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THE EVOLUTION OF THE ACCOUNTING PROFESSION IN PORTUGAL FROM 1755

by

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THE EVOLUTION OF THE ACCOUNTING PROFESSION IN PORTUGAL FROM 1755

Abstract

This paper introduces some significant historical milestones in the regulatory development of the Portuguese accounting profession. It does so with a view to providing a facilitative foundational bedrock of knowledge upon which further analysis and critique can be undertaken. Five developmental periods since 1755 are identified: (i) *Corporatist Absolute Monarchy* (1755 - 1820) (ii) *Liberal Monarchy* (1820 - 1890) (iii) *Waning Liberalism and Rising Corporatism* (1891 - 1926) (iv) *Corporatist Dictatorship* (1926 - 1974) and (v) *Emerging Liberal Democracy and Neo-corporatism* (1974 until the present). The accounting profession's chequered history is analysed through episodes of regulation and de-regulation. These episodes are associated with the Portugal's ambient social, economic and political mood through a broad dichotomisation as either "corporatist" or "liberal". Associations between episodes of regulation and periods of "corporatism", and associations between episodes of de-regulation and periods of "liberalism", are highlighted. A better understanding emerges of factors instrumental in the recent emergence of a well respected and rapidly growing accounting profession in Portugal.

Key Words: Portugal, accounting, profession, history, corporatism, liberalism, regulation.

THE EVOLUTION OF THE ACCOUNTING PROFESSION¹ IN PORTUGAL FROM 1755

I. Introduction

For much of the period from about the fifteenth century to the first half of the seventeenth century, Portugal was one of the world's great colonial powers and the home of some great merchants and traders. In recent centuries, Portugal has been overshadowed by its stronger and larger neighbours, Spain, France, Holland and England, and it has languished in terms of economic influence and cultural development. But now, with the support of European Union [EU] initiatives, and prudent national economic management, it is developing at a rapid rate. An instrumental part of the force currently propelling Portugal has been an accounting profession that has developed considerably in status and performance in recent decades.

Despite the important role of the Portuguese accounting profession in the commercial infrastructure that is helping to drive economic activity, there has been little documentation of how the profession has evolved and matured, and about the significant formative influences involved. This paper seeks to fill that void by reviewing the regulatory development of the accounting profession in Portugal over the past two and a half centuries. To our knowledge it is the first paper, either in English or Portuguese, to address such a task. Consequently, we seek to provide a foundation upon which further understandings will emerge of how and why the accounting profession evolved in Portugal; and, to a lesser extent, of how accounting knowledge was propagated in Europe.

The reforms in 1755 of the Prime Minister, the Marquis of Pombal, are taken as an appropriate starting point for our analysis.² We divide the period since 1755 into five significant evolutionary developmental phases, labelled as follows:

- *Corporatist Absolute Monarchy* (1755 to 1820)

¹ Dick Edwards has drawn our attention to the difficulties in "pinning down exactly what a profession is" (private correspondence, 2002). Edwards argues that, in Britain, he "would certainly not call accounting a profession until at least around about the end of the nineteenth century". Edwards contends that what we chronicle in this paper, for a large part of the period under analysis, might best be described as a "professionalisation process" and not "the evolution of a profession".

² In 1755, a devastating earthquake struck Lisbon, killing an estimated 40,000 to 50,000 Portuguese (Tyson-Ward, 2002, p.21). It destroyed the commercial heart of Lisbon and much of the commercial record-keeping infrastructure in Portugal – for example, that maintained in the Customs House (Birmingham 1993, p.65).

- *Liberal Monarchy* (1820 to 1890)
- *Waning Liberalism and Rising Corporatism* (1890 to 1926)
- *Corporatist Dictatorship* (1926 to 1974) and
- *Emerging Liberal Democracy and Neo-Corporatism* (1974 to present)

Our labelling should be non-controversial. The terms used to describe these periods are consistent with those adopted commonly by writers of Portuguese history (for example, Birmingham 1993, Lloyd-Jones 1994 a, b, c).³ A chronological overview, summarising significant events in the development of accounting in Portugal is presented in the Appendix.

Our analysis proceeds by broadly classifying the ambient mood of Portugal in the period under review as consistent, in varying degrees, with the principles of “corporatism” or “liberalism”. But first, we wish to enter a caveat. Our “Corporatism/Liberalism” classificatory framework is not developed in exhaustive detail and requires further development. Nonetheless, it seems useful to introduce such a classificatory perspective in this paper. By doing so, we seek to demonstrate the insights that can be provided to the ebbs and flows and phases of development in a national accounting profession over a 250 year period. In settings classified as “corporatist”, we do not analyse the complexity of arrangements and the dialogue that may have taken place between the state and bodies representing accountants. This would require in-depth analysis of archival sources -- a task unmanageable in a single paper such as this, and one better suited to exploration in future research papers.

Corporatism

“Corporatism” is a term that “has been characterised by ambiguity, imprecision, and a liberal, rather undisciplined usage” (Molina and Rhodes 2002, p.306). Here, by “corporatism”, we mean 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). We regard corporatism as seeking “continuous and structured participation of interest organizations in policy-making ... and policy implementation” (Molina and Rhodes 2002, p.307). As Puxty *et al.* (1987, p.284) have pointed out, a corporatist state

³ Nonetheless, scholars who have attempted to identify phases in the historical development of accounting in Portugal have not agreed on an appropriate classificatory nomenclature. Carvalho *et al.* (2002), for example, draw upon an analysis of “the inventory of accounting books published in Portugal since the eighteenth century” to identify the following three phases: (i) Bookkeeping (until 1929) (ii) Patrimony (1929 to 1977) and (iii) Standardization (1977 to the present). Other developmental period schemas have been proposed by da Silva (1984) and Tua Pereda (1995).

...does not simply license the existence of organised interest groups but incorporates them into its own centralised hierarchical system of regulation. In doing so, the state simultaneously recognises its dependence upon these associations and seeks to use them as an instrument in the pursuit and legitimisation of its policies.

Thus, we regard the political apparatus established by Salazar in 1933 as corporatist: “the upper house or senate was replaced by the Corporative Chamber, a consultative body in which the main aspects of the nation’s life were to be represented; economic, professional and intellectual” (Livermore 1976, p.333). The interests of employers were to be drawn together in interest groups or associations known as *Federations*; employees’ interests were to be brought together through associations of *National Unions*; and the interests of the professions were to be effected through the formation of *Orders* of professionals (Livermore 1976, p.333).

Schmitter’s⁴ (1979) definition of “corporatism” is instructive, for it highlights some of the key characteristics (italicised and underlined here) of the system of interest representation in a corporatist state:

... a system of interest representation in which the constituent units [including professional associations] 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* on their selection of leaders and articulation of demand supports.

The broad developmental aims of corporatism have often been achieved by “restrict[ing] competition” (Lloyd-Jones, 1994b, p.6) and effecting a ‘community of interest’ between the proletariat and the bourgeoisie. In a corporatist state, “truly integrated corporations”, like professional associations of accountants

... perform a variety of functions, many of them executive ones devolved to them by the state. For example, the corporations would be responsible for not only making policy through the state, but also

⁴ Schmitter distinguish between three models of organized interest participation: "Pluralism", "Societal corporatism" and "State corporatism" (see also Lane and Ersson 1999). In this paper we focus on "State corporatism".

for enforcing that legislation amongst their members by means of sanction and reward (Lloyd-Jones, 1994,p.34, citing Schmitter, 1979, pp. 34-36).

“Corporatism” has a long tradition in Portugal. Its roots have been traced from Roman Law and to the concept of society enunciated by Thomas Aquinas, based on the “... idea that government authority should be exercised in the pursuit of the common good by natural ‘organizations’ within a ‘hierarchical [and] ... compartmentalised society’” (Wiarda 1977, pp.57-58). For further explanation of the operation of corporatism in Portugal see Robinson (1979, pp.128-134), and Lloyd Jones (1994a, 1994b, 1994c).

Liberalism

“Liberalism is a way of thinking about humanity and politics [and a term that] has seemed impossible to define [because] it has appeared in various shapes in different times and places” (Miller, 1991, p.285). Nonetheless, by “liberalism” here we mean an ideology in which belief in individual rights is paramount, the merits of unfettered competition and the pursuit of material wealth is revered, and there is little compassion for material inequalities in society. Constitutionalism, tolerance of competing religions and commercial activity are highly regarded. Political authority is questioned with a view to reform rather than evasion.⁵

Our expectation is that periods of “corporatism” will be characterised broadly by *regulation* of professional endeavour, whereas periods of “liberalism” will be characterised broadly by *de-regulation* of professional endeavour. Consistent with Puxty *et al.*, (1987, p.274) we regard the development of the accounting profession [such as in Portugal] to be "associated with the distinctive histories and institutional specificities" of Portugal.

II. Corporatist Absolute Monarchy (1755-1820)

In this period state initiatives were undertaken to enhance the pursuit of the common good through advancements in trade and economic performance. This was to be accomplished, in part, by a better-trained and more professional cadre of accountants that would arise from the state’s establishment of a School of Commerce, with (typically corporatist) monopoly powers, by its Board of Trade.

⁵ Paraphrased from Miller (1991, pp. 285-9).

Although Portugal sustained a period of prosperity in the fifteenth century, arising from the exploits of Henry the Navigator, and those of Vasco da Gama (who pioneered the sea route to India via the Cape of Good Hope in 1498), Portuguese affluence declined in the reign of John III (*João III*) between 1521 and 1557. A major reason for this was that the Portuguese Inquisition⁶ prompted many Portuguese Jews to leave the country, thereby depriving it of much capital and entrepreneurial skill. Foreigners began to dominate Portuguese commerce. By the first half of the 18th century, Portuguese merchants were few: they had little capital, poorly developed business acumen and low levels of literacy (Azevedo, 1929). In about 1750, there were few privately owned factories, other than the one that subsequently became the Royal Silk Factory⁷. The view that Portuguese industry could not be developed successfully was widely held, especially by foreigners who conducted business in Portugal. There were few indigenous accountants. Most accountants in Portugal were Italian or French. The double entry bookkeeping system was almost unknown to Portuguese merchants⁸.

Drastic measures were needed to address this state of indigenous commercial naivety. The driving force in doing so was the Marquis of Pombal, the Chief Minister of King Joseph I (*José I*) between 1750 and 1777. The Marquis of Pombal was a “canny statesman and diplomat” (Tyson-Ward 2002, p.21), also known for his heavy-handed “dictatorial methods” (Birmingham 1993, p.79). He was a worldly-wise⁹, well-travelled man who had been the Portuguese ambassador to England in 1738. There he witnessed the important facilitative role played by a nascent English middle class in the early stirrings of the Industrial Revolution. The Marquis of Pombal was aware that the Portuguese economy lagged behind the economies of other European countries. He attributed much of Portugal’s economic

⁶ Permission to conduct an Inquisition was successfully sought from the Vatican by the Portuguese court in 1531 (Livermore 1976, p.47). Although interest in the Inquisition began to decline markedly from about 1682, it was not formally dis-established until 1821. [*Dicionário Enciclopédico da História de Portugal* (1990, pp 345-346), Publicações Alfa, edited by Selecções do Reader’s Digest, SA.]

⁷ The Royal Silk Factory was established in 1734 as the Silk Factory Company (*Companhia da Fábrica das Sedas*). It became Royal property in 1750. In 1757 the Board of Trade assumed responsibility for its administration. It operated until 1835 (Sousa 1995, pp. 9-10).

⁸ The first bookkeeper of the *Grão-Para e Maranhão* Company (1755) was a Frenchman who later taught the Portuguese who replaced him. In 1756, Italians were the first general bookkeepers of the *Junta do Comércio* (Board of Trade) and the woollen manufacturer of Covilhã. (Oliveira, n.d.).

⁹ When he returned from London, Pombal “showed his compatriots a new instrument of table manners: a fork. It was he, it appears, who for the first time used a fork at a table in Portugal, where up till then, even at Court, the nobility and gentry had put their hands in their plates and eaten with their fingers”. (Trend, 1957, p.173).

sluggishness in trade to the absence of a well-trained cadre of Portuguese technicians who were capable of managing the commercial affairs of merchants and industrial concerns. The Marquis of Pombal was an economic protectionist and a “patriotic moderniser”. Consistent with corporatist ideals, he was eager to develop an “indigenous commercial bourgeoisie” and a merchant class to “control the country’s own destiny” (Almodovar and Cardoso, 1998, p.36; Birmingham 1993, pp.80-84).

The Board of Trade and the School of Commerce

The Marquis of Pombal issued a Royal Decree on 30 September 1755 creating a Board of Trade (*Junta do Comércio*). He intended this body to foster commercial activity, and in particular, to improve the management and administration of new factories (Ratton, 1813). In a significant initiative on 19 May 1759, the Marquis established the School of Commerce (*Aula de Comércio*)¹⁰, under the ambit of the Board of Trade.¹¹ The School of Commerce was Portugal’s first formally constituted establishment for professional education. According to Maxwell (1995, p.77) “this school was to teach Italian double bookkeeping [sic] methods and was to give preference to sons of Portuguese businessmen in its three year degree”. In a remarkable claim that we are currently investigating, Corrêa (1930, p.113) and Azevedo (1961, p.6) have contended that it was the *world’s first* official professional technical establishment specialising in the teaching of accounting.¹²

By establishing the School of Commerce, the Marquis sought to provide an educational infrastructure to promote the commercial astuteness of merchants and potential industrialists. The hope was that this initiative would help industry to flourish and make Portugal strong and independent. Prior to the creation of the School of Commerce there were no specialist “accountants” in Portugal. But all those who attended the School of Commerce were trained to be successful merchants, and, importantly, to be proficient in double entry bookkeeping¹³.

¹⁰ A strict translation of this term would be “Class of Commerce”. In 1759, the expression “school” was not used widely. But the *Aula de Comércio* was a school. In keeping with the preponderance of translations of this term into English (for example, Maxwell 1995, p.77) we have adopted the term “school”.

¹¹ At this time, he was also responsible for significant reforms in higher education, including reforms in science, mathematics, engineering, medicine and surgery (Birmingham 1993, p.83; Maxwell 1995, pp. 95-107).

¹² This claim is one that has garnered much support in Portugal. Francisco Felisberto Dias da Costa, for example, writing in French in 1900, has contended that “*Portugal est une des premières nations, sinon la première nation où a été établi l’enseignement officiel du commerce*”.

¹³ The Statutes of this School indicate that it focused on double entry bookkeeping (see Azevedo, 1961).

As a consequence, the number of Portuguese who were versed in accounting (both in merchants' businesses and public institutions) increased significantly in ensuing years. The need to rely on foreign accountants diminished.

The Letter of Law of 1770¹⁴

Over the following decade, some jobs were preserved exclusively for students who had undertaken courses offered by the School of Commerce. The Letter of Law of 30 August 1770¹⁵, for example, imposed restrictions obliging the public service to only recruit graduates of the School of Commerce. This was one of the first regulatory controls of the accounting profession in Portugal – and it was a monopoly right consistent with corporatist ideology.

The Letter of Law emphasised the importance of facilitating commerce and assisting merchants to develop their trading activities. All merchants, bookkeepers, cashiers, business houses, corporations, and public or private societies were required to be registered with the Board of Trade (Points 1-4) -- a form of licensing consistent with corporatist ideals. Persons not registered were to be disbarred from practice and from obtaining public posts and were to suffer the further indignity of having all accounts recorded by them rejected in the courts. Points 12 and 13 pre-established a fixed salary per year for the first three years of activity for each bookkeeper.¹⁶ Thereafter, bookkeepers were free to charge whatever they liked for their services.

Access to diverse public posts was reserved for graduates of the School of Commerce who possessed an approval letter from the Board of Trade (Points 5 and 11). These posts included clerks in naval vessels and officers administering the Royal Finances (*Real Fazenda*). The prestige of the School of Commerce continued into the 19th century. Ferreira Borges, in his *Commercial Juridical Dictionary* of 1833, makes it clear that to be a bookkeeper one had to be a graduate of the School of Commerce and be certified by the Board of Trade (Perdigão,

¹⁴ Letter of Law was an official document issued by the King. It was enforceable as a law.

¹⁵ Copied from the transcription made by PIMENTA, Pedroso – “O Marquez de Pombal regulamentou as profissões de técnicos de contas”, *Revista de Contabilidade e Comércio*, Oporto, vol. II, nº 8, 1934, pp.289-295.

¹⁶ First year: 72,000 réis; second year: 96,000 réis; and third year: 120,000 réis.

1950). The School of Commerce continued to be an influential stepping-stone to careers in commerce in the Portuguese public sector for many years.¹⁷

III. Liberal Monarchy (1820 – 1890)

Portugal was de-stabilised by the French invasion of 1807, led by General Junot. The Portuguese court of the Prince Regent, fled to Brazil, diluting the power of the monarchy.¹⁸ The French were expelled by a British military force in 1808 and the British became military rulers of Portugal until 1820 “when restiveness at British overrule” prompted a “French-style” revolution that continued intermittently for 31 years (Birmingham 1993, p.96). Nonetheless, British influence in external affairs, and in the wine industry, remained very strong. But a significant transformation in the mood of Portugal, often described as a “liberal revolution”, commenced from about 1820. This mood was reflected in the Portuguese constitution of 1822, which enunciated support for a political philosophy of liberalism. French attitudes of *laissez faire* and liberalism became popular in some quarters. Portugal, in keeping with much of Europe, was caught up in a tide of liberal ideas. This was especially the case after the liberal revolutions in Europe in 1830 and 1848.¹⁹ A major effect on commerce was that, to a large extent (there were exceptions), monopoly privileges, licensing, interest group representation and regulation were viewed with less favour. Consequently, the period witnessed some de-regulation of arrangements governing the accounting profession.

The Portuguese Commercial Code of 1833

Intuitively, one might expect this code to contain de-regulatory manifestations of the liberal attitudes that were gaining ground gradually in Portugal -- especially as the code’s principal architect was Ferreira Borges, a lawyer and economist who was an important figure in the liberal revolution in Oporto in August 1820. Ferreira Borges wrote this Code on his return from political exile, principally in the United Kingdom, from 1823 to 1827 and from 1828 to 1833. But rather than it contain liberalising de-regulation, the code imposed rules on

¹⁷ It was reformed on 20 September 1844 and affiliated with the Lisbon High School, where it was known as the *Escola de Comércio* (School of Commerce) or *Secção Comercial* (Commercial Section).

¹⁸ The Prince Regent had acted in that role from 1792 after Mary I (*Maria I*) was declared insane. He was formally declared Prince Regent in 1799 and became John VI (*João VI*) in 1816.

¹⁹ Manifestations of liberal ideals were in proposals to tax the nobility and clergy, undertake agricultural reform, abolish feudal privilege, reform arrangements governing land tenure, institute parliamentary democracy, and broaden civil rights (Birmingham 1993, pp.104-9).

accounting activities. The books that merchants were required to keep were specified, as was their mode of organisation. The accountant who prepared the books of a merchant was required to be publicly registered also.

The reasons for such seemingly paradoxical, aberrant behaviour – regulation in a period of liberalism – are not easy to explain. One seemingly plausible explanation is that the paradox was a manifestation of the uncertainty, ambiguity, precarious mutability and volatility of the times. Although the 1820 liberal revolutionaries (including the author of the Code, Ferreira Borges) were, in the main, “large merchants whose interests coincided with the British trade which they did not want to hinder” (Birmingham 1993, p.126), views on trade and related commercial matters (e.g. accounting regulation) were far from universal in Portugal. Liberal views took time to gain hold across the country. Many in the farming and manufacturing sectors in Portugal, for example, wanted non-liberal “French-style economic nationalism ...[and]...tariff protection against imports” (Birmingham 1993, p.126). Thus, the regulations imposed in the 1833 Code could be explained as a reflection of the heterogeneity of views on trade and commerce that were held within a developing liberal state. They could also have been occasioned by the positive influence that regulatory developments in the UK had on the Code’s author, Ferreira Borges, during his exile in London. Another explanation could be that the regulations in the Code provided a framework that would help business to flourish: this could be seen as liberal behaviour, in contrast to other types of regulations that were clearly intrusive controls.²⁰

The Letter of Law of 1838 and the Commercial Code of 1888

These were two important milestones in the evolution of the accounting profession in Portugal. The professional designation, “bookkeeper”, was recognized formally in the Letter of Law of 7 April 1838. “Bookkeeper” was one of the professions to be subject to a 10% income tax (*décima*) (Moreira, 1944).²¹ The requirement that a bookkeeper be registered with the Board of Trade or be a graduate of the School of Commerce was relaxed. This was in keeping with the [by then] pervading ethos of economic liberalism: the government believed

²⁰ We are indebted to Dick Edwards for drawing our attention to the latter point. Nonetheless, we welcome alternative explanations. Jose Carvalho has conjectured that there was possibly a great difference between law and practice at this time. That is, that whilst these regulations existed in a *de jure* sense, they were not complied with in a *de facto* sense.

²¹ Among the other professions recognised were doctors and lawyers.

it unnecessary to interfere with the professions, with the registration of professional persons, and with the organisation of professional bodies.²²

The enactment of the Commercial Code (*Código Comercial*) in 1888 provided a clear example of the influence of liberalism on de-regulation.²³ It permitted all merchants and joint-stock companies to conduct their own accounting, or to authorise (either expressly or tacitly) any other person to do it, irrespective of that person's skills (articles 30 and 38). Thus, all of the recordings made in the books of a business could be made by either a bookkeeper or a cashier, or merchants themselves, irrespective of the recorder's skills, formal training and official registration (Perdigão, 1950).

IV. Waning Liberalism and Rising Corporatism (1890 – 1926)

By the beginning of the 1890's it was becoming increasingly apparent that de-regulation and continued adherence to an ethos of economic liberalism was not in Portugal's best interests. The Portuguese economy, beset by a stagnating wine industry, was too weak to face free competition from Spain and England. There was a major financial crisis in 1891 and 1892 when Portugal could not meet interest payments on foreign loans and was forced to raise new loans at big discounts and to pledge vital national assets (such as the tobacco monopoly) as security. In effect, the country was on the verge of bankruptcy. Public debt ballooned and the trade deficit worsened (Livermore 1976, p.309). Portugal began to turn to corporatist, protectionist policies to sustain its domestic economy and colonial interests. What, in effect, happened as a consequence, was a gradual accommodation (if not replacement) of ideas of economic liberalism with centralist corporatist policies. This was abetted by corporatist advocates like the anti-liberal Catholic Social Movement (*Movimento Social Católico*) which believed in a strong state and a clearly defined hierarchical structure in society.

The early years of this transition period were ones of conciliation between the two ideologies and hence, some ambiguity. However, the assassination of King Carlos I and his son in Lisbon in 1908 and the establishment of the Republic in 1910, heralded a hardening of

²² Nonetheless, there were some exceptions, particularly in the public sector. For example, by article 74 of the decree of 20 September 1884, only those students with a diploma from the School of Commerce or those who had completed the correspondence course at Oporto's Polytechnic Academy (Azevedo, 1961) were eligible for positions in the Public Treasury and Customs House.

²³ Some elements of this Code were still in force in Portugal in 2002.

attitudes to liberalism. These were fuelled by lingering memories of the financial crisis of the early 1890's and recollections of ensuing allegations of business corruption. Attitudes hardened further as the political administration passed through the hands of 45 governments between 1911 and 1926. In essence, there was a transition from democratic republicanism (for example, of Afonso Costa in 1913) to military authoritarianism (for example, of the corporatist, Sidónio Pais in 1917) (Birmingham 1993, p.150). The period was known as the "rotation" (*rotativismo*) period and was characterised by a lack of "any coherent ideology" (Lloyd-Jones, 1994c, p.3)

Regulation of Joint-stock Companies and Accounting Experts

Consistent with the renewed popularity of corporatism, it was not surprising that as joint-stock companies became increasingly important, new mercantile associations appeared and new regulations were imposed. The most significant regulatory developments in this period occurred in 1911. Article 35 of a statute promulgated on 13 April 1911, for example, required joint-stock companies to submit to official audit inspection. Directors were prohibited from serving as bookkeepers of any company they administered. The concept of mutual liability was introduced: in the event of any fraudulent acts concealing the truth of any individual component part of a balance sheet, all bookkeepers, managers and other participants in the administration of joint-stock companies were to be regarded as accomplices (Perdigão, 1950).

In May 1911, a law dealing with "accounting experts" was introduced, requiring accounting to be undertaken by capable technicians.²⁴ The provisional government of the Portuguese Republic decreed also that the Ministry of Justice create two widely-representative Chambers of Accounting Experts, one for the north and another for the south of the country (Article 1).²⁵ In the spirit of corporatism, the Chambers were collegial associations of business people. The main objective of the Chambers was to supervise the provision of commentary on, and verification of, the various balance sheets and accounting reports and related documents presented to general meetings of companies. They also examined evidence referred to them from commercial, criminal and civil trial proceedings.

²⁴ Government Diary, n° 124, 29 May 1911

²⁵ The Chamber for the North was composed of twelve individuals (four each from the Court of Commerce, the Commercial Association of Oporto, and the Industrial Association of Oporto). The Chamber for the South was composed of twenty-four individuals (chosen by the following institutions: Court of Commerce, Lisbon's Commercial Association, Portuguese Industrial Association, Lisbon Shopkeepers' Association, Portuguese Agricultural Association and the Lawyers' Association).

V. Corporatist Dictatorship (1926 – 1974)

In 1926, the military, led by General Oscar Carmona, overthrew the incumbent democratically elected government. In 1932, President Carmona appointed António Salazar as Prime Minister – a position Salazar held for 36 years. Salazar was a “dry, humourless, religious, intellectual” (Lloyd-Jones, 1994a, p.7) who had held academic posts at the University of Coimbra. His appointment has been described as “Professor of Political Economy” in 1918 (Robinson 1979, p.45); “Professor of Economics” in 1926 (Livermore, 1976, p.331); unqualified emergency lecturer in financial law who “wrote articles on national bookkeeping for the press” (Birmingham 1993, p.157); and also as a “lecturer in accountancy” (Birmingham 1993, p.159). Salazar’s regime was “totalitarian, police-run, *corporative*, anti-liberal, anti-democratic, anti-parliamentary, anti-collectivist, and disdainful of opponents whom it was willing to eliminate physically” (Georgel 1981, p.302, translated, cited in Birmingham 1993, p.159, italics applied).

Salazar’s power and “New Estate” (*Estado Novo*) regime was entrenched by the new constitution of 1933. Article 5 of the constitution defined Portugal as a “unitary and corporative republic”. Salazar sought to “reduce, if not indeed eliminate all popular involvement in the actual process of government” (Lloyd-Jones, 1994a, p.3). But whereas Salazar was a supporter of corporatism, for several decades the bureaucratic apparatus of his regime was cumbersome and inefficient in effective implementation of corporatist ideals. Nonetheless, in the early years of his [and Carmona's] regime some important professional organizations were established by Government Order. There was a Lawyers Order (1926), an Engineers Order (1936) and a Doctors Order (1938).²⁶ But it was not until 1972 (under Caetano's regime) that another professional association was granted an “Order”, the Pharmacists Order. In 1968, Salazar suffered a debilitating brain clot. The reins of his administration were taken up by a like-minded lieutenant, Marcelo Caetano.²⁷

²⁶ The Orders are the most prestigious and elitist corporatist organisations in Portugal. Other Orders issued since then in Portugal are the Architects Order in 1998, the Economists Order in 1998 and the Auditors Order in 1999.

²⁷ Salazar died without recovering his powers, in July 1970 (Livermore 1976, p.358).

Salazar, intent on centralising power, took corporatism to an extreme. He was opposed to free-reigning associations of individuals with a common purpose, such as professional associations and labour unions. He wanted such associations to be “corporatised” under firm state control. In 1933, he introduced a *National Labour Statute*. This banned all free unions and professional associations, and set up in lieu, a system of “National Unions” (covering both former professional organisations and labour unions). These “National Unions” were to be controlled absolutely by Salazar and his apparatchiks.

In 1934, in keeping with corporatist philosophy, Salazar’s Ministry of Commerce, Industry and Agriculture commissioned a study of how to best regulate bookkeepers and accountants. It was conducted by a committee comprising representatives of the Ministry; the Superior Institute of Economic and Finance Sciences of Lisbon; the Portuguese Industrial Association; the Merchants’ Association; National Union of Accountants and Bookkeepers from the Oporto district, and selected graduates from Accounting Institutes or equivalent courses. The Commission’s report was never published.²⁸

National Union of Accountants and Bookkeepers from the Oporto District [NUABO]

This body, founded in 1934, sought to guarantee correct and strict professional conduct by accountants and thereby enhance their prestige. NUABO was a “free union” [as opposed to one of the Salazar state's "national unions"]. It sought to advance professional accounting techniques by organising study sessions, developing libraries, creating professional accounting schools, and, in other ways promoting the professional interests of members. It quickly became influential. On 28 June 1936, the Ministry of Corporations and Social Welfare, consistent with corporatist philosophy, prohibited owners of businesses in Portugal from employing accountants and bookkeepers who did not belong to NUABO or who did not possess an accrediting “professional letter” from it.²⁹ Thus, the “Professional Letter” given by NUABO became essential as a licensing credential for persons wanting to practice as accountants and bookkeepers. At this time, NUABO was the only accounting organisation of a corporate character in Portugal (Sousa, 1933)³⁰. Hence, it fulfilled a national, rather than a

²⁸ Our knowledge of it is obtained from an article by António Pedroso Pimenta (1950), a Professor of the Commercial Institute of Lisbon.

²⁹ Article 2, Edit n° 23712.

³⁰ In 1942, the Lisbon District intended also to have a similar "Accounting Union". But the State Secretary of Corporations refused to allow its formation, arguing that NUABO was an error, and that errors must not be

regional, responsibility. Its important role in defending and promoting the interests of the profession was strengthened further by subsequent government decrees³¹.

Proposals for the Regulation of the Accounting Profession by the Academic Association of the Commercial Institute of Oporto

These proposals, put forward on 8 November 1940, although never implemented, are important indicators of the corporatist mood of the time. They categorised “accounting technicians” variously in the hierarchy of “bookkeeper”, “accountant” or “accountant expert” (Part I). A *bookkeeper* was regarded to be a technician who *executes* recording operations. An *accountant* was defined as a technician who *supervises, organises, orients and conducts* the services of accounting and the administration of a public or private organisation. An *accountant expert* was defined to be a technician responsible for *inspecting and verifying* the accounting and management facts of economic organisations.

Part II of the proposals related to the use of titles by members of NUABO. The designation *bookkeeper* was available to individuals of either gender, who were at least 19 years old, had a degree from an accepted course of commerce offered by a Technical Professional Commerce School (or official equivalent courses recognised by law), and at least two years of experience using a double entry bookkeeping system. The designation *accountant* was available to individuals of either gender, who were at least 21 years old, graduate accountants with a degree from the Institutes of Commerce (or equivalent courses recognised by law), and with at least one year of experience in accounting using double entry bookkeeping.³² The title *accounting expert* was available to individuals of either gender who were over 25 years of age, graduates in accounting from an Institute of Commerce (or equivalent courses recognised by law) and with at least six years experience using double entry accounting. Joint-stock companies, banks, autonomous state organisations with private accounting, and administrative corporations with revenue and expense movements larger than two thousand

repeated. In other Portuguese districts, accountants were included in unions of Office Clerks. NUABO was the only organisation of its type representing accountants.

³¹ For example, Edit 28220, 24 November 1937, included “accountant expert” in the Chart of Liberal Professions. Edit 29931, 15 September 1939, considered the “professional letter” given by NUABO compulsory for those wanting to practise the profession.

³² Individuals who, at the date of the promulgation of the regulation had been in charge of accounting in any bank, limited company or public organisation, could also request to use the title “accountant”.

escudos were required to have an accountant supervising and conducting their accounting (Part III).

In Part IV, accounting technicians were to be held liable if they signed balance sheets that did not follow the “rules and principles of accounting”³³; made accounting entries that were not properly justified or were contrary to established legal principles; signed any page that did not correspond to what they examined; did not comply with appropriate standards of professional ethics; or failed to comply with the law. Part V established the Superior Board of Accounting Technicians (*Conselho Superior dos Técnicos de Contabilidade*) to administer, discipline and supervise the affairs of accounting technicians.³⁴ Monitoring the use of titles and the practice of the profession of bookkeepers, accountants and expert accountants was given to the national unions in Part IV.

In June 1943 there was a setback to the progress of the regulatory development of the accounting profession. The Ministry of Corporations and the Welfare State³⁵ dissolved the “free union” NUABO. Accountants and bookkeepers were forced to join a heterogeneous union controlled by the Salazar regime, the National Union of Office Clerks. There was thought to be no need for a *private* professional union of accountants and bookkeepers. Despite this “closing of doors”, a “window” was soon to open. On 28 January 1945 the Portuguese Accounting Society was founded.

The Portuguese Accounting Society

This society sought to advance knowledge of the “science of accounts”. It promoted conferences, disseminated accounting know-how, published the Bulletin of the Portuguese Accounting Society (*Boletim da Sociedade Portuguesa de Contabilidade*), organised libraries, provided research and study facilities, and awarded scholarships and prizes.

³³ There were no accounting standards at the time to offer guidance. The principal point of reference for accountants was to the theoretical principles and operating rules that were promoted as good practice in accounting texts and educational curricula.

³⁴ It was to be composed of a President, together with a teacher of accounting from each of the Superior Institute of Economic and Finance Sciences, the Intermediate Institutes of Commerce, the Professional Schools of Commerce, together with one expert accountant, one graduate accountant and one graduate bookkeeper elected by the National Union of Accounting Technicians.

³⁵ Through the despatch published in the Bulletin of the National Institute of Work and Providence, no. 11, 15 June 1943. Decree n° 23050, 23 September 1943.

Members of the society were classified as “effective”, “aggregated”, “honorary” and “correspondent”. *Effective members* were graduates of an accounting course provided by the Commercial Institutes (or equivalent intermediate courses). They could also be eminent individuals who had produced works of recognised value in the field of accounting, or accounting technicians occupying high posts in industry and commerce. *Aggregate members* were foreign graduates living in Portugal who had qualifications from teaching establishments deemed to be of equivalent status. *Honorary members* were national or foreign individuals who had provided valuable service to the society, or who were famous for other work in accounting. *Correspondent members* were nationals or foreigners who, whilst out of the country, had distinguished themselves by studies in accounting or by important service to society.

The Portuguese Accounting Society fought strongly for the reform of technical teaching and for the regulation of accounting technicians. In 1949, it promoted a series of lectures titled: “The Advantages for Accounting from the Professional Regulation of Accounting Technicians”. In one of these lectures, a prominent lawyer, Azevedo Perdigão (1950), argued that regulation was needed to protect the interests of all users of accounting information. Not surprisingly, one of the major users of accounting information (the Tax Administration) prompted the next milestone in the evolution of the accounting profession in Portugal.

Industrial Tax Code of 1963

Prior to 1963, merchants in Portugal could either legally assume responsibility for their own accounting and bookkeeping or entrust it to a third party. In 1963, an Industrial Tax Code (*Código de Contribuição Industrial*) was introduced. This placed a tax on entity profits that had been calculated by accounting systems. Consequently, the implementation of this tax reform required more rigorous accounting, performed by an approved accounting technician – one who was over 21 years of age, of good character, and who possessed an approved accounting degree or similar credential.³⁶ Those who had practised as an accountant or bookkeeper for five years, but who did not have an accounting degree or similar credential, could obtain temporary registration as an “accounting technician” and be formally recognised

³⁶ These included graduates from degree courses in either Finance or Economics or an approved degree from one of the former courses in Commercial Administration or Finance offered by the Superior Institute of Economic and Finance Sciences; (b) graduates with a degree in Economics from Oporto’s Economics Faculty; and (c) graduates from other courses offered by the Superior Institutes of Commerce.

as a full member after passing a qualifying exam.³⁷ The Industrial Tax Code led to a significant increase in the importance assigned to professional accounting skills. Professional entry exams were mandated by government authorities in 1979.

Two government orders enabling the implementation of the Industrial Tax Code were significant because they formally introduced the expression “Accounting Technicians” (*Técnicos de Contas*).³⁸ These orders made accountants responsible for accounting in enterprises, and brought dignity, legitimacy and respect to the professional activity of accounting. These developments led to the establishment of a “professional nucleus” of accounting technicians to lobby for the interests of accountants within the heterogeneous [state-run] National Union of Professional Office Clerks.

*The Commission Established by the Ministry of Corporations and Welfare*³⁹

In December 1964, the Ministry of Corporations and Welfare established this commission to study professional qualifications, and how best to regulate and legally constitute the profession of accounting technicians.⁴⁰ The commission presented its report to the ministry in October 1970.⁴¹ Generally, its proposals were considered to be reasonable, sensible and dignified. The commission was mindful of the sensitivities of the many accounting professionals who did hold degrees. One of its most significant recommendations was to propose that the term “Accounts Technicians” (*Técnicos de Contas*) be changed to “Accounting Technicians” (*Técnicos de Contabilidade*). The intent was to create an official, compulsory designation for practising accountants, that of “accounting technician”. This was to be conferred principally on professionals who had practised bookkeeping, accounting or

³⁷ From the inception of the Industrial Tax Code in 1963 through to until 1995 approximately 45,000 accountants have been registered (Carqueja, 2001).

³⁸ *Portaria* No. 20317, 14 January 1964; and *Portaria* No. 21247, 27 April 1965.

³⁹ This Commission had no formal title.

⁴⁰ Government Order (*Portaria*) No. 20691. The commission was made up of one representative each of the DGCI; National Education Ministry; Work Corporations Head Quarters (President); Social Security Services of the Ministry of Corporations and Providence; Working Development Fund; National Union Federations of Offices’ Clerks, together with a graduate in economics; and an accountant-expert.

⁴¹ In the meantime, in 1968, the “Accounts Technician and Enterprise Journal” (*Jornal do Técnico de Contas e da Empresa*) was founded. This journal and the “Accounting and Commerce Review” (*Revista de Contabilidade e Comércio*) (published from 1933 to 1986 and from 1992 to the present) made important contributions to the evolution of accounting in Portugal. The “Accounting and Commerce Magazine” was founded in 1933 by José Henriques Garcia and Francisco Caetano Dias (a Professor of Accounting in Lisbon).

auditing functions for more than five years. Prior to 1970, the majority of registered accounts technicians were members of a hodgepodge of national, centrally controlled labour unions in banking, insurance, administrative services and other clerical pursuits. The commission regarded such widespread membership as inappropriate for effective professional development. It proposed that all accounting technicians be registered in a mooted National Union of Accounting Technicians -- a *professional* union rather than a *labour* union.

Although the Commission's recommendations were pioneering, their significance did not emerge for some years (Fernandes Ferreira 1995, p. 296). This attempt to enhance regulation did not produce the desired progress in the profession. Implementation of the recommendations was slow partly because of the distractions of the wars Portugal was fighting in its colonies (especially in Angola), the notorious "snail's pace" of Portuguese bureaucracy, and political vacillation by the Caetano regime in the period of uncertainty following the demise of Salazar. Nonetheless, a significant positive evolution in accounting and auditing regulations emerged in 1972, when a Governmental Order gave formal recognition to an auditing profession -- but not through an official Order. Literally translated, auditors were designated as "Official Accounts Revisers" (*Revisores Oficiais de Contas*) and were to operate under the umbrella of an Official Accounts Revisers Chamber (*Câmara dos Revisores Oficiais de Contas*). (In 1999, the Auditors Chamber was granted an official Auditors Order)⁴².

VI. Emerging Liberal Democracy and Neo-corporatism (1974 to present)

Following the overthrow of Caetano's government (1968–74) in the "Carnations Revolution" (*Revolução dos Cravos*) in 1974, General Spínola was unable or unwilling to shake off the legacy of four decades of Salazarian corporatism. Gradually, a series of democratically elected governments, variously moderate socialist or moderate social democrat in complexion came to power. They were prepared to share political power, with grace, in a pluralist fashion, in accordance with the will of the electorate, and to recognise the basic human rights of citizens. Gradually, there was a transition to more liberal economic policies (such as privatisation, agrarian reform and free trade), especially under Prime Minister Cavaco Silva.

⁴² Its official designation was Official Accounts Reviser [or Auditor] Order (*Ordem dos Revisores Oficiais de Contas*).

Portugal began to emerge as a liberal democracy. It was accorded “a badge of democratic respect” (Birmingham 1993, p.190) by its admittance to the European Community [now the European Union] in 1986. Portugal's entry indicated clear affirmation of its preparedness to accept liberal principles of free competition.

Proposals by Accounts Technicians of the Office Clerks' Union (Lisbon) Concerning the Regulation of Accounting

In October 1974, the Accounts Technicians in the Office Clerks' Union (Lisbon) [ATOCU], proposed to the Finance Ministry that the accounting of all companies should be conducted by a person with “proper” qualifications, such as an “accounts technician”. The proposals advocated reserving the practice of accounting to legally qualified individuals, in order to guarantee technical competency.⁴³

ATOCU considered that neither a government “Professional Order” nor a labour union was the appropriate body to represent the interests of accountants. A professional “Order” was regarded as too elitist because it would tend to represent only accountants with tertiary educational qualifications. Although labour unions would have the advantages of accommodating individuals with different education levels, it was felt that they would be unsuitable structures for developing and enforcing deontological principles, professional disciplinary mechanisms and compulsory registration procedures. Accordingly, in March 1977, ATOCU established a non-official Chamber of Accounts Technicians (*Câmara dos Técnicos de Contas*). The Chamber was arranged to defend the interests of accounts technicians. It was composed of a General Assembly, Fiscal Board, Disciplinary Board and Technical Board and had *effective*, *honorary* and *merit* members. *Merit* and *honorary* members were those who served in the Chamber. *Effective* members were account technicians who were proposed by the board and whose membership was approved by a General Assembly.

ATOCU campaigned for legal regulation of accounts technicians and for official recognition to be accorded to its Chamber. ATOCU rejected the expression “bookkeepers” as the generic label for accountants, on the grounds that it conjured an outdated, negative, inaccurate and demeaning image of accountants as tedious, menial, procedurally-focused, procrastinating,

⁴³ The level of required competency was acknowledged as being greater as accounting became more complex.

bureaucrats. The title “accountant” was also rejected. It was deemed too “academic” and prone to arouse resentment from those not possessing tertiary educational qualifications. The professional designation of “account technician” was preferred over “accounting technicians” because the former term had been used in Portugal since the enactment of the Industrial Tax Code in 1963.

Portuguese Accounting Association and the Portuguese Association of Accounts Technicians

The revolution on 25 April 1974 and the ensuing growth in personal freedom and democracy unleashed a pent up desire by the average Portuguese person (who had been ‘silenced’ by four decades of Salazarism) to participate in the decision processes of modern Portuguese society. There was a keen “associative spirit” (*espírito associativista*) at the time, which encouraged the growth of organisations representing a wide variety of social and professional interests. Several professions, such as doctors, lawyers and engineers were already represented by professional bodies formally recognised by Government through “professional orders”. The ambient mood of the time prompted economists and architects to seek similar recognition. Two major professional associations in accounting were soon formed.

On 3 March 1975, the Portuguese Accounting Association (*Associação Portuguesa de Contabilidade*) was founded. Membership was restricted to graduates of Superior Schools of Accounting. The principal purposes of the association were to defend the exclusive right of members to use professional titles; to promote professional updating and cultural development among members by means of colloquia, conferences, seminars, and publications of professional interest; to foster creativity and innovation among its associates; to stimulate research in accounting; and to participate in the teaching of accounting at all levels. In 1976, the Portuguese Accounting Association contributed strongly to developing intermediate accounting schools into superior accounting schools. In March 1986 the Portuguese Accounting Association was instrumental in establishing Courses of Specialised Higher Studies, thereby elevating the intermediate accounting diploma to a bachelor’s degree.⁴⁴

⁴⁴ In December 1997 the association changed its name to Portuguese Accounting Experts’ Association (*Associação Portuguesa de Peritos Contabilistas*). It did so, to harmonise with the European professional designation, *Fédération des Experts Comptables Européens*.

1977 was an important year in the evolution of the profession. In March of that year, the Portuguese Association of Accounts Technicians (*Associação Portuguesa dos Técnicos de Contas*) [APOTEC] was created, free of the yoke of state control, and with membership open to all accounts technicians. APOTEC sought to raise widespread awareness of the importance of accounting and its technicians; and to improve the skills, knowledge and efficiency of accounting technicians. In April 1977, APOTEC⁴⁵ commenced publication of its monthly bulletin, “Accounting Journal” (*Jornal de Contabilidade*) – a journal still in publication. 1977 also saw the approval of the “Official Accounting Plan” (*Plano Oficial de Contabilidade*). Gradually, the regulatory accoutrements and paraphernalia of a mature accounting profession began to be put in place. In 1983, an Accounting Standards Board (*Comissão de Normalização Contabilística*) was established.

Tax Reforms of 1989

These reforms were implemented through significant new codes covering personal income tax and a profit-based taxes for business entities (*Código do Imposto sobre o Rendimento de Pessoas Colectivas* and *Código do Imposto sobre o Rendimento das Pessoas Singulares*). Although the Industrial Tax Code of 1963 was revoked, accounting-based profit remained the critical measure upon which tax was levied. Somewhat paradoxically, due to an apparent legislative oversight (Carqueja, 2001) or perhaps due to the subtle, implicit, conditioning effects of an emerging and an engulfing liberalism, it was no longer compulsory (as it had been since 1963) to have the signature of an accounting professional in tax declarations.⁴⁶ Consequently, the importance of the accounts technician for businesses was diminished.

Statutes of Official Accounts Technicians, 1995

The Fiscal Reforms in 1989 were a response to the new competitive demands of the European single market and the urgent need to rein in public deficits. This prompted the Portuguese state to begin yet another flirtation or dalliance with corporatism, as Molina and Rhodes (2002. p.309, italics applied) have noted:

...at the same time, older, traditional *corporatist structures* and relationships were being adapted, rather than abandoned, in those countries where they were always most important [...] To varying

⁴⁵ In 2000, APOTEC had 8311 effective associate members. Also noteworthy is its establishment of a Center for the Study of the History of Accounting. See website www.apotec.pt (last visited 6 June 2002).

⁴⁶ Nonetheless, the legal apparatus supporting the fiscal system recognized this oversight. Between 1 January 1989 and 17 October 1995 it required that “organised accounting” be the direct responsibility of an “accounts technician.”

degrees, the Netherlands, Ireland, Portugal, Italy, and Spain have implemented social pacts, based on peak-level concertation, to adapt to new economic policy challenges.

One such adaptation involved recognition of the importance of a professional cadre of state licensed chartered accountants to assist in achieving economic and monetary union objectives. In 1995 the Statutes of Official Accounts Technicians were issued. These statutes required all business entities to have an official accounts technician. Entities were to be taxed on their profits, calculated in accordance with Portuguese GAAP – principally comprised of an Official Accounting Plan (*Plano Oficial de Contabilidade*) and specific accounting directives and standards (*Directrizes Contabilísticas*) issued by the Portuguese Accounting Standards Board (*Comissão de Normalização Contabilística*). Because they were obliged to have “organised accounting” (*contabilidade organizada*), accounts technicians were not dispensable. The activities of accounts technicians were of a public nature and their regulation became an important public matter.

The statute led to the establishment of an “Association of Accounts Technicians” [ATOC] (*Associação dos Técnicos Oficiais de Contas*). Persons eligible to become an “accounts technician” principally were those with a bachelor’s degree in one of accounting, administration, business, management, finance and economics, from teaching institutions at superior level, either private or public, recognised by the Ministry of Education. But study of cost accounting, Portuguese taxation and financial accounting was to have been completed successfully.⁴⁷

The objectives of ATOC were to defend the dignity and prestige of the accounting function, to promote respect for ethical principles; to defend the interests, rights and prerogatives of members; and to promote and improve professional training, principally through the organisation of courses and colloquia. With one or two minor exceptions after the creation of ATOC, a bachelor’s degree became the minimum level of scholarly preparation required. ATOC changed its name in November 1999 to *Câmara dos Técnicos Oficiais de Contas* (CTOC). The English translation of this name on the “international version” of the official

⁴⁷ Also eligible were those individuals with a minimum of three years work experience in accounting services who had a secondary education and who had completed a designated qualification course.

CTOC website (www.ctoc.pt/intver/associacao.html, last visited August 9, 2002) is “Chamber of Chartered Accountants”⁴⁸.

1999 was also a significant year in that the Auditors’ Chamber was granted an official Auditors Order, part of the paraphernalia of a corporatist state, thereby reflecting Portugal’s mood of affection for neo-corporatism.

The Contemporary Picture

It is expected that commencing in 2004, registration as an effective, permanent member of CTOC will depend not only on appropriate academic skills, but also on a professional internship, and an exam. The website of CTOC (www.ctoc.pt last visited August 9, 2002), cites various legal codes and ordinances emphasising the public nature of the profession of accountant, and the role of accountants as “privileged interlocutors’ between taxpayers and the Tax Administration and ‘ordinary guarantors’ of the ‘tributary truth’”. It also stresses that accountants must perform their duties with “technical strictness, ethical capacity and total independence”.

Currently, the specific subjects of scholarly preparation required for CTOC accreditation have been regulated. CTOC has pre-established 11 subject areas that are regarded as a fundamental base of knowledge. These are partitioned into *key subjects* and *instrumental subjects*. The *key subjects*, requiring a minimum total of 300 hours study are:

Financial Accounting (120 hours)

Cost and Management Accounting (90 hours)

Portuguese Taxation Law (60 hours).

The *instrumental subjects*, requiring a minimum total of 360 hours study include a choice of five of eight defined subjects: Other laws, Auditing, Financial Analysis/Business Finance, Business Organisation and Management, Economics, Computing and Information Systems, Statistics, and Financial Matters/Financial Calculation.

⁴⁸ The similarity of names (in Portuguese as least) between the private organisation, Chamber of Accounts Technicians (*Câmara dos Técnicos de Contas*) and this newly established Chamber of Chartered Accountants (*Câmara dos Técnicos Oficiais de Contas*), an official entity, prompted the private organization to change its name to Institute of Support to the Official Accounts Technicians (*Instituto de Apoio ao Técnico Oficial de Contas*).

The creation of CTOC and the introduction of the designation “chartered accountant” have been important steps in advancing the profession. In 2002, CTOC was by far the largest Portuguese professional accounting body: it had 71,509 members (42% of whom were female and 69% of whom held a bachelor’s degree).⁴⁹ There is a growing presence of accounting in the Universities too.⁵⁰ A general feeling is emerging in the ranks of the profession that finally accountants are beginning to be accorded the mantle of dignity, prestige and social importance that they deserve.

VII. Discussion

The evolution of the accounting profession in Portugal has been sluggish in comparison with the experience in other European countries. Only in the last quarter of the twentieth century has accounting begun to emerge as a mature profession in Portugal, on a par with its international counterparts. The implementation of the Official Accounting Plan in 1977, the creation of the Accounting Standards Board in 1983, and admittance to the EU in 1986, were all instrumental in providing the necessary conditions that led to the Statute of Official Accounts Technicians in 1995 and the establishment of CTOC in 1999.

The first term used to designate accounting professionals in Portugal was “bookkeeper”. But attempts to regulate the profession through the years have found favour with the broader designation of “accounts technician” – a generic term which in early times included “bookkeeper”, “accountant” and “expert accountant”. In recent years the Portuguese equivalent of the term “chartered accountant” has become popular. The future of the Portuguese accounting profession looks promising, with solid prospects for sustained growth under the guidance of APOTEC and CTOC.

There have been at least four major spurs to the emergence of a mature accounting profession in Portugal. First, there were the professional regulations arising from reforms instituted by the Marquis of Pombal in the 1750’s and the impetus provided by the establishment, in 1759,

⁴⁹ This information was supplied by staff at the national headquarters of CTOC by e-mail to the first author in June, 2002.

⁵⁰ In 2002, specialist undergraduate degrees in accounting are offered only by the polytechnic institutes. However, accounting remains a major stream of study in undergraduate degrees in Economics and Management in most Portuguese universities. Three universities (Aberta, ISCTE, Minho) offer specialist post-graduate courses in accounting. Seven members of university faculty in Portugal hold Doctor of Philosophy degrees in accounting.

of the School of Commerce. Many of these professional regulations were undone by the tide of liberalism that engulfed Portugal in the nineteenth century. Second, there was the interest in professional regulation during the corporatist regime of Salazar. Third, there were the requirements of tax administration and neo-corporatist politics in the latter half of the twentieth century. These required entity accounts (upon which tax was levied) to be prepared by a qualified accountant. Fourth, there has been the "flow on" effects of Portugal's entry into the EU in 1986 and its desire to match the economic, social and political development of other nations in the EU.

The Portuguese experience sets the stage nicely for further research. Portugal, for example, would provide an excellent setting for enquiry into the facilitative role of accounting in state domination. How was accounting and the accounting profession implicated in the Salazar regime's social control? What does a review of articles published in the "Accounting and Commerce Review" from 1933 reveal about Portugal's accounting and the use of accounting as a means of social domination?

The development of accounting on Portugal since 1755 can be seen to be characterised by episodes of regulatory advancement located in periods where corporatist state ideals were popular. These periods have been interspersed with episodes of de-regulation at times when liberal ideals were in vogue. (For a summary, see the Appendix). The emergence of a well-respected accounting profession in Portugal, with competence and performance levels on a par with international practice is a necessary component of the professional infrastructure required to underpin future economic growth and material prosperity in Portugal.

VIII. Appendix

A Chronology of Some Significant Events in the Development of Accounting in Portugal Since 1755

| Date | Event | Significance |
|----------|--|---|
| | Corporatist Absolute Monarchy | |
| 1755 | Major Earthquake in Lisbon | Destruction of many commercial records |
| 1755 | Board of Trade [BoT] established by Marquis of Pombal | Fostered commercial activity and improved professional education |
| 1759 | School of Commerce [SoC] established | Portugal's first formal educational institution offering instruction in accounting |
| 1770 | First regulations governing the accounting profession | Some public service posts in accounting-related fields to be available only to SoC graduates |
| | Liberal Monarchy | |
| 1833 | First Portuguese Commercial Code | Merchants' bookkeepers to be registered and to be graduates of the SoC, certified by BoT |
| 1838 | Profession of "bookkeeper" recognised in tax laws | Requirements for "bookkeepers" to be SoC graduates, certified by the BoT were eased, although some public posts were restricted to SoC graduates. |
| 1888 | Commercial Code | Permits merchants and companies to have anyone, irrespective of skill, complete their accounting. |
| | Liberalism and Corporatism | |
| 1910 | The Republic of Portugal declared in Lisbon. Constitution approved on 20 August 1911. | Portugal implemented measures to become a modern state and to restore its economy. |
| Apr 1911 | Joint stock companies required to submit their accounts for official inspection. Directors prohibited from serving as bookkeepers. | The concept of "mutual liability" introduced in respect of "fraudulent accounting acts". |
| May 1911 | Decree requiring accounting by "capable technicians". Two "Chambers of Accounting Experts" established to verify accounting reports and examine accounting evidence. | Return to corporatism |
| | Corporatist Dictatorship | |
| 1933 | New Constitution of the Portuguese Republic | Portugal implemented measures to become a modern state and to restore its economy |
| 1933 | National Statute of Labour introduced | All free unions and professional associations were banned and replaced by a system of "National Unions" controlled by the State. |
| 1933 | "Accounting and Commerce Review" first published | |
| 1934 | Government establishes commission to study the regulation of bookkeepers and accountants | The need for sound state regulation of book-keepers and accountants recognized by Salazar. |
| 1934 | National Union of Accountants and Bookkeepers from Oporto [NUABO] founded. | A free union that sought to enhance the prestige of accountants and bookkeepers. |
| 1936 | Business owners prohibited from employing accountants or bookkeepers not possessing a "Professional Letter" from NUABO. | This "professional letter" became essential for practising as an accountant. |
| 1940 | Proposals for regulation of the accounting profession by the Academic Association of the Commercial Institute of Oporto. | These proposed regulations were important indicators of the ambient corporatist mood. |
| 1943 | Government dissolves NUABO. Interests of | Salazar's control of unions damaged the interests of |

| | | |
|------------|---|---|
| | accountants to be assumed by the National Union of Office Clerks. | accountants. |
| 1945 | Portuguese Accounting Society founded | |
| 1963 | Introduction of <i>Industrial Tax Code</i> , requiring tax to be based on entity profits calculated according to GAAP. | Need for more rigorous accounting, performed by "accounting technicians" (a new term). Led to formation of a "Nucleus of Accounting Technicians" in the National Union of Professional Clerks. |
| 1968 | "Accounts Technician and Enterprise Journal" first published | |
| 1970 | Report of the commission established by the Ministry of Corporations and Social Welfare to study professional arrangements in the accounting profession | Recommended change in designation from "Accounts Technician" to "Accounting Technician". Required registration in a newly established "National Union of Accounting Technicians" |
| 1972 | Government recognition of the auditing profession, but not through a formal Order | Accounting experts and the auditing profession to be organized in a separate Chamber. |
| Apr 1974 | Revolutionary overthrow of the regime of Caetano (Salazar's successor) | |
| | Emerging Liberal Democracy and Neo-corporatism | |
| 1974 | Proposals from the Office Clerks Union (Lisbon). | Recommended that company accounting be conducted by persons (such as "accounts technicians") with technical competence and "proper" qualifications. |
| Mar 1975 | "Portuguese Accounting Association" founded | |
| Mar 1977 | "Portuguese Association of Accounts Technicians" [APOTEC] founded. | Active advocate and lobbyist, seeking to raise professionalism and respect for accountants. |
| Mar 1977 | Chamber of Accounts Technicians established by the Clerks' Union | Campaigned vigorously for the legal regulation of the accounting profession |
| Apr 1977 | APOTEC commences publication of its monthly "Accounting Journal" | |
| 1977 | Official Accounting Plan approved | Compulsory for all companies except those in banking, insurance or with specific accounting plans |
| 1980 | Accounting Standards Board established | Issues accounting standards and guidelines in accord with EU directives and International Accounting Standards |
| 1986 | Admitted to the EU | Adoption of 4th and 7th Directives implied adoption of a new Official Accounting Plan in 1989 |
| March 1986 | Commencement of "Courses of Specialised Higher Studies" in accounting | |
| 1989 | Fiscal reforms introduced new tax codes, requiring profits-based tax for business entities. | Paradoxically, it was no longer compulsory for accounting professionals to attest to fiscal declarations. The profession of "accounts technician" disappeared. |
| 1995 | <i>Statute of Official Accounts Technicians</i> | Businesses, taxed on profits, required to have an "official accounts technician" and "organised accounting". Led to establishment of ATOC, "Association of Official Accounts Technicians", use of the term "chartered accountant", and compulsory registration to practise as an accountant |
| 1999 | Auditors Order granted | First official "Order" recognising the accounting and auditing profession |

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|-------------|---|--|
| Nov 1999 | ATOC changes its name to "Chamber of Chartered Accountants". [CTOC] | |
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