries (Collier & Collier,

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<sup>10</sup> The coding of results has not been cross-validated independently. The coding sheets and other pertinent material are available for that purpose on request to the first author.

2002), and variations in national systems of vocationally-oriented education (Thelen & Kume, 1999).

### **Countries with compulsory registration of accountants: Argentina, Brazil and Colombia**

#### *Argentina*

The first Faculty of Economic Sciences in Argentina was established at the University of Buenos Aires in 1913, offering a diploma level course leading to recognition as a public accountant.<sup>11</sup> The growing complexity of economic activity in the early decades of the twentieth century prompted state agencies to urge that public accountants should hold a university degree. However, this was not embodied in any regulation. Although there were some exceptions at the provincial level,<sup>12</sup> in general those who practised accounting in Argentina up until about the mid-1940s were not subject to any specific regulation or State control (Canales, 2018).

From 1943 to 1945, Juan Perón, the first secretary of labor and social welfare, strongly influenced the ruling military regime. In 1944, Perón bolstered his popularity by introducing measures that appealed strongly to the working class and unions in a form of *inclusionary* corporatism (Stepan, 2015). He extended the social security system, protected urban workers against unfair dismissal, and raised retirement benefits (Mouzelis, 1985). Additionally, to win labor support, Perón suspended the unpopular *Law of Professional Associations*. This law was ‘heavily oriented toward constraints’ (Collier & Collier, 1979) because it ‘allowed the State an extensive say in union affairs’ (Mouzelis 1985, p. 69). In 1945, Perón re-introduced a (revised)

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<sup>11</sup> Other diploma courses were in public translation, public calligraphy, and mercantile practice. See <https://www.economicas.uba.ar/institucional/>, accessed on 26 April 2019. In 1926, the congress of accountants held at this Faculty established the Federation of Graduates in Economic Sciences.

<sup>12</sup> The accounting profession was regulated in 1939 in Santa Fe (Law 2844) and in 1941 in Cordoba (Law 3911).

*Law of Professional Associations*. This attracted overwhelming labor support because it increased the levels of inducements for organized labor bodies while keeping the level of constraints almost unchanged (Collier & Collier, 1979).

Also in 1945, Decree-law 5103 demonstrated how State-labor relations were instrumental in the professionalization of accounting. Decree-law 5103 entitled holders of an economic sciences degree to practise as a public accountant<sup>13</sup> provided they were registered as a public accountant in one of the regional professional councils in economic sciences (CPCE- *Consejo Profesional de Ciencias Económicas*). Decree-law 5103 also allowed those who did not hold a university degree to be classified, in some circumstances, as ‘an accountant’. Such allowance was a corporatist pre-requisite for a professional association to be granted a monopoly by the State (Ramirez, 2009; Edwards, Anderson, & Chandler, 2005). Perón’s reforms in 1945 were prompted by the lobbying of accountants, the need to unify provincial regulation of public accountants, and community concern that only registered professionals should approve financial statements (Garrido Casal, 2010).

Perón’s regime regarded organized labor interests (such as those of trade unions and professional associations) to be a fundamental pillar of Argentine society (Buchanan, 1985). During Perón’s tenure as President between 1946 and 1955, the unionized workforce increased substantially, from 500,000 in 1946 to 2.5 million in 1951. This was mainly because ‘Perón managed to draw into the trade union movement the growing mass of labour moving from the countryside to the cities’ (Mouzelis, 1985, p. 69). Perón’s corporatist regime enacted legislation giving the State exclusive right to recognize unions and professional associations

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<sup>13</sup> The decision to include accounting in the domain of economic sciences is not surprising, given the Spanish colonial influence in Argentina. As with Spain, Argentina had a long tradition of regarding accounting to be part of the discipline of economic sciences.

(one per industry). Thus, he granted each profession legal recognition by the State. Generally, in the incorporation period (1943 to 1955), inducements increased to high, while constraints remained low (Collier & Collier, 1979).

From 1958 until 1975, the level of constraints for the labor movement increased but inducements remained high (Collier & Collier, 1979). This can be explained by the determination of governments of the period to repress powerful Peronist-backed unions whilst simultaneously trying to mollify them.

In 1959, the Fifth National Convention of CPCEs endorsed the idea of establishing a coordinating commission for the CPCEs. This decision was ratified in 1966 at the Eighth National Convention of CPCEs. In 1972, the CPCE Coordinating Commission laid the groundwork for the foundation of the Argentina Federation of Professionals Council of Economic Sciences (FACPCE). This national non-State body was created in 1973 by Law 20488 to 'exercise control over the professional practice of graduates in economics' (Aquel & Miletti, 2011, p. 8).<sup>14</sup>

In 1973, Péron returned from exile. However, he was precluded from nominating for office at the general election in March of that year. His proxy, Dr. Hector Cámpora, was elected President. Cámpora's government followed traditional Peronist economic policy and was committed to redistributing wealth. In Cámpora's first months in office, escalating economic, social and labor-related unrest led to Perón assuming the presidency in September 1973. Perón promoted national reconstruction and was committed to achieving political stability through an alliance of business and labor. Peron's charisma and his past record of pro-labor policies helped him maintain working-class support.

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<sup>14</sup> Currently, the FACPCE supervises the [now] 24 Regional Councils (CPCEs) of the economic sciences profession. <https://www.facpce.org.ar/institucional.php>

The new economic and political environment under Perón led to self-reinforcing sequences of the path dependence of accounting professionalization. Thus, Law 20488 (previously mentioned) not only united the CPCEs through the formation of the FACPCE, but it reinforced the requirement that only graduates in economic sciences (defined to include economics, management, accounting and actuarial studies),<sup>15</sup> and who had first registered with a CPCE, could offer professional services as an accountant. Law 20488 specified the required knowledge base of public accountants<sup>16</sup> and established severe penalties for those who practised as a public accountant without a degree or who practised with such a degree but without having registered with a CPCE (Canales, 2018). In 1973, the FACPCE was granted the right to issue accounting and auditing standards through the Argentine Accounting and Auditing Standards Board. Although legal provisions created the FACPCE and the CPCEs, these bodies were independent of the State in political, administrative and economic terms.

Exhibit 1<sup>17</sup> compares the pattern of inducements and constraints observed by Collier and Collier (1979) with the pattern of accounting professionalization we observe. This reveals that the critical juncture period of incorporation of labor in Argentina was 1943 to 1945, when the strong rise in the level of inducements (X axis) outstripped the rise in the level of constraints (Y axis). Accounting professionalization was regulated in 1945 with the passage of Perón's revised *Law of Professional Associations* and the issuance of Decree Law 5103 in a context of inclusionary corporatism. This coincided with the end of the critical juncture period of labor incorporation. It invites a conclusion that laws pertaining to the incorporation of labor

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<sup>15</sup> From the composition of the Board of CPCE, we can see that a large majority of members are registered in the category of public accountants (Law 466/2010, arts. six and 11).

<sup>16</sup> This included competency in financial and cost accounting, financial reporting, taxation, auditing, company liquidation, and bankruptcy.

<sup>17</sup> To avoid confusion with our references to 'Figures' in Collier and Collier (1979), we describe these as 'Exhibits.'

influenced accounting professionalization (RQ1). The level of inducements for accounting professionalization appears to be associated with, but lag slightly behind, the level of inducements for the labor movement. However, the level of constraints for accounting professionalization is much lower (RQ2).

Exhibit 1 also shows that the timeline for accounting regulation is more stable than the timeline for labour regulation, suggesting that the regional and federation of accounting associations in Argentina were viewed more positively than unionized labor organizations. Such a conclusion is consistent with a neo-Weberian view that the accounting profession was perceived as a status group rather than a social class. The legacy of labor incorporation produced self-reinforcing sequences for accounting professionalization in 1973 (Law 20488) that still exist today (RQ3).

**Exhibit 1 about here**

**Title: Accounting Professionalization and Labor Law Compared in Terms of Inducements and Constraints: Argentina**

File: Exhibit\_Argentina\_12.03.2020.png

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*Brazil*

In 1930, Getúlio Vargas assumed the presidency of Brazil. His authoritarian corporatist ideology of *Estado Novo* (New State) 'harshly attacked the corrupt, selfish policies of the old landed ruling class ... rejected the liberal ideology on which the old system was based [and sought] ... social responsibility, and ... centralized national authority' (Erickson, 1979, p.153). As part of this New State ideology, Vargas 'enacted a corporative labor code ... to represent and control labor and employers' (Erickson, 1979, p. 153). He dismantled existing labor law and instituted a state-controlled system of labor representation to pre-empt a perceived communist threat (Collier & Collier, 1979). Vargas wanted to put Brazil's 'working class in a situation of utter dependence on the state ... pre-empt the formation of a more autonomous

labour force, minimize industrial conflicts, and lock its workers into a vicious cycle of dependence' (Yee, 2012, pp. 429-30, drawing on Cohen, 1982). His commitment to a policy of industrialization and import replacement increased demand for better-trained and more sophisticated accountants (Agrizzi & Sian, 2015; Rodrigues et al., 2011).

In 1931, through Decree 20158, Vargas reformed commercial studies. He introduced regulations to help the New State establish and monitor the accounting profession. This was part of a broad policy agenda to impose stronger constraints on unions and associations. Henceforth, they needed State approval to be established. Additionally, delegates from the Ministry of Labor, Industry and Commerce were now required to attend the meetings of unions and associations and to examine their books. Offsetting these constraints were inducements. These included promising to consult with associations and unions about social and economic issues, permitting unions and associations to apply for government financial assistance, and granting them authority to collect membership levies (Agrizzi & Sian, 2015).

In 1932, Decree 21033 was introduced in response to lobbying by prominent members of the accounting profession following the Second Congress of Brazilian Accountants held earlier that year. Decree 21033 changed the relationship between the State and the accounting profession fundamentally. The decree required accounting books and documents to be signed by a certified accountant in order to acquire legal status. The decree also declared that certification as an accountant would be restricted to the following persons: a graduate of an authorized school of commerce, a holder of a diploma validated by the Superintendent of Commercial Education, a qualified bookkeeper, a teacher of accounting at a school of commerce, an author of accounting studies considered important by the Advisory Board of Commercial Education, or a current or former accounting practitioner. Decree 21033



was ‘a move towards raising standards for newcomers to accountancy, and therefore potentially [to] future occupational status...’ (Agrizzi & Sian, 2015, p. 67).

In the labor incorporation period, 1930 to 1945 (Collier & Collier, 2002), the political system was one of State corporatism (as evidenced by Decrees 20158/1931 and 21033/1932) and of ‘mutual convenience in which the State offered patronage in exchange for political support to maintain the extant status quo’ (Agrizzi & Sian, 2015, p. 68). In 1943, Vargas introduced a system of ‘official unions.’ This ‘gave the government virtual control of labor for almost fifty years’ (Chaffee, 2012, pp. 416-417). In September 1945, Vargas endorsed the offering of the first university degree in accounting and actuarial sciences (Decree 7988). This move prompted Brazilian accountants to seek regulation of the accounting profession and the creation of an accounting association (Agrizzi & Sian, 2015; Rodrigues, Pinho, Bugarim, Craig, & Machado, 2017).

With the end of Vargas’s regime in October 1945, the level of inducements fell. This undermined the political link between the labor movement and the State. However, in 1946, after protests by labor leaders, some inducements were restored (Collier & Collier, 1979). Decree 9295 of 1946 sanctioned the establishment of a national professional accounting association (Agrizzi & Sian, 2015, p. 68) comprising a professionally sponsored Federal Council of Accounting (CFC) and a network of professionally sponsored Regional Councils of Accounting (CRCs).<sup>18</sup> The CFC and the CRCs were intended to collaborate to enforce legal requirements applying to the accounting profession. Such a function was consistent with the policy of a State corporatist government to create official agencies to regulate and supervise professions (Rodrigues, Schmidt, & Santos, 2012). Agrizzi and Sian (2015, p. 69) observe that

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The CFC and CRCs are part of the indirect administration of Brazil (*autarquia federal*). Their employees are classified as public servants.

‘under Vargas the syndicates flourished, seemingly as a means of rooting the regime’s power. However, in reality allowing the syndicates access to power also planted the seeds that would eventually grow into the movement for national association.’

Decree 9295 of 1946 also established the credentials accounting professionals were required to possess. For accountants (*contadores*) this was a university accounting degree; for accounting technicians (*técnicos de contabilidade*) it was a commercial high school degree; and for bookkeepers (*guarda-livros*) it was practical experience. Accountants had to be registered by one of the CRCs. However, one constraint was that the government retained the right to choose the president of the CFC. The government exercised this right when it chose an accountant and politician, Senator Paulo Lira Tavares, to be the first president of the CFC (1946-1955) (Rodrigues et al., 2012).<sup>19</sup> Representatives of the regional syndicates of accounting led the movement and appointed the first CFC committee members (Agrizzi & Sian, 2015).

During the presidency of Juscelino Kubitchek between 1955 and 1963, Brazil experienced significant economic growth. In 1958, a *self-reinforcing sequence* of accounting professionalization arose in the legacy period when Kubitchek’s populist regime established a new profile for members of the accounting profession (Law 3384). Henceforth, the profession was considered to comprise accountants (*contadores*) and accounting technicians (*técnicos de contabilidade*). The standalone category for bookkeepers was abolished. Former bookkeepers were henceforth to be included in the ‘accounting technicians’ category.

In 1964, a military coup ousted the populist government of President João Goulart. Fifteen years of bureaucratic authoritarian rule followed, characterized by strong wage

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<sup>19</sup> He had lobbied strongly with his father, João Lira Tavares (also an accountant and Senator) for regulation of the accounting profession.

controls and the 'intimidat[ion] of unions [and professional associations] into silence' (Needler, 1977, p. 33). The intent of such policy was to achieve economic growth by reducing labor costs. Although the level of constraints increased slightly, so too did the level of inducements (Collier & Collier, 1979).

In the 1980s, the Brazilian economy stagnated, afflicted by high levels of inflation. In 2002, increased union militancy led to the election, as President of Brazil, of the Workers' Party leader, Lula da Silva, and his re-election in 2006. Da Silva's populist government propagated a modern form of corporatism by seeking to increase consultation levels through neo-corporatist structures that helped members of society articulate their position with government on various matters (Doctor, 2007).

Brazil adopted International Financial Reporting Standards (IFRS) in 2010. Soon after, a *self-reinforcing sequence* of accounting professionalization appeared. Law 12249 required that, from 2015 onwards, registration as an accountant would be restricted to graduates holding a bachelor's degree in accounting recognized by the Ministry of Education. Persons registered as accountants were required to have passed the professional entry exam set by the CFC and to be a registered member of a CRC. The CFC was given the prerogative to require continuing professional development education for accountants, to issue accounting standards that would apply in Brazil, and to require individuals to successfully complete entrance exams supervised by the profession.

Soon after Jair Bolsonaro became president of Brazil on 1 January 2019, he began implementing a political agenda of economic liberalism. On 23 May 2019, Bolsonaro's government proposed a constitutional change that, if accepted, would terminate the corporatist legacy of the accounting profession. Bolsonaro proposed that the CFC and CRCs should become private entities. He also proposed that their membership should not be legally

required, that professional activities should not be legally restricted, and that employees of the CFC and CRCs should no longer be deemed public servants. In October 2019, the CFC countered by proposing that any constitutional amendment should ensure that existing CFC/CRC bodies were maintained, together with their annual fees, professional entry exams, and the supervisory powers.

In summary: a State corporatist labor code (Decree 21033), issued in 1932, started a period of fundamental change, or a critical juncture, in the relationship between the State, labor and the accounting profession. This led to the creation of the CFC/CRCs and compulsory registration as an accountant in 1946. Exhibit 2 shows that the level of inducements and constraints of accounting professionalization in the years around the critical juncture period were associated closely with the inducements and constraints of labor incorporation, and that this happened in the same period (RQ1). Furthermore, the rate of growth in the level of inducements and constraints for the labor movement and accounting professionalization was similar, and increasing (RQ2).

As with Argentina, the movement in inducements and constraints over time for accounting professionalization has been more stable than that for the labor movement. The level of inducements for accounting professionalization increased over time, possibly because accountants were protagonists and lobbyists within the machinery of State, and because their 'infiltration (co-optation to government agencies for long periods of time) was common practice for technical personnel' (Agrizzi & Sian, 2015, p. 70). The level of increase in inducements over constraints in respect of accounting professionalization was greater than for the labor movement after 1958. This seems to confirm the well-regarded social status held by members of the accounting profession.

The legacy of accounting professionalization has been a stable and enduring pattern of inducements. These were introduced through self-reinforcing sequences of Decree 3384 in 1958, and Law 12249 in 2010. In the early 2020s, Bolsonaro's government is challenging the Brazilian accounting profession (and all the other professions) by endeavouring to expunge the legacy of State corporatism (RQ3).

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**Exhibit 2 about here**

**Title: Accounting Professionalization and Labor Law Compared in Terms of Inducements and Constraints: Brazil**

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*Colombia*

Professor Kemmerer (Princeton University, USA), an adviser to several Latin American governments between 1923 and 1930, led missions to Colombia (1923 – 1930) and Chile (1925). These missions offered advice on 'projects for central banks and a new monetary law, plans for the supervision of banks and the governmental budget, and schemes to improve the collection of taxes, make the tariff system more efficient, and oversee railroad administration' (Seidel, 1972, p. 542). Kemmerer's missions encouraged some international auditing firms to establish themselves in Latin America from about 1930. His mission to Colombia is claimed to have stimulated (indirectly at least) the development of the accounting profession in subsequent years (Valenzuela, 2015).

In 1930, the liberal government of Colombia began a series of modernizing social and economic transformations (Maldonado & Caballero, 2017). The affinity that the leader of the Conservative party (Laureano Gómez) had with the Catholic Church cemented opposition to liberal government. In the 1930s, the Catholic Church and elite education institutions played a key role in introducing a form of corporatism to Colombia that was inspired by Oliveira

Salazar's New State in Portugal (Pinto, 2020). In 1931, as a response to the growth of joint stock companies, Law 58 included an inducement requiring company accounts to be audited by a tax auditor.<sup>20</sup> This was reinforced in 1935 by Law 73. This considered auditing to be a public interest occupation, and by a requirement of Decree 1946 that tax auditors be nominated by a shareholders' meeting.

In 1941, the title of 'certified accountant' (*contador juramentado*) was established (Decree 1357). This was at a time when the quality of accounting education was poor and the level of accounting professionalization was low (Martínez, 1993). In 1944, the governing Liberal Party's pro-labor wing began mobilizing the organized labor movement. This led to policies that emphasised inducements rather than constraints (Collier & Collier, 1979).

In 1945, a three-year bachelor's degree in commerce was offered at the National School of Commerce (Decree 126).<sup>21</sup> The curriculum was intended to provide the necessary knowledge to sustain a professional career in accounting. In the late 1940s, several transnational companies commenced operations in Colombia. This encouraged some multi-national foreign accounting and auditing firms to open offices in Colombia too (e.g., Price Waterhouse, Peat Marwick & Mitchell, and Deloitte Haskins & Sells) (Rocha & Martínez, 2016).

In 1946, a conservative party won elections and ruled the country after sixteen years of liberal government. In 1950, the corporatist Laureano Gomez was elected president. The creation of a National Department of Planning prompted advice that the government should extend the period of an accountant's training to three or four years to improve the level of

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<sup>20</sup> In 1931, a labor law drafted by the ruling Liberal Party had almost equal levels of inducements and constraints (Collier & Collier, 2002).

<sup>21</sup> This school was founded in Bogotá in 1905 (Rocha & Martínez, 2016).

professional competence (Martínez, 1993).<sup>22</sup> In 1951, the government responded by reforming commercial education, offering programs for accounts technicians and certified public accountants, and re-constituting the National School of Commerce as the National Faculty of Accounting (Decree 356). In the same year, the National Institute of Public Accountants (NIPA) was established. In 1952, the National Constituent Assembly founded the Colombian Academy of Public Accountants (CAPA). This period of significant change in the early 1950s led to a *critical juncture* in the professionalization of accounting in the ensuing years.

In 1953, after mounting a *coup d'état*, the dictator General Rojas Pinilla became President. Pinilla addressed Colombia's social problems by implementing a range of corporatist policies similar to that of Perón (in Argentina) and Vargas (in Brazil) (Murgueitio Manrique, 2005). In 1956, consistent with corporatist principles, Decree-Law 2373 eliminated confusion about the respective roles and identities of the National Union of Public Accountants (an officially sanctioned body established earlier in the year) and the previously established but non-sanctioned associations (NIPA and CAPA). Decree-law 2373 regulated the accounting profession by creating a Central Board of Accountants (*Junta Central de Contadores* – known as JCC). It promulgated the type of professional qualifications an accountant should hold, and required all practising professional accountants to be registered with the JCC. In effect, the JCC was an agency of State. Its board was composed of the Minister of National Education, the Superintendent of Corporations, the Banking Superintendent, and

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<sup>22</sup> It was not until 1962 that a four-year degree was offered (Decree 2116).

two representatives of accounting associations. Such a composition reflected the high dependence of the accounting profession on the State.<sup>23</sup>

In 1960, Law 145 was a *self-reinforcing sequence* of professionalization. This law specified that practical experience alone was insufficient for recognition as an accountant. Rather, registration as an accountant would only be granted to holders of a bachelor's degree in accounting or economics (with passes in specified accounting subjects). Law 145 strengthened the professionalization of accounting by giving the accounting profession more status in society (Forero & Dávilla, 2011).

In 1971, a new Commercial Code was a constraint to accounting professionalization because it restricted auditors from auditing more than five public limited companies (Decree Law 410, Art. 151). This restriction generated considerable unrest in the accounting profession. It created friction between self-styled 'universalist' accountants and self-styled 'nationalist defenders of the profession.' In 1971, the first National Congress of Certified Accountants in Colombia lobbied government unsuccessfully for the repeal of this constraint on auditing. In 1973, the third Congress of Certified Accountants discussed the high level of constraints imposed by what they deemed to be 'nationalization of the accounting profession.' The Congress lobbied the government to relax some constraints, but it was unsuccessful.<sup>24</sup>

In 1990, a *self-reinforcing sequence* of professionalization occurred with Law 43. This required accountants to comply with an ethical code,<sup>25</sup> ratified the continued operation of

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<sup>23</sup> In following years, as university-based teaching of accounting developed, the JCC was expanded to include a representative of the Colombian Association of Universities and the Dean of the National Faculty of Accounting and Economic Sciences.

<sup>24</sup> <https://www.gerencie.com/origen-y-desarrollo-de-la-contaduria-en-colombia.html>

<sup>25</sup> This code required accountants to be considered as public servants if they committed crimes. Any Dean of a Faculty of Accounting, or a consultant to government on accounting issues, was required to be a certified accountant.



the JCC (established in 1956), and provided for the formation of a new body, the Technical Council of Certified Public Accounting (TCCPC). The TCCPC was 'responsible for the technical and scientific orientation of the profession and for the investigation of accounting principles and auditing standards generally accepted in the country' (Law 43/1990, Art. 29). Members of the TCCPC were required to be Certified Public Accountants and to have at least 10 years of accredited professional experience. The occupational status of the board's eight members reveals the potential for the State to exert influence and control.<sup>26</sup>

The JCC was given the additional responsibility of ensuring the accounting profession operated ethically and legally.<sup>27</sup> To strengthen government control of the JCC, and the level of its dependence on government entities, the number of members was increased to nine, with the inclusion of the National Superintendent of Health, the Accountant-General and the National Tax Director.<sup>28</sup> Employees of the Board were regarded to be public servants employed in the Ministry of Education. Additionally, Article 73 of Law 43 of 1990 established that the 'national government will issue norms ... that should avoid the imbalance between the number of certified accounting professionals and the demand for such professionals.' However, in 2000, Article 73 was considered unconstitutional. Thus, the government failed in its attempt to achieve 'professional closure' (Richardson, 1997) by controlling the recruitment of members to the profession.

In Exhibit 3, we present the pattern of inducements and constraints for labor law for Colombia from 1930 to 1945, based on Collier and Collier (1979, Figure 2). From the labor

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<sup>26</sup>The members are the Minister of National Education; President of the National Securities Commission; Superintendent of Companies; Banking Superintendent; two representatives of accounting academic bodies; and two representatives of accounting associations.

<sup>27</sup> <http://www.jcc.gov.co/> Accessed 4 April 2019.

<sup>28</sup> All members were required to be certified accountants, except the representative of the Minister of Education.

incorporation period (1930-1945) to the legacy period (1946-1980), inducements grew from low to medium, and constraints grew from medium to high. Based on this information, we provide a dashed inferred tendency line for the period from 1946 to 1980. The critical juncture of accounting professionalization appeared in 1956, in the legacy period of labor law, when constraints grew from medium to high. Thus, it lagged behind labor incorporation (RQ1), and it was influenced by the context of strong constraints.

Regulation of the accounting profession appeared under a corporatist dictatorship and relied greatly on government support. The critical juncture of accounting professionalization in 1956 was later than for Argentina and Brazil. This lag can be explained by the weak state of accounting education and of the accounting profession in Colombia in the 1930s and 1940s (Martínez, 1993).

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**Exhibit 3 about here**

**Title: Accounting Professionalization and Labor Law Compared in Terms of Inducements and Constraints: Colombia**

File: Exhibit\_Colombia\_12.03.2020.png

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The high level of constraints for accounting professionalization mirrored the high level of constraints in labor law (RQ2). Inducements for accounting professionalization increased only slightly. In effect, the State gave status to the accounting profession but deprived it of power — as it did with other associations who were struggling for professional autonomy and jurisdiction. The State's actions were tantamount to nationalization. Accounting professionals had to 'negotiate for professional autonomy with the government, a powerful "client" ...[whose]... power has a potential to restrain professional power' (Mihret et al., 2012, p.1224). Despite the efforts of professionals to reduce the level of constraints, the self-

reinforcing sequences that appeared in 1969 (Law 145) and 1990 (Law 43) kept the same pattern of constraints (RQ3).

### *Overview*

In periods of corporatism in each of Argentina, Brazil and Colombia, we observe *critical junctures* and *self-reinforcing sequences* of accounting professionalization. In Argentina, accountants needed to be registered in an economic sciences association that included other professionals. The accounting profession depended on the State to require compulsory registration and monopoly representation. The bodies responsible for registration (the CPCEs and the FCPCE) are not part of the indirect administration of the State, unlike the situation in Brazil and Colombia.

In Brazil, the accounting profession does not depend on the State to operate on a daily basis and its governing bodies now are composed only of accountants. But the CFC and CRCs in Brazil are part of the indirect administration of the State.

In Colombia, the accounting profession is highly controlled by the State and its governing bodies are comprised of a majority of members of government. Professional autonomy is difficult to exercise. The level of constraints and inducements observed in the labor movement seemed to influence accounting professionalization. Except for Colombia, the ratio of inducements/constraints is generally more positive for accounting professionalization than for the labor movement.

### **Countries with non-compulsory registration of accountants: Chile and Mexico**

#### *Chile*

The labor incorporation period began in 1920 following the election of Arturo Alessandri, a populist, as President (Collier & Collier, 2002). In 1924, Alessandri began a program of labor law reform. In 1925, faced with strong community demands to reduce the power of the

middle class and elites, he reformed the Chilean constitution to promote growth of an organized labor movement and socialist political parties. In 1931, Carlos Ibanez, a government minister with strong corporatist sympathies, proposed a Labor Code (Wiarda, 1978).

Alessandri's election to a second term in 1932 heralded almost 40 years of uninterrupted democratic rule during which Chile's political parties developed distinctive policies regarding the rights of organized labor. Right-wing parties opposed labor rights, centrist parties pledged support, and left-wing parties offered very strong support.

In 1932, the significant changes included in Law 5102<sup>29</sup> represented a *critical juncture* in the development of accounting professionalization.<sup>30</sup> One change was to establish a National Registry of Accountants. This united the profession. In the ensuing decade, Chile followed a relatively 'balanced pattern of inducements and constraints and moved to a high level of each' (Collier & Collier, 1979, p. 974).

In 1958, Law 13011 was a *self-reinforcing sequence* of accounting professionalization. It created the Association of Accountants of Chile (*Colégio de Contadores*) (CCC) as a public legal entity and required any person holding the title of 'accountant' to be registered by the *Colégio* (Article 3).<sup>31</sup> This development was unsurprising because the CCC arose from lobbying by accountants who wanted the imprimatur of professional association membership to help them be more effective in dealing with state agencies and be more likely to gain favorable rulings (Valenzuela & Valenzuela, 1979, p. 245).

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<sup>29</sup> This law was promoted by a populist movement that 'gained significant working-class bases by attracting the support of the country's legal unions' (Valenzuela & Valenzuela, 1979, p. 243).

<sup>30</sup> In the census of 1930, 3185 persons described themselves as accountants (Serrano & León, 2018).

<sup>31</sup> A practising accountant was considered as one who has registered the title in the General Register of Accountants and has paid the annual registration fee.

A *coup d'état* in 1973 led by General Augusto Pinochet overthrew the democratically elected multi-party socialist government of Salvador Allende. Pinochet's repressive right wing military regime adopted strong anti-labor policies that endured until 1989. Thus, the 'system of inducements and constraints [that existed in 1973] was superseded by a stage of siege' (Collier & Collier, 1979, p. 974). Pinochet imposed a radical program of free market economic restructuring and undid the highly corporatist pre-existing system (Collier, 1995). Pinochet enforced a neo-liberal ideology to eradicate State-led development and Marxism. He promoted economic *laissez faire* as the engine of growth, conducted a radical privatization program, and adopted policies that led to the 'emasculatation of organized labor' (Silva, 2012, p. 466).

In 1981, as part of Pinochet's reform agenda, all professions in Chile were de-regulated. This ended the legacy period. Pinochet's Decree-law 3621 was a *reactive sequence* because it no longer required accountants to be registered<sup>32</sup> and it directed the CCC to append the letters A.G. (meaning *Asociación Gremial* or non-profit association) to its official name. Membership of the CCC fell from about 24,000 in the early 1980s to 3,900 in 2017.<sup>33</sup> In 1984, the growth of a powerful opposition movement and stronger centrist political parties prompted the formation of a new association of accountants: the National Association of Chilean Accountants.

Since the overthrow of Pinochet's regime in 1989, Chile has been served by a succession of centre-left governments. Each of these has failed to make much progress in labor code

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<sup>32</sup> In Ecuador de-regulation of accounting also appeared in the same period (personal correspondence between the first author and the President of the *Federación Nacional de Contadores del Ecuador*, 14 March, 2019).

<sup>33</sup> <http://lanacion.cl/2017/07/21/colegio-de-contadores-es-necesario-que-exista-una-ley-del-contador-profesional>. Accessed 4 April 2019.

reform or in softening Pinochet's harsh anti-union laws. Although a new civilian government in 1990 restored some corporatist provisions, there has been no return to the traditional Chilean system of high corporatism (Collier, 1995). The legacy of Pinochet's repression has been that strike laws are weak, collective bargaining rights are restricted, and union membership is low. Nonetheless, the labor movement has become more militant and has recently developed greater political traction (Silva, 2012).

In July 2017, the CCC proposed that the government legislate to require registration as an accountant.<sup>34</sup> However, passing such legislation is complicated by a provision Pinochet introduced to the Chilean Constitution in 1980 (Article 19, no. 15). This established that 'No one can be forced to belong to an association.' This constitutional provision is a major *reactive sequence* to the regulation of professions in Chile. Changing the constitution requires a qualified majority in the Parliament — something that is not achieved easily. Thus, even if members of a professional group agree to compulsory membership and registration, it is highly probable they will be thwarted by constitutional requirements. Currently, the CCC is comprised of a National Council of 16 persons, selected by the 15 Regional Councils. Councillors must hold an accounting degree recognized by the Chilean State. The CCC is the sole standards-setter for generally accepted accounting principles and auditing standards in Chile. It is fighting to achieve legal backing for compulsory registration of accountants.

Labor incorporation occurred between 1900 and about 1930 (Collier & Collier, 2002). Exhibit 4 shows that labor incorporation led to a *critical juncture* of accounting professionalization in 1932 (RQ1). Chile moved to a high level of inducements and constraints

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<sup>34</sup> <http://lanacion.cl/2017/07/21/colegio-de-contadores-es-necesario-que-exista-una-ley-del-contador-profesional>. Accessed 4 April 2019. The President of the CCC claimed that most the unethical practices were engaged in by non-registered accountants (personal correspondence between the first author and the President of the CCC, 14 March, 2019).

over time in both labor incorporation and accounting professionalization (RQ2). In 1958, Law 13011 was a *self-reinforcing sequence* that led to the creation of the CCC. The legacy of compulsory registration of accountants finished in 1981 when *reactive sequences* developed against labor laws.

In Chile, labor was repressed under Pinochet's rule. However, we found no evidence that accountants were repressed in this period. Reductions in the level of inducements for accounting professionalization were accompanied by reductions in the level of constraints. This is consistent with a neo-Weberian view of accounting professionals that regards them to comprise a status group, which should not be repressed. Although liberal governments have tended to regard the accounting profession as important in dealing with the regulation of the economy (Richardson, 1989), registration as an accountant (which was compulsory in Chile from 1932 to 1981) is no longer compulsory in 2021. This challenges the hypothesis that the regulation of accounting profession, once achieved, is temporally enduring (RQ3).

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**Exhibit 4 about here**  
**Title: Accounting Professionalization and Labor Law Compared in Terms of  
Inducements and Constraints: Chile**  
File: Exhibit\_Chile\_12.03.20.png  
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### *Mexico*

In 1845, the first Mexican business school was established in Mexico City by the Court of Commerce (Suh & Minaburo, 2011), with accounting (including bookkeeping) as part of its curriculum (Mancera, 1962). Between 1876 and 1910, national governments led by the dictator Porfirio Diaz recognized the need for a better education system to sustain Mexico's economic development and modernization. In 1905, as part of a drive to modernize, the Higher School of Commerce and Administration commenced a business accountancy degree.

The first student awarded such a degree was Don Fernando Diez. His graduation date, May 25, 1907 'is regarded as the birth date of the profession in Mexico' (Suh & Minaburo, 2011, p. 88).

By 1917, considerable growth in the number of accounting graduates encouraged a group of enthusiastic accounting teachers and former directors of the Higher School of Commerce and Administration to establish the Association of Certified Accountants. In 1923, this association changed its name to the Mexican Association of Public Accountants. Shortly afterwards it adopted the name Mexican Institute of Certified Public Accountants (MICPA) and was constituted as a non-profit organization (Mancera, 1962; Suh & Minaburo, 2011). During the Calles administration (1924-1928), demand for accountants increased, partly due to the establishment of the Central Bank of Mexico and the issuance of the first income tax law. In 1928, the National School of Commerce and Administration was founded, as part of the newly created National Autonomous University of Mexico (*Universidad Nacional Autonoma de México*, 1989, p. 111).

In 1931, a Labor Code was issued. This was resented by Mexico's labor leaders because 'it recognized and confirmed many of labor's earlier gains but it also locked labor in place and helped lead to its secondary position in the Mexican authoritarian-corporatist system' (Wiarda, 1978, p. 12). Mexican labor leaders reacted by successfully refusing some constraints (such as federal supervision of their records, finances and membership). Although they accepted the inducement of union recognition, they were unsuccessful in obtaining the inducement of compulsory membership (Collier & Collier, 1979, p. 970). Between 1934 and 1940, President Cárdenas was supported strongly by the working class. He made a strong effort to link unions and the peasantry to left-wing causes and to nurture the social roots of an authoritarian system (Collier, 1979). In 1937, Cárdenas's regime established the National



Polytechnic Institute and included in its structure the previous Higher School of Commerce and Administration (Cárdenas, 1990).

In 1945, the General Directorate of Professions (*Dirección General de Profesiones*) [DGP] was created as a government agency. It was responsible for the registration of professionals in all fields who held a university degree or a higher degree. In 1945, the *Regulatory Law on Professions* contained the State's directions regarding the constitutional arrangements and operating procedures of professional associations. However, it did not require compulsory registration. Practitioners in each profession could associate themselves in local 'Colleges' (Colégio) or professional associations (Mancera, 1962). This triggered the creation in 1949 of a new national association, the *Colégio de Contadores Públicos de México, A.G* [Colégio].<sup>35</sup> However, accountants' associations did not control public accountants' registration. This function was reserved exclusively for the universities, backed by the DGP (Wong-Boren, 1987). Following an extraordinary assembly meeting in September 1955, The Institute of Certified Public Accountants of Mexico deleted the adjective 'certified' from its title<sup>36</sup> and became the Mexican Institute of Public Accountants, A.G (IMCP). Professional registration and membership in the IMCP and *Colégio* was voluntary.

In 1959, a presidential decree gave some national recognition to the Mexican accounting profession by requiring taxpayers with a gross income over 10 million Mexican pesos to have their financial statements approved by a certified public accountant for tax purposes.<sup>37</sup> If company accounts were approved by a public accountant, companies could avoid audit by the tax authority. One effect of this decree provision was to increase membership in the

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<sup>35</sup> <https://www.ccpm.org.mx/nuestrocolegio/archivos/Nuestra%20Fundacion.pdf>

<sup>36</sup> <http://imcp.org.mx/quienes-somos/historia/> Accessed 4 April 2019.

<sup>37</sup> This provision was optional for taxpayers with a gross income below 10 million Mexican pesos.

country's provincial *Colégio*. Although the *Colégios* worked independently of the IMCP at this time (Wong-Boren, 1987), in 1965 15 *Colégios* agreed to affiliate with the IMCP. Despite this, 'the Mexican accounting profession lacked the importance and recognition of a solid profession' (Wong-Boren, 1987, p. 30). Currently, the IMCP is a federation of 60 *colégios*, representing approximately 20,000 affiliated members.<sup>38</sup>

The ICMP first issued accounting standards in 1967. This standards-issuing function is now delegated to an independent private body, funded by private donations, the Mexican Council for Research and Development of Financial Reporting Standards.<sup>39</sup> In 1999, to strengthen the operation of commercial treaties between Mexico and the USA, the IMCP<sup>40</sup> introduced a form of voluntary certification recognized in the USA — Certified Public Accountant (*Contador Publico Certificado* - CPC). Thus, whilst there are certified and non-certified members of the profession in Mexico, only CPCs can audit public interest companies.<sup>41</sup> CPCs must have minimum practical professional experience of three years and have passed an IMCP-prepared examination of specialized knowledge (see Abbott, 1988; Sian, 2006; Uche, 2002; Walker, 2004; Willmott, 1986; Yapa, 1999). Because this professional entry exam does not have State support, it can be regarded as an IMCP strategy to effect partial market closure (Chua & Poullaos, 1993; Evans, 2018).

The IMCP and *Colégio* serve the professional needs of members. They seek to improve the quality of the accounting profession and preserve its values. Mancera (1962, p. 23) highlighted an important difference between the two bodies: the IMCP is permitted to 'decide

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<sup>39</sup> <http://imcp.org.mx/quienes-somos/historia/> Accessed 4 April 2019.

<sup>40</sup> <http://imcp.org.mx/wp-content/uploads/2012/09/Reglamento-para-la-Certificación-Profesional-de-los-Contadores-Públicos.-2016.pdf> Accessed 4 April 2019.

<sup>41</sup> These are companies registered with the National Banking Authority, National Insurance Authority and Securities Market Commission.

which members to admit, whereas the *Colégio* is obliged by law to admit as a member anyone in good standing with the General Bureau of Professions [DGP]' (Mancera, 1962, p. 22). Thus, the professional status of members of the IMCP is greater than members of *Colégio*.

The incorporation period in Mexico began in 1917 (Collier & Collier, 2002) (see Exhibit 5). In a context of societal corporatism, labor leaders were not offered the inducement of compulsory registration because they refused constraints embodied in the Labor Code of 1931 (Collier & Collier, 2002, p.54). No *critical juncture* of compulsory registration emerged. The IMCP only achieved partial social closure because *Colégio* were required by law to accept all accountants recognized by the DGP (RQ1). There was a low level of constraints for labor incorporation and accounting professionalization (RQ2). Although the ratio of inducements/constraints has been greater for accounting professionalization than for the labor movement, the increase in this ratio over time has been very low. Despite some attempts to achieve market closure by the IMCP, the level of inducements is still low. This corroborates the view that the Mexican accounting profession has not yet been recognized as a major profession.

Although the DGP and the *Regulatory Law of Professions* in 1945 affected all professions, no specific regulations were promulgated that affected the accounting profession. Thus, accounting in Mexico can be characterized as mainly a self-regulated profession (RQ3).

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**Exhibit 5 about here**  
**Title: Accounting Professionalization and Labor Law Compared in Terms of Inducements and Constraints: Mexico**  
File: Exhibit\_Mexico\_12.03.2020.png  
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## Discussion

The preceding comparative analysis highlights different patterns in the development of accounting professionalization in Latin America. In this part of the world, the status of professionalization is achieved mainly when the State recognizes the public interest of accounting activities. Inclusionary and State corporatist regimes tend to support the public interest of the accounting profession. Liberal regimes tend to support societal corporatism, and take the view that the State should not interfere.

Exploration of corporatist contexts in terms of inducements and constraints helps to develop a better appreciation of how accounting professionalization developed in Argentina, Brazil, Colombia, Chile and Mexico. In a context of corporatism, the levels of inducements and constraints for accounting professionalization followed patterns similar to those evidenced for the inducements and constraints for the organized labor movement. However, with the exception of Colombia (whose accounting profession was, in effect, nationalized), the excess of inducements over constraints has generally been more favorable to accounting professionalization than to the labor movement. This lends support to a neo-Weberian view that the accounting profession was regarded as a status group rather than a social class. Such a view reflects the major role that accounting professionals play in contemporary society in helping to implement tax policy, manage government spending, and audit the affairs of government (Burchell et al., 1980; Richardson, 2017; Willmott, 1986).

Critical junctures in labor incorporation occurred at about the same time as critical junctures in accounting professionalization in each of Argentina, Brazil and Chile. In Colombia, the critical juncture in accounting professionalization lagged behind labor incorporation, probably because of the weakness of Colombia's accounting education system in the 1930s and 1940s. We find no critical junctures of State accounting regulation in Mexico. Generally,

significant developments in labor law preceded developments in the regulation of the accounting profession (RQ1).

Some corporatist provisions bestowed advantages (inducements) for the formation and operation of labor bodies and professional organizations (Collier & Collier, 1979). In Argentina, Brazil, Colombia, and Chile, corporatist inducements were important in attaining compulsory registration of accountants, monopoly representation by a professional body, and market closure. However, generally a higher level of inducements was also associated with a higher level of constraints (Argentina is an exception). In Mexico, where labor leaders successfully refused constraints, the inducements of monopoly representation and compulsory membership were not granted, and no market closure ensued (RQ2).

In Brazil, the accounting profession benefited from self-reinforcing sequences of professionalization and path dependence. In Chile, the accounting profession de-regulated when corporatist policies were replaced by liberal policies that repressed the labor movement. ]. In Argentina, Brazil and Colombia, the accounting profession benefited from inclusionary and State corporatism that led to self-reinforcing sequences of professionalization and path dependence. However, in Chile, the accounting profession de-regulated when corporatist policies were replaced by liberal policies that repressed the labor movement [RQ3]. Such an outcome is consistent with theoretical expectations that the organized labor movement and State-labor relations in Latin America have been pivotal in the professionalization of accounting.

Corporatist groups representing members of the professions in Brazil, and particularly in Colombia, were 'created by and kept as auxiliary and dependent organs of the state' (Schmitter, 1974, p.102; see top right quadrant of Exhibit 6). In Colombia, the relationship between such groups and the State shifted power towards the State to such a degree that

‘corporatism [was] simply transformed into a system of state domination of groups’ (Collier, 1995, p. 139).

In Argentina, although the accounting profession was created and regulated by the State (Exhibit 6, bottom right quadrant), regional and national accounting associations are not dependent organs of the State. In Mexico (Exhibit 6, bottom right quadrant), power shifted toward groups representing members of the accounting profession to such a degree ‘that central coordination, an essential attribute of corporatism, [was] lost or [was] fundamentally weakened’ (Collier, 1995, p. 139). Despite accounting having been de-regulated in Chile under the rule of Pinochet, the accounting profession was not repressed (contrary to the case with labor organizations). Thus, no country appears in the top left quadrant.

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**Exhibit 6 about here**

**Title: Accounting Professionalization Compared in Terms of Inducements and Constraints: All countries**

File: Exhibit\_AllCountries\_12.03.2020.png  
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The pattern of regulation leading to accounting professionalization has differed between Argentina, Brazil, Colombia, Chile and Mexico. To appreciate fully how professions are created, reproduced and altered in national contexts (Puxty et al., 1987), we need to study their political and social contexts. We also need to have a broader awareness that professional accounting associations derive power from continuously securing, from the State, the right to control the supply of, and influence the demand for, accounting labor.

This paper contributes by opening a new line of enquiry in accounting professionalization: that is, how ‘national labour relations policy’, or more specifically, ‘State-generated inducements and constraints for an organized labour movement’ can affect accounting regulation. Second, the paper contributes to accounting professionalization by conducting a

multi-State comparative analysis in a part of the world that is chronically under-explored in the accounting literature. Third, the paper cites the experience of Chile to challenge the ‘temporal endurance’ hypothesis because the professional status that the accounting profession had achieved in Chile was lost with de-regulation.

An additional contribution is that three propositions emerge from this study to motivate and inform future research. First, that in seeking to understand the phenomenon of professionalization, it is crucial to appreciate the patterns of relationship between the State and professions — particularly the ‘interplay between state initiatives that constitute inducements and those [that] impose constraints on groups’ (Collier, 1995, p. 156). Second, that the strategic choice made by leaders of a profession in the face of inducements and constraints in corporatist States can also be explained by the varying degrees of involvement they have with, or the independence they have from, the State. Third, that understanding of the phenomenon of professionalization is likely to be enhanced by a concomitant understanding of the *critical junctures, self-reinforcing sequences or reactive sequences* involved.

The comparative perspective adopted here highlights different patterns in the development of accounting professionalization. Future research could focus beneficially on more in-depth analysis of the individual countries explored here. Additionally, it would be instructive to examine whether market closure of a profession in other Latin American countries, and in other parts of the world, can be explained by the relationship between the State and a profession. Specifically, enquiry could be directed at determining whether market closure can be explained by the level of corporatist inducements and constraints, the strategic choices of political and professional leaders in respect of inducements and constraints; and by the ambient context, *critical junctures, self-reinforcing sequences or reactive sequences*

involved. Future study could beneficially explore the following two matters in other settings. First, whether inducements for accounting professionalization lagged behind, and were more stable than, inducements for the organized labor movement; and second, whether the ratio of inducements to constraints was more positive for accounting professionalization than for the organized labor movement.

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