

A research note on accounting in Brazil in the context of political, economic and social transformations, 1860–1964

Accounting History

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Abstract

From 1860 to 1964, but particularly after 1930, Brazilian society changed from an agrarian to an industrial society and from an emphasis on the export sector to becoming focused primarily on the domestic market. During this period, there were significant changes in accounting that were largely imposed by the State. This note explores the main political, economic and social factors that influenced the development of accounting in Brazil during this period. In a legalist country such as Brazil the development of accounting cannot be effectively studied without considering how accounting affects, and is affected by, the political and social context. The note ends with a call for further accounting history studies about Brazil based on archives and primary sources.

Keywords

Accounting, Brazil, corporatism, history, state

Introduction

From 1860 to 1964, but particularly after 1930, the Brazilian economy and society experienced major structural reconfigurations. Following the Revolution of 1930 new social actors came to power, replacing influential agrarian and exporting elites. An important cycle of civilian administrations came to an end when the military came to power in 1964.

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There were profound changes in the Brazilian society during this period – from an agrarian society to an industrial society, from predominantly rural living to predominantly urban living, and from the dominance of the export sector to a focus on the domestic import-replacing market (Draibe, 1986). Within a few decades there were significant changes in Brazilian society, as well as in accounting. These transformations had strong support from the government. New departments, agencies and institutions were created to introduce new technical rules for the management control of organizations.

This research note seeks to portray present understandings of accounting's past in Brazil during the period 1860–1964 with the intention of proposing a research agenda of archive-based, theoretically-informed studies that would stimulate and advance the knowledge of the sub-discipline in the country. It is assumed that accounting and government are linked reciprocally: that the introduction of new accounting practices occurred because of demands to modernize society and expand commercial and productive activities. The development of accounting in Brazil was related strongly to the State and this interrelation is particularly visible in the period of State corporatism in the country (1930–64).

Despite the increasing importance of accountants and accounting in Brazil, little has been documented regarding how accounting emerged and developed and about the significant formative influences involved. This article seeks to assist the process of filling this void by reviewing the development of accounting in Brazil from 1860 to 1964, using secondary sources and selected primary sources. It responds to calls by Carmona and Zan (2002, pp.291, 300) to map a broader variety in the history of accounting. Considering the legalist character of Brazilian accounting, this research note serves to provide a base upon which fuller and richer understandings will emerge of how and why accounting evolved in Brazil. In doing so, the study follows the suggestion of Burchell, Clubb, Hopwood, Hughes and Nahapiet (1980) to understand what social and political issues and agents have been involved with accounting's emergence and development in Brazil.

In this research note, an emphasis is placed on accounting influencing, and being influenced by, the social and political environment (Miller & Napier, 1993; Hopwood & Miller, 1994; Miller, 1994). Therefore, in this study accounting is recognized as a social practice rather than a mere technical practice. This conception of accounting is recommended for adoption in future studies on accounting development in Brazil.

The remainder of this contribution is organized as follows. The next section divides the period analysed into two significant developmental phases based on the Brazilian state and its dominant ideologies. Thereafter follows the analysis of the two periods of interest: Waning Liberalism and Rising Corporatism (1860–1930) and State Corporatism (1930–64). The latter period is divided into two main periods: Vargas' regimes (1930–1945) and the populist democratic regimes (1945–64). The research note concludes by discussing the main findings and calling for further accounting history studies about Brazil based on investigations set in the archive.

Liberalism and corporatism in Brazil

Consistent with Rodrigues, Gomes and Craig (2003), the period analyzed in this study is divided into two significant developmental phases, based on the nature of the Brazilian State, its dominant ideologies and its approaches to decision-making. These developmental phases are described as follows:

- Waning Liberalism and Rising Corporatism (1860 to 1930)
- State Corporatism (1930 to 1964)

As with the Portuguese case (Rodrigues, Gomes and Craig, 2003), liberalism in Brazil began to lose influence in the second half of the nineteenth century, particularly after 1860. The intervention of the State was important in the period 1889–1930, although the State was still liberal (Topik, 1980). The corporatist state was imposed in 1930 by Vargas (Bak, 1983). This division is also consistent with that commonly adopted by writers of Brazilian history (see, for example, Diniz, 1978; Stepan, 1978; Boschi, 1979; Ianni, 1991; Noronha, 1999; Kannan, 2006). Additionally, it is contended that Brazilian history reflects Portuguese ideology (Topik, 1980). This is also asserted by Wiarda (1997, p.56) who claimed that:

Brazil had had virtually every form of corporatism: natural or historic corporatism going back to Portugal and the colonial period; a flurry of Catholic-corporatist ideological writings going back to the early twentieth century; manifest corporatism during the regime of Getúlio Vargas, 1930–1945, who patterned his regime on Salazar’s Portugal; and even the beginnings of modern neo-corporatism.

The Portuguese Constitution of 1933 and President Vargas’ Estado Novo Constitution both contained articles dealing with labor rights and responsibilities that were of a corporatist character. Portugal and Brazil had a tradition of centralized, State-directed, often Catholic-inspired bureaucratic corporatism, or natural corporatism (Wiarda, 1978, p.31).

Liberalism and corporatism are opposing concepts. As defined by Rodrigues *et al.* (2003, p.99), liberalism is “an ideology in which belief in individual rights is paramount, [and] the merits of unfettered competition and the pursuit of material wealth are revered.” The political scientist Schmitter (1979, cited in Lloyd-Jones, 1994, p.8) stated:

Corporatism can be defined as a system of interest representation in which the constituent units are organized into a limited number of singular, non-competitive, hierarchically ordered and functionally differentiated categories, recognized 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.

Schmitter (1974) differentiated the concept of corporatism from fascist regimes by distinguishing State corporatism and its societal version – the latter being compatible with democracy.

As Graves and Radcliffe (2001, pp.93–4) emphasized, perhaps “the most challenging work in recent years concerns the ongoing invocation of accounting in the everyday business of governing.” This kind of broad agenda for historical study “has the potential to provide vital contributions to an appreciation of our discipline’s [accounting] functioning with public policy.” Carmona, Ezzamel and Gutiérrez (1998) also suggested that increased attention be devoted by accounting researchers to the logic and meaning of accounting in government action.

Waning Liberalism and Rising Corporatism (1860 to 1930)

This section addresses accounting education, the accounting profession, and accounting and tax regulation between 1860 and 1930.

Accounting education

The imperial government sponsored the first accounting classes in Brazil. On 9 February 1861 Decree No.2741 created the *Instituto Comercial do Rio de Janeiro* (Commercial Institute of Rio de

Janeiro). The decree established that this Institute would offer preparatory and professional programs. Article no.1 stated that the professional program should have four courses, including Bookkeeping and Mercantile Law (Silva, 2005, p.80; Peleias, Silva, Segreti and Chiorotto, 2007, p.25). Later, in March 1863, the imperial government reorganized commercial teaching and issued the new statutes of the Commercial Institute of Rio de Janeiro (Decree No.3058). The program that formerly had a duration of two years was increased to four years, and bookkeeping was taught in the third and fourth years (Saes & Citrynowicz, 2001).

After the military toppled the Brazilian empire in 1889, Brazil became a republic. Landowners dominated the rural areas and governors of the most important States chose the president (Deutsch, 1999, p.38). From 1890 to 1914, Brazil relied on exports, particularly coffee. Such reliance on coffee prompted the move of the financial-economic centre from Rio de Janeiro to São Paulo (Ricardino, 2000). Marques (1983, cited in Ricardino, 2000) claims that in São Paulo, in 1887, there were only 12 bookkeepers, all of them with Portuguese surnames.

In 1894, the Polytechnic School of São Paulo was founded. It offered an accounting program that was recognized for the purpose of certifying accounting professionals (Martins, Ricardino and Silva, 2006). Within this professionalization context, on 20 April 1902 the Practical School of Commerce was founded in São Paulo. This School initiated a regular course to train accounting professionals. Decree No.1339 of 1905 considered the institution to be an entity of public utility (Peleias *et al.*, 2007). The need to introduce bookkeeping for business management was associated with the strong economic development taking place in São Paulo with the expansion of the coffee economy and its multiplier effect on urban activities: commerce, railways, industries, banks and insurance companies, and publicly owned firms. Therefore, the goal of the school was “to create experts who would fulfill the routine tasks of accounting and financial management and endow São Paulo with individuals capable of developing business” (Fundação Escola de Comércio Álvares Penteado, 1992, p.20).

Accounting profession

In 1923, the graduates of several schools were recognized by the State through Decree No.4724-A. Additionally, in this period, several accounting bodies were created which were important in stimulating an organized accountancy profession. In about 1921, the *Instituto Paulista de Contabilidade* (Paulista Institute of Accounting) and the *Instituto Brasileiro de Contabilidade* (Brazilian Institute of Accounting) were founded, in São Paulo and Rio de Janeiro, respectively. In June 1922, the *Revista Paulista de Contabilidade* (Paulista Magazine of Accounting) first appeared (Ricardino, 2000). The magazine’s objective was to support the needs of the growing business activities, which at the time were much more commercial than industrial (Ricardino, 2000). In 1924 the first Brazilian accounting congress was held in Rio de Janeiro and the professionalization of accounting was the main topic (De Rocchi, 2007; Sá, 2008).

Accounting and tax regulation

The Brazilian Code of Commerce published in 1850 is an example of the State liberal regime of “laissez-faire”.¹ Article 17 established that “No authority or court under any pretext whatsoever, for how suspect it may be, can practice or order any investigation to examine whether the merchant does or does not duly keep his mercantile books, or whether they contain any flaws” (Ricardino & Iudícibus, 2002, p.14).

However, a first signal of state intervention can be found in 1860, when D. Pedro II, Emperor of Brazil, approved Law no.1083, the first joint stock companies law (Ricardino & Iudícibus, 2002). Its second article stated that:

In the organization and rules of the companies and corporations, as well as of the commercial rules, the following will be noted:

Paragraph 9 – The managers or directors of companies or corporations ... will be obliged to publish and send to the government their balance sheets, financial statements and other required documents; otherwise a fine would be paid ...

A few months later, Decree No.2679 was issued to regulate the financial reporting disclosures required by the Government (Ricardino & Iudicibus, 2002). Article 1 established that:

The Administrations, Boards of Directors or Management of Banks, their Branch Banks or Agencies are obliged to publish, until the 8th day of each month, on the premises they function, the balance sheets of their activities in the previous month, and to send two certified copies: one to the President of the respective Province and another to the Ministry of Finance.

Article 2 extended the requirement of the previous article to include all joint-stock companies:

The other companies, civil as well as mercantile, will publish at least every semester, or at the times considered in their Statutes, the documents treated in the preceding article, and will forward them to the Presidents of the respective Province and to the competent Secretaries of State.

This decree also required, under sub-section 2 of Article 1, that balance sheets should be presented by all banks and joint-stock companies using the formats outlined in its annex. This law can be considered as a first step towards standardization. During the next eighty years it guided financial reporting in the country. Ricardino and Iudicibus (2002) present the balance sheet of the Baron of Mauá's bank, *Casas Mauá & C.*, as at 31 December 1867 and the balance sheet of the *Companhia da Estrada de Mangaratiba* (Mangaratiba Road Company), dated 13 October 1860. They conclude that these companies complied with the required balance sheet formats.

On 26 June 1926, through Decree No.17390, a new Regulation of Income Tax was approved. It was the most important income tax regulation in Brazil and remained in force for the longest period.² As stated by Assis (1998, p.30), "the first income tax law issued in 1926 started an endless interference by tax legislation with accounting concepts".

To sum up, although the development of accounting (in terms of accounting and tax regulation, professionalisation and education) in this period (1860–1930) was still mainly a result of initiatives of entrepreneurs and businessmen, state intervention was also felt, namely in terms of the recognition of graduates from several schools as accounting professionals. Also, in 1926, technical accounting teaching was regulated by the State through Decree No.17329. This decree established that teaching should be mainly practical and should aim to train accountants specializing in book-keeping. Analysis of this period reveals that important intervention by the State in accounting matters was germinating.

State corporatism (1930–1964)

During this period, there were many and significant changes in accounting with strong support from the government. This period is divided into two sub-periods: Vargas' regimes (1935–45) and the populist democratic regimes (1945–64).

Vargas' regimes (1930 to 1945)

The commander-in-chief of the armed forces of the revolution of 1930 was Lieutenant Colonel Goés Monteiro. The emergence of the Lieutenants (*Tenentes*) in 1920s was part of a broader movement of discontent with the Old Republic,³ which was a relatively loose confederation of States dominated by rural landed interests and the politicians associated with them (Alexander, 1973). It is accepted generally that the Revolution of 1930 resulted from political disputes between the rural oligarchy and the emergent industrial bourgeoisie (Barreto, 1995).

The Brazilian Revolution of 1930 brought Getúlio Vargas to power. He ruled Brazil for the next 15 years, first as provisional president (1930–4), then as constitutionally elected president (1934–7), and finally as dictator of the pseudo-fascist New State (*Estado Novo*) (1937–45) (Bak, 1983, p.255). The powerful State that took shape between 1930 and 1964 contrasted sharply with the decentralized regional structure of the Old Republic (1889–1930) (Bak, 1983, p.255). Vargas' objective was to accelerate the transition from an agrarian society to an industrial society, using a corporatist centralized State model (Mertz, 1996). The priority of the new provisional government was to develop Brazilian industry. The policy of Getúlio Vargas' government was to improve technical education and to encourage vocationally-oriented education.

A new phase of the Vargas' administration called "The New State" started on 10 November 1937 when a dictatorship was established; all legislative houses in the country were shut and power became centralized in Vargas' Presidency. A new Constitution replaced the principles of a representative democracy with an economic and judicial order inspired by the Italian fascist corporatist government. Instead of legislative bodies, the Vargas' administration was to be structured around technical councils, representative of the various corporations or occupations.

The centralization of the state was boosted by the creation in 1938 of the *Departamento Administrativo de Serviço Público* (DASP; Administrative Department of Public Service) at the federal level and its replication in the state departments (so-called "daspinhos") (Diniz, 1978). The objective of this administrative reform was to weaken the power bases of the oligarchic states by institutionalizing a system of recruitment by merit and introducing a system of meritocracy. This included a requirement for undertaking exams to enter the civil service, as to help create an efficient, strong and centralized bureaucracy (Diniz, 1978).

In a 1938 address, Vargas stated "It is time for specialized assemblies, for technical advice integrated to the administration ... Technical committees will study various relevant issues and submit them for the government's decision" (Vargas, 1938, p.110). Presidential rhetoric began to emphasize that national decisions must follow technical criteria: "In the national technical councils, there will be no room for parliamentary amateurism" (Vargas, 1943, p.72). Technical and professional qualification in activities that provided a foundation for decision-making, like accounting, began to have increasing importance.

Accounting education. The commitment to industrialization and import replacement made it necessary for accounting to be generally less amateurish. There was a need for new, more sophisticated accountants who would help the federal government supervise tax collection. This happened on 9 July 1931 through the publication in the *Diário Oficial da União* (Official Journal of the Federal Administration) of Decree No.20158, which regulated technical commercial studies that were considered by Vargas' government important to prepare accountants. To become a chartered accountant it was necessary to have graduated from an authorized school with a diploma validated by the Superintendencia do Ensino Comercial (Superintendent of Commercial Education) (Title III of Decree No.20158).

The number of graduates in commerce grew in public and private schools, prompted by the emerging labor market and by the government itself, which established that preference in appointment to public posts would be given to graduates of recognized commercial schools (Articles 76 and 77 of Decree No.20158). As President Vargas put it: “Professional expertise ... was considered a responsibility of the new regime. It is up to the elements of labor and production, cooperatively joined, to cooperate with the government to train the technicians we so badly need” (Vargas, 1938, p.106).⁴

Accounting profession. The same law that regulated technical commercial studies was used to regulate accounting profession: Decree No.20158. The government that was formed after the Revolution of 1930 issued professional regulations that provided the regulatory framework for the establishment and monitoring of a chartered accounting profession. The professional practice of accountants was subject to further regulation, in 1946, by a network of professionally-sponsored Federal and Regional Councils of Accounting.

In 1932, Decree No.21033 was issued and this required accounting books and documents to be signed by a chartered accountant; otherwise they would not have legal or administrative effect. This increased the demand for accountants.

Accounting and tax regulation. Awareness of the role of accounting in generating reliable and relevant information gradually emerged. During the 1930s, Vargas’ government sought to regulate utility prices (Bastos, 2006, p.258) and his economic nationalism aimed to develop basic economic sectors. In 1934, the Water Code (Código de Águas) was enacted regulating the principle of “service at cost” in the determination of tariffs – that is the price charged to consumers should be recover the current costs of service delivery, including depreciation (Bastos, 2006, p.258).

However, the standardization of accounting remained an unresolved issue. In 1937, the standardization of the accounting by the Brazilian Railways was approved (De Rocchi, 2007). In addition, Decree No.1168 of 1939 made it compulsory for all companies that paid income tax to present a balance sheet as at 31 December each year. This reform at least standardized the date for delivering annual information.

Several of the new commercial and industrial enterprises that were created at this time were limited liability corporations, and some began to open their capital to the public in order to increase their size. In response to these developments a new joint stock companies law was issued by Decree No.2627 in 1940. However, the issuance of this law is explained not only by the economic needs at that time, but also because Brazilian accounting thought was developing in response to European influences, particularly Italy. As stated by Sá (2008), the new companies law was based on Francisco D’Áuria’s paper presented at the first Brazilian Accounting Congress.⁵ This law created several new rules to standardize accounting procedures, such as rules for assessing assets, profit appropriation and the creation of reserves (Iudícibus & Ricardino, 2002). The new rules included provisions stipulating that:

1. Assets should be valued at the lower of cost or market. Depreciation of long-term assets should be considered; securities traded on a stock exchange could be recognized at the current market price;
2. If market price was used for asset valuation, the difference between this price and the acquisition cost could not be considered for the distribution of dividends, or for legal reserve purposes;
3. Start-up costs could be considered as an asset if they did not exceed 10 per cent of the capital and were amortized annually.

Additionally, new formats for the publication of balance sheets and profit and loss statements were proposed. This new proposal for structuring the balance sheet was inserted into a more comprehensive discussion by the accounting profession, so that, according to D'Áuria (1949, p.114), the standardization of the balance sheet was discussed "between Brazilians accountants not only in Brazil, but as well at international congresses".

These rules created by Decree No.2627 were fundamental for the standardization of accounting in Brazil. They influenced accounting teaching and practices, and marked a whole generation because they were valid for 35 years (before being replaced on 15 December 1976 by new legislation applying to joint stock companies law, being Decree No.6404). In 1939, Decree No.1168 revoked Article 17 of the Code of Commerce. As mentioned earlier, this Article established that no authority or court had the right to examine whether merchants properly kept their accounting books. This Article was considered an obstacle in the collection the public monies and following its revocation the tax authorities were able to examine accounting books. Throughout this period several other legislative changes having accounting implications were made by the Government. For example, Decree No.4178 of 1942 defined the concept of profit and listed the necessary documents and accounting statements to support the calculation of income tax.

Concern for standardization was not restricted to the private sector. In 1940, Decree No.2416 established standards for the preparation of the accounts of the states and the counties. It prescribed the format for balance sheets in the public sector and established a link between financial accounting and budgeting. This law also consolidated several important budgeting concepts, including, for example, "identification of the need to calculate the cost of services and the necessary numbers for programs of government" (Core, 2004, p.2). This law provided for the control of resources and "anticipated the functional budget" (Core, 2004, p.3). These provisions were further developed in 1964 (Law No.4320).

The populist democratic regimes (1945 to 1964)

Following the overthrow of Vargas by the military and the restoration of democracy in 1945, a new era commenced which would last until 1964 (Diniz, 1978). A Constitutional Assembly was elected to devise a democratic constitution. However, the civilian government administration that preceded the military coup of 1964 retained the economic development policy that had been initiated in 1930. During this period Vargas returned to power, commencing a new three-year term in 1951.

Accounting education. At the end of World War II, several occupational categories, including accounting, came to be recognized as requiring a college degree. In September 1945, Decree No.7988 established the first university degree in accounting and actuarial science: a bachelor's degree in accounting science. This was a four-year degree that included special courses in general accounting, industrial and agricultural accounting, insurance accounting, governmental accounting, bank accounting and auditing. In 1946, the Faculty of Economics and Administrative Sciences of São Paulo was created and the first degree in accounting and actuarial sciences was delivered. Accounting teaching at the University of São Paulo was influenced by the Italian School (Sá, 2008). The first research unit in accounting emerged at this time, at the same university (Iudicibus, 2006). In 1946, several Brazilian universities responded to the new legislation by creating courses in accounting.

As stated by Sá (2008, p.141), at the end of the 1950s accounting teaching at the University of São Paulo began to be influenced by the North American model, leaving behind the Italian approach, which had previously been fundamental in the education of accountants as well as the

development of legislation. These American influences strengthened in the 1960s and were further expanded in the 1970s.

The introduction of the automobile industry in Brazil at the end of the 1950s consolidated the adoption of American accounting practices due to the influence of the international companies associated with this industry. Auditing practices were similarly influenced (Sá, 2008). During this period of change the education of accounting professionals also adapted to the changing environment (Peleias *et al.*, 2007). In 1960, the Federal Education Council was created and determined the minimum requirements and number of years of teaching for regulated professions. Consequently, accounting teaching changed again in 1963. Additionally, in 1961, postgraduate teaching was introduced (Law No.4024).

Accounting profession. On 27 May 1946, Decree No.9295 created the Federal Council and Regional Councils of Accounting in every state (Schmidt, 2000). These councils, which still exist, are responsible for enforcing legal requirements for the accounting profession, and have a broad oversight responsibility. The creation of professional councils accredited by the government was introduced for many professions, and reflected the Brazilian government's policy of creating official agencies to regulate and supervise the practice of professions. This was part of a bigger policy, inspired by Mussolini's Carta Del Lavoro's corporative system, of accrediting (and making official) unions and institutions representing professions so that there could only be one union or representative institution per jurisdiction.

Accounting and tax regulation. During this period, the main accounting changes were due to changes in income tax legislation, thus contributing to the evolution of the legal and pragmatic process that occurred in Brazilian accounting (Iudicibus, 2006). This is evident from Decree No.24239 of 1947, which referred to some accounting procedures already mentioned in Decree No.2627, such as the redefinition of profit, the introduction of the reassessment of assets and the "lower of cost or market" rule. This last rule is still in use today and provides one of the main bases for the valuation of assets.⁶

At this time accounting was seen as important to support the collection of public monies. In a 1951 speech, Vargas recognized that accounting can support government activities and the programmes:

It is essential, therefore, that the government take an active position towards the problem of creating new resources of energy ... by a large increase in administrative activities of government with the support of the supervisory functions of accounting and the implementation of the pricing principle "service at cost" (Vargas, 1951, p.156).

From 1955 until 1963, with the adoption of the Targets Plan of President Juscelino Kubitchek, Brazil experienced a period of strong growth in rates of GDP. Despite the improvements experienced in the first half of the twentieth century, the post-war context was also characterized by inflation until the end of the 1990s. High inflation made indexation necessary, as a means to preserve the real value of assets and to provide financial statements that better reflected the reality of companies. The introduction of indexation in the Brazilian economy occurred with Decree No.24239 of 1947 where article 43(e) allowed the reassessment of fixed assets, with a corresponding entry to a special reserve account in equity (Doupnick, 1996). Indexation gradually spread through Brazilian accounting and became more important after 1964, when several economic variables (such as wages, exchange and debt) began to be indexed.

The military presidents who ran the country from 1964 to 1985 broke the populist–corporatist tradition that had dominated the country in the previous 30 years (Noronha, 1999).

Discussion and implications for research

Examination of the development of accounting in Brazil shows how it was influenced by the country's economic, social and political evolution from 1860. In this period the Brazilian economic system changed from an agrarian society to an industrial society. Modernization, noticeable in several areas, was evident especially in complex companies, organizations, and federal, state and local administrations.

Liberalism began to lose influence after 1860 and the State became corporatist, reaching a peak with the tenure of President Vargas. In a corporatist State, accounting was allied with socio-political objectives. In this note it is revealed how accounting was understood by Vargas through its role in assisting corporate and public accountability, and in installing monitoring systems. For example, accounting was considered important in the implementation of the pricing principle of “service at cost” (Vargas, 1951, p.156). The need to improve public accountability required more accountants to support the administrative activities of government. This encouraged the development of accounting education and of the accounting profession. Although the academic movement was important, Vargas' corporatist state (inherited from Portugal) was mainly responsible for the organization of the accounting profession in 1931. Brazilian accounting can be characterized as legalist. As a consequence of the corporatist state, the development of Brazilian accounting was mostly driven by legislative changes, mainly in relation to income tax. The technical and professional qualifications of accountants were considered important by Vargas' centralized corporatist State.

Although the first initiatives to create schools of accounting and develop corporate accounting practices came from the private sector, these developments were soon supported by the government. Gradually, from 1930 onwards, corporatist administrations – mainly the federal central government – became more interested in accounting education. Professional expertise that would develop from accounting education and professionalization was considered a responsibility of the corporatist regime (Decree No.20158 regulated both the accounting profession and technical commercial studies). At this time, academics (most of whom were also practitioners)⁷ were primarily influenced by the Italian School of the accounting thought (which was also dominant in Portugal at the time). More recently, a north American influence is most evident. The influence of international companies following the introduction of the automobile industry in Brazil at the end of the 1950s consolidated the use of American accounting practices and also influenced how auditing was conducted. These changes were also reflected in accounting studies at the University of São Paulo.

In this note the development of accounting in Brazil between 1860 and 1964 has been outlined, taking account of the country's political, economical and social context. Further analysis, based on primary sources,⁸ would assist in furthering understanding of how accounting practices and accounting development were associated to the State, particularly under the centralized corporatist model of government. The history of accounting in Brazil can contribute to explanations of the promotion and deployment of specific accounting techniques in terms of their utility for specific State projects.

There is little known in the English-language literature about Brazilian accounting history. Rodrigues *et al.* (2009) examined the corporate governance rules of the Companhia do Grão Pará e Maranhão, a company that sought to develop commerce between Brazil and Portugal. Other informative contributions on accounting's past in Brazil can be prepared using information derived

from the archive and through the use of theoretical lenses that interpret accounting as a social practice.

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Notes

1. The term is French, literally meaning “let do”. It is a doctrine that states that government generally should not intervene in the marketplace.
2. Refer to <http://www.receita.fazenda.gov.br/Memoria/irpf/curiosidades/curiosidades.asp>. This decree was known as Souza Reis’ Regulation because he wrote the text. Souza Reis was also the first General Director of Income Tax in Brazil.
3. In Brazil, the period between 1889 and 1930 is commonly known as the “Old Republic”.
4. Several examples can be given: Sibilis da Rocha Viana (Secretary of State), Lucidio Ramos (Deputy), Armando Antonelo and Flavio Mena Barreto Matos (Mayors), Siegfried Heuser (Secretary of Finance, Senator), Ary Burger (Secretary, Director of the central bank) (Corazza, 2009, p.138).
5. D’Áuria was Professor at the University of São Paulo and wrote several important books. He supported the professionalization of accounting, including accounting bodies like *Instituto Paulista de Contabilidade* and *Academia Paulista de Contabilidade*, as well as the journal *Revista Paulista de Contabilidade* (Peleias & Bacci, 2004). This period is characterized by important accounting academic activity and a succession of mentors, who were decisive in shaping the accounting culture: Carlos de Carvalho, Francisco D’Áuria, Horácio Berlinck and Frederico Herrmann Jr (Sá, 2008, p.79). They all were influenced by the equity theory of Italian accounting (Sá, 2008, p.80).
6. With the recent publication of Law 11.638/07, the transition to International Financial Reporting Standards has become a priority for all Brazilian companies. This move, effective from 1 January 2008, is the most significant change in Brazilian corporate legislation since the revised joint stock companies’ law (No.6404) was introduced on 15 December 1976.
7. For example, Professors Antônio Lopes de Sá, Francisco D’Áuria and others.
8. Primary documents related to the colonial period are available through the “Project to Rescue Historical Documentation of the Baron of Rio Branco” (*Projeto Resgate de Documentação Histórica Barão do Rio Branco*) established in 1995 by the Ministry of Culture. It aims to restore and make available to Brazilian researchers, and all those interested in the colonial history of Brazil, documents that exist in the Overseas Historical Archive of Lisbon (*Arquivo Histórico Ultramarino de Lisboa*). Other documents can be found at several archives, such as the *Jornal do Comércio* (Rio de Janeiro), the National Library (*Biblioteca Nacional*) in Rio de Janeiro, the Brazilian Museum of Accounting (*Museu Brasileiro de Contabilidade*) at the Federal Council of Accounting in Brasília, the Accounting Museum from *Fundação de Comércio Álvares Penteado* in São Paulo, and the National Archive of Rio de Janeiro. All Regional Councils of Accounting have libraries that preserve historical accounting documents, but not all are significant.

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