

**ACCOUNTING, MODERNISATION AND TIME:
CYCLICAL INFLUENCES ON FINANCIAL
REPORTING REGULATION AND PRACTICE IN
ROMANIA**

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DECLARATION OF AUTHORSHIP

I, Nicolae Ionut Bertalan, hereby declare that this thesis and the work presented in it is entirely my own. Where I have consulted the work of others, this is always clearly stated.

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ABSTRACT

The general purpose of this research is to identify, explain and theorise into how the transition to Western financial reporting happened after 1989 in former communist countries based on the case study of Romania. Romania is particularly interesting in this sense because there is not much research done in this area with an international visibility and it is one of the last countries to overthrow the communist regime and embark on the path of democracy.

To develop this inquiry, the research draws on several theoretical streams and creates a new theoretical framework suited for the complexity posed by this endeavour. The particular streams used are nine of Latour's modes of existence (2013) chosen based on the continuity assumption and the notions of recurrence and pattern identification. Drawing on the aforementioned recurrence (implicitly also on repetition compulsion) and pattern identification in history, I show that the periodisation of the accounting changes that affected Romanian accounting from 1837 to the present day have a circularity to them. Pattern identification has not been used as an analytical device in any prior national or international accounting history research. The notion of repetitive cycles in standard-setting has been used in the broader accounting literature by Mumford (1979) and Nobes (1991 with a reply to criticisms of it in 1992 and 1992 Abacus article).

By developing this unique perspective with the use of the Romania case, this research is able to offer a fresh perspective on how history repeats itself in a way that is most of the time unquestioned and the crucial role of the transnational actors and not least of the need for funding, which together creates or influences the patterns for the development of new accounting systems and regulations. This particular approach being a theory building one, complements and expands the already existing prior literature in this area and it is a valuable insight due to its potential for generalisation to the other former communist countries in Eastern Europe and worldwide.

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LIST OF ABBREVIATIONS

AIME	An Inquiry into Modes of Existence
ASA	Anglo-Saxon (i.e., Anglo-American) Accounting
ASE	Academia de Studii Economice Bucuresti (Academy of Economic Studies)
ATT	Attachment (Mode of Existence)
CAFR	Corpul Auditorilor Financiari din Romania
CEE	Central and Eastern European
CECCAR	Corpul Expertilor Contabili si al Contabililor Autorizati din Romania (Body of Chartered Accountants and Authorised Accountants of Romania)
CF	Conceptual Framework
DEA	Diagnosis and Chartered Accountancy degree
DFID	Department for International Development
EBRD	European Bank for Reconstruction and Development
EU	European Union
FDI	Foreign Direct Investment
FIC	Fiction (Mode of Existence)
FP	Fair Presentation
FSEGA	Facultatea de Stiinte Economice si Gestiunea Afacerilor (Faculty of Economic Sciences and Business Administration)
FSU	Former Soviet Union
HAB	Habit (Mode of Existence)
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICAEW	Institute of Chartered Accountants of England and Wales

ICAS	Institute of Chartered Accountants of Scotland
ICC	Interstate Commerce Commission
IFRS	International Financial Reporting Standards
KHF	Know How Fund
MET	Metamorphosis (Mode of Existence)
MOE	Modes Of Existence
NET	Network (Mode of Existence)
OMFP	Ordonanta de Urgenta a Ministerului Finantelor Publice (Ministry of Finance Ordonnance)
ORG	Organization (Mode of Existence)
OUG	Emergency Government Ordonnance
POL	Politics (Mode of Existence)
PSAL	Loan agreement between the World Bank and Romania
REP	Reproduction (Mode of Existence)
RHUL	Royal Holloway, University of London
SARG	Standards Advice Review Group
STS	Science and Technology Studies
TEC	Technology or Technique (Mode of Existence)
TFV	True and Fair View
UBB	Universitatea Babes-Bolyai
UK	United Kingdom
UoL	University of London
US GAAP	United States Generally Accepted Accounting Principles
USA	United States of America
WB	World Bank

CHAPTER 1. INTRODUCTION

THE AIM OF THE RESEARCH

This study is aiming to examine the evolution of the accounting regulation and practice after the fall of the communist regime in Romania after 1989. The reason for undertaking this research endeavour is the lack of causality studies in the accounting literature on this specific topic. While there are studies looking at aforementioned evolution from various perspectives, there is none that adopts a cause and effect type of analysis looking at the process of shaping the accounting as a modernisation process. As such, this thesis is not merely an examination of the period after 1989 but it adopts a cyclical approach, with a period between 1821 and 1947 being chosen as a comparison point. This comparison is done firstly by looking at the political and military shifts in both periods mentioned, and then the changes in the accounting regulation and practice are analysed in the context of those particular shifts.

THE MOTIVATION FOR THE STUDY

The lack of theoretical studies on Romania about the reasons for the changes in the accounting regulation and practice after the fall of the communist regime in 1989 was on my mind for a quite some time. When I was undertaking my masters degree back in Romania in 2010 I had a first attempt at looking at these changes in the Romanian accounting adopting an approach in line with the New Accounting History but only using secondary sources of data. My study at that point was limited to looking into the evolution of the accounting practice particularly after 1999 which saw a substantial change for certified accountants but also the appearance of the statutory auditors. The limited scope of the study attempted then made me even more curious as to what were the true determining factors behind all these changes as the transition to a market economy in itself was not able to explain everything that had been going on.

Therefore this thesis is my second attempt to study the changes that happened in the context of the Romanian accounting during the transition period and afterwards. This time, I am using a broader theory building process that informs the analysis of the data and offers a certain level of generalizability for other former communist countries. More specifically, I am theorising the factors that influence the changes in the financial and accounting reporting after 1989 but also the changes in practice. This research is embedded in the broader New Accounting History type of research which is done by looking at the social context rather than just the accounting changes in isolation (Miller and Napier, 1993; Carnegie and Napier, 1996).

RESEARCH QUESTIONS

The main research objective is represented by the study of Romania's accounting ideas and the evolution of regulation after the fall of the communist regime in 1989 and the identification and understanding of the main mechanisms by which Romania acquired and developed its current financial reporting regulations and practices.

The research questions of my study are as follows:

- (a) What actually happened after 1989 with the Romanian financial reporting regulations and practices?
- (b) What were the mechanisms (for example, professionalization, education, international pressures) that gave rise to what actually happened?
- (c) What does the Romanian experience tell us more generally about the ways in which financial reporting regulations and practice change?

THEORY AND CONTRIBUTION TO THE LITERATURE

To develop this inquiry, the research draws on several theoretical streams and creates a new theoretical framework suited for the complexity posed by the case studied. The particular streams used are represented by nine of Latour's modes of existence (2013) chosen based on the *continuity* assumption, the notions of recurrence and pattern identification. One of the nine modes of existence is dropped along the way, after being analysed and it is found that although it matches the continuity criteria, it is not suited for this research due to the mode's particular artistic nature. Drawing on the aforementioned recurrence (implicitly also on repetition compulsion) and pattern identification in history, I am showing that the periodisation of the accounting changes that affected Romanian accounting from 1837 to the present day have a circularity to them. The notion of pattern identification has not been used as an analytical device in any prior national or international accounting history research. The idea of repetitive cycles in standard-setting has been used in the broader accounting literature by Mumford (1979) and by Nobes (1991 with a reply to criticisms of it in 1992 and 1992 Abacus article).

The theory takes the form of three layers, each layer adding value in terms of the theoretical devices employed in order to explain the phenomena under study. This theory is used in two ways. First as a prior theory, before the data collection stage, carrying the role of an informative theory for the fieldwork. Then, the prior theory is clashed against the empirical findings after the data collected is being analysed, resulting in mutations of the prior theory, mutations which are being highlighted in the Conclusions chapter, and therefore reshaping and creating a final theory.

The nature of the developed theory in itself emphasises key contingencies that may or may not have an effect, differently and in different periods. The assumption is that by using this theoretical framework and developing it in the way it is used in the current study, I am avoiding a crude mechanistic-type of theory being formed and employed in order to explain the phenomena of interest.

The high-level theories used in this research have emerged from the literature review from Chapter 3, review done in order to be able to identify appropriate

theoretical devices which help explain accounting, social and historical changes this study encompasses. These are high level concepts, like, for example, modernity which cannot be used in the context of this research without giving it much more specificity and much more detail. The idea of “making order out of chaos” is another theoretical device, which in itself is both a process and a description for the purpose of this research, ultimately highlighting the relationship between states of the world in the first cycle and organisations and political pawns in the second cycle.

The notion of order out of chaos is a part of the Chaos theory which is rather ambivalent. That is because one can look at it from two perspectives. One approach is to say that even in a system that appears to have a lot of order to it, the outcomes may be unpredictable. And the other way around is, in a chaotic system one can make sense of everything ultimately, and therefore one can get order out of chaos. This thesis therefore adopts the second perspective, because the organisations that are involved in the shaping of the Romanian accounting regulation and practice after 1989 have tried to achieve their objectives by trying to make order out of what they perceived as being chaos, whether there was an existing underlying structure in order to explain their assumptions or not at the time. And by organisations I am referring to the Romanian government, accountancy professional bodies both internally and externally, World Bank, foreign governments and other supranational bodies (such as the European Union – EU). There was a clear view in regards to Romania in the early 1990’s in terms of what order was in the opinion of these organisations. For example, for the International Accounting Standards Board (IASB), order meant International Financial Reporting Standards (IFRS) and for the World Bank order meant proper financial reporting, a transparent privatisation process and less corruption. For the EU order meant the adoption of the Community Acquis and reaching the levels of progress in all the areas so as to meet all the requirements.

Looking back at the theory building process, the theory does hint towards a positivist paradigm, because of my attempt to find generalisable elements based on the case of Romania which could allow researchers to make predictions about other

transitional economies through the lens developed for Romania. This is not to suggest that generalisation is a feature that is omitted from alternative research paradigms, and the theoretical framework, together with the use of counterfactual argumentation, is likely to be helpful in analysing similar settings. I am by no means looking for objectivity though, as that would not be possible when looking at social, political and economic changes all at once.

As part of the social sciences, the aim is to find an explanation that does not just explain particular phenomena but also potentially can explain phenomena that have not yet been observed. So, in other words it is the idea of generalisation. That is the reason for which I did not adopt solely a historic view. Social scientists have a far broader interest in trying to find a more general explanation.

My main contribution to the transitional literature but also to theory building is through developing a general understanding about the shaping of the new accounting system, the regulation and practice in Romania.

Indeed, one could say that every country has its own specific features which need to be taken into account. But there are some general elements or tendencies and the way specific actors work which a lot of times are extremely similar. One of the aspects that is clearly emerging from my story is the importance of the World Bank and the way in which the World Bank is trying to get the transition economies to converge in particular ways. Taking this into consideration, one could almost come up with a general theory which would assume that the countries where the World Bank is influential then, then similar evolutions as that of Romania would happen. If the World Bank is less influential then we might in fact expect to see different evolutions. Unfortunately, due to time limitations this topic would be a possible future research endeavour.

I draw on the results of theorising about transnational organisations, based on the transnational history literature. What I can say is that historians draw on this literature to provide a structure in order to be able to look at the influence of transnational organisations and the actual importance of these institutions.

Although this research is done on a single country one can realise that it is not a single country's story but in fact a story of a multitude of transnational impacts.

ORGANISATION OF THE THESIS

The thesis is organised as follows. In the present chapter, Chapter 1 or Introduction, I present the aim of the research, the motivation for the study, research questions, theory and contribution to the literature, organisation of the thesis and conclusions. In Chapter 2 I perform an extensive literature review on economic, financial and accounting regulation and also on the idea of deregulation. I build the Prior theory in Chapter 3 and 4 by presenting all the “grand-theories” that are being used in the analysis and a detail of the eight Modes of Existence selected for the analysis (only eight being selected in the end). Chapter 5 concerns the Methodology and focuses on the counterfactuals and the idea of cyclicity employed in the empirics. My empirical narrative and its analysis are presented in Chapters 6 to 8. Chapter 6 begins in 1821 with some prior contextualisation and, with each subsequent chapter following chronologically. In chapter 7 I discuss accounting under the communist regime and then in Chapter 8 I examine accounting's evolution after 1989, looking at it through the lens of the prior constructed theories but also making use of the previous cycle studies in Chapter 6. Chapter 9 provides an overall conclusion for the thesis. The appendixes contain definitions of terms used in their Romanian form in appendix one, pertinent extra information in appendices two, three and four and an interview consent form in appendix five.

CHAPTER 2. LITERATURE REVIEW

My doctoral dissertation revolves around the evolution of the accounting system of a country with a controversial historical course, that of Romania. The shaping of regulation and practice of financial reporting after the fall of the communist regime is in itself a subject closely related to the internal and international economic and political influences on Romania.

The literature analysed is vast. At a theoretical level, it is necessary to consider the sociology of science (sociology of knowledge) and theories of regulation. The general literature relating to transitional economies needs to be reviewed, as well as literature relating to accounting regulation and more specifically to the adoption of IFRS.

This chapter is made up of six subchapters, each introducing a new strand of literature of importance for this research and ending with a conclusion.

2.1. GENERAL ASPECTS ON REGULATION

In this section I will mention the various aspects of the regulation process that relate to the case I am analysing: the construction of a new regulation background in Romania and also its evolution up to the present day. I will not launch myself into an extensive explanation at this point of the continuous debate about whether regulation or deregulation might be better for the economy and economic agents alike. Also, my purpose is not to capture all the details and the nuances of these ongoing debates in the regulation literature but to focus on what is important for my research, that is, economic regulation as a starting point and then particularly financial and accounting regulation.

The term regulation in itself is used both in a legal and non-legal context. Following Anthony Ogus's writings, regulation "is not a term of art, and unfortunately it has acquired a bewildering variety of meanings" (Ogus, 1994, p. 1 and see also Mitnick, 1980) and the general use of the word can also indicate "any form of behavioural

control, whatever the origin” (Ogus, 1994). In a narrower view of the regulation concept, Ogus perceives the regulation process at its core as purely a ‘politico-economic concept’. But according to Laffont when we are talking about real events and actions, the regulation process faces constraints, that is, factors that prevent the implementation of a preferred policy by the regulator (Laffont, 1993, p.1). Three constraints are identified by Laffont: informational (more specifically, moral hazard and adverse selection), transactional (reference to the cost and incomplete coverage of potential contingencies by contracts), and administrative and political (hierarchical regulation – “the scope of regulation is limited” (Laffont, 1993, p. 4), the instruments that can be used by regulators are limited and the period of the contracts signed by regulators and the industries regulated is limited usually to each government legislature) (Laffont, 1993, p. 1). But whether we are talking about resources or information as a resource, [with the advent of the government systems,] the need to regulate and therefore to intervene in order to ensure the provision of these, both in quantity and quality (Flower, 1999, p. 4) made regulatory processes part of everyday life. In this context, information as a resource is important for both the regulator and the regulated. The importance for the regulator lies in the constant need to be informed about whether the companies targeted by the regulatory process experience changes that might affect its regulatory policy. On the other hand the information that is available for the companies, either internally or as a resource in the external environment, can be/and is exploited in their “quest” for higher profits or with the purpose of gaining a clear advantage over their competition.

At the beginning of the 1970s, work on the theory of regulation was starting to focus on political power relationships, meaning “which groups will have the muscle to extract gains from their regulatory process” (e.g. Stigler, 1971; Peltzman, 1976). According to this view, the essence of the regulatory stance (i.e. comprising all the elements that are involved in regulating a certain industry or aspect of everyday life) is politically driven by the state or its agents (although from the political view the concept has lost the broad meaning previously mentioned), even if the need is that of the economic actors on different levels of an imperfect market and the impact is felt by the financial markets and enterprises (mainly through their growth levels).

Political actors, according to G. Majone, most probably refer to the ‘central meaning’ of regulating as a “sustained and focused control exercised by a public agency over activities that are valued by a community” (Selznick, 1985, p. 363 cited by Majone, 1990, p. 1-2).

A broader meaning of the word regulation can be found in the work of Baldwin, Cave and Lodge (citing Baldwin, Scott and Hood, 1998 and Black, 2002). That is, regulation can be seen as “*a specific set of commands*”, “*deliberate state influence*” or “*all forms of social or economic influence*” (emphasized in the original text) (Baldwin, Cave and Lodge, 2013, p. 3), in other words, as a system of rules designed to be followed, a classical “command-and-control” type of regulation (imposition or enforcement for command and the imposition of sanctions for control) opposed to incentive-based type of regulation (e.g. Bryer, 1982; Ogus, 1994, Ch. 11). The last view, perceived as provider of the “smart regulation”, has emphasised recently the fact that regulation is not solely the prerogative of the state and it may be “carried out not merely by state institutions but by a host of other bodies, including corporations, self-regulators, professional or trade bodies, and voluntary organizations” (Baldwin, Cave and Lodge, 2013, p. 3 citing Gunningham and Grabosky, 1998). At the same time, regulation as a concept covers wide areas of both industrial and non-industrial activities and has a large number of legal aspects. One distinction, according to Ogus is made between *social regulation* which is a broad area that covers nearly every aspect of life (i.e. health and safety, environmental protection or consumer protection), and *economic regulation* which is narrower and usually refers to a way to “provide a substitute for competition in relation to natural monopolies” (Ogus, 1994, p.5).

Regulation as a process can find its roots in the public interest for a better distribution of the limited resources available in each society, in the public interest for a fair and even access to public services, but also the desire of the agents that hold the power through mandate from the public to right the “shortcomings of the market system” (Ogus, 1994). The public interest grounds for regulation can either take the form of economic regulation having as a background economic roles or non-economic regulation that use social arrangements as a way to justify regulation.

Besides the public interest for regulation there is also the regulation through (and the pursuit of) private interest that has to be taken into account. I will analyse later the aspect of private interest by appealing to private interest theories of regulation. I will make use of Ogus's classification of the short description of some of the reasons for having to face regulatory processes and subsequently of the theories of regulation.

2.2. ECONOMIC ARGUMENT FOR REGULATION AND MOTIVATION

A general outline of the history of economic regulation (alternatively known as the "pattern of government intervention in the market" according to Posner, 1974) by Green and Nader (1973) showed that the origins of the regulatory process are relatively well known (as the regulatory need is most often claimed to have derived from the need of the different governments to regulate natural monopolies such as railroads) but its economic rationales are not as clear. From this introduction a primary conclusion can be drawn based on this traditional or classical economic rationale for regulation. That is, when it comes to the features of the regulatory process, the basics can always be traced to the conditions that can be found in the different markets (or The Market) and to the lawmakers (those who have legislative powers or those who have coercive powers).

But natural monopoly is not the only reason advanced as "controversial public rationales" (Green and Nader, 1973). The issue of the number of reasons put forward to justify economic regulation has been subject to numerous changes over time. In the 1973 paper, Green and Nader claimed that besides natural monopoly there are factors such as economic failure, limited space (resources or technologies that are considered at a certain moment in time as being impossible to be provided to everybody), destructive competition and guaranteeing service to sparsely populated areas. More recently researchers came up with new lists of factors that have a high degree of influence on the regulation process (e.g. Breyer, 1990; Parker, 2002; Black, 2002). Parker uses six factors: market failure; state failure; the need to regulate prices and profits; the need for regulatory efficiency; legitimacy and risk

of regulation; and the impact of regulation on business to the nature of policy transfer. Black, on the other hand, points out that regulation is perceived differently and the factors influencing this process differ from one perception to the other. Breyer identifies seven factors or reasons as he calls them for regulation (Breyer, 1990). These are the well-known need to control monopoly power, windfall profits, the need to correct for spillover costs, the need to compensate for inadequate information, the need to eliminate 'excessive' competition, the alleviation of scarcity, or other justifications (Breyer, 1990, p. 10-11).

On the other hand, an oversimplification of the regulation studies made by Joskow and Noll classifies them into three big categories: "price and entry regulation in industries with competitive market structures, price and entry regulation in monopolistic industries, and (for want of a better term) "qualitative" regulation, which attempts to cope with various kinds of market-failure problems that are only indirectly linked to prices, profits; and market structure" and social led type regulation (environmental, health, occupational-safety, and product-quality regulation) (Joskow and Noll, 1981, p. 3).

Market failure is therefore perceived by many as one of the main reasons given for regulation being necessary but ultimately it was not at all the primary reason for regulating different industries. The general view regarding the main causes for a putative market failure allows the identification of seven causes, as follows (Parker, 2002, p.6-8): *significant externalities* (so that all gains and losses are not captured by the direct participants in the economic exchange), *public goods* (goods and services where non-payers cannot be excluded from the benefits of a good or service), *merit and demerit goods* (goods and services which society considers should not be restricted to those willing or able to purchase them), *incomplete information* (such that the market allocates resources in an inefficient manner), *incomplete markets* (whereby, due to friction in the market, the price signals do not produce a socially optimal allocation of resources), *monopoly* (the lack of competitiveness of the markets) and *inequality* (when society decides that free market outcomes are unacceptable because of the resulting distribution of income and wealth). Historically, the first regulatory agency, the well-known Interstate

Commerce Commission (ICC) was founded in 1887 in the United States due to increasing anti-railroad movement that appeared when people thought that railroad companies possessed too much economic power and political influence and therefore were discriminating based on prices and private interests. But this regulatory agency was founded following the model of United Kingdom of The Regulation of Railways Act 1844 proposed and supported in Parliament by W.E. Gladstone. Therefore, the initial regulation attempts did not address directly the market and its problems but the need of the government to take control over industries that were of crucial interest (and not all the time bearing in mind the public interest) or industries that were “problematic” in terms of the relationship with social actors. According to McKenzie *et al.* the markets can and have performed well without any intervention, intervention that usually is the equivalent of economists (not merely witnessing the economics at play) stepping in and getting involved in the common aspects of the society (which include also the economics and the economy in its broader sense) as are for example the regulatory attempts (McKenzie *et al.*, 2007, p. 6). Hence, the markets as a physical place or simply as an idea are usually already in place when the regulator (be that the state or the society) decides to “take control” or at least place that specific market under supervision, bearing in mind the idea of doing it for the greater good of those it represents.

One aspect worth taking into consideration is the fact that “state officials lack adequate information about the public’s preferences” (Parker, 2002, p.10 citing Shapiro and Willig, 1990, p.65). Bearing this in mind, I ask to what extent Stigler’s line of thought from his famous 1971 article still stands if we question the fact that the state is truly rationally ruled:

We assume that political systems are rationally devised and rationally employed, which is to say that they are appropriate instruments for the fulfilment of desires of members of the society. This is not to say that the state will serve any person’s concept of the public interest: indeed the problem of regulation is the problem of discovering when and why an industry (or other group of like-minded people) is

able to use the state for its purposes, or is singled out by the state to be used for alien purposes. (Stigler, 1971, p. 4)

Certainly the regulation process happens in a social, political and economic context (taking also into consideration other various ‘regimes’) as Hood, Rothstein and Baldwin state (Hood, Rothstein and Baldwin, 2001, p. 62). According to them, the context of regulation regimes is closely related to three elements of regime content shaping influences, that is, functional or market failure, populist or opinion-responsive, and corporatist or interest-driven answers. The functional or market failure approach is to be found in the architecture of the EU institutions, being a “pressure for government in liberal-capitalist societies to adopt ‘proportionate’ responses to correct serious failures in markets and/or tort law process” (Hood, Rothstein and Baldwin, 2001, p. 62). “Opinion-responsive” pressure influence is based on the idea that governments have to take into consideration public opinion when introducing regulations. The “corporatist or interest-driven” way is the way of the interest group politics, where the government is pressured by certain groups of interest (i.e. organized groups) to compromise and to respond to their expectations. All these shortcomings of ‘market failure’ are in fact limitations of an existing system at any point in time, and they are economic goals of the public interest grounds for regulation as aforementioned.

One question arises though from the previous paragraph. If structural changes force social actors to become progressively freer (Lash and Wynne, 1992, p. 2) then where would we position regulation attempts? I will try to find the answer to this question in a future chapter that will also tackle the sociology of science.

It is claimed that economic theories of regulation “long ago put public interest theories of politics to rest” (Kalt and Zupan, 1984). Furthermore, the first theories of regulation, the public interest theories of politics were labelled as more normative “rather than explanations of the real world phenomena” (Kalt and Zupan, 1984). The two authors that there were discussions whether these theories, namely the public interest theories of politics, should be readmitted in a slightly different version than their original one considering the fact that they referred to “actions and results in the political arena”. The issue was claimed to be the increasing importance

of the “altruistic, publicly interested goals of rational actors in determining legislative and regulatory outcomes” (Kalt and Zupan, 1984 and Peltzman, 1984).

Posner distinguishes two reasons for economic regulation, that is, the public interest theory of regulation and the capture theory of regulation (Posner, 1974 and see also Watts and Zimmerman, 1986). Two decades later, Ogus acknowledges public interest theory as still a valid theory and a reason for economic regulation but takes into consideration also a new theory, its alternative, the private interest theory of regulation (Ogus, 1994, p. 2-3). Therefore, theories of regulation can be divided in two major streams, *positive theories* (generally about why regulation happens and why it is necessary) and *normative theories* (generally about what regulators should do).

The first theory mentioned, that of public interest, developed by the English economist Arthur Cecil Pigou, is based on the premise that regulators (be they governments as legislators or other types of regulators) have a desire to pursue collective goals (the benefits of the regulation process address the whole society). This theory starts from the premise that markets are fragile and cannot operate efficiently if left without any supervision and at the same time that politics (i.e. the government) behaves as a neutral party. There are critics that deny the validity of this theory due to the lack of any verification of the predictions or even of the presumed outcomes (e.g., Stigler, 1972; Peltzman, 1976; Djankov *et al.*, 2002). Also the scepticism towards the main assumption of this theory, the fact that the government puts the needs of the people it represents above the needs of businesses, fields or branches of the economy it regulates, has led to a contrasting theory, the public choice theory. The public choice theory is more pragmatic when it comes to the nature and the role of the state as a regulator and the interest behind the need for regulation (Buchanan and Tollison, 1984). Thus, public choice theory is used to explain how the decisions taken by the government more often contrast with what the public really wants (often the case of the regulation practices). Following Djankov *et al.*'s line of thought, comparing the outcome of the two previous theories, “stricter regulation (n.b. the predicted outcome of the public interest theory) should then be associated with higher corruption and less competition”

whereas the public choice theory outcome states that “regulation has unintended consequences”, that is, the outcome of regulatory policies might be biased by aspects such as corruption or even other enforcement failures (Djankov *et al.*, 2002, p. 22).

The capture theory of regulation states that a government agency put in charge of the regulation process (and practices) of a particular industry, presumably for the benefit of the whole society, acts for the benefit of that industry and not for the benefit or on behalf of the public. This is the case when the industry “captures” the regulatory agency, situation that arises when the people that are making part of the regulatory agency are also people that had managerial functions (therefore highly specialized people) in the industry they are now regulating and that most probably might return to the same or similar position after they finish their mandate. Considered to be one of the “most basic proposition of economic” by Kalt and Zupan, the foundations of the capture model of regulation, that is, the altruistic motives and the “publicly interested goals” (Kalt and Zupan, 1984) of the people that have the political power can be traced back to the *civic duty* that appeals to them. This term *civic duty* used by Stigler in his 1972 article refers to the morale and the need to do “the right thing” but ultimately it was said by Peltzman later that everything is done with regard to the voting behaviour of the constituents and the *ideological* preferences of their representatives (Peltzman, 1984).

The private interest theory of regulation appeared as an alternative to public interest theories of regulation but at the same time as a way to explain the high incidence of forms and types of regulation that cannot be attributed or attached to any public interest theory (Ogus, 1995). Private interest theory has a central point in the relationship between the political scene and the “law-making processes” and the interest of private interest groups in attaining certain benefits from the regulatory process. They can take the form of positive theories and normative theories. The positive aspects of the economic theory of regulation that make sense in a private interest way would refer to the bureaucrats and their influence on the regulation process. Their influence may go so far as to affect or even bridge the preference of those who elected their representatives in the governmental structures, and the

means they employ can be either based on budget maximization or bureau-shaping. When there is also an interventionist movement when following certain interests, the bureaucrats will certainly produce “a greater volume of regulation than is justified on public interest grounds” (Ogus, 1994, p. 72) while the interest generates a pressure on the whole system by maximizing the bureaucracy and the power of those bureaucrats that form the system. There are certainly criticisms of the private interest theories, criticisms that start with the subjectivity of self-interest behaviour that is seen as closely related to maximization of wealth, therefore having a strong individualistic component and go further to the fact that aspects as ideology or utility functions cannot be measured through conventional means by economists and therefore the uncertainty degree is very high.

Conversely, Goodhart states that there are three reasons for public sector regulation, and these are: a) to protect the customer against monopolistic exploitation, b) to provide smaller, retail (less informed) clients with protection, and c) to ensure systemic stability (Goodhart, 1998, p. 4). Goodhart’s view of financial regulation (that is, financial market regulation) touches aspects such as investor protection through the emphasis on the need for change in the behaviour of financial information intermediaries; internal risk analysis and finding a proper incentive system that will not bias in any crucial way the information produced and ultimately controlled by the management. The target of financial regulation is the information, as the main “good” produced by companies (which in this regard can be seen as monopoly suppliers) and seen by investors as a crucial aspect in the decision process. The regulator intervenes in this “market” to ensure a level access to corporate information while the “natural” state of the things would be an under-provision of information by companies. The motive behind this intervention is the interest of the public (i.e. state, the society as a whole and the investors more specifically) in the stability of capital markets.

One of Llewellyn’s arguments for regulation is the complexity of risks that can be encountered, risks that require complex rules in order to be able to offer a reasonable level of coverage (Llewellyn, 1999, p. 11). Implicitly, regulation literature also includes risk regulation regimes. That is, besides the fact that we live

in a “regulatory state” we also live in a “risk society” according to Majone (1994). The concept of the “risk society” is the creation of the sociologist Ulrich Beck, and it comprises two dimensions: reflexive modernization and issues of risk. The reflexivity of modernization is highlighted as a repetitive process, modernization levelling boundaries and changing societies in time and space in a continuous cycle, but under a different image (a theme that can be also found in Bruno Latour’s later works). According to Beck, freed from its own confinement, society experiences “modernization” and inevitably explores the vast risks posed by the unknown and by the breaking of boundaries and typicality.

One aspect of interest for my dissertation found in this area of research is that the nature of the state has somewhat changed in time, with the role of a government as a regulator becoming more pronounced while its role as a direct employer or property-owner has declined over time due to bureaucracy downsizing and privatization (Hood, Rothstein and Baldwin, 2001) which was exactly the case of Romania after the fall of the communist regime in 1989.

2.3. SOCIAL ASPECTS AND SOCIAL ARGUMENT FOR REGULATION

I have contrasted the economic goals set out above with those of public interest as grounds for regulation. But aside from the economic goals that are usually central to regulation research, there are also non-economic goals for regulation, goals that bear the form of distributional justice, paternalism and community values, more specifically, socially based goals.

From Ogus’s point of view, social regulation (that focusing on health and safety, environmental protection and consumer protection) and the public interest justification for this kind of regulation is centred on “two types of market failure” (Ogus, 1994, p. 4). Through this assumption Ogus advances the idea of “market supremacy” as grounds for regulatory activities. Therefore, following the same author’s judgement, the first type of market failure mentioned previously is the inadequacy of the information available for individuals who are situated outside of

economic agents and therefore risk not having their preferences met. The second refers to the fact that, even if the first “failure” does not exist, there might be transactions having “spillover effects (or externalities)” affecting the individuals external to these market transactions. But this is not the only point of view in the literature concerning the social argument for regulation. A number of authors (e.g. Miller and Yandle, 1979; Arrow *et al.*, 1996; Esping-Andersen, 1999) perceive social regulation through the lens of economic cost-benefit relationships that could arise from such regulatory activities. The “ought to” becomes the key argument for social uniformity and cohesion and therefore the normative case for regulating social activities is based on activities that are socially desirable thus valued even if these activities are not carriers of immediate economic benefits (e.g. recreational activities nationally regulated or criminality regulation).

Social regulation presents different particularities among regions or continents (which is the case of regulation in USA, UK and continental Europe) due to certain cultural aspects (Majone, 1996). Although the notion of culture is very difficult to define as Smith states (Smith, 2000, pp. 1-2), according to Kroeber and Kluckhohn (1952), there is a need to understand culture as something different from the material, technical and social imposed structures, as something autonomous (the *autonomy of culture*) from the influence of “economic forces distribution of power, or social structural needs” (Smith, 2000, p. 4) and an emphasis on value-neutral studies centred on culture. Culture plays a crucial role in the setting of regulatory frameworks, best described as the way in which the culture shapes human actions and enables actions.

2.4. MODES OF REGULATION

The question of who or what is doing regulation is central to how the regulation is done. The view on who or what has regulatory power is, according to Black, attributed to state institutions (regional, national, ‘extra’ national), non-state institutions/actors, economic forces, ‘social forces’ and ‘technologies’ (manipulation of physical and human environment) (Black, 2002, p. 12). And,

because there are different actors with regulatory attributes or powers, how it is done differs. When we are talking about regulation provided by state institutions, the how can be answered simply, that is, it is done by using rules, whether these are legal, 'quasi-legal', non-legal, universal sectorial or bilateral, through other instruments be they financial, market based or usage of information, through monitoring and sanctioning. Non-state institutions or actors use the above instruments or techniques and moreover they use trust as a way to impose regulations. Accordingly, there is a constant inter-play between the economic forces and any market, usually expressed by the relationship between rational actors driven by economic forces to operate in such an environment, inter-relationally exploited by regulators when trying to enforce regulations. Social actors involved in regulation processes tend to address to either economic actors or any other actors or area of life. Thus, structuring, framing, enabling, co-ordinating, ordering, translating or self-referential reproduction tend to be the tools used by these *social-economic forces* in their regulatory attempts.

The final regulator, according to Black is represented by the 'technologies', a rather unusual regulator when we consider that all others are human. 'Technologies' address the widest variety of users of regulation and that is because of the degree of usage of technology in our modern society and the tools used for regulatory purposes are products of understanding this ability of the technology to manipulate (e.g. statistics, probabilities, engineering, IT according to Black, 2002, p. 12).

When it comes to how social regulation is done, to some extent, we find many similarities with the economic regulation process. It is worth mentioning here the types of such 'how' methods, such as a low interventionism of the state in the regulatory process, the opposite, that is, use of highly interventionist instruments by regulators or the middle way of doing regulation, probably the most employed form of regulation as Ogus says (Ogus, 1994, p.5), the 'command-and-control' type of regulation. The first one, low interventionism, can be found in regulatory forms such as information regulation, 'private regulation' or use of economic instruments (not having a coercive nature but "induce desirable behaviour by financial incentives", Ogus, 1994, p. 5). The opposite refers to instruments such as prior

approval (any activity has to have a license or authorization issued by a government agency in order to start functioning).

Another type of scheme used to regulate different industries or companies is the incentive based scheme. These incentives can take the form of transfers from the government to the regulated companies, if the government is allowed to subsidize (or use the tax system) these companies (Laffont, 1993, p. 10) or through loans approved by the finance authorities. Another form taken by these incentives is illustrated in Table 1. and represents the “link between the firm’s transfer from the government and/or the firm’s prices and its cost or profit performance” (Laffont, 1993, p. 11).

Power	Transfers allowed?	
	<i>Yes (procurement, most public enterprises)</i>	<i>No (most private regulated firms)</i>
<i>Very high (firm residual claimant)</i>	<i>Fixed-price contracts</i>	<i>Price caps</i>
<i>Intermediate (cost or profit sharing)</i>	<i>Incentive contracts</i>	<i>Incentive regulation</i>
<i>Very low (government or consumers residual claimants)</i>	<i>Cost-plus contracts</i>	<i>Cost-of-service regulation</i>

Table 1. Power of commonly used incentive schemes,

Source: Laffont, 1993, p. 11

As a conclusion, Selznick outlines one crucial aspect of a regulatory process. The fact that it is not enough to simply pass a law in order to make regulation a valid process. There is certainly the need of “monitoring the relevant activities, continuing assessment if public value at stake, and rule-making sensitive to changing needs and circumstances” (Selznick, 1985, p. 364), but also the need of enforcement and setting up a penalties system in case the regulated are found not to be complying.

2.5. ON FINANCIAL REPORTING AND ACCOUNTING REGULATION

In order to make use of the notion of regulation in the current work I have to narrow it down to the point where ‘regulation’ represents “a politico-economic concept and as such, can best be understood by reference to different systems of economic organization and the forms which maintain them” (Majone, 1990). One such particular area of regulation is financial regulation (which includes also the notion of financial reporting and accounting regulation).

Providing accounting information, also called very often a *public good* (Leftwich (1980), Watts and Zimmerman (1986), Bromwich, 1992 and Beaver (1989)) is certainly an important reason for certain types of regulation in accounting. One important aspect that needs to be clarified is whether the regulation of accounting in Romania was sought by the professional bodies or was thrust upon them by the state as a mean to control the economic agents for tax purposes. Therefore when I am talking about a regulation process concerning the Romanian accounting after the fall of the communism, I am taking into consideration the coercive nature of the political aspects and the compelled universality of political decision related to these regulations (Stigler, 1971, p. 10).

When talking about accounting regulation researchers refer ultimately to financial reporting, one of the main reasons for the existence of accounting (that of information provider according to mainstream literature). According to Flower the rules that govern financial reporting as a whole are “a mix of laws, standards, the rules of other bodies and interpretations by experts” (McLeay (Ed.) Introduction by J. Flower, 1999, p.9). Generally, each country has the power to exercise its own will on setting up a framework for regulating its financial reporting system, but in the European Union, the regulation process starts at the top of the Union and it is being overseen and enforced by the European Commission on each member country. Therefore, the European Union is seen as an “external rule-maker” together with the International Accounting Standards Board (IASB the successor of the International Accounting Standards Committee – IASC). These two are of great interest for this research as Romania has a strong connection to the first one from

the EU accession process to becoming a full member and then as a member from 2007, and it is strongly influenced by IASB as part of the transnationalization process. These two aspects of accounting regulation in Romania will be analysed in this thesis.

2.5.1. Positivist aspects on financial and accounting regulation

One of the primary questions to be addressed is: What is financial reporting regulation about (is it part of the system of regulation applying to capital markets)?

Financial reporting is perceived in the specialized mainstream literature (i.e. capital markets led research) as a means of disclosure employed by management and used by investors (or other stakeholders) in their decision-making process (Healy and Palepu, 2001, p. 407). The main drivers of the voluntary financial disclosure are according to Healy and Palepu decisions related to “capital market transactions, corporate control contests, stock-based compensation, shareholder litigation, and proprietary costs” (Healy and Palepu, 2001, p. 406). The financial reporting environment is composed of five major “actors” according to Beaver. These actors are the investors, information intermediaries, regulators, management and auditors (Beaver, 1989, p. 16).

According to Healy and Palepu, although they are actors in the same process, the regulators of capital markets and financial institutions and the regulators of auditors and accounting are two separate entities that have in common a generic ‘user’, that is, the business firms. Consequently, they are in direct contact with financial intermediaries (e.g. banks, venture capital funds, and insurance companies), the first regulator mentioned and information intermediaries (e.g. financial analysts, brokerage firms, stock rating agencies) in the case of the second regulator (a diagram illustrating these connections was developed by Healy and Palepu and it is presented below).

These information intermediaries make use of raw financial information provided by companies and transform it into another type of information, information that

might be used by non-professional users in their decisions (Beaver, 1989, p. 12). Moreover, Beaver sees these information intermediaries as performing three main activities. That is, private information search (information that is not available for the wide public), prospective analysis (having in mind the prediction as main purpose, they analyse, process and interpret the information at their disposal) and retrospective analysis (“after-the-fact interpretation”) (Beaver, 1989, p. 12).

Seen as a common language (having the potential to reduce the costs for the users) for both the companies that use them and investors, accounting standards are a way of regulating the reporting of financial information disclosed through financial statements (Healy and Palepu, 2001, p. 412). The same authors identify three types of questions related to the regulation of financial reporting choices: “First, what are standard setters’ objectives? How do they decide to examine certain reporting issues and not others? Second, what are optimal forms of organization and due process for standard setting bodies? Third, do accounting standards add value for investors or other stakeholders?” (Healy and Palepu, 2001, p. 412).

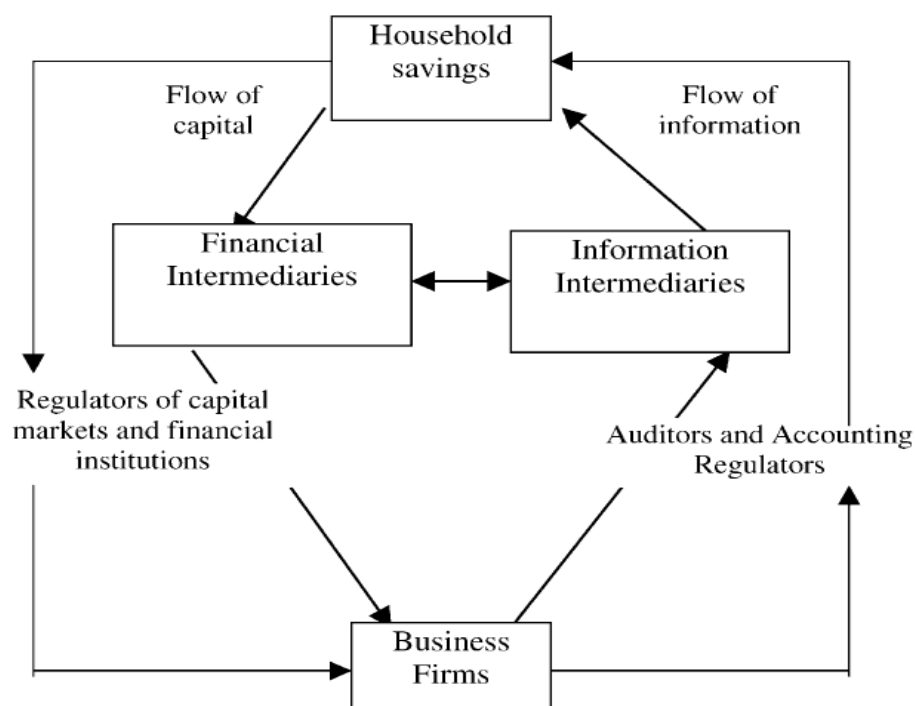


Fig. 1. Financial and information flows in a capital market economy,

Source: Healy and Palepu, 2001, p. 408

Healy and Palepu produce also a review of the mainstream literature related to regulation of financial reporting choices (Healy and Palepu, 2001, pp. 412-415). The two authors begin their review with the aforementioned questions stressing the fact that, while the first two levels of questions were neglected in the specialized accounting literature (i.e. mainstream literature), the last one has been a focus in the last three decades. Taking the form of two strands of research, “capital markets” research and another one that “examines the value relevance of information presented under proposed new financial reporting standards” (Healy and Palepu, 2001, p. 413), this kind of research has dominated the financial reporting regulation research. The “capital markets” literature has been reviewed in an extensive study by Kothari, researching the “relation between capital markets and financial statement information” (Kothari, 2001, p. 207). Among his conclusions, we can find that there is a critical dimension of the demand for this kind of research and it comes from sources as fundamental analysis and valuation, tests of market efficiency, the role of accounting in contracts and, no less important, in political process, and disclosure regulation (Kothari, 2001, p. 207). Another important aspect mentioned by Kothari is the interest shown by academics, investors and not less important by financial market regulators and standard setters in the evidence that this body of literature has provided regarding “market inefficiency and abnormal returns to fundamental analysis” (Kothari, 2001, p. 208). But he draws attention to the fact that these studies are methodologically complicated due to several reasons. That is, the financial variables distributions are skewed, there are survival biases in data, and consequently, the existence of “difficulties in estimating the expected rate of return on a security” (Kothari, 2001, p. 208), problems that can create the false appearance of market inefficiency.

At the same time, the other strand of research, that is, the value relevance of information, tries to identify the measure of value relevance through the association between earnings and stock prices or returns (Healy and Palepu, 2001, pp. 413). The conclusion of the studies in this area is that the information generated by the accounting standards is value relevant. The exception lies in inflation accounting, where Healy and Palepu claim that there is no observation of the relation to stock prices or returns (Healy and Palepu, 2001, p. 413 and see also Beaver *et al.*, 1980;

Gheyara and Boatsman, 1980; Ro, 1980). Subsequent studies such as the one conducted by Holthausen and Watts (2001) provide a comprehensive review of this literature, criticizing the “use of value relevance as a metric for evaluating accounting standards” (Healy and Palepu, 2001, p. 413 citing Holthausen and Watts, 2001) while Barth *et al.* (2001) provides an alternative viewpoint to this debate.

Several conclusions can be drawn from the short literature review of the mainstream research in financial regulation. The first one is that entire areas of regulation are left aside from these studies mainly because the researchers are not actually emphasizing accounting regulation at all (they are too focused on areas that they consider as representative and supported by raw data that can be analysed and interpreted, and they have therefore lost the perspective of the big picture of accounting and financial regulation issues as “the drunk who's lost his keys”). The second conclusion is that the mainstream research is actually impaired by the methodologies employed. That is, the researchers cannot conduct different and more comprehensive studies that would encompass other areas of accounting regulation simply because of the methodology they are using to begin with. The third conclusion is that the European capital markets strand of research is ignored by the mainstream North American researchers. For example, there already had been studies in Europe addressing issues on which Healy and Palepu claimed that there had been no observation of the relation to stock prices or returns (Healy and Palepu, 2001, p. 413). Indeed, there are studies from the 1980's such as those conducted by Carsberg and Page (1984) or Peasnell *et al.* (1987) that were addressing exactly these kinds of issues. Moreover, studies such as that of Dumontier and Raffournier (2002) present European empirical research in this area that is again more or less ignored by the mainstream researchers. And as long as there are studies that could help shed light on issues regarding accounting regulation and financial reporting but are being ignored by leading researchers it is not likely that this strand of research will open up and adopt new methods of study or shed light on ignored areas.

2.5.2. Non-positivist aspects on financial and accounting regulation

The same question addressed at the beginning of the previous section can be approached from a different perspective, that of the critical (predominantly European) strand of research in the area of financial regulation. In their short but comprehensive comparative evolution of the regulation attempts in USA, UK and continental Europe, Burchell *et al.* (1980) present an insight into the different evolutions of accounting regulation in the two spaces (Anglo-Saxon and continental European). The initial attempts of accountants to constitute accounting departments in companies and consequently professional organizations or institutes led to an interference between the developing “agencies of the state and the business enterprises” (Burchell *et al.*, 1980, p. 7). The Continental Europe and England and Wales on one hand and USA on the other experienced different evolutions. While in Continental Europe “accountants were involved with the administration of the early commercial codes” (Burchell *et al.*, 1980, p. 7 citing ten Have, 1976) in England and Wales the accounting profession and its rationales were taken

[F]rom those extensions to the accounting domain which had been created by successive companies and bankruptcy acts and legislation which provided for the regulation of sectors such as railways, building societies and municipal utilities. (Burchell et al., 1980, p. 7)

The U.S. context evolved slightly differently. According to Burchell *et al.* the initial days of the profession in U.S. saw a level of regulation nearly non-existent, but with the continuous involvement of the governmental interventions the regulation levels became more accentuated in time (Burchell *et al.*, 1980, p. 7). But then there is a recognizable common trait between the U.K. and the U.S. regarding the power of the professional accounting institutes in relation to the regulatory agencies. That power relies in the ability of these institutes to keep at bay the regulatory attempts made by the governmental agencies, situation that led to the creation of the Accounting Principles Board that led to the appearance of the Financial Accounting Standards Board in the U.S. and with a similar development, later in the U.K. with the appearance of the Accounting Standards Steering Committee (leading to a so-called Anglo-Saxon Financial Accounting). In the continental Europe however, the

institutionalization of the accounting profession was more of a result of the actions of the governments in themselves and not of the professional bodies.

Although still used, albeit mainly by the continental European academics and practitioners, the notion of Anglo-Saxon Financial Accounting (ASA or Anglo-American Accounting) is perceived as being only a “myth” by Alexander and Archer (2000). They base their conclusion by dismantling “four hypotheses that could be taken to support the validity of the ASA” (Alexander and Archer, 2000, p. 541). These four hypotheses which are argued against with various examples from the financial accounting practices and accounting rules taken from the Anglo-Saxon countries, are described by Alexander and Archer as follows:

1. The relationship between “the true and fair view” (TFV) and “fair presentation” (FP).
2. The propensity to develop “conceptual frameworks” (CF) for financial accounting and reporting.
3. Common law versus codified law.
4. Private- versus public-sector accounting regulation.

Alexander and Archer take the results of their study to another level by issuing two additional conclusions that are based mainly on their own observations of the accounting practices in the Anglo-Saxon Countries and the rationales found by studying the decision-making processes in the board of IASC. That is,

[...] (A) in broad philosophical terms the essentially nineteenth century Anglo-Saxon attitude triumphed internationally years ago and (B) as regards future detailed standards and regulations, any notion of an Anglo-Saxon conspiracy or even of any cooperation beyond convenient ad hocery is demonstrated to be without foundation. (Alexander and Archer, 2000, p. 555)

Nobes on the other hand rejects Alexander and Archer’s claim of the non-existence of ASA by demonstrating that two of the four hypotheses above (that is, the one on law and on regulation) are not “central to their definition” of ASA and hence

insufficient for rejecting its existence while the other two (i.e. the true and fair view (TFV)/fair presentation (FP) and the hypothesis on conceptual frameworks) are more complex than the approach taken by Alexander and Archer (Nobes, 2003, p. 103). Moreover, Nobes goes one step further and offers two additional hypotheses himself, which according to his argument are more central to Alexander and Archer's definition of ASA than the initial four presented by them. These two hypotheses are as follows. The first one purports that "in terms of both shared conceptual approaches and accounting practices, it is proposed here that ASA does exist and can easily be identified by comparison with other countries" (Nobes, 2003, p. 103). According to the second hypothesis, "[O]n the topic of international alliance, it is also suggested that an ASA hegemony of ideas can be identified, particularly during the 1990s, and that it is set to intensify" (Nobes, 2003, p. 103).

Following the previous argument, it would be safe to state that there are several significant differences in terms of the regulatory attempts and policies in the so-called Anglo-Saxon countries or countries that are following this kind of accounting compared to the continental European countries. Whilst in the first case, the regulation has a rather limited purpose, the well-known purpose described in the earlier paragraphs, in the latter case, the purpose of the regulation is much broader, that is, it is much closer to the social aspects that may arise, as it is for example social reporting.

Therefore, according to the continental European view, financial reporting is seen more as:

- (a) an aspect of corporate governance (relationship between directors and shareholders);
- (b) a check on solvency (so creditors are seen as main user group); and
- (c) provision of information for state planning and taxation.

Following on above points for the need of regulation, the necessity of regulation as the information provided by financial reporting is crucial for stakeholders in the decision-making process, Gray *et al.* highlight also the connection between

Corporate Social Reporting (CSR) and financial reporting (Gray *et al.*, 1988, p. 9). That is, CSR as an extension of financial reporting to investors is interpreted as being both a way to enhance corporate image and to discharge accountability in front of the investors (Gray *et al.*, 1988, p. 9). One major difference between the authors cited by Gray *et al.* (and other non-mainstream researchers) and the mainstream researchers (capital market led research) is that the first ones make use in their research of aspects “borrowed” from other sciences among others and do not base their conclusions solely upon numbers and statistical analysis that have often nothing to do with the realities of the social world in which we live.

This previous mentioned evolution has at the core of it, among others, the difference in the power relations between the government (or the state) and the accounting profession (or in some countries the individual accountants).

Falling in line with Cooper and Robson’s claim that the common position in the accounting literature is “to examine both the process of professionalization and accounting and audit regulation within and around professional associations and related organizations, such as standard setting bodies and regulatory agencies” (Cooper and Robson, 2006, p. 415)

According to Cooper and Robson the agencies where regulation takes place affect both the outcome of the regulatory process and the legitimacy of the rules and practices produced (Cooper and Robson, 2006, p. 416).

Equally the explication of roles for accounting can serve as an inducement for the elaboration of accounting knowledge and practice in particular directions (Burchell *et al.*, 1980, p. 9).

2.6. SHORT ACCOUNT ON TRANSITION ECONOMIES LITERATURE AND THE CASE OF ROMANIA

Another crucial section of the literature for the current study is represented by the body of research on transition economies. The approach I am adopting in this

subchapter is to start the review of the literature from a broader point of view and then narrow it down to the existing research on transition economies in the accounting field and then narrow it down even more to the case of Romania.

2.6.1. Short literature review on transition economies

Transition economies are broadly known in the economics literature as countries which are changing their economy from a centralised planned type to a free market economy. Most commonly, the transition economies are seen as Central and Eastern Europe and the former Soviet Union which, once with the change of their regime in 1989-1990, started looking for an alternative to the previous totalitarian regime and started developing institutions belonging to a market economy. There are exceptions though, in Asia, such as China, which although still a communist country, was considered a transition economy due to the fact that it has adopted a variety of elements from the free market economy becoming a so called mixed-economy state.

According to Gelb *et al.* there are clear differences between the Asian transitional economies, especially China and Vietnam, and Central and Eastern European (CEE) and former Soviet Union (FSU) (Gelb *et al.*, 1999). While the first were able to benefit from continuous economic growth and contained inflation, that was not the case with the economies in the other two regions.

The CEE and FSU countries have experienced large declines in output, and most have experienced hyperinflation. But even in CEE and the FSU, differences are marked. Some countries have lost over half of their GDP, and growth performance in a number of countries is still poor, while others are growing strongly. Some are still suffering from high inflation while others have successfully reduced annual inflation. (Gelb et al., 1999)

De Melo *et al.* focus on the initial interactions, or in other words the factors that created the variety of transitional economies (De Melo *et al.*, 1996). The factors that are being analysed are political changes, reforms with a specific focus on the “initial macroeconomic distortions and differences in economic structure and institutions, which have been emphasized less in the literature” (Gelb *et al.*, 1999).

The primary findings highlight the fact that the mix of initial conditions and economic policies adopted are the main factor for the differences that are expressed by the twenty eight transitional economies (De Melo *et al.*, 1996) chosen in the sample, among which is also Romania, the country of interest for this research. There are two main aspects which are usually discussed when talking about transitional economies, and these are inflation and economic growth. De Melo *et al.* find that while inflation is best explained by initial conditions in the transition process, economic growth is best explained by looking at economic liberalisation (De Melo *et al.*, 1996).

One important aspect approached in this research is represented by the claim of Gelb *et al.*, that reform policies are not exogenous (Gelb *et al.*, 1999). While the authors see exogeneity as an spatial isolated concept (isolated in the geographical space of each country undergoing the transition) in the relations between the factors responsible for the transition process, this research is shedding light also on the actual *transnational influences* (notion that will be detailed in Chapter 4) that make the transition process far more complex than just an isolated spatial process.

The policies adopted during the transition process with a major impact are, according to De Melo *et al.*, as follows (De Melo *et al.*, 1996):

- Stabilisation is crucial for the resumption of growth, and that is driven by extensive liberalisation;
- Stabilisation is directly influenced in a negative manner by output contractions at the early stages of liberalisation because it “reduces tax revenues and raise claims on fiscal resources to cushion the effects”. The contraction is also due to reduction in external funding and depreciation of the real exchange rate.
- There is no connection found between a slow pace of reforms and the strengthening of fiscal position of reforms. Moreover, the “consolidated fiscal and quasi-fiscal deficits are quite high”.

The choices in terms of reform policy are dependant according to Gelb *et al.* on the initial conditions and political reforms, the last one representing the determinant for pace and “comprehensiveness” of economic liberalisation (Gelb *et al.*, 1999). While these factors are directly correlated, aspects such as “macroeconomic and

structural distortions” are negatively related to reform policies and economic performance (Gelb *et al.*, 1999). What needs to be accounted for while analysing the transition process are the mutations suffered by the initial conditions over time which direct impact on the strength of these conditions. At the same time, “Monetary overhangs are dissipated through inflation, industrial overhang is eroded as plants shut down, and market memory returns through experience” (Gelb *et al.*, 1999).

Another important factor in the evolution of transition economies is the flow of capital and the access to Foreign Direct Investment (FDI). Bevan and Estrin, citing the European Bank for Reconstruction and Development (EBRD), state that “FDI into transition economies may facilitate growth, promote technical innovation, and accelerate enterprise restructuring in addition to providing capital account relief” (Bevan and Estrin, 2004, p. 776). But at the same time this could not have been a crucial factor since the FDI flow into transition economies in CEE represented in 2002 just 4.4% from the total global FDI, but still representing an increase from the 1999 figure of only 2% (UNCTAD, 2003). But more so that FDI, institutions are being perceived as one of the advantageous key facilitators or catalysts of change in the transition economies (Bevan *et al.*, 2004, p. 43) but there is no consensus as to which institutions are at the heart of this process. Bevan *et al.* have found that there is direct correlation in terms of influence on FDI coming from institutions such as “private ownership of business, banking sector reform, foreign exchange and trade liberalization, and legal development” (Bevan *et al.*, 2004, p. 43). But there are no enhancing capabilities when it comes to FDI coming from aspects such as domestic price liberalization, non-bank financial sector development and competition policy (Bevan *et al.*, 2004, p. 43). This study highlights, as does the one conducted by Gelb *et al.* the conflictual nature of certain internal policies and the monetary needs represented by the push for attracting FDI.

The general literature on transitional economies is extremely vast but there are strands of research that can be clearly identified. We can identify research on FDI in relation to transition economies (Smarzynska, 2002; Kinoshita and Campos, 2003; Bevan and Estrin, 2004; Bevan *et al.*, 2004), study of factors with influence

over the evolution of transition economies (De Melo *et al.*, 1996; Fischer *et al.*, 1997; Gelb *et al.*, 1999; Svejnar, 2002), the effects of privatization and discussions on ownership in transition economies (Kaufmann and Siegelbaum, 1997; Frydman *et al.*, 1999; Estrin *et al.*, 2009), institutional reforms and the role of entrepreneurs in the transition process (Hellman and Kaufman, 2001; Smallbone and Welter, 2001; Cukierman *et al.*, 2002; Hitt *et al.*, 2004) and more. This is not meant to be an exhaustive review of the transition literature, but more of a short account of the issues tackled in the mainstream research regarding the topic of transition economies.

2.6.2. Transition economies in the accounting literature and the case of Romania

This subchapter presents a short review of transitional economies literature from a narrower area, that of accounting, review which is essential to demonstrate how the case of Romania resembles or differs from other settings (instances), and how this thesis addresses a gap in our knowledge on economies in transition.

Following on the broader research trends highlighted in the previous subchapter, the accounting research on transitional economies has adopted and adapted the majority of them over the years. The following streams emerged: management accounting studies in the context of transition economies (Vamosi, 2000; Luther and Longden, 2001; Haldma and Lääts, 2002), the adoption of IFRS in transition economies (Whittington, 2005; McGee and Preobragenskaya, 2005), accounting in transition economies (Ezzamel and Xiao, 2001; King *et al.*, 2001; Hellström, 2006) and privatisation and its financial and accounting implications (Brouthers and Arens, 1999; Jelic *et al.*, 2003).

After 1989, researchers such as D. Bailey have specialised after 1989 in the transition of accounting in the context of transitional economies. His earlier works are tackling aspects such as accounting evolutions in the shadow of the Stalinist regime (Bailey, 1990), reforms of accounting law in the Baltic states (Bailey *et al.*, 1995) financial reporting evolution and accounting development after the fall of the communist regimes in Poland (Krzywda, Bailey and Schroeder, 1994 and 1995) as

well a study on the development of the role of the statutory audit in Poland (Krzywda, Bailey and Schroeder, 1998).

Sucher as well as Jindrichovska are two other scholars who researched the transition economy of Czech Republic from the general point of view (Sucher *et al.*, 2005; Jindrichovska and Kubickova, 2014), the auditors' independence in an economy in transition, specifically the case of Russia (Sucher and Bychkova, 2001) and the effects the implementation of IFRS had on the country (Sucher and Jindrichovska, 2004).

Other general studies are for example those of Illés *et al.* on the 1991 accounting law in Hungary (Illés *et al.*, 1996), Young on financial statements and economic transition in the East German enterprise (Young, 1999), Darmant on the adoption of a model approach to International Accounting Standards (IAS) in Romania (Darmant, 1999), Richard on transition from communism to capitalism in Eastern Europe (Richard, 2003), Duc Son *et al.* who conducted a qualitative study on users' perceptions and uses of financial statements of small and medium companies in transitional economies in Vietnam (Duc Son *et al.*, 2006) and Ngoc Phi Anh and Nguyen on how the accounting evolved during the transition period in transition in Vietnam (Ngoc Phi Anh and Nguyen, 2013).

A clear separation needs to be made between transitional economies and frontier markets. Although certainly the evolution of Romania's economy fits both stages, the first stage is that of a transition economy. This is due to the fact that Romania had a change in regime and therefore in economy in 1989. After that point in a slow process Romania's economy evolved from a communist centralised economy to a capitalist type and a more democratic political regime. After 2007, Romania has become a frontier economy (Berger *at al.*, 2011) due to the fact that it was showing characteristics of a developed market but factors such as the size of the economy, the fact that it was less advanced than emerging economies (economies which are developing at a quick pace due to investments in their productivity capacities) and the riskiness of its economy made it impossible to accede in the select group of emerging economies and ultimately market economies.

The result of this literature review is that numerous studies have been conducted in the Romanian language concerning the evolution of the accounting during the transition from communism to a market economy. Some of these will be mentioned in the following paragraphs as they are of importance for this study. Fewer were written and published in English journals and the reasons for this lack of exposure are numerous. Among some which are worth mentioning are the language barrier and the fact that there is little experience in Romania in publishing in well-respected accounting journals. But although there are attempts to conduct research in regards to the transition of Romanian economy, coming from Romanian researchers, the vast majority are fairly descriptive and add little to what is already known. Few studies present cause and effect type of research (Zelinschi, 2009; Albu *et al.*, 2010; Albu *et al.*, 2013) and fewer still are basing their arguments on solid methodologies as well as data sets. But the number of publications in international accounting journals on Romania is increasing, and the added value brought by them is substantial considering that there is little research on what happened in Romania after 1989.

2.7. CONCLUSION

The reasons behind the current review chapter are multiple. I have performed reviews of literature on regulation, starting from the general economic argument for regulation, taking the review into the social realm and then I have narrowed it down to financial reporting and accounting regulation. One might say it is too much, but it is necessary as the regulation process is one that takes priority during times of change. That is, a change of political regime and implicitly of economic principles are leaving a vacuum in terms of legislation which applies also to financial and accounting regulation, as integrated parts of the society. The reason for performing a literature review from both the positivist and non-positivist perspectives is represented by the inherent differences of these research streams. While the positivist research or quantitative is based on the idea of objectivity when it comes to the financial data sets used to fundament their arguments it tends to ignore any

other elements that could make their research “less objective” in their opinion, such as qualitative type of methodologies. On the other hand, the non-positivist is much more open to what it is being told by other factors than just the numbers. It takes into account the society, the politics and other elements which have major impact on the decision-making process, on the regulation of finance and accounting and ultimately on the actual numbers that are being employed in the accounting studies.

The literature review was performed before I conducted the data collection and we get to the second purpose of it, which was to be able to position myself in the existing literature, to be informed on what is already researched on the particular aspects I am studying, and to be able to get the most out of the data collection, and that is to be able to identify the people I had to interview and the questions needed to be asked.

CHAPTER 3. ON HOW HIGH LEVEL THEORIES INFORM THE RESEARCH

“No theory should ever be allowed to overshadow that which it is designed to illuminate” (Hor and Iedema, 2015, p. 661 citing Latour, 2004)

3.1. INTRODUCTION

Both the research question and the literature review insights draw the attention to certain aspects of my research and to specific theoretical and methodological approaches. I have discussed more on the transition economies in Chapter 2 both from a general perspective and an accounting one. In this subchapter I tackle the theoretical aspects which were not the focus in the general literature review. I am also connecting the transition literature with the other theoretical devices and therefore granting it a dimension which other parts of the literature review will not have for this research. The reason for doing this is the fact that the environment that generated the changes to begin with was the fact that Romania has become a transitional economy in 1989-1990.

This chapter is consecrated to the theoretical framework I am developing first before, and then with the help of, the empirics of my research. That is, my theoretical framework is structured into *strata*. The first two strata consist of two “theoretical devices” which interact through *collisions* and form an *initial prior theory* and a *developed prior theory* respectively (as shown in Fig.2.). More specifically, the first two strata are represented each by two devices that lead to the two theories that pre-exist the empirical investigation, which are formed as follows. The first stratum consists of an *existing theory of transition* and the sociological perspective on the *modernisation* notion in itself (drawing from the work of the French sociologist Bruno Latour). These two primary devices lead to an Initial Prior Theory (X’). In the second stratum, this theory then comes under the influence of two further colliding devices (of added influence and control): the historical element represented by *transnational history* and the theoretical point of view on

finding *order out of chaos*. The outcome is a Developed Prior Theory (X’). The third stratum in Fig. 2. shows the impact of the empirical part of this research (reflecting the chosen methodology and method): the Developed Prior Theory (X’’) is modified through the collision with the *empirical findings* and *conceptual analysis* (which can be regarded as further devices, though perhaps less “theoretical”) to produce the Final Theory (X) of my thesis. This Final Theory cannot be stated in advance of undertaking the empirical research and its conceptual analysis, whereas the Initial Prior Theory and the Developed Prior Theory are discussed in this chapter.

3.2. THEORETICAL DEVELOPMENT

From the previous short description of the theoretical framework, I am able to identify and employ the notion of “*theoretical device*”, a notion that will be explained and detailed later in this chapter. The theoretical devices can be classified in my case, in no specific order, as sociological devices and historically grounded devices. These theoretical “ideas” are incomplete by themselves in the context of this analysis, but together form a “vehicle” that will bring an added value in discovering what happens when a country’s accounting system undergoes such a crucial change as represented by the shift to a market economy from a socialist type of economy.

The sociological devices are undeniably of crucial importance for my research, because an understanding of accounting change cannot leave out the influence of society overall, nor can it ignore the origins, development, organization, and shaping of the new institutions in a shifting world striving to achieve the so much desired modernisation. Also, these elements are part of both the first stratum through the modernisation process and the second stratum through the notion of order out of chaos as used by John Law (Law, 2004). These devices position the research in the sphere of New Accounting History as the accounting is analysed in the context in which it operates (Hopwood, 1983). And as aforementioned, the sociology of science (more specifically Bruno Latour’s work *An Inquiry into Modes*

of Existence: An Anthropology of the Moderns, 2013) will be adopted as a framework to grasp the modernisation process that took place after the fall of the communism in Romania in 1989 (which will be the focus of a future subchapter).

The historically grounded devices are existing theories of transition and the theory of transnational history; these perspectives present, to a greater or lesser extent, both historical and contextual aspects. Theories of transition examine processes of change in time, though they are not necessarily written as “histories”, while transnational history explicitly develops both temporal and spatial dimensions. A link between these theoretical devices is their appeal to notions of evolution, as both a narrative device and an explanatory theory. These theoretical devices will underpin a transnational approach to studying the history of accounting change in Romania. More specifically, the study is based on the evolution of the accounting in space (in the national territory of Romania) and time (after the fall of the communist regime in 1989 in the previously mentioned space). At the same time, although the space of the study, given its nature, is limited to the change of political, sociological and ideological system in a single country, a different nature, that of the international relations and international influences, makes the study an integrative part of the transnational history strand of research which will be used as a lens to analyse all the historical elements in this research.

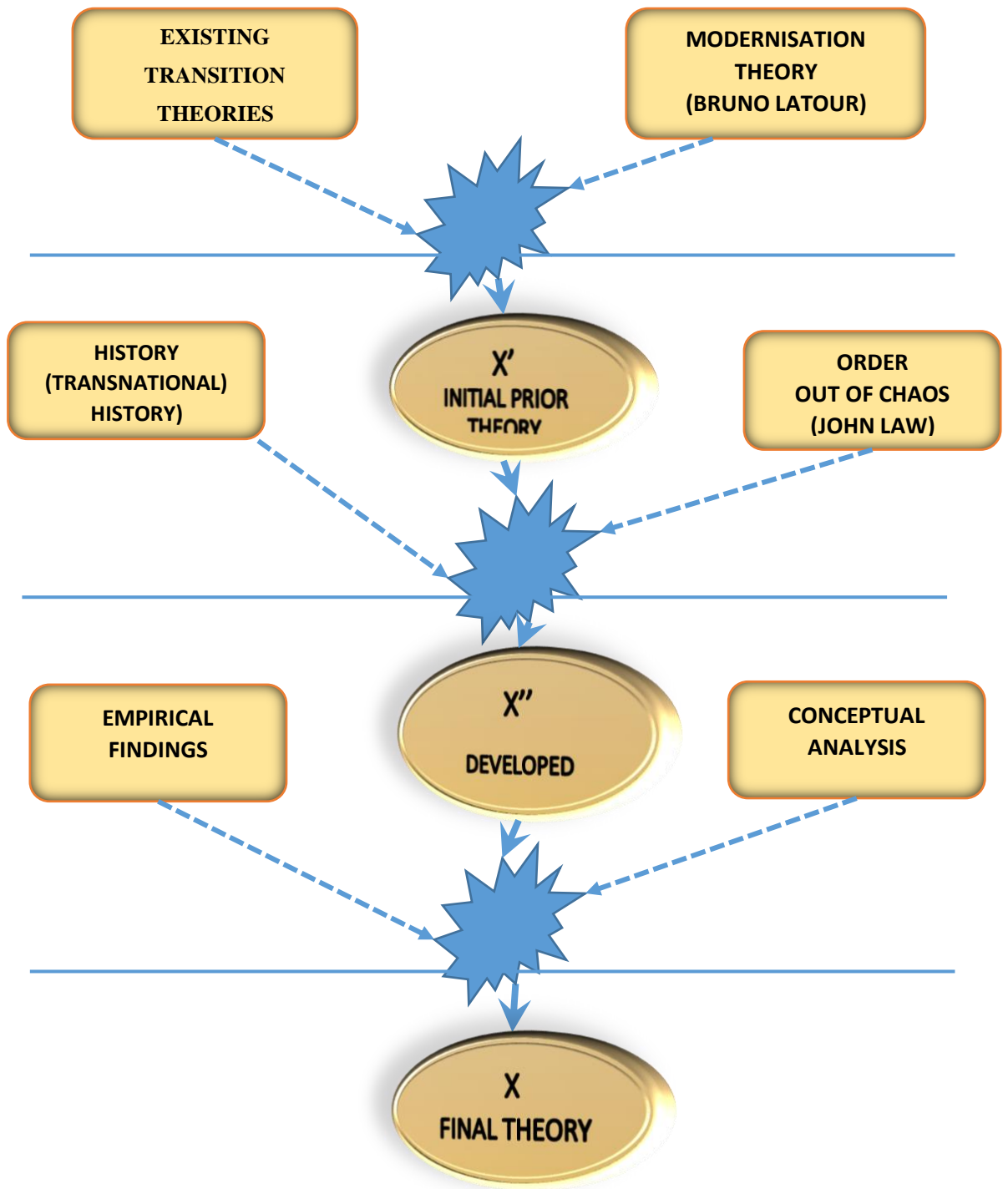


Fig. 2. Visual representation of the theoretical and methodological strata collisions and the resulting theory

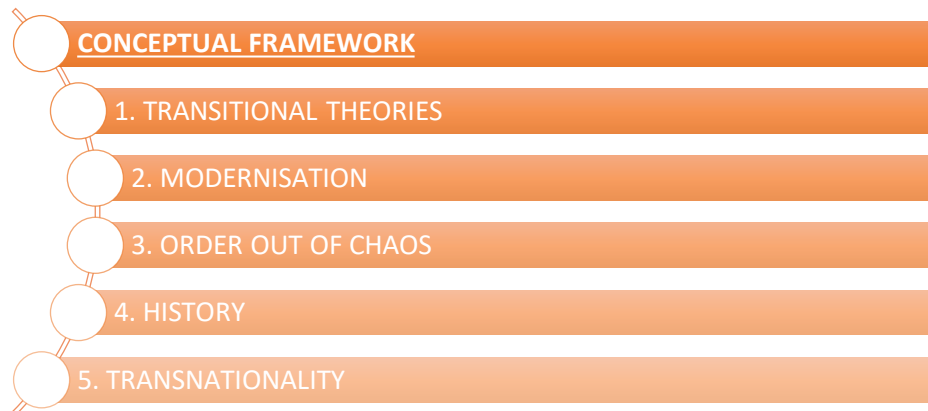
3.3. THEORETICAL DEVICES (HIGH LEVEL THEORIES)

The employment of the theoretical devices helps us develop prior theories that will inform the empirical research and underpin the Final Theory developed in the thesis. Simply put, this Final Theory will be a historicised version of the existing transition theory seen through the lenses of Latour's modernisation and Law's order out of chaos (notions explained in the following subchapters).

But before going into detail regarding the theories used I want to explain shortly what a "*theoretical device*" is in this context and how it will be employed later on. The main meaning of the word theoretical is that of something related to general principles or ideas of a certain subject, or something that is connected to, or has the character of theory. That confines the notion at the level of general principles/ideas of a certain subject and moves away from applying it in practice. By adding the word device to the word theoretical we add a new dimension. The dimension is given by the fact that a device is usually a part of a mechanism or equipment designed with the purpose of serving or performing a special function. This makes a theoretical device the perfect tool as it employs the well-known inoculation mechanism from biology. That means literally bringing, at a primary level, theoretical notions of various degrees of complexity (theoretical notions explained in the following sections) into my research and, with their help, through grafting I will build a new final theory, "immune" to the flaws of the individual initial ones.

I am using theoretical notions that are developed within the history literature, which is crucial because so much accounting history research uses frameworks that are not historical at all, but are being adopted and adapted from other areas of research (like sociology, philosophy or psychology). The elements mentioned in Fig. 2. above are already in the scientific literature, even if they have emerged from looser or broader contexts in terms of theoretical content. There are a number of transition theories in the literature and researchers have used various concepts in relation to transitional economies, but when it comes to positioning this type of research in the accounting field, many publications take the form of story-telling. They are not theorising at all or not overtly theorising. There is therefore a need to bring theory in, to fill this existing gap.

Transformed in a simple list, the theoretical conceptual framework would have the following form:



This theoretical framework is designed to stimulate and enhance my empirical and archival research and not limit it. At the same time the form taken is one inspired by Laughlin’s middle range thinking framework (and in accordance to it), that of a skeletal theory (Laughlin, 1995). Laughlin posits the idea of a theoretical “complex” that takes into consideration and isolates its components. A theoretical complex starts by positioning on “being” (ontology), on the role of the investigator (human nature), on perceptions of society (society), on perceptions on understanding (epistemology)” and ends with “ways to investigate the world (methodology)” (Laughlin, 1995, p. 66), which in the end can be resumed into three main components. That is, into “theory”, “methodology” and “change”. According to Laughlin, a “high” level of prior theorisation involves an “assumed material world (which exists distinct from the observers’ projections and bias) which, despite empirical variety, has high levels of generality and order and has been well researched through previous studies” (Laughlin, 1995, p. 66). This is not the case of this present theory. As aforementioned, the theoretical framework I am developing is not designed to limit my future empirical findings, but to complete them and enhance them where possible. It is indeed a prior theorization nonetheless, some might argue a high level one due to the theories used, but this is connected to the realities of history and societal evolution. But my approach is not a “high level” one, specifically when it comes to these aforementioned theories and the prior theorisation. That is, it does not qualify nor does it follow the guidelines described

by Laughlin when talking about high levels of prior theorisation. My theoretical devices are not being used per se, but I am drawing from them in order to build a more comprehensive and complete theory. I am not detaching these theories or the processes as a whole from the actual world, nor do I create a utopia when trying to find generality points in the actual research by leaving my voice as a researcher out and ignoring the even clearer voice of the empirical data.

3.3.1. Sociology of science

A functional part of the broader area of Science and Technology Studies (STS), sociology of science is a field that forms the meeting point of works done by researchers from various disciplines (sociologists, philosophers, historians, anthropologists and so on) that are focused on studying the impact and the processes of science and technology (Sismondo, 2010, p. vii).

I do not intend to do a comprehensive history of the STS research but in order to be able to provide later an answer to the question “*Why am I using elements from the sociology of science and not from some other frameworks in my research?*”, I need inevitably to highlight some important moments in its evolution.

The STS strand of research has at its root the notion of science as a practical activity. That is, science is seen as adopting a systematic method because it can be influenced by the real world. This would make science an open formal activity, in the sense that science has “rules of practice” in place (the formal aspect), but these rules are grounded in real life (the open aspect). The degree of openness is, however, relative to the view adopted by the researcher. And the following range of most prominent views illustrates this subjective degree. From philosophy of science that gave birth to logical positivism (associated with the Vienna Circle) and falsification (which is associated with Karl Popper) (Sismondo, 2010, p. 1) to more fundamentalist views about science as realism and functionalism, all these concepts are idealised forms of science. These are views that promote both ideal norms about standards in science research and the idea that “good methods form the basis of scientific progress” (Sismondo, 2010, p. 8).

And yet the main focus of this chapter is the sociology of science, which inevitably includes a technological component. This component is often neglected by the sociology of science strand of research. Sismondo explains this in a simple way. The secondary position of technology in this area of research comes from the fact that technology is perceived as being too straightforward, basically the application of the scientific method into practice (in a combination with “practical minded creativity ... shaped by its scientific rationality” according to Sismondo, p. 8). This is how technology was perceived in relation to science for a long time (as evidenced by writers such as Lewis Mumford in his 1934 book “Technics and Civilization” and 1969 book called “The Myth of the Machine (Vol. I)” and Martin Heidegger in “The Question Concerning Technology” from 1954). Later on, the 60’s and 70’s saw the view on technology shift towards a form of “technological determinism” (Sismondo, 2010, p. 9).

The main questions related to STS are whether the effects of technology determine social relations, does it have a humanizing or dehumanizing effect and whether this promotes or inhibits freedom (Sismondo, 2010, p. 8). And the answer to these questions was provided during various streams of research, from the Kuhnian revolution (that challenged the existent views of history of science at that point by speaking against the existing formalist view and implicitly its normative stance) to sociology of knowledge, feminist epistemologies of science, Actor-Network Theory (Bruno Latour’s and Michel Callon’s work) and to the political economies of knowledge (economies based on “highly developed technical knowledge” or in other words economies in which “knowledge is a major good” (Sismondo, 2010, p. 189).

There is another important question to be asked and which has a crucial importance for my research and that is, “Does technology drive history?” (Sismondo, 2010, p. 96). And according to Sismondo, following the ideology of material determinism it does, and not only that, but in fact material forces and the properties of the available technologies are doing more than that, are actually creating and determining social events (Sismondo, 2010, p. 96). The discussion is resumed to whether technologies have or not systematic effects (and of course, the dimension of potential use). When

there is a talk about the essence of a technological object, it is in fact being talked about the diversity of usage of that specific object and the contexts in which it relates to the social (with the humans). In other words we are talking about an existence in both a social and material context of technology. Then the question whether or not technology drives history is incomplete. If technology drives history, and it does, because as Bijker puts it “purely social relations are to be found only in the imaginations of sociologists or among baboons . . . and purely technical relations are to be found only in the wilder reaches of science fiction” (Bijker, 1995) there is half of the story being missed here. And that half refers to the fact that history is a driver for technology also and in the end for the entire field of sociology of science.

3.3.2. Modernism and the never-ending “have we been ever modern?”

Certainly not a perfect theory in itself, Bruno Latour’s “modes of existence” is a comprehensive account of a world of “moderns”, told from the perspective of an anthropologist striving to find the secrets of this state of being/process that the society goes through and is adopting at the same time. The main question here is “why modernity and why would someone want to be modern or be a part of this process at all”?

But what is essentially the process of modernisation and why is it such a “*liquid*” and always disputed term? Latour embarked on a journey to reveal whether we are or are not modern in his well-known book *We have never been modern* (Latour, 1993). From that point on, Latour has perceived the notion of modern as something that is in contrast with ecology, something that is ideal but not necessarily good for the environment, no matter what the nature of that may be. Later, Latour sees the modernisation front as “the seemingly unstoppable progress of a line that clearly distinguishes the past from the future” (Latour, 2013). Certainly, in his eyes, this process is one of progress, becoming something altogether positive; a “rational” move needed in order to achieve this progress. Latour defines the “Moderns” as “those who were freeing themselves of attachments to the past in order to advance toward freedom” (Latour, 2013).

The origin of Latour's views can be traced (in broad terms) back to another well-known author, the German sociologist Ulrich Beck and his *risk society* and then to the continuation of his work, more specifically to his 1994 book, *Reflexive Modernization: Politics, Tradition and Aesthetics in the Modern Social Order*. This book, co-authored by Beck with two other sociologists, Anthony Giddens and Scott Lash, introduces the notion of *reflexive modernisation*, a concept that is based on the idea that modernity is opposing the previous state of being of individuals and society overall. Reflexive modernisation is being perceived as a process of modernisation characteristic of risk society by which progress is achieved through reorganisation and "reform" (Beck, Giddens and Lash, 1994). Giddens and Beck have different definitions of this notion of risk society that sits at the basis of modernisation. Giddens defines it as "a society increasingly preoccupied with the future (and also with safety), which generates the notion of risk" (Giddens, 1990) whilst Beck defines it as "a systematic way of dealing with hazards and insecurities induced and introduced by modernisation itself" (Beck, 1992, p. 21).

Returning to the science and technology strand of research that the adopted modernisation perspective is part of, the view on it, as it is used for the purpose of reflexive modernisation, is that these two aspects (science and technology) are less concerned with expanding the resource base, but rather with re-evaluating the resources that are already being used by society (Beck, Giddens and Lash, 1994). This could be perceived as a limitation in itself, one that Latour is trying to overcome to some extent by using the notion of mode of existence in relation to the modernisation process and its agents. By trying to reconstruct the value system of the so-called moderns (be that "Western" countries or more broadly the entire part of the world that is generally perceived as being modern), Latour is focusing on the institutions that are drivers or a central part of this process and not on particular small elements of modernity. At the same time, the precondition for this to work is to have these institutions as interconnected "actors" at the heart of the process.

The general model proposed by Latour in his 2013 book (*An Inquiry into Modes of Existence*) has fifteen modes, grouped in five categories as follows:

First group: reproduction ([rep]), metamorphosis ([met]) and habit ([hab])

Second group: technology ([tec]), fiction ([fic]) and reference ([ref])

Third group: politics ([pol]), law ([law]) and religion ([rel])

Fourth group: attachment ([att]), organization ([org]) and morality ([mor])

Fifth group: network ([net]), preposition ([pre]) (it allows to go back to the interpretive keys which allow us to prepare for what comes after, in the [net] mode) and double click ([dc])

Due to a limited time of analysis I will be able to take into consideration only a limited number of modes of existence. The selection process of the modes applicable to my area of research is one based on the ideas found behind the notion of *liquid modernity* (or *late modernity*). I have already presented a short account of the term reflexive modernity, terminology that is in many regards similar to liquid modernity but is far from being a fair or comprehensive image of this later one. In the following paragraphs I will explain in a more comprehensive way the meaning of this later term and how I will make use of it, before I will analyse briefly the modes of existence chosen based on this notion.

Liquid modernity is a term introduced by the work of Zygmunt Bauman and is assumed to succeed the original idea of modernity (Bauman, 2000). In practice, liquid modernity is more in line with the work of Ulrich Beck and Anthony Giddens, taking a stance against postmodernism and claiming (much like Latour) that modernity is continuous, occurring under a different (maybe evolved) form but still exhibiting the same broad process (this is sometimes referred to as a “second modernity” or “another modernity”). Modernism is, in the vision of liquid modernity, a continuous changing relationship between space and time: a relationship which assumes that the existence of modernity is bound to the separation of time and space from the “living life” and simultaneously from each other (Bauman, 2000, p.8).

It is indeed the individual that is being taken under scrutiny in the case of liquid modernity. As a “chaotic” continuation of modernity, liquid modernity stresses the unstable nature of modern individuals changing from one social position to another in a fluid manner. This so called “nomadism” of modern people impregnates the

society overall and shifts the behaviour of modern institutions towards adaptability and increased apprehension of the specific needs that modern people might have.

Liquid modernity contains a historical dimension that Latour's modernity is lacking. As Bauman says, "time has history" because of its "carrying capacity" and history-acquiring ability of time (when there is assumed the existence of speed of movement, meaning lack of immovability, through the spatial dimension) (Bauman, 2000, p. 9). It is therefore critical to have both dimensions present, but the two are not evolving equally and uniformly. The existence of a variability of these two dimensions certainly affects the idea of speed in the sense that it would lack any meaning without a changeable relationship between time and space. Time was always perceived as the interchangeable and flexible dimension and space was relatively set. But with the evolution of technologies and science (and the recurrent need to place the research in the sociology of science arises again) the inevitable "disintegration of the social networks" is as much of an effect of shifting and even disappearance of territorial boundaries as it is the effect of the increase in "human bonds and networks" (Bauman, 2000, p. 14).

The fact that liquid modernity contains a historical side to it helps us in evaluating and choosing Latour's modes of existence necessary to portray a genuine account of the Moderns and the modernisation process. Based on the course of action taken by the modernisation process, one way to visually express a mode is as continuity disrupted by *hiatuses* at certain intervals in time and space as in the Fig. 3. below.

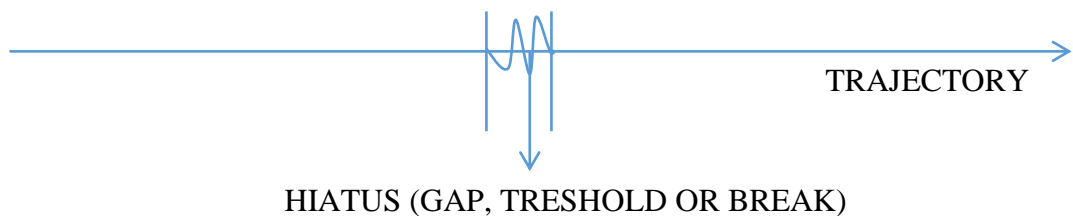


Fig. 3. Course of action. Source: Self projection

Therefore, a mode of existence can be defined by four elements: a kind of continuity as mentioned and illustrated above (defined by a *hiatus* as a *trajectory* obtained by

a certain type of discontinuity), secondly by particular kinds of *felicity* and *infelicity* conditions (also defined as truth and untruth), thirdly by “the specifications of the *type of being* that the mode leaves in its wake” and fourthly by “a *mode of alterations* of the being-as-other” (Latour, 2013). Based on this definition (more specifically on the four canonical questions presented before) and the notion of liquid modernity (the dimensions presented before that are adding to the Latour’s notion of modernity, which are offering a better understanding of the changes that undergo inside the modes of existence) I present below the list of modes chosen (Table 1).

The basis of selecting the modes (as can be seen in Table 1) is the assumption of *Continuity*. This assumption is central to the idea of being Modern, a side of the coin, which would include also a potential anxiety in generating modes. But this assumption of Continuity helps in answering a crucial question for my research. That is, to what extent is this modernisation helping in seeing the process of adopting a new accounting system in Romania as a process of becoming modern? The answer is given by these nine modes selected in order to portray a trajectory that was set towards redesigning, shaping and improving a much necessary accounting system in Romania after the fall of the communism in 1989.

I will present as follows the nine modes selected and explain their meaning. But before that, the notions *Beings to institute* and *Alterations* need to be briefly explained. Beings to institute or beings admitted to existence is an essential element in Latour’s work, bringing to the front of his work the idea of ontological pluralism, the multiplicity of possible existences of “beings” (of different natures and properties). The simple existence of these being or the state of being is in connection with noted differences of the true and false conditions (felicity/infelicity) of the existence. As for alteration, this is, if reduced to a simple set of notions, the determination of the distinction between substance of each mode and its subsistence (mere possibility of existence), and once determined, the bridge between these two.

A more detailed account of these modes of existence will be available in the next chapter.

NAME	HIATUS	TRAJECTORY	FELICITY/INFELICITY CONDITIONS	BEINGS TO INSTITUTE	ALTERATIONS	NAME
CONTINUITY ASSUMPTION						
[REP]RODUCTION	Risk of reproduction	Prolonging existents	Continue, inherit/disappear	Lines of force, lineages, societies	Explore continuities	[REP]
[HAB]IT	Hesitations and adjustments	Uninterrupted course of action	Pay attention/lose attention	Veil over prepositions	Obtain essence	[HAB]
[TEC]HNOLOGY	Obstacles, detours	Zigzags of ingenuity and invention	Rearrange, set up, adjust/fail, destroy, imitate	Delegations, arrangements, inventions	Fold and redistribute resistances	[TEC]
[FIC]TION	Vacillations between material and form	Triple shifting: time, space, actant	Make (something) hold up, make believe/cause to fail, lose	Dispatches, figurations, forms, work of art	Multiply worlds	[FIC]
[POL]ITICS	Impossibility of being represented or obeyed	Circle productive of continuity	Start over and extend/suspend or reduce the Circle	Groups and figures of assemblies	Circumscribe and regroup	[POL]
[LAW]	Dispersal of cases and actions	Linking of cases and actions via means	Reconnect/break levels of enunciation	Safety-bearers	Ensure the continuity of actions and actors	[LAW]
[ATT]ACHMENT	Desires and lacks	Multiplication of good and bads	Undertake, interest/stop transactions	Passionate interests	Multiply good and bads	[ATT]
[ORG]ANIZATION	Disorders	Production and following the scripts	Master scripts/lose scripts from view	Framings, organisations, empires	Change the size or extension of frames	[ORG]
[NET]WORK	Surprise of association	Following heterogeneous connections	Traverse domains/lose freedom of inquiry	Networks of irreductions	Extend associations	[NET]

Table 1. Modes of existence chosen based on the Continuity assumption (Based on Latour, 2013, Appendix)

[REP], which stands for **Reproduction**, is the mode that in the spirit of (re)production describes the situation in which “any entity whatsoever crosses through the hiatus of its repetition”, defining interconnected but disrupted stages that ultimately form a particular trajectory, with the entirety “obeying particularly demanding felicity conditions: to be or no longer to be!” (Latour, 2013, p. 92). Latour makes it clear that this mode, although one that is in line with the continuation of world and nature, does not overlap these notions but rather “brings out existents' capacity to provide for their subsistence by running the risk of reprise and reproduction” (Latour, 2013).

[HAB], short version of the mode **Habit**, “is characterized by the designation of a movement directed towards the course of action and therefore away from the preposition” (Latour, 2013) (which in other words gives the other modes their pattern and pathway). Habit represents a levelling of discontinuities, a changing of radicalism in modernity (change in alterations) and in other words, a beacon of “what we do next”.

[TEC] or Technology is the study of the technological world and it is rightfully considered for this pragmatic world what epistemology is for the scientific world. This particular mode “allows for a clear passage and a continuity of acts, implementing the elements of discontinuous heterogeneities” (Latour, 2013).

Fiction or [FIC] does not take the common sense of the word, the one usually employed in art and literature and it does not mean an “illusionary” state of being. The sense used here is “related to production, to fact, to shaping, creating and feinting” (Latour, 2013). It is [FIC] that moulds the previous mode [TEC] in order to derive new types of transformations.

Does not entail the actual meaning of the word fiction as something related to art, culture, works of art, but the stance designated by the adverb “fictionally”. Its primary sense in the context of the MOE is connected to “production, fact, shaping, creating and feinting” (Latour, 2013). Considering this, [FIC] is highlighting the faint that appears when it is impossible to detach the material from the form when trying to divert materials (whichever nature these have) in order to create a specific desired form.

In strong connection with [TEC], the beings of fiction are the catalyst “folding” as Latour describes it, the [TEC] beings and deriving from them something these are not. When [TEC] beings are detached from the materiality that composes them, maintaining this way just their form, a figure and no substance at all, the beings of [FIC] are the ones creating a new world and driving therefore this materiality. This creates two layers of the same object that in effect enlarges and finishes the picture of what forms the duality shape-material and the image it will take ultimately. In other words, [FIC] is the mode that extends the nature of technology [TEC] beings from just material ones, to a twofold space, adding also the non-substantiated situations of these beings and therefore constructing a “whole” (the duality material-immaterial or material-shape as described by Latour).

But primarily [FIC] is a being related to works of creativity, to that materiality that transcends the mere basic use of its creations and their placement in the world of the moderns. Therefore, although a respectable mode in the sense of continuity [FIC] is not always suited for all types of research as it often asks for the existence of that specific materiality (like the one in art) which when looking in the details of this specific research, it is quite clear that it is actually missing in the needed form. Therefore [FIC], albeit initially considered initially for the purpose of this research, will not be taken further into the empirical analysis and it will remain just a subliminal mode in the mind of the reader. From this point onwards only **eight** MOE of the nine chosen will be used.

Politics [POL] or Politic Circle (Circle bearing the sense of constrained movement) is a mode of existence somewhat atypical (due to its circular “shape”) for the Continuity premises which I adopted, but nonetheless one that has its place in it. Often seen as a 'curved speech', [POL] is a *creator* of groups (hence the inclusion in this study), more specifically groups with an ability to define the notion of “us” or “we” (Latour, 2013).

[*LAW*] does not refer to the legal institution in itself but more to “a quite particular path that we can bring to prominence whenever we follow the adverb “legally”

(Latour, 2013). [LAW] means also the possibility to shift the facets of a certain type of continuity, that relation of a certain actor to its corresponding action.

[ATT] or Attachment highlights the necessity of the existence of other beings for our own existence to be valid. This mode allows also “diseconomising” the habits (second nature) and the amalgam of The Economy (literally referring to the whole economic process, the rationale and the physical one). In close relation with [ATT], the term Anthropocene, an era of Earth’s history that follows the Holocene, which is being used in Latour’s work as a term meant to “sum up the meaning of an era that extends from the scientific and industrial revolutions to the present day” (Latour, 2013) is fusing the elements of “Moderns' contradictory history”. Anthropocene is another facet of [ATT], in essence “being a dazzling extension of the attachments between humans and non-humans” (Latour, 2013).

Organisation or [ORG], as a general term is perceived to be something contrasting the notion of state and network. But in our case, the mode of existence [ORG] is not in line with that general understanding, the meaning actually referring to organising an activity/act/action. [ORG] is an alteration defining frameworks, more specifically “limits and ends to action which thus gives a feeling of being "inside" something more durable and stable, even though this interior is obtained by the regular path of scripts to which “nothing need be added” (Latour, 2013).

Network or [NET] is basically a concept that draws from a relation Actor-Network, or in other words, it is the product of Actor Network Theory (ANT). The term Network, opposed to that of Domain, has two meanings in my research. One sense is that of *outcome* (technical networks) and the other is the sense of *process* (or better said, according to Latour, it is a “movement that records, as the investigation progresses, the whole series of heterogeneous elements necessary for the completion of a course of action”).

3.3.3. Existing theories of transition

The fact that before 1989 all of today’s East Central European and Central Asian polities had communist single-party rule and socialist economic planning systems

cannot possibly account by itself for the tremendous diversity of political regimes that emerged in this region in the early 1990s. (Kitschelt, 2003, p. 49)

And that was not only the birth moment of a diversity of political regimes, we could add, but also of a large variety of economic and financial conditions and therefore economic reform efforts undertaken later. Kitschelt puts forward two pertinent questions that impact our research. These questions are: Why is there no uniform and persistent “communist legacy” detectable among the numerous communist successor regimes? What led to the appearance of the great variance in the modes of dismantling communist rule as well as the resulting new political power relations and institutional codifications overnight in the early 1990s? (Kitschelt, 2003, p. 50). According to the same author the well-known conditions that usually determine differences at country level are also present in this case, those differences being identified as the great physical, economic, social, and cultural diversity of postcommunist countries (Kitschelt, 2003, p. 50). Other different conditions would qualify as potential factors for these differences (religion, geographical location, post-Stalinist reforms in communist regimes, modes of transition to postcommunism being just a few of them according to Kitschelt) but the researchers cannot agree on a classification of these factors therefore leaving them to the interpretation of every individual. The only generalization that can be made from the point of view of the economic theories of modernisation is that all the former communist countries are “likely to display diverse and volatile regime properties” (Kitschelt, 2003, p. 50 citing Huntington, 1991 and Przeworski and Limongi, 1997).

According to Walder, there is a variety of market economies in terms of “patterns of power and privilege in ways unrelated to the extent to which a market economy has been established” (Walder, 1996, p. 1060). The problem is that factors that help to explain the trajectory of transition in specific countries tend to be associated with each other, and there may be too many factors when all the relevant papers are analysed. There is a tension between specific narratives of transition in individual countries and attempts to come up with general explanations/models.

The main purpose here is not the focus on the actual economics of market transition but on the general features of the theories of transitional economies per se. I will therefore briefly highlight some of the theories that were developed in this area of research with the intention to also introduce the setting of this particular type of economy (and at the same time highlight some of the factors used in representative studies in the literature in order to measure market transition).

A firm point of view on market transition, and consequently on transitional economies, is the one expressed by Karl Polanyi in his famous book, *The great transformation: The political and economic origins of our time*. His theory claims that in a "re-distributive" state socialist economy, goods are allocated primarily by government officials ("redistributors") according to a plan, and under market allocation, by direct bargaining between buyers and sellers over price. And based on that, the rationale of a transitional economy is that the latter gradually replaces the former (Polanyi, 1944).

Economists have emphasized that the transition strategies adopted by countries reflected the need to resolve the economic crisis afflicting the socialist planned economies and the overriding objective should be the transformation to capitalist market economies rather than the fostering of economic growth and welfare.

The major limitation of the current existing theories is the fact that they tend to simply "collapse" the relevant analysis dimensions for the determination of a "market transition" (dimensions as, for example, different kinds of enterprise, the political rules through which a planned economy is dismantled, rates of growth in different economic sectors, and state policies that affect price levels) under a single umbrella, that of "progress toward a "full" market economy" (Walder, 1996, p. 1072).

Besides this limitation, according to Csaba there is an ongoing debate and accusations on what went actually wrong in the transitional process and why economists are not able to put their differences aside and concur to deciding on a single course of action (theory) in this matter (Csaba, 2002, pp. 39-40).

What is *Initial Prior Theory* at this point? A theory comprises of a sequence of statements explaining three elements. That is, the cause of a circumstance, the acceptability of this specific circumstance or the actions that would be taken with regard to that circumstance. Modernisation is bringing a net contribution to transitional theories. That is, the influence of the new and changing institutions on The Economy and Finance cannot be left aside. This has influenced, and still influences, the process of change. It was commonly a reason for debate between economists as they are not able to capture the “sociology” of the moderns only by employing economic tools. Therefore, the modernisation concept acts as a moderating factor for the issues relating to transition identified previously. This is, at this point, *Initial Prior Theory* (X’).

3.3.4. Order out of chaos

In relation to the notion of “*order out of chaos*”, the theoretically grounded perspective makes reference to the critical strand of research adopted in my thesis and the theory building process from the single case study I am conducting at a national level. At the same time the study is based on four theoretical devices that interblend and together form the theoretical framework of my thesis (existing transition theories, modernisation theory, transnationality and order out of chaos theory).

The underlining narrative of the modernity story is quite simplistic if employed on its own. There is the need for something deeper, the need for a *driver*, as I will call it in the following section. And this driver is represented by the notion of *order out of chaos*, a notion that contributes an important element: that of creating order out of something uncertain, as modernity is. That is because, more or less aware of this uncertainty, the outline of modernity is not taking into account the fact that the current social world is after all “a world that enacts itself to produce unpredictable and non-linear flows and more mobile subjectivities” (Law and Urry, 2004, p. 399). According to Law, it is the notion of *complexity* that “brings out the way in which 'liquid modernity' is unpredictable and irreversible, full of [the] unexpected...” (Law

and Urry, 2004, p. 402), messy worlds, which is what Modernity is most of the time depicting. As Law describes it, the world is “largely messy” and the social sciences are not well prepared to decipher this mess due to the assumptions that form the basis of the current methods employed by researchers (Law, 2003, p. 3). Law and Urry urge for the use of more appropriate tools in researching connections, tools borrowed from disciplines such as the ‘new physics’ of chaos and complexity theory (Law and Urry, 2004, p. 400).

The notion *order out of chaos* is driven itself by a social science of complexity. Thus, the term complexity, in Law and Urry’s view, “rejects the common-sense notion that large changes in causes produce large changes in effects” moving away from the assumption that one can deal with social aspects in a linear manner and that all things are ultimately, after a good deal of analysis, simple (Law and Urry, 2004, p. 401). At the same time, Law and Urry conclude that complexity is leading to three assumptions: “that there is no necessary proportionality between ‘causes’ and ‘effects’; that the individual and statistical levels of analysis are not equivalent; and that system effects do not result from the simple addition of individual components” (Law and Urry, 2004, p. 401).

According to Heisenberg’s words, “The world . . . appears as a complicated tissue of events, in which connections of different kinds alternate or overlap or combine and thereby determine the texture of the whole” (Heisenberg, 1958, p.96). From such statements and the entire idea of complexity, we can derive the notion (among others) that order and chaos are always intertwined, that we cannot find one without the other, and ultimately that we can derive one from the other but the other one never ceases to exist (thus we may obtain *order out of chaos*, but the chaos is never completely eliminated). Therefore, order out of chaos is a part of the complexity theory, an ambivalent one both methodological and theoretical. It is crucial to my analysis as a driver due to the fact that “material worlds [are] unpredictable, unstable, sensitive to initial conditions, irreversible, and rarely ‘societally’ organized” (Law and Urry, 2004, p. 402).

3.3.5. Historical devices and Transnationality

History, as it is well known, gives an account of the records of past events of the human race (individuals, trends, institutions). But in my research the need is slightly different. The immediate need is to capture influences, both economic and social, that converged spatially and temporally at a certain point. The space is the territory of Romania and the temporal line is the period after the fall of the communist regime (this does not mean though that the temporal line is disrupted in that point and I am largely leaving aside the events that came before that). This requires the aid and use of one branch of history that deals with such matters, called *transnational history*. The reason for using this specific historical tool is due to the specific requirements of my research, particularly to two aspects. These are represented by, on one hand, the extent of the influences exercised in the spatial area chosen for the purpose of this research is by no means limited to it, exceeding the limits of a single country and, on the other hand, the institutional influences exceed the political and economic layout of a single country and even region, becoming a world web of influences (aspect which will be supported by the use of empirics). Transnational history will become a supporting framework for my research and the need of employing it comes mainly from the fact that Latour's modernisation lacks a strong historical dimension. However, such a dimension is crucial in understanding the portrayal of change and evolution that is implied by the notion of modernisation.

The accounting system in Romania was not confined to the national influences or within the well-established national borders. Therefore, a nation-centred model would be useless in our case, as it would fail to add anything new to the previous mostly narrative works. As Frederick Jackson Turner noted in 1891, "local history can only be understood in the light of the history of the world" (Turner, 1961, p. 20). To overcome this shortcoming of an entirely nation-focused history, I have turned to transnational history, which explicitly incorporates the influences of other countries, and of transnational organisations, on changes in a single location.

But the question that could be asked is, what is transnational history? Unfortunately, historians cannot provide a single definition of this terminology. Therefore, we

have in the literature several meanings attributed to this term. For example, Akira Iriye, a prominent contributor to the development of transnational history, has proposed that it may be defined as “the study of movements and forces that have cut across national boundaries” (Iriye, 2004, p. 213). Sven Beckert, a historian whose work focuses on the nineteenth-century United States, describes transnational history as an evolving approach taking as its starting point “the interconnectedness of human history as a whole, and while it acknowledges the extraordinary importance of states, empires, and the like, it pays attention to networks, processes, beliefs, and institutions that transcend these politically defined spaces” (Beckert, 2006, p. 1459). On the other hand, Patricia Clavin has noted, in her discussion of the valencies of the term, that transnationalism’s value “lies in its openness as a historical concept” (Clavin, 2005, p. 434).

The general research produced in the accounting history field is at present limited at best to comparative approaches, which in itself imposes restrictions from the methodological point of view. Hence the need for something more, for an alternative like transitional history.

The transnational history type of research also captures such elements as “*histoire croisée*” and “culture transfer”. “*Histoire croisée*” is a “point of crossing between different historical formations”, an interconnection of historical events that can be distinguished from intermixing of events (this terminology has been proposed by historians Michael Werner and Bénédicte Zimmermann). “Culture transfer” helps us understand that not all the differences are directly traceable back to national differences, but “where cultural differences do exist, they imply a process of acculturation” “valorized notions of national cultural paradigms should be corrected by attentiveness to the particular economic, technological, and human vehicles of cultural transfer” (Espagne and Werner, 1987, p. 988).

One of the main parallels of transnational history with economic history is that both approaches stress the fact that national borders do not correspond to those of capital movements. This also positions our research as similar in relation to economic histories.

There are several general traits, in addition to the characteristics already mentioned, that can be attributable to a transnational type of history. Transnational approaches have the potential to develop new connections and insights both within and between (the *translation of ideas* in different contexts and environments) these various scholarly traditions (Saunier, 2004, p. 111). Another trait is the especial advantage offered by transnational approaches in terms of their efficacy in enabling better delineation and comprehension of considerations relating to state power (Thelen, 1999, p. 972). According to Saunier, while one of the ‘obvious’ aims of transnational history is “to contribute to historicize what we call globalisation by a careful and detailed study of connections in the modern era”, nevertheless, by the same token, there is a risk that transnational history may become the handmaiden of globalisation, “just as national historical scholarship contributed to legitimisation of the nation state” (Saunier 2006, p. 128; see also Saunier 2008, pp. 169-171). Transnational history therefore understands “state” as more than just the traditional nation state.

There are aspects implied by the research conducted in this thesis that are not assuming only reconstituting of transnational exchange, but also highlight its often-overlooked aspects (like constraining elements imposing change) bringing transnational history into dialogue with social history traditions. This brings in the fact that much transnational history research has little to do with nation-states as such, but rather deals with considerations below, beyond or beside them, with people or organizations that are not under governmental control (which is a side of my research also). This fits in perfectly in the general ideas implied by Law and Urry’s *complexity* and the historical dependence dimension that links social sciences research with historical led type of research. And that being said, this is the added value of both transnational history and order out of chaos as part of the complexity theory that adds something that the Initial Prior Theory was missing, the need to research the events in a more complex and non-linear setting described historically (including transnationally and supranationally). Therefore, these elements “enact the collision” and expound Developed Prior Theory leading to the *Developed Prior Theory (X’)*.

3.4. CONCLUSION

The purpose of this chapter is dual. On one hand it meant to introduce theoretical concepts necessary for the current study. These theoretical concepts are the fundamental basis for the theory model build in a two-step manner. The major parts of theory used here are also called *theoretical devices*. These theoretical devices are introduced briefly in Fig.2. which shows the way these devices are used in the theory building process. The first two strata in the visual representation of the theoretical collisions and the resulting theory is introducing two concepts in line with the development of the argument of the theory being built.

Section 3.3.1. which introduces the notion of *sociology of science* also shows the need of this section in order to be able to follow on the steps of the theory introduced in the previous subchapter. This need is created by the fact that the backbone of this research, which is the idea of modernity presented in section 3.3.2., is borrowed from this particular area of research, the sociology of science. At the same level we have also the existing transition theories, which taken on the literature reviewed in Chapter 2 and brings forward the theoretical aspects of it, not only the practical ones. Being a theoretical development, in the current research, when looking at most notions, I am looking at how these affects both the practical realm but also the theoretical ones and ultimately how they blend together.

But modernity is an extremely theoretical notion when looked at it the way Latour describes it, and therefore it has its own limitations. Hence, although critical for this research, it is not enough by itself. That is, I am looking at multiple dimensions, not just an isolated space dimension. I am looking at the changes that occurred in Romania after 1989 from both a historical dimension and a spatial one. Therefore, unlike modernity which does not really take into account the historical, transnational or counterfactual dimensions, I am creating a model that would work in space but also in time. Sections 3.3.4. and 3.3.5. are the ones that present the theoretical devices from the second strata, namely order out of chaos and the previously mentioned historical devices, particularly transnationality. Together these four theoretical instruments are the means to create a broader and more comprehensive theoretical means that helps answer the research questions proposed in the Introduction.

CHAPTER 4. CONTEXTUALISATION OF THE EIGHT MODES OF EXISTENCE

This chapter will introduce and explain only the remaining eight modes of existence out of the nine chosen for this study, which help to sketch out the entire contextual world of this research and the idea of modernity that is the centre of it (Latour, 2013). During the research, one of them, respectively [FIC]TION, was dropped for reasons which were already explained in the previous chapter which also offers details about that particular mode.

Because the modes of existence were created by Bruno Latour, I acknowledge that this chapter is a presentation of his work, with ideas and analysis taken also from the subsequent online projects on the platform dedicated to his book *An Inquiry into Modes of Existence* (AIME), projects conducted by the author and the researchers he worked with since the book's publication in 2013. Therefore, across this chapter there will be few citations, I am not assuming Latour's work as being mine and it is a contextualisation for the purpose of this research.

All nine modes of existence chosen initially delimit and accentuate the space on one hand, and make possible a historical dimension for the changes in the Romanian accounting on the other but only eight actually fit this research. These remaining eight modes of existence (MOE from now on) are, as previously stated:

- REPRODUCTION – [REP]
- HABIT – [HAB]
- TECHNOLOGY – [TEC]
- POLITICS – [POL]
- LAW – [LAW]
- ATTACHMENT – [ATT]
- ORGANIZATION – [ORG]
- NETWORK – [NET]

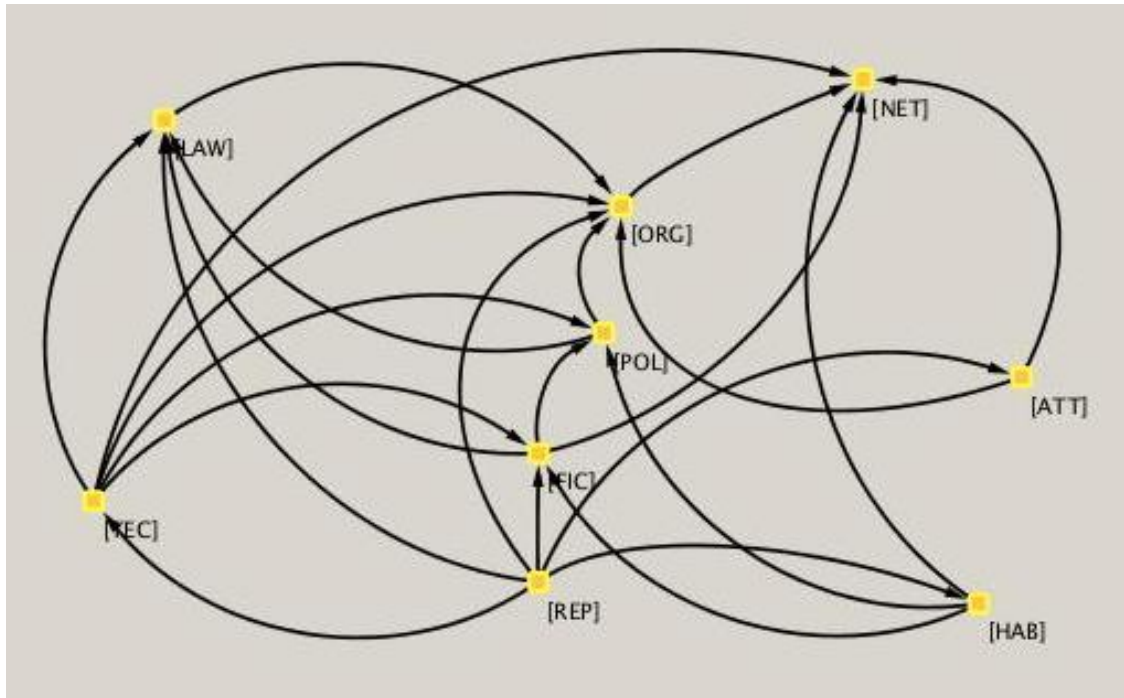


Fig. 4. Crossings between the nine Modes of Existence chosen initially for the study. Source: Self projection based on Bruno Latour's MOE

As it can be seen from the figure above, there are numerous potential links and crossings but I am only looking and providing certain ones in my research (these will become clear across the analysis). That is, it would be impossible in such a work to look at all the crossings and I am not writing a book on the MOE, but I am providing an account on the most useful modes for this particular research. It is also extremely important not to forget that the main purpose of the MOE is to actually draw and bring forward the idea of modernisation as one of the backbones of this research.

Another important conclusion that can be drawn is, interestingly enough, the fact that [ORG] seems to be the receiving end of at least 5 crossings with other modes [REP], [POL], [TEC], [LAW] and [ATT] and it is the origin node only for the crossing with [NET]. This is somewhat peculiar as it is the only MOE having six crossings that are both ways in relation with the other modes chosen for the purpose of this analysis. When it comes to [FIC] in the context of Fig.4., while it is an important point in the interconnected links between the modes because it adds to

the existing dimensions also those of creativity and the detachment from materiality, these are unusual dimension in the social sciences and do not relate to the purpose of this study. One could say that culture could potentially qualify as being part of this dimension, but due to the fact that it is impossible to quantify in any reasonable manner the impact of culture on changes in political and social systems, it is not being included in this research.

Latour has drawn in his inquiry four crucial questions for the crossings between the modes, or canonical questions as he calls them. These are as follows (Latour, 2013):

- 1) What are the handholds and trials particularly favourable to the detection of the contrast and of category mistakes (and what is the vocabulary specific to each crossing)?
- 2) How has this crossing been elaborated or instituted in the course of history?
- 3) What does the crossing tell us about the two modes of existence being compared?
- 4) What are the aims pursued by the investigation that will enable the crossing to be emphasized and instituted?

The reason for mentioning these questions is the fact that, crossings will be analysed only if they are deemed necessary for this research, and the questions will represent the outline for addressing the specific crossing of any two modes, on a when and if basis. But one aspect is clear, and that is the fact that all are interconnected to a lower or higher degree. Some crossings are clear from the nature of the modes and the way they interact with each other, some are not clear at all and appear just at points in space and time when particular situations are created.

The MOE will be used as a skeletal framework in order to highlight the empirics by drawing out the key elements and implicitly the key actors involved in this process of change throughout both times linearly and through historical periods non-linearly. This will allow the drafting of a clear connection between the MOE and the factual (empirical) data gathered during the collection process.

The remaining eight MOE can and have different degrees of relevance or inherent activity. The level of theoretical presence in the analysis of the empirics differs from mode to mode. Some are latent rather than active throughout the whole inquiry. As Latour states, the modes that exist can be identified only when one asks himself what it is needed for the beings incorporated by these modes to exist and how is it that we can identify them (Latour, 2013). Certain modes require contexts in which to fully operate and if the context is not there they simply do not come into play, operating into the background of the story, underlying and inactive. Such potential contexts will be shown in the next paragraphs when analysing each one of the modes. In order to do this, a series of questions needs to be asked. That is, *whether these latencies are contingent or are rather characteristics of certain modes and if these are pervasive or are certain modes latent by their nature?* In some cases, it could explain the obvious lack of expression of a particular mode in a situation where one would expect it to “be” or the lack in straight-forwardness and the more latent nature that can be observed when analysing situations that fit obviously in the specifics of each mode that is being looked at.

Therefore, it is only logical to deduce that some of these nine modes do not operate equally across my research or even make an appearance until all the clearly obvious or the underlying requirements for the existence of that mode are met. This implies that the analysis of the empirics will facilitate the identification of the modes that are active or latent, the connections between them and the shape that the network of MOE takes in this specific situation. This study is indeed local, set in a local setting (that of Romania), but the entirety of the study provides a larger picture, that of other similar situations of other countries (specifically former communist countries with a similar set of existents, influences and institutions).

Another important question arising from this is whether the above situation is something that is part of the overall theory or is it something that excerpts itself contingently. The answer to this is to be found throughout the analysis and it will address whether each mode operates equally or not and how.

At the same time, there is the matter of consistency of the MOE as created by the moderns, because these seem at a first glance without a coherent backbone, and this backbone is certainly not represented by the sheer existence or the rationale of being of the moderns. But, at a closer look into Latour's inquiry, one can trace this back to a simple but not entirely acknowledged establishment, the actual institutions (organisations) part of the society created by the moderns. This takes us to identifying the need of looking closer into one of the main aspects of the Inquiry into the modes of existence and a major part of several individual MOE. That is, the division life-matter or material-immaterial. This will be done when analysing each mode. Also, it is clear at this point that the most affected mode by this insight is [REP] due to its nature and purpose.

4.1. [REP]RODUCTION

Together with metamorphosis (which will not be part of this research), reproduction forms a certain kind of *alteration*, one that shows that “everything can, everything must become something else” (Latour, 2013). In other words, it shows that an entity has the ability to exist continuously even in the probable appearance of a “gap” event that separates two instances of this entity in time. That is, the main characteristics of [REP] is persistence in its existence. Due to the distinct opposition between the [REP] mode and metamorphosis [MET] that stems from Latour's expressed opposition between material and living I have decided to leave aside in this study this “violation” of the living beings. There is quite a great deal of criticism (see for example “Should Matter and Life be reinstated as beings of repetition and beings of mutation?” on <http://modesofexistence.org/inquiry>) when it comes to the idea of [REP] and the way it interacts specifically with these living beings. The criticism stems from the fact that [REP] does not acknowledge the diversity of living beings and the fact that where there is individualism and reproduction in a static manner there is also togetherness and cohabitation.

That does not mean though that the actual living actors are not given a voice in my study. They are entitled to have one as we cannot forget the fact that the frameworks

and networks in the world of the moderns are in fact based on human relations of cause and effect. But the only foreseeable way of doing this is to actually “humanise” this mode by using the aforementioned institutions. They represent the mediator for this particular mode and for other modes, as the entire modernisation process was set in place through the use of these institutions created either on the bases of the “old” ones or of the ones created due to the affirmation of new ideas adopted or assimilated by the moderns. This process is an embodiment of the *liquidity* of behaviour of the moderns, showing a continuous shift in the creation and need for set institutions (new in the eyes of the world but often built on the foundations of past regimes and ideologies) that help the moderns in the diffusion of their ideology.

The mode [REP] will be translated into my analysis by means of identifying the points of continuity, the need of the “entity” (here the mix that has led to the appearance of a certain accounting system in Romania and then its evolution) for change, for development in a discontinuous environment (be that political, economic or one existing in exceptional situations like war and social disturbance) and a variety of new and old institutions that coexist in a world that is permanently changing.

Regarding the question whether [REP] is a latent mode at times or whether it is present in all the aspects of this research, the answer would be that it is indeed present throughout and continuous in this research endeavour. The appearance of a system, be that political, economic or in this case financial/accounting, is by itself an alteration of its previous status quo. In other words, a new system, from its inception to its evolved form, naturally going through all the challenges or temporary interruptions, is driven by a need of modernisation. That is, the imperious need for change of the systems, the need to reproduce themselves under various forms and ultimately the need for continuity which might not be achieved under the same for but under a different one. These traits of modernity are the driving forces for the unity of disconnected instances of the society seen as a space, an arena for performing, which can be pinpointed in various moments in time.

Mode	TRAJECTORY	FELICITY AND INFELICITY CONDITIONS	SPECIFICATIONS	ALTERATION
[REP]RODUCTION	The trajectory is the obtention of identity via the other	The principal distinction between being or no longer being - indisputable ancestor of the true false distinction - in any case, it is indisputably a felicity condition	In this case, a definition of an inert being as that which remains the same and of a living being as that which survives mutation and evolution	That which withholds in the being-as-other the possibility of an identity, a continuity, despite the being's fundamental alterity

Source: *An inquiry into modes of existence*, Bruno Latour, 2013

4.2. [HAB]IT

Is closely related to [REP] in terms of the idea of continuity as it represents the mode by which entities (called by Latour *existents*) will settle into the daily existence despite the always present hiatuses (which in essence are interruptions or discontinuities, as explained in the previous chapter) and risky effects of the decisions taken. [HAB] consists of a mix of various aspects as, for example, the idea of continuity, and the discrimination between bad habits (or automatism) and good habits. These are characteristics of the type of entities created by this mode when in direct relation with *alteration modes* (which are in fact required milestones through which each mode needs to pass in order to continue to exist) of a *being-as-other* (consisting in the continuity-discontinuity antagonism, in that of difference and repetition or otherness and sameness). The characteristics of [HAB] bring into

existence or facilitate different trajectories of action and ultimately vectors as continuous actions despite the fact that their actual nature is a discontinuous one. [HAB] is therefore one of the main pillars of the theory of the existence of modern beings and the ultimate catalyst for their evolution.

The application of the [HAB] mode in this specific research is linked with the actions and the courses of action which were taken and all the implicit alterations that came with them. It equally helps have the ways of action that were chosen by the existents (actors) in this empirical analysis, achieved in the two mentioned cycles. That makes [HAB] operate most of the time at a higher level, that of institutions rather than individuals.

In the empirics, [HAB] is equally as present as [REP]. [HAB] is related to the daily existence of the actors, the institutions. This daily existence takes into consideration all the hiatuses and despite their presence the striving force towards continuity is prevalent. It is a certainty the fact that [HAB] goes in pair with [REP] (Latour, 2013), because they are complementary alterations, existences which “multiply persistences” from [REP] perspective and entities that are throwing themselves “headlong into existence” for [HAB] as Latour defines them. Therefore, the presence of [HAB] conditions the presence of [REP], creating the context of both of them being a component of the research.

Mode	TRAJECTORY	FELICITY AND INFELICITY CONDITIONS	SPECIFICATIONS	ALTERATION
[HAB]IT	The paradox of habit is used to introduce a new discontinuity which allows us to smooth out or to make all discontinuities apparently disappear, in order to give the	Although habit has been much criticized it is, on the contrary, marked by a very sharp discrimination between bad habits	habit has mainly been studied in the cognitive sense but is in no way limited to humans or even organisms (in the ethological form): It is a general property of essences obtained,	The alteration proper to [HAB] beings - essences conceived of as habits acquired - will allow us to obtain trajectories or vectors since, despite the discontinuous

	impression of an immobile movement; experience is particularly vivid in the assemblage of a habit, like when we become adept at making a particular gesture	- automatism - and good habits, an ability to closely monitor necessary changes and adjustments	however, via a very particular assemblage of discontinuities	nature of the action, we will generate a continuous course of action
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Source: *An inquiry into modes of existence*, Bruno Latour, 2013

4.3. [TEC]HNOLOGY (TECHNIQUE)

With a focus on the adverb “technically” rather than on technology, it is a distancing from the material dimension. [TEC] is closely related to [HAB] and relates to modes like fiction [FIC] or politics [POL] by forming crossings with these. According to Latour, [TEC] is almost always part (composite) of organisations [ORG].

The mode [TEC] is the one responsible for the identification of all the detours (deviations) or alterations a mode is taking and suffering, shedding light on the folds (the notion of pleated folds adopted by Latour from the Greek tradition but it has the same meaning as the more well-known synonym of it, layering or layers) the existents are exhibiting (Latour, 2013).

The idea of layering is the actual application of the mode [TEC] in the current setting. That is, the technological dimension, not the material one, and the way it is being employed with the other modes of existence (layering themselves naturally or being layered artificially) in order to create complex frameworks and implicitly combinations of connections (links) between the actors. The AIME project that set the basis of the MOE has as object of inquiry networks as processes and not as actual results. It is, as Latour puts it, the “networks of influence” that fit into this

pattern and that are of interest for me in this research. These networks of influence are not limited geographically even though space wise I am looking at a single country. They are manifesting themselves at a larger scale, therefore the need to employ the transnational history in order to scrutinise the extra-nations (transnational) dimension which defines these networks.

I am not disregarding though the material dimension as the decisions that are impacting the technological dimension are not taken in a vacuum and actors such as human networks, organisations, politics, law and others, are entitled to have a voice, one they clearly claim in these nine initial modes of existence that were chosen for analysis. The technological automaton (“action without motion, without supervision” according to Latour) representing the ideal of technology and the primary component of a technological network, is not able to exist by itself, but it is more of an heteromaton, an automaton moved by other forces independent of it. That is, in practice, the case of any technological network or socio-technical network (stemming from connections between technology and organisations of which I will talk more later).

In my current research technology is seen as a broad field which is encompassing, among others, automatons by default. And although these automatons can be identified at a primary level, they are not able to work by themselves, but are dependant on the other components of organisations, creating networks with interdependent components.

Mode	TRAJECTORY	FELICITY AND INFELICITY CONDITIONS	SPECIFICATIONS	ALTERATION
[TEC]HNOLOGY	The hiatus of the detour, the zigzag of invention, the ruse, gives all beings a fold that is	Technique's zigzagging motion assumes a know-how, a judgment, a constantly	Technical beings leave behind them complex frameworks and combinations of associations which	Technical folding adds a surprising alteration since it establishes combinations and

	completely original since it corresponds neither to the durability of [REP] beings, because of its plasticity, nor to the plasticity of [MET] beings, because of their obduracy	revised evaluation of formidably demanding specifications	appear difficult to understand once left to themselves, without the folding motion and the detours which enabled them	bridges between completely heterogeneous types of beings, a heterogeneity that endures, moreover, once the combinations have been established, whence the relative fragility of technical beings
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Source: *An inquiry into modes of existence*, Bruno Latour, 2013

4.4. [POL]ITICS

It is said that “not everything in Science is scientific, not everything is juridical in Law, not everything is economic in The Economy . . .” (Latour, 2013, p. 124) and certainly not everything in Politics is political. [POL] though is not a reference to the well-known institution of Politics but refers to the act by which we recognise the difference between “speaking or acting politically or not” (Latour, 2013). And this behaviour transcends the realm of sheer politics as the way of speaking and acting politically is something that affects almost every aspect of the everyday life. Proscribing behaviour is one of the main characteristics of behaving and speaking politically, therefore if one is indicating or telling how people (or at that political and non-political institutions) have to behave or act, the person is adopting a political stance (speaks politically).

Probably the most striking feature of [POL] is the way the political speech is contributing to the idea of continuity. Although as Latour puts it, “there is nothing more fragmented, interrupted repetitive, conventional and contradictory” than this type of speech (Latour, 2013). That is, the simple fact that although it is always

disconnecting itself, losing its thread, betraying what promises and being interpreted most of the time as a bad type of speech, [POL] speech also always begins over, implement decisions, moves and strives to make a point albeit the uncertainty of the outcomes. That makes [POL] speech a *Circle* rather than a linear expression, taking a curved path because it is always hitting on new stakes, on new interests and needs that make it shift its path. That is also because of the [POL]'s main orientation, that of the object-oriented approach, adopted from the information sciences discipline. The idea of having an “object” as the base of political speech with the corresponding attributes and methods of *coding* the data that have the possibility to change these attributes of the data as well as the nature. That makes the [POL] speech extremely elusive and full of issues but that brings the circularity back to the need of addressing this through continuous shifting positions in the speech.

This Circle is stretched in the view of the [POL], among others, by the idea of *political autonomy* which has its origins in the Greek language and is primarily linked to politics, to the idea of freedom, right for self-governing or independence from any external influences. According to Latour, the political autonomy is an infinitely mediated Circle, that nonlinear speech part of the political spectrum, of that “opaque and indirect form” that is politics (Latour, 2013).

There is an obvious link between [POL] and the Economy (more specifically with economisation or diseconomising). It is obvious because in the wake of the “modernisation”, there is a move from political interventions or interferences in the economy (ending the politics intervention), moving towards worrying more about the size of the economy than its shape. Also moving towards deregulation, attempting to bring the economy to the its basic units (the economic entities). In other words, a move towards a “hands off” approach which is strikingly becoming one of the fundamental principles of the Moderns.

But this is only possible when you have already an established economy. How can you disregard the political involvement when you are struggling to make sense of a direction for the economy at turning points in time, when there are such hiatuses,

breaks in the continuity that the need for a new political speech is more obvious than ever? That is the case of at least part of the current research, the need for an economic and financial (implicitly for a new accounting) system, some might call it “new”, some might call it “needed” or some call it a move towards modernisation.

Mode	TRAJECTORY	FELICITY AND INFELICITY CONDITIONS	SPECIFICATIONS	ALTERATION
[POL]ITICS	Obtained by a certain type of discontinuity, the HIATUS: A very particular trajectory, the CIRCLE , the ' curved speech ' which is marked by the constantly surprising hiatuses of representation or obedience, bearing no resemblance to what precedes or follows them	A sharp sense of the distinction between resuming political work or suspending it entirely, these conditions in no way resemble the usual meaning of right and wrong, such that we often presume the political to be misleading	Beings instaured by politics are always <i>fragile and transient</i> since their presence, continuation, autonomy and will depend on the continued reprise of the Circle. Their particularity is to produce quasi-subjects capable of belonging to a group, stating an opinion and taking on board the perils of freedom	Without [POL] the notion of a group with definable boundaries capable of saying "us/we" would be impossible

Source: *An inquiry into modes of existence*, Bruno Latour, 2013

4.5. [LAW]

Law is grounding itself on morality and it encompasses more than the actual legal institution per se, being instead the “particular path”, as Latour calls it, that can be brought into focus when one follows the significance of the adverb “legally” (with all the passages of the law, procedures and processes as Latour expresses it). It is that type of imposed discipline that is being auto-enforced, as law, in the sense that

is captured in this research, is “dependant” on the mix composed of “continuous source of characters, contracts, accounts, narratives etc” (Latour, 2013, p. 161).

The “legal speech” is about the reaffirmation of the truth (and equally falsity) and that of the objectivity of the moderns and these human creations in particular. In order for the moderns to thrive there needs to be a legal “cast” or “print” to reaffirm the legitimacy of their institutions and therefore of the networks being build everyday (be that human networks or immaterial ones). The relativity of the [LAW], in the sense of the duality truth-false, is that it perseveres despite what we could call the “double standard”, which would not be applied for other “scientific” disciplines but which is acceptable in the judgement of the [LAW]. This is perfectly explained in the following sentence, which shows the transformations of the moderns and their concepts of “grand design”.

“And if you were to put science over there, while relocating politics over here, at the same time that you run the law underneath and move fiction to this spot, wouldn't you be more at ease? Wouldn't you have, as people used to say, more conveniences?” (Latour, 2013)

In many regards [LAW] is in close relation with the idea of counterfactual simply because of the ever-present question “Did I make the right decision” (Latour, 2013) on the back of the mind of the decision makers (judges and others). At the same time, it is the specific forms of reality that are being expressed when [LAW] beings are taken into consideration, exactly the way counterfactuals take into consideration multiple possibilities and their potential outcomes over the actual chosen one (the potential otherness of realities in the decision-making process, or the counterfactuals as we call them in this research).

[LAW] is also an “archive” according to Latour, a technical MOE that is relatively stuck in its original form, in its own “assignation”. The idea of *continuity* is assured by this mode similarly with [HAB]. That is, through its own discontinuities, [LAW] is making sure that the courses of action are ensured to maintain their continuity in space and time. “We were held to what we had to do” is the litany that engages the modernity beings in [LAW]. That turns [LAW] into anything but a clear and direct

continuity of the courses of action. But, at the same time, due to the engagement of the beings into keeping their “word”, the proceeding as continuity is deriving from its own nature.

Mode	TRAJECTORY	FELICITY AND INFELICITY CONDITIONS	SPECIFICATIONS	ALTERATION
[LAW]	"The passage of law" is unique in that it connects, for the jurist, in a continuous fashion, sources which, for complainants, have no relation at all (e.g. a house with a title deed)	This situation defines very particular felicity conditions by which we can see if the various planes of enunciation - which all the other modes tend to separate, however - form a sequence by which "the law in its entirety" comes to the rescue of this factual element	Law beings have the rather special form of being at once powerful attachments and without any force at all unless they are specifically provided with that force (whence the idea that they are formal)	What is surprising to note, with regard to law, is that it manages to obtain a fragile type of continuity - an actor is associated to its action - in spite of the fact that frames are distinct at all times. An actor shifts frames constantly to complete any course of action.

Source: *An inquiry into modes of existence*, Bruno Latour, 2013

4.6. [ATT]ACHMENT

One of the main languages of an organisation, [ATT] is often a representation of the changes in the features (temperature as Latour calls it) of “passionate interests” or “interested passions” in these specific organisations. But taking the analysis to a more fundamental level of those interests, the beings of attachment (also known as

beings of “*mobilisation*”) are driven according to Latour by “economic interests” with a certain “social dimension” attached. This, much like the study of accounting in the last 30 years, shows that the main characteristic of [ATT], that of the main interests are embedded in the society or better said in the societal relations.

Probably the closest to the heart of this research out of these nine modes, one can say [ATT] literally captures all the layers and networks of this study. That is, as Latour puts it, “the Economy out of its bed of social, moral, aesthetic, legal and political relations” (Latour, 2013). In other words, the entanglement of relations on a scene in apparent chaos after the fall of a regime and the need for creating a new one, or at least one that serves the interests of all the actors involved in the never-ending “game of influences”.

[ATT] is also related with the cult of markets, another main aspect of my research. The need for “mercantilism” that derives the need for regulation or deregulation depending on the actual attachments among the triad consumers (people)-market-governments.

Therefore, the internal interests of an organisation/entity as constituting the actual mode of existence [ATT] are the all the aspects that this entity has to go through (the “travel”) in order to reach a desired objective (the “destination”).

The need for valuating what we are buying, what is being out there on the markets irrespective of the form, has driven the need for new and modern frameworks in order to please the moderns with their accuracy and benefits. This has created new realities, new demands dependant on the needs of the actors involved in these markets and the organisations (be that public or private) the need for investment which then drives after itself political pressure and negotiation that in turn leads to new law developments are all constituents of [ATT].

The use of this mode in this research is that of mediator, although oddly enough it has only three crossings with the modes chosen for analysis but in the overarching scheme of things, affecting all of them in a way or another.

The major crossing that is of concern in this research is [ATT·ORG]. The so called “networks of attachments” (Latour, 2013) is under pressure from all the “agents” that operate in an economy and by correlation also in organisations, the aforementioned interests and the actual magnitude of the “obligations” to act according to those interests.

Another important aspect of [ATT] is the similarity with the mode [REP] and their main characteristic, that of having to pass through stages of transformation and through other “beings” in order to actually exist, or “subsist”. But at the same time, both modes are medium for creation, [REP] of “Nature” or, better said, of primary “matter” or objects, whereas [ATT] is a creator for “second nature”, that link between the materiality and knowledge. The kind of attachments or necessities of the beings that have been created by the reproduction [REP] mode. One could ask though what is Nature in the eyes of Latour and the modes of existence? The answer lies in the previous phrase. It is both the “material world” that is not a human creation, and which is assimilated to first nature and it is also the “second nature”, the creation of human mind, the “world of goods” or the world of objects of finance as Latour calls it (Latour, 2013, p. 96).

Therefore, the quantification dimension in [ATT] and the imperious need for it is driving also the creation of networks and influences in order to make the “markets” work in order to fulfil the needs of the moderns.

Mode	TRAJECTORY	FELICITY AND INFELICITY CONDITIONS	SPECIFICATIONS	ALTERATION
[ATT]ACHMENT	The ties that bind people and goods multiply the handholds for an understanding of how and to what extent we are "interested" and "enthralled" or	Analysis of goods and bads abounds with judgments that are sometimes simplified and calibrated by	"Passionate interests" leave in their wake immense intertwined concatenations of goods and bads, forming an immense matrix that is	[ATT] beings materialize, in every sense of the term, the long detours by which one must pass in order to subsist,

	"detached" and "repulsed" by what we have or do not have; avidity thus replaces identity and traces courses of action that are constantly interrupted by the obtainment of a value which obliges us to go beyond the obstacle by means of a quasi-calculation (or QUALCULATION)	accounting frameworks that establish - every day anew - the distinction between what we might have, afford, buy for ourselves, give etc	incessantly traversed by calculation as well as by our worries	extracting from the being-as-other a definitive alterity: without these goods, we would not exist
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Source: *An inquiry into modes of existence*, Bruno Latour, 2013

4.7. [ORG]ANIZATION

[ORG] is based itself on nature (the world of non-humans and also the natural predisposition of beings on coming together in a social setting), therefore it is a primary candidate to be linked with [ATT]. The crossing between the two modes gives place to “a stir”, a change of trajectory in the Economy, as Latour defines it, without actually becoming a rift in its fundamental scientific principles. The mix (amalgamation) between [ORG] and [ATT] gives birth to matter, which is represented by new knowledge, and that is, in this context, a “new Science” (Latour, 2013), that of Economy with all its branches, and the primary need for valuation and calculations.

One of the easiest modes to spot in the real world and therefore, in this research, [ORG] is a paradox according to Latour as the organisations and the action of organising is always in a state of change:

“we always keep on imagining that, elsewhere, higher up, lower down, above or above or below, the experience would be totally different” (Latour, 2013)

The Moderns and their constant need for change, organising, reorganisation and setting up, are also driving a force that displaces and leaves in its passing the *organisation*, that being that changes and is being created with the final purpose in mind of having made a result that serves the needs of the Moderns.

Defined more by discontinuities and differences between the actors encompassed in an organisation, [ORG] is oddly enough continuing its existence by exactly these “dispersed beings” that play according to a script that changes continuously and ends up reorganising itself all the time. Since [ORG] exists in a world where [POL], [LAW] or [REP] also exist, among other modes, these inevitably affect the organisations by acting as points of interruption, by being the “different” actor needed so that the inertia existent in an established organisation to shift for something else, a different trajectory. This is exactly what will be the interest point in my research, the other modes acting as shifting point for organisations and, taken further, for the entire Economy.

One tends to often forget that in a financial context organisation does not mean solely corporations or other enterprises. It means far more than that, including intentionally set up networks, markets, international entities and not ultimately The State.

There is also the matter of the so called “*script*” in Latour’s vision on [ORG]. This theoretically set way in doing the things or the way things develop, makes the “*play*” possible all along but the author is unknown and a lot of times the outcomes are not necessarily the ones expected or envisioned. This script is a linear vision generally but when uncontrollable events occur there are horizontal gaps, the so called hiatuses that interrupt this trajectory and therefore creating “intermediary scripts”, helping in viewing the fragility but at the same time also adaptability of an organisation. As Latour puts it, “for anything to last, we have to count on *what passes*” (Latour, 2013, p. 203) and this is particularly straightforward in organisations. This constant dis/reorganisation in [ORG] due to the breaks in the

scripts is easy traceable in this particular mode albeit this multitude of possible courses of action, realities, much like the idea of counterfactuals. What if is an extremely common question asked in the organisations environment, in the everyday analysis, including that of performance or restructuring. As impossible this task may seem and as endless, it is still being done, organisations still created, reshaped and reorganised. But at the end of the day, despite seeing the organisations as actants, and giving them a soul and “culture”, [ORG] is fundamentally reliant on the humans that creates it, their decisions, their beliefs, their desire to keep going (the continuity paradigm), makes the [REP]-[ORG] crossing another crucial part of [ORG]. This crossing gives us the DNA of the organisations that we are looking into, the possibility of countless scenarios of which one at a time will be chosen and create its reality.

Therefore, [ORG] in the context of such a multitude of choices, in a counterfactual setting, and also considering the organisations at all levels actants for the modernisation process, will be one of the main objects of inquiry for this research in the following chapters analysis.

Mode	TRAJECTORY	FELICITY AND INFELICITY CONDITIONS	SPECIFICATIONS	ALTERATION
[ORG]ANIZATION	The advantage of this mode is that the handholds that reveal the hiatus and the leap necessary to resume the course of action is an experience so common we do not even notice it, so synonymous have "organize" and "reorganize" become;	Here also felicity and infelicity conditions are marked by the chorus of complaints, sighs and curses, as well as by the meetings and reorganizations that assure the difference, in spite of everything, between confusion	The great paradox of the Moderns is that despite the common experience grasped in the notion of the path of scripts, organization beings have all been replaced by imaginary metadispatchers that are presumed to regulate scripts from above - so much so	[ORG] beings bring into existence a very particular alteration that defines frameworks, limits and ends to action which thus gives a feeling of being "inside" something more durable and stable, even though this

		and order - despite an inability to establish such a separation in a lasting manner	that experience is denied and the piling up of scripts becomes an existence inside transcendent ensembles (society)	interior is obtained by the regular path of scripts to which "nothing need be added"
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Source: *An inquiry into modes of existence*, Bruno Latour, 2013

4.8. [NET]WORK

The word network in this context is not merely limited to the physical or the immaterial links between multiple actants in order to form connections. But this is both a space creator and, in a more practical way, a room (the mediator) representation, where the values of the beings (again, these beings can be material and/or immaterial) that are part of the landscape of [NET] are used by the moderns in their endeavours.

The backbone and the main enabler of networks is the idea of following *associations* of any nature. When talking of any “wholeness”, one looks at the components of that wholeness and their associations and, in this case, all the modes together compose a world, that of “The Social” or the society. But this social, the society in itself is an universe of networks, of actors (actants) working together or against each other towards certain goals in accordance what is being perceived as suitable for the modernisation process.

But going to the actual roots of network or [NET] in Latours study, it is crucial to reveal the fact that it has its origins in the Actor-Network Theory (ANT) study. It adopts therefore a dual functionality adopted from Latour’s MOE study. The first one looks at network as an outcome, the clear idea of networks in real-life, like for example technological networks. The second dimension is represented by “heterogeneous elements” crucial in order to complete *courses of action*. In other words, [NET] in the context of ANT and this research is an expression of exactly

this, the endless possibility of the moderns to follow indefinite courses of action as they see fit or as the hiatuses oblige them in order to maintain the continuity.

It is the idea of socio-technological networks is though at the centre of [NET], because regardless of the fact that most would see this mode and ANT as distanced from the social realm, it is not possible to have a network sustaining itself in existence after it was created. It is the social, the human dimension that makes these networks possible, the expert advice in the economic matters, social laws or economic and financial regulation that allows for the use of markets with the “blessing” of governments. Therefore, even if at isolated levels the “technological systems” exist and work, when talking about complex networks of any nature, this possibility disappears, arising the need for collaboration between the physical elements, the courses of action kept together by the human interaction or better said, the use and maintaining these networks.

According to Latour, when analysing the modes, and when one looks at the possible entanglements between them in real life, in the context of the moderns it is the way the networks are expanded, the way discontinuities appear but there is still persistence and the networks still continue their existence and organisations are created and function as part of these networks.

Mode	TRAJECTORY	FELICITY AND INFELICITY CONDITIONS	SPECIFICATIONS	ALTERATION
[NET]WORK	The trajectory is obtained by the surprise of the trial which introduces a discontinuity into the course of action and records one after the	What is important, with this mode, is the possibility afforded to the investigator to pass through domains with as much	In the [NET] mode, every thing appears as an association of the other beings necessary for its existence, which allows also for a contestation of notions related to the social,	We explore the being-as-other according to the least specified aspect of the alteration: the heterogeneity of the actors needed for the

	other the unforeseen factors found therein	freedom as the actors themselves	society and, more generally, the domain	pursuit of any course of action
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Source: *An inquiry into modes of existence*, Bruno Latour, 2013

4.9. CONCLUSION

The wrapping up of the remaining eight modes of existence (MOE) represents the focus of this chapter. Each of the modes is introduced in a more general manner to begin with and then there is a focus on some of the key elements of each of the MOE. Interconnections between the modes are also highlighted in this chapter as they are of crucial importance. Fig. 4. describes best these connections between these 8 modes of existence, when eliminating the ninth one, namely [FIC]. The presence of [FIC]tion in this figure is also clarified in the short introduction to this chapter. But this research being an accounting research embedded in the social and historical context, [FIC] has little value here even when taking into consideration the interactions with the other eight modes.

Interconnectivity is the key when it comes to networks. The explanation of modernity in the context of the current research stems from the sociology of science, more particularly from Bruno Latour's work. Towards the start of the inquiry into elements of the modernism, in the early 1990's as perceived in this area of sociology, one of the key elements was represented by the notion of network. Originally it has been seen as a theoretical and methodological approach and that is the actor-network-theory type of network, namely a technological one and science creating one (Latour, 1993 and 2005; Law and Hassard, 1999; Callon and Blackwell, 2007). It was surely far more abstract and "inhuman" as the one approached in the AIME project. Here Latour walks in line with the likes of Ulrich Beck and Zygmunt Bauman who see the modernity or modernism as human as possible. Humans being the drive for the idea of modernity, they themselves being the ones that are creating what is being perceived as modernism. Moreover, the

liquidity of the human nature when it comes to change is another aspect captured more specifically by Bauman but which can be found in the MOE at times.

The key factor that is being brought forward in this section is the actual importance of [ORG] for this specific research. While it is not of crucial importance in the first cycle, where the other MOEs have priority, it will be shown as an extremely important aspect in the second cycle due to mutations occurring after 1989 in the Romanian space and transnationally. The next chapter will focus on the third strata, that of methodology and methods employed in order to be able to answer the research questions

CHAPTER 5. METHODOLOGICAL ASPECTS

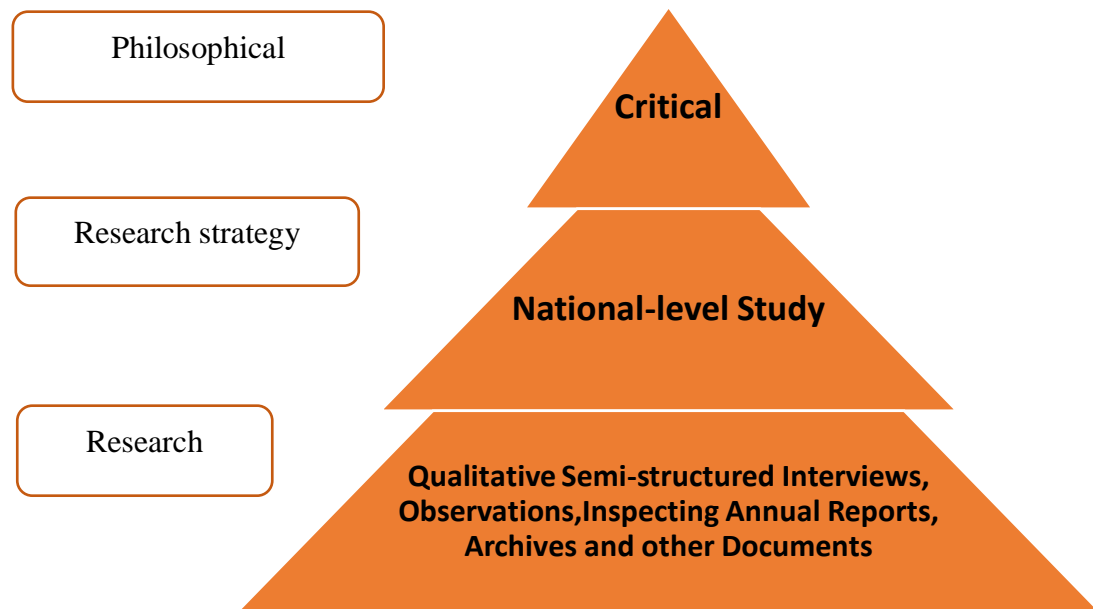


Fig. 5. Research Methodology choice

In the previous four chapters I conducted a selective review of the literature in the area of economic, financial and accounting regulation as well as on transitional theories. I have proposed three research questions which are informed by the literature review. That is, in order to be able to answer the three questions, I need to make use of the transition economies literature and the financial and accounting regulation literature. Moreover, the two theoretical chapters, namely Chapter 3 and 4 are designed to provide the theoretical backbone of the research. The selected theories are much needed in the attempt to explain the drive for modernity which is at the core of the changes that happened in Romania after 1989.

5.1. COMPLEX DATA COLLECTION

According to John Law (2003) the world is a mess and social sciences are bad at shedding light on that mess. On the contrary, the main attempt is not to make sure to clear the mess, but to make sure to repress even the mere possibility of mess. When conducting research, we always have two facets of every aspect present. In order to have order you need chaos as a comparison or counterpart, for independence you need the lack thereof, anteriority depends on simultaneity and definite on vague (Law, 2003, p. 8). The purpose of the research and primarily of the researcher is to shed light on where one stops and the other begins. Not an easy feat most of the time, especially when none of them is clear in the mind of the researcher and that of the society.

The arguments of each chapter and ultimately of the thesis are based on three data sources: (1) accounting and sociology general literature, (2) interviews and (3) archival data. The first source, that of the general literature, is informing the primary as well as the secondary sources. Most of the sources at the beginning of the research were secondary ones represented by journal articles, books published by people directly involved in the process of transition in Romania or those involved in the setting of regulation for accounting and accounting practice. Along the way I have discovered primary sources such as reports from the World Bank or more direct accounts from the same actors mentioned before.

The collection of data was made more difficult by the fact that I was in UK and the majority of the sources were in Romania and the access to them was extremely difficult to obtain if not impossible. Articles on Romania, particularly in regards to transition and changes in accounting and finance regulation, scarce as they were, have been downloaded through the data bases Royal Holloway, University of London (RHUL) is subscribing to. Some literature was consulted in Founders and Bedford Libraries at RHUL, the Senate Library of University of London (UoL) in London. Professor Christopher Napier, at RHUL has granted me access to his personal collection of accounting and history literature.

Literature and materials which could not be accessed in London have been retrieved during two trips to Romania and one to Glasgow. The data collection stage in Glasgow was not planned initially as I have found about it only towards the end of the PhD.

My main source of data was set initially to consist of around 15 interviews conducted in Romania, consisting in a mix of accounting academics, accounting practitioners and politicians. They all had one aspect in common and that is the fact that they were all participants in the process of change of the accounting after 1989. I have conducted four initial interviews in Cluj-Napoca in July 2015 with two academics from Babes-Bolyai University and two practitioners, partners of a local accounting and audit company I have worked with in the past. Of the two academics, one in a Professor part of the Accounting Department of FSEGA and the other is a professor in the Business School part of UBB. While conducting these interviews I have been given further names of people I could interview but at the same time I have found it extremely difficult to get in touch with some of the people in the initial list of interviewees as they either refused to reply to my emails, even if I have been previously introduced by two of the initial interviewees or they did reply but refused to meet due to lack of availability.

The rest of six interviews were collected in two stages. Four of them were held during a visit to Bucharest in September 2015 when again I was faced with refusals to meet even for an informal talk. While in Bucharest I did visit the ASE Library which gave me the chance to consult journals and economic and accounting Journals for the period after 1989. The other two interviews were held while in London. The one with Interviewee 5, the employee of the Institute of Chartered Accountants of Scotland (ICAS), was done over the phone, after an initial contact through email and was recorded using a call recording app on my iPhone. The other one was an email interview and I have received the answers to set questions but also other additional details from Interviewee 6.

Of the ten people interviewed as shown in Table 2., eight of the interviews were conducted in person and were semi-structured (Seidman, 2006). I prepared together

with my supervisor a consent form and an interview proposal that was reviewed and approved by the Director of the Ph.D. programme at RHUL. This was then translated in Romanian as shown in Appendix Five. When signing the consent form, each interviewee agreed for me to audio record the interview and to use the material from it in my research. With their consent, I am also allowed to publish material from the interviews. This fact may have had an influence on what interviewees were willing to say for the record, but there is little evidence of this in their responses. Some of them were critical over the process of change in accounting in Romania or the participants to it which shows that they were not being heavily influenced by the fact that the interviews were recorded. The interview with Interviewee 10, namely with the assistant of the current Secretary of State for Accounting in the MFP was quite problematic as although the terms of non-disclosure of names and data in case of refusal was explained, the interviewee initially insisted that being part of a public institution does not allow them to provide any information on record but ultimately agreed to have an informal chat. I have found out personally to be a remnant of the influences of the communist regime in regards to the freedom of speech in Romania. Notes were taken during the interview but they were used solely as informative data as they did not provide much information aside some notes on the existing regulation of accounting.

Interviewee	Position	Type of interview
Interviewee 1	Former Secretary of State for Accounting in the MFP	In person
Interviewee 2	ASE Bucharest Professor	In person
Interviewee 3	ASE Bucharest Professor	In person
Interviewee 4	Business School Professor, UBB Cluj-Napoca	In person
Interviewee 5	ICAS employee	Over telephone
Interviewee 6	Former ICAS consultant	Over email
Interviewee 7	FSEGA Professor, UBB Cluj-Napoca	In person
Interviewee 8	Partner Accounting and Audit company Cluj-Napoca	In person

Interviewee 9	Partner Accounting and Audit company Cluj-Napoca	In person
Interviewee 10	The assistant of the current Secretary of State for Accounting in the MFP	In person (but did not agree to being recorded)

Table 2. Interviewees together with their position and type of interview

Of the remaining two interviews conducted, one was over the phone and one by email. Two additional informal interviews (these were not recorded but notes were taken) were conducted while in Bucharest with academics from ASE but these proved not to be useful for this research and therefore are not listed in the Table 2. above.

Before the interviews I had prepared a *prior timeline* of the changes and events that took place in the accounting system in Romania after 1989, timeline which I have taken to those interviews. During the interview the timeline was used as a research tool and the interviewees were asked to look at it and comment on what they saw fit, whether they agree with it, whether they would add or take something out. After the interviews the timeline was refined with the findings from these interviews (this new timeline can be found in Chapter 8).

I transcribed the nine interviews recorded myself using a USB foot pedal and a program for scientific transcription called F5 (<http://www.audiotranskription.de/english/f5>), on a MacBook Pro and an iMac. The interviews were transcribed as soon as possible after they had been held in Romania and UK, in order to lose as little contextual information as possible. Each interview transcript has been time-stamped during the transcription and all the original audio recordings have been kept.

At times, the information gathered during interviews was repetitive and because of the fact that I could not get access to all 15 interviewees which were the aim at the beginning, I was in need for an additional source of data. This was revealed in the interview from February 2016 with an ICAS employee which suggested to ask for access to the ICAS archives. I wrote immediately to ICAS and although the process was slow and took several months, ultimately, I have been told that all the materials

from ICAS are either in the possession of DFID (Department for International Development) or are unavailable due to the fact that the ICAS archives have been moved in 2015. The next step was to ask in September 2016 through the Freedom of Information Act in UK for access to information on the Know How Fund (KHF) on Romania directly from DFID. It took several months to get a reply, which ultimately came in December 2016 in the form of a refusal to be sent information at the time due to the fact that the amount of physical data was too high and I needed to be more specific on the documents needed. The problem was that I did not know what was in the dossiers and therefore, the same day I asked in an email reply if it would be possible for me to get physical access, even if it meant for me to travel to Glasgow. The approval was granted in early January 2017 and I spent three days from 23 to 25 January 2017 at the DFID building near Glasgow. During this time I was able to take photos of 11 dossiers on the Know-How Fund on Romania, each of them with a number which can be found in the Archival Documents section in the Bibliography.

The data gathered from the 11 dossiers on Romania from the DFID archive was analysed in a first instance by identifying the elements which corroborate with the existing data obtained from the interviews. The second step was to identify any discrepancies between the already existing data, findings which would enrich the study and further the research into this topic. Textual and contextual analysis were performed on the data accessed in the DFID archives but also comparisons were drawn. Much of the data consisted also in terms of spending incurred during the KHF project, data which was not used on this occasion but it is a valuable resource for potential future developments of this project.

All the data obtained from the interviews has been used in writing the thesis, even though not all of it can be found directly in the final text. Due to the fact that I had access to a mix of direct sources of data, interviews but also archival data which supported and enriched the information gathered from the interviews, I was able to address concerns and aspects about the depth and reliability of the prior research in this area (such as Baker *et al.*, 2015; Albu *et al.*, 2010; Farcas and Tiron Tudor, 2015; Deaconu and Cuzdriorean, 2016) and which were not addressed in the past.

5.2. THE CRITICAL PARADIGM

The critical paradigm was developed as a theoretical tradition as a response to works done by people as Marx, Kant, Hegel and Weber. From the methodological point of view, critical theoretical approaches tend to rely on dialogic methods; methods combining observation and interviewing with approaches that foster conversation and reflection. This reflective dialogic allows the researcher and the participants to question the 'natural' state and challenge the mechanisms for order maintenance in the same time reclaiming the conflict and the tension of the happenings.

Although such research attempts as the one conducted here are not limited to a qualitative research methodology, these are preferred when trying to answer questions like 'how' and 'why'; the researcher has limited control over the events he is investigating; the research is conducted on "contemporary phenomenon within a real-life context" (Yin, 2009, p. 2). All the above elements describe the nature of the research I am conducting in my dissertation, therefore the reason of using this method. Conducting a case study according to Gobo (2011) represents researching a system in a specific space and time setting and moreover in a given (particular) physical and sociocultural context (Gobo, 2011, p. 16). I mention the idea of case study because I am relying on a single country in this particular study and therefore it could be compared to a case study. But it is not a case study per se as it is seen by the specialised literature. The case I am analysing, that of an accounting system in transition towards modernity is a case of extensiveness and richness of the phenomenon analysed, therefore a triangulation of the data sources is necessary to grasp a complete image. This represents a challenge posed by such methodologies, but in the end it will allow me to use the data for theory building purposes (Eisenhardt, 1989) which is what I am aiming for.

There are researchers that are voicing against the use of case studies, and one of the most common arguments is that very often the quality of the design and conduction of the case study (due to lack of rigor) is low. Another argument is that case studies provide little arguments for generalization, and that is especially the case when

there is only a single case study (which is also the case of my dissertation). According to Yin an answer to this question would be that, case studies are theoretically generalizable to propositions and not to populations or universes (Yin, 2009, p. 15). A third potential problem posed by case studies is the amount of data generated which poses problems when it comes to analysing it and writing the case study. This on the other hand might be seen as an advantage, depending on the perspective you are taking when analysing the data. This can be avoided by altering the narrative of the work altogether.

5.3. COUNTERFACTUAL AND COUNTERFACTUAL IN HISTORY

The use of counterfactual conditional goes a long way back in time, at least as far back to the Greek philosophers, being currently used in areas like philosophy, psychology, cognitive psychology, history, political science, economics, social psychology, law, organizational theory, marketing and epidemiology, even if Nelson Goodman introduced the term in itself only in his 1947 article (Goodman, 1947). Aside counterfactual conditional there is also the well-established notion of counterfactual thinking coming from social-cognitive research in psychology, which will be the focus of this review as it follows.

I will begin this short literature review by defining this term. According to Roesse and Olsen the counterfactual term “means, literally, contrary to the facts” (Roesse and Olsen, 2014, p. 1). They also link it with the notion of counterfactual conditional, a frequent form taken by it, “embracing both an antecedent ... and a consequent” (Roesse and Olsen, 2014, p. 1). The Dictionary of Sociology defines counterfactual to be “a proposition which states what would have followed had the actual sequence of events of circumstances been different” (Scott and Marshall, 2009). Taking it further, the same dictionary tells us that the reasoning is something that is clearly inherent in causal explanation and “the identification of a cause implies that, *ceteris paribus*, in its absence things would happen differently” (Scott and Marshall, 2009).

The counterfactual thinking can be traced as having its origins in Kahneman and Tversky's 1982 chapter with the title *The simulation heuristic* (Kahneman and Tversky, 1982). Kahneman and Tversky identified in their work numerous directions the counterfactual theorists have adopted, such as "determinants of counterfactual thoughts, their connection to perception of causality, and their emotional consequences" (Roese and Oelsen (eds.), 2014, p. viii).

Depending on the field that employs the counterfactual thinking, its basic functional use is reduced to the idea of employing it in order to avoid repeating the mistakes of the past by correcting them, disregarding the fact that most of the time the short term immediate negatives of the counterfactual reasoning are more pregnant. Besides this obvious reason, the psychological research has brought into focus several other reasons. These are risk aversion, behaviour intention, goal-directed activity, collective action and benefits and consequences reasoning. Having enumerated the reasons for using counterfactual thinking, there is a need of separate also the types of this particular way of thinking. There are three identifiable types. These are upward and downward (Roese, 1994; McMullen, Markman and Gavanski, 1995), additive/subtractive (Epstude and Roese, 2008; Roese, Hur and Pennington, 1999) and self versus other (Scholl and Sassenberg, 2014).

5.3.1. Counterfactual in politics and history

Tetlock and Belkin, two authors writing in the area of politics, posit the fact that "we can avoid counterfactuals only if we eschew all causal inference and limit ourselves to strictly noncausal narratives of what actually happened (no smuggling in causal claims under the guise of verbs such as "influences", "responded", "triggered", "precipitated", and the like)" (Tetlock and Belkin, 1996, p. 3).

Tetlock and Belkin tackle counterfactuals from two perspectives, normative/epistemological and descriptive/cognitive. The normative aspect is from their perspective reduced to how counterfactual arguments are used and judged, forming two categories. The first category represents the ways in which counterfactual arguments advance the understanding of political events and the second one is

referring to the identification of the criteria that should be used on “distinguishing plausible from implausible or insightful from vacuous arguments” once the purpose of the counterfactual reasoning has been clearly determined (Tetlock and Belkin, 1996, p. 4). The descriptive/cognitive aspect focuses on the idea that people are “prone to think about possible worlds” and yet the focus of their attention on the past events and the use they make of them as vectors for counterfactual arguments is divided and uneven (some causalities receive more attention than others) (Tetlock and Belkin, 1996, p. 5).

The functions of counterfactual reasoning are according to these two authors the following (Tetlock and Belkin, 1996, p. 6):

- Idiographic case-study counterfactuals “that highlight points of indeterminacy at particular junctures in history”;
- Nomothetic counterfactuals “that apply well-defined theoretical or empirical generalizations to well-defined antecedent conditions”;
- Joint idiographic-nomothetic counterfactuals, combining “the historian’s interest in what was possible in particular cases with the theorist’s interest in identifying lawful regularities across cases, thereby producing theory-informed history”;
- Computer-simulated counterfactuals, revealing latent logical contradictions and gaps in formal theoretical arguments by “rerunning “history” in artificial worlds that “capture” key functional properties of the actual world”;
- Mental-simulation counterfactuals, revealing to date “latent psychological contradictions and gaps in belief systems by encouraging people to imagine possible worlds” in which presumably irrelevant causes do seem to make a difference, or the opposite, possible worlds in which supposed consequential may seem irrelevant.

Much of the historical research from nomothetic disciplines (social sciences) is in tension with the idiographic disciplines (history and area studies). Therefore, a common way of proceeding with such joint research is to acknowledge the fact that

these are complementary “ways of knowing” as Tetlock and Belkin calls them, ones that “may in the fullness of time be conceptually integrated” (Tetlock and Belkin, 1996, p. 10). One solution of mediating this complementarity is by using game theory models in order to enhance the understating of various historical episodes throughout the history, some examples provided by Tetlock and Belkin being Philip Augustus versus the Pope or the medieval merchants versus towns (Tetlock and Belkin, 1996, p. 11). This is possible by applying the so-called “strong theory” which helps identify equilibrium strategies through expected utility maximisation and identification of criteria to help with this. An idiographic question answered in such situations takes the following form: How much history do I have to rewrite to “undo” a particular policy?. A simple shift from one equilibrium to another renders the counterfactual doing no violence of the rational-actor axioms and the underlying theory might be fairly acceptable (Tetlock and Belkin, 1996, p. 11).

This way of mediating the conflict between idiographic and nomothetic disciplines addresses an important shortfall as stated by Fearon. That is, “much historical analysis leaves implicit the other things that might have been had the historian's favored causes varied” (Fearon, 1991, p. 172).

Counterfactual arguments are though at the centre of controversy, being, as Niall Ferguson puts it, something that drives a surprising hostility from the professional historians (Ferguson, 2000, p. 5). It was after all perceived by E. H. Carr as a mere “parlour game” and a “red herring”, making generations of historians dismissing entirely the “What if?” as simply not worth asking, making a historian researcher a bad user by contemplating ‘the things that might have happened’ (Ferguson, 2000, p. 4). Some, like Benedetto Croce, a firm opponent of the materialist determinism and the English idealist philosopher Michael Oakeshott went to the extent to attach counterfactual use with a fervour that taken to the extreme. They call out counterfactual questions as being “absurd”, “a pure myth, an extravagance of the imagination”, “kind of ideal experiments” that make the historian when employing them “step outside the current of historical thought” (Ferguson, 2000, pp. 6-7). Ferguson goes and shows that even with their great opposition, the likes of Carr and E. P. Thompson took a determinist position in the questions they asked in their

research, making their position not only extreme but also sometimes narrow in adopting such useful methods as counterfactual deduction and thinking is.

5.4. PATTERN IDENTIFICATION

*Man, the discontinued animal, unconsciously seeking the life proper to his species, is man in history: repression and the repetition-compulsion generate historical time. Repression transforms the timeless instinctual compulsion to repeat into the forward-moving dialectic of neurosis which is history; history is a forward-moving *recherché du temp [sic] perdu [sic]*, with the repetition-compulsion guaranteeing the historical law of the slow return of the repressed. (Brown, 2012, p. 93).*

The periodisation of the accounting evolution in Romania, used in Chapter 6 and 8 relies heavily on the notion of *pattern identification* in relation to historical recurrence (also known as repetition). This notion allows the analysis of the historical patterns that could be identified in the following chapter. Some claim historical recurrences to be coincidence (Verene, 2002), while some at the opposite end of the spectrum claim that historical patterns are inevitable, because of an inherent tendency, a “compulsion”, for history to repeat itself. This concept of a *repetition compulsion* stems from Freud’s work on the psychoanalytical technique called transference (Freud, 1912, 1915 and 1920).

Drawing on the notions of *recurrence* (implicitly also on repetition compulsion) and *pattern identification* in history, I will show that the periodisation of the accounting changes that affected Romanian accounting from 1837 to the present day have a circularity to them. Pattern identification has not been used as an analytical device in any prior national or international accounting history research. The notion of repetitive cycles in standard-setting has been used in the broader accounting literature by Mumford (1979) and Nobes (1991, 1992, 1992a) in a more descriptive manner.

The idea and use of pattern identification (recognition) can be found in various fields (such as medicine, psychology, physics – especially in mechanics and the physics of fluids – or geography – cartography). The scientific model of pattern

recognition stemming from applied sciences (for example, technology) is defined by four stages. These stages consist in (1) the process of acquiring and collecting data, (2) the process of features extraction and representation of these features (identification and categorisation), (3) the process of detecting similarities in the data acquired and the design of the pattern classifier (classifier being a vehicle that creates labelled classes as output, from a set of features of an object) and ultimately (4) the evaluation stage of the performance (Rosenfeld and Wechsler, 2000, p. 101). Even if aspects like those found in biological pattern recognition (or more specifically, historical pattern recognition) are slightly different in their nature, we can still say that these four stages are applicable. That is, this entire process, from the recognition of certain patterns, which relies on the aforementioned stages, to the appropriate response to these recognised pattern(s), relies fundamentally on an inductive principle which “provides a general prescription for what to do with ... data in order to learn the classifier” (Rosenfeld and Wechsler, 2000, p. 101). In other words, it is a predictive learning method, which is a “constructive implementation of an inductive principle” (Rosenfeld and Wechsler, 2000, p. 101).

When it comes to historical research, professional historians have a tendency to emphasise the “unique” rather than the “recurrent”, and therefore, the way in which the historical research is conducted emphasises the fact that a lot of historians resist the idea of “laws of history”. Hence, they do not believe in the notion of historical patterns or recurrences. But I would like to shed some light on the connection between repetition compulsion and history before focusing more in depth on the historical recurrence and, more specifically, the notion of patterns in history.

The notion of repetition brings with itself a complex of phenomena and problems (Loewald, 1971, p. 59). Being analysed by Freud in his transference works, repetition is a process that is present in all aspects of everyday life and in processes varying from biological or technological to psychological. The psychological dimension of repetition does not refer solely to the differences between repeating and remembering, the two contrasting dimensions encompassed by the term. It is not about the banality of the repetition act as being limited to “recalling” or “evoking”, but the reference to “the transmutation of some material into a new form

and a change in its economic status” (Scarfone, 2011, p. 72). In his work on this subject, Freud has introduced important features of human affairs that usually go unseen in too general a view of the term repetition (Scarfone, 2011, p. 71). According to Scarfone, repetition provides a unitary view of what goes on in the body-mind systems as they are summoned up by the analytic method (Scarfone, 2011, p. 72). Then, repetition compulsion, being one of the psychological manifestations of repetition, means that people affected by a variety of past events (be they traumatic or less so) have their behaviour altered and “even somatic sensations appear in dreams or are superimposed on their current experiences”, being “obliged to repeat these experiences rather than simply remembering them” (Chu, 1991, p. 328 citing Freud, 1920).

To the extent that history is theatre, then repetition, along with the tragic and the comic, within repetition, forms a condition of movement under which the ‘actors’ or the ‘heroes’ produce something effectively new in history. (Deleuze, 1994, p. 10)

But how does this affect the historical pattern of repetition? I would claim that historical repetition comes naturally, as human beings are rational biological organisms but the instinctual repetitions are basic, primary, and biochemical in origin, making instinctual demands recurrent by nature and therefore inevitable (Kubie, 1939, p. 398).

The idea of historical recurrence was explored in the 19th century in the context of the doctrine of *Eternal Return* (or eternal recurrence) developed by Heinrich Heine, which influenced Friedrich Nietzsche in *The Gay Science* and *Thus Spake Zarathustra*. But the theory of historical recurrence stems from the Roman Empire historian Polybius, who presented the recurrence idea in the thinking of Roman and Greek historiographies (Trompf, 1979 p. ix). G. W. Trompf, dedicated his PhD thesis titled *The idea of historical recurrence in Western thought* entirely to this concept. The thesis provides a valuable insight into numerous historical paradigms of recurrence. Trompf labels different types of recurrent life phenomena as “cyclical”, “fluctuant”, “reciprocal”, “re-enacted” and “revived” (Trompf, 1979, p. 2-3). The recurrence theory was embraced more enthusiastically in antiquity and up

to the medieval period but afterwards fell out of favour among professional historians, as mentioned above. One of the few 20th century supporters of historical recurrence was Arnold J. Toynbee, who discussed recurrence in his *magnum opus*, *A Study of History* (1934-1961), but Trompf mentions also authors like Giambattista Vico, Ernst von Lasaulx and Oswald Spengler (1923) who theorised about historical recurrence (Trompf, 1979, p. 541).

5.4.1. Recurrence paradigms in relation to the contextualisation of the eight modes of existence

Trompf provides a range of general and more specific examples of historical recurrence, from comparisons between the cyclicity of human life and that of a polity's evolution, to Niccolò Machiavelli's recurrent oscillations of "order" and "disorder" between Florence and the Italian states (Trompf, 1979, p. 256). Trompf sees recurrence exemplified in "the isolation of any two specific events which bear a very striking similarity, and the preoccupation with parallelism" (Trompf, 1974, p. 3).

This is but one of the eight historical based recurrence paradigms that Trompf has set in his work. These paradigms were described by him as follows (Trompf, 1974, p. 3-4):

(i) *The cyclical view*: corresponds according to Trompf's "belief that history or sets of historical phenomena pass through a fixed sequence of at least three stages, returning to what is understood to be 'an original point of departure' and beginning the cycle again" (anacyclical).

(ii) *The alternation (or fluctuation) view*: "the view that there is a movement in history wherein one set of general conditions is regularly succeeded by another, which then in turn gives way to the first".

(iii) *The reciprocal view*: “the view that common types of events are followed by consequences in such a way as to exemplify a general pattern in history”.

(iv) *The re-enactment view*: “is the view that a given action (usually taken to be of great significance) has been repeated later in the actions of others” (the imitation being a branch of this one).

(v) *The conceptions of restoration, renovation and renaissance*: “these entail the belief that a given set of (approved of) general conditions constitutes the revival of a former set which had since been considered defunct or dying”.

(vi) *The view that certain kinds of social change are typical and are to be described by a recognized terminology*. “The recurrences of these changes do not necessarily belong within a cyclical, alternatory or reciprocal process”.

(vii) *The view proceeding from a belief in the uniformity of human nature*. The thesis is that “because human nature does not change the same sort of events can recur at any point of time”. This view stems from the psychological perspective on recurrence mentioned at the beginning of this chapter.

(viii) Other minor cases of recurrence, mentioned by Trompf, include *the isolation of any two specific events which bear a very striking similarity*, and *the preoccupation with parallelism* (resemblance), “both general and precise, between separate sets of historical phenomena”.

(ix) The last paradigm is “*the view that the past teaches lessons for present and future action*”. In the situation this view is adopted, it is typically (though not automatically) purported that “the same events or sorts of events which have happened before are recurring and will recur again”.

The question that arises from the use of these paradigms is whether only one at a time can be applied to the recurrence of a certain event. Trompf analyses Polybius’s application of Plato’s theories of constitutional development in a polity to a different and more general setting, that of the Roman empire. Polybius is using though “both natural biological and natural anacyclic paths of development”

(Trompf, 1974, p. 103). Therefore, more than one paradigm can indeed be used as long as these complement the empirical evidence and the analysis of both the anacylicity and, no less important, the theoretical background.

According to Polybius as analysed by Trompf, the constitutional development of the Roman Republic and the later Empire has three main stages. The first is *Growth*, which is the origin and early stages of Rome. This is followed by *Zenith*, Rome's maturity as achieved through the expansion of the senatorial role and the institutional influence of the Senate. The last stage is *Decay*, in which the role of the *populus* (the citizens in general) becomes decisive, characterised by systems such as oligarchy, democracy and ochlocracy (mob rule or the intimidation of the governing system).

5.4.2. Counterfactuals in the current research

In the particular case examined in my thesis, the events can be best described by a cyclical paradigm but also by the alternation (or fluctuation) paradigm. The first one is quite obvious as all the required elements exist. That is, there is *a fixed sequence of at least three stages* as will be described in the next paragraphs, *a returning to that perceived 'original point of departure'*, which is the need to recreate a new accounting system due to the new economic and political status quo and *the beginning of the cycle again*.

Following the above idea, there is the need to set the three stages in accordance with my research theme. From an evolutionary point of view as well as in terms of publication and regulation, Romania has a relatively young accounting system, taking root only in the 19th century. That is mainly because historically Romania as a country is a new concept that appeared in the 19th century and therefore the idea of a Romanian accounting could not have existed until then. But that certainly does not mean that there was *no* accounting in the three Principalities that are part of current Romania. There were various forms of bookkeeping and accounting influenced by Romanian authors of the early period. Subsequent researchers have

assigned the evolution of accounting to certain historical stages. In some cases, the assignment begins from an existing historical periodisation (which is not related to accounting) and assigns accounting developments to particular periods of that, while in other cases the evolution of accounting is described as a process operating in time but without referring to a specific periodisation. A unified classification of the accounting stages drawn from the writings of Romanian authors can be placed in the second category. Authors who have conducted this type of research include Voina (1932), Demetrescu (1973), Rusu (1991), Ionaşcu (1997), Calu (2005), Dobroţeanu (2005), Farcane and Popa (2008), and Barbu *et al.* (2012). This classification is as follows (adaptation from Farcas and Tiron Tudor, 2015):

In the first stage, an indigenous accounting literature, written in the national language, appears and then develops.

In the second stage, the accounting works take the form of a more advanced literature (according to Rusu, 1991 and Ionaşcu, 1997).

In the third stage, influences from other countries lead to a phenomenon that has been called by various authors “the encirclement of accounting” (Calu, 2005 and Farcane and Popa, 2008)

In the fourth stage, a new system of accounting in Romania is formed and develops, through a process comprising complex elements like the convergence with IFRS and the modernisation of the internal accounting regulation.

Taking this even further, I am proposing the following simplified periodisation, of three steps, which will be used from this point on:

- Indigenous emergence of accounting (starting from 1837);
- Borrowings from outside;
- Encirclement of accounting by the outside.

Having set these three steps of the anacyclical process, the next step is to exemplify the alternation (or fluctuation) paradigm. The idea of this paradigm is the existence

in history of the movement that often has one set of general conditions regularly succeeded by another, which then in turn gives way to the first. This set of general conditions is supported in my research by the eight modes of existence borrowed from the work of Bruno Latour (2013).

These eight modes of existence actually help in depicting the entire contextual world, delimitating and accentuating the space on the one hand and the historical dimension of the changes in the Romanian accounting on the other. At the same time, these modes bring into focus the aforementioned set of conditions, general in their nature. These conditions will be examined in detail in the empirical chapters. The eight modes of existence (MOE from now on) are:

REPRODUCTION, HABIT, TECHNOLOGY, POLITICS, LAW, ATTACHMENT, ORGANIZATION and NETWORK

Moreover, the MOE will be used as a skeletal framework in order to highlight the empirics by drawing out the key elements and implicitly the key actors involved in this process of change throughout history. This will allow the drafting of a clear connection between the MOE and the data.

5.5. CONCLUSION

Although the dissertation presents the case of a single country, the dimension of the analysis in itself offers a good tool for generalisation through the inductive theory built here. I will try to recognize patterns of relationships among constructs within this particular case and across cases (other transitional economies cases from the literature) and their underlying logical arguments. Therefore, there was the need to look more in depth at the idea of patterns and the idea of counterfactuals in history. The notion of counterfactuals is necessary, as it can be seen from its the short literature review, as it is a tool which will be employed in Chapter 6 in order to shed light on multiple aspects of this research.

First of all, it will highlight the “important personae” which were crucial for the shaping of the society after 1821 in the Romanian Principalities. Second, the

highlighting of the military connection during the period with the social and ultimately the influence of social aspects and tumultuous changes and wars on the need for accounting change.

The idea of recurrence will be at the core of the research into the two cycles which were selected for the purpose of this research and which will be the focus of the next chapters. Being a research into the cyclicity of human life and history, with a highlighting of aspects such as economic change and as part of that, the need for accounting as means of controlling resources and wealth but also as a socio-economic expression of modernity.

The next chapter will look into specifically that. The military-socio-economic context in which the accounting system arose in Romania from the early 19th century until 1947. This is effectively the first cycle of interest for this research as it is also a comparison benchmark for the second cycle which is the period after 1989.

CHAPTER 6. ACCOUNTING IN ROMANIA PRIOR TO 1947

In the previous chapters I have introduced all the needed “tools” for the analysis of the necessary elements which are part of this research. Namely, I have set the theoretical background both from the prior literature perspective and the theoretical methods which will be necessary in this research endeavour. In the following sections I am looking at the social, military and economic changes that were happening in Romania in the early 19th century and I will stop close to 1947. At the same time I am looking at the influence of these changes on the accounting system and practice.

Historical research in accounting represents a long-established tradition in Western European countries like Italy, France, Germany, Spain and United Kingdom. Some of the well-known works are those of d’Anastasio (1803) or Bornaccini (1818) in Italy, Lefebvre (1875) and Dupont (1925-31) in France or Robert Hamilton (1777-79), Edward Thomas Jones (1796), Littleton (1933) or Yamey (1949-81).

The international literature has often failed to focus on particular cases of national histories of accounting like, for example, that of Romania, some of the reasons causing this being the language barrier or the fact that the majority of this research is being dominated by English publications (Mattessich, 2008, p. 21).

This periodisation set at the end of the previous chapter relies on the notion of *pattern identification*, as aforementioned. The pattern identification is driven by certain conditions of *cyclicity*, which have created two similar cycles in Romanian accounting at different moments in time, with only an *interlude* represented by the Communist period; although this period is interposed and interrupts the two major periods, the “sample” period selected for testing and the actual period selected for study, it still informs the period after 1989.

6.1. SOCIAL SETTING – POLITICAL AND MILITARY CONTEXT IN THE THREE PRINCIPALITIES FROM THE EARLY 19TH CENTURY UNTIL 1947

The main purpose of this subchapter is to set the social arena in which the accounting changes are being analysed. It is impossible to see the social world separated from the political and military implications of a highly changing and belligerent era. Therefore, I am not trying to present an exhaustive accounting of all the historical changes that affected the space that later will become Romania. What I am attempting with this occasion is to set-up the inevitable various other aspects of the everyday life, which in turn will inform and justify both the periodisation chosen for this analysis and the accounting choices of the period. Without this contextualisation, these choices would be solely a display of historical records with no way to see what has determined them or in what conjuncture they were taken.

The need for change in the early 19th century in the three Romanian Principalities (Wallachia, Moldavia and Transylvania) is exactly what we would expect when looking at it through the lens of the [REP] mode. We can identify the need for institutionalisation and regulation of everyday life aspects (economy and all its branches, social life and so on) in a space and context demanding developing and modernisation.

But at the same time, the three Principalities are going through a chaotic series of events on all planes, political, economic and social. Not yet united in a unitary state although the will of the Romanian people in the three Principalities was clear in this aspect, and being a political theatre for the great powers of that time the three Principalities are in a push and pull politically. Chaotic military occupations, with everything but the name, coming from so called benefactors like the Russian or the Austro-Hungarian Empires or attempts to seize total control like those of the Ottoman Empire in Wallachia and Moldavia or the Austro-Hungarian Empire in Transylvania have led to extreme social conditions for the local population which

will be enumerated in the following paragraphs. The impact on the economy of these Principalities was severe and meant setbacks in a time in which there were attempts towards modernising the economy and introduce new technologies already available for some time in the Western Europe.

6.1.1. Early 19th century politics and military aspects (1821 to 1857)

Both Wallachia and Moldavia were politically and military under Ottoman suzerainty since the 15th century but were experiencing increasing Russian interventions starting with the Russian-Ottoman war between 1710-1711 when the Russian armies entered Moldavia and then linked with the Wallachian armies (Isar, 2006). In face of this increased involvement of the Russian Empire in the two Romanian Principalities, the Ottomans wanted an increased control in the region, which was achieved through the introduction of the Phanariotes rulers which were named rulers of the two Principalities directly by the Ottoman Empire.

Later, the Kuciuk-Kainargi (variable Kuciuk-Kainardji) Treaty from 1774 between Russians and Ottomans, gave Russians the right to intervene in the two Principalities on any matters that were related to the Orthodox Church. This was in fact an insurance for the Russian Empire to be able to sanction any undesirable intervention of the Ottomans in the region. Another reason was the counteraction of the Austrian Empire's influence which was getting increasingly strong in the 19th century (Isar, 2006).

Despite the influx of foreign dignitaries in the two Principalities once the Phanariotes Regimes were established, the established traditional leadership, the “*Divan*” (see Appendix One) is still controlled by the major boieri families (of “*boieri*”, see Appending One) which were heavily opposed to any attempts of reformation and being afraid of losing their privileges therefore playing a duplicitous politics game between the Ottomans and the Russians. One obvious proof of the increasing importance of this region in the eyes of the European powers of that time was also the fact that more and more of them were opening consulates

in both Wallachia and Moldavia, in order to keep a close eye on the local political and military evolution. These consuls were giving certain privileges to local people called “*suditi*” (see Appendix One) in exchange for services or payments of money (Djuvara, 1995).

An important historical moment which also signified the beginning of the end for the Phanariote era was the 1821 Wallachian revolution which started also due to the rise of the Greek nationalist movement at the same time with the Greek war for independence. Its ideology has spread quickly also in the two Romanian Principalities, Wallachia and Moldavia under the influence of the Greek secret society Eteria. But more so in Wallachia where initially the revolt led by Tudor Vladimirescu (a Russian *sudit* himself) was supported by the local *boieri* and the Russian Empire as a move against the Ottomans and the Phanariote rulers imposed by them. But the radicalism of the revolution programme and the anti-*boieri* spirit incorporated in it led to Vladimirescu being betrayed by an alliance of *boieri* and the leaders of Eteria and swiftly executed.

The **Programme of the 1821 Revolution** was composed of a series of documents (proclamations, official letters to the Ottoman Sultan) some of them having the purpose of constitutional acts, predating therefore the first constitution of the Romanian modern state. Most of them did not make their way into becoming proper law but are still worth mentioning for their importance and significance.

Some of these constitutional acts which span a period of 40 years were as follows (Isar, 2003):

- *declarations of principles* (“The Romanian people's requests” in Appendix Two written in 1821 and “The Padeş Proclamation” in Appendix Three, both of them written during the revolution led by Tudor Vladimirescu):

- *declarations of rights* (“The Islaz Proclamation” from 1848 seen in Appendix Four, as well as the other revolutionary programmes of 1848 like “The Blaj Motion”);

- *Reform projects* (“Constituția Cărvunarilor” written by a progressive group of boieri in 1822 which had at its core the idea of constitutional monarchy and “Osăbitul Act de numire a suveranilor românilor”, translated “The Special Act of Appointment of the Romanians' sovereigns” written by Ion Câmpineanu in 1838):
- And later the Resolutions of the ad hoc assemblies of Moldavia and Wallachia in 1857.

In 1822 new Lords were assigned for both Principalities, Ioniță Sandu Sturdza in Moldavia and Grigore the 4th Ghica in Wallachia both of them ruling until 1828 (Djuvara, 1995). Although of short duration, these meant also a shift in the clientelism type relations between the Phanariotes and the Ottomans. The two were dethroned by the Russian intervention during the Russian-Ottoman war which lasted between 1828 and 1829 which ended through the Adrianople Treaty (17 September 1829) acknowledging the Russian victory and the control over the Danube region and implicitly the two Romanian Principalities. The main stipulations of this treaty included the following: the southern border of Wallachia is established on the Danube, the liberalisation of the commerce (which consisted mainly in cereal exports) and free navigation on the Danube and the Black Sea are legally recognised which also allows the two Principalities the creation of a naval fleet and easier trade with Europe (with the first French ships are visiting Wallachia in 1830). But the two Danubian Principalities were considered under Russian occupation until the Ottomans were able to cover the costs of the war. During this occupation, the Russians exerted an abusive behaviour, practically confiscating the two principalities, exiling all the anti-Russian boieri, confiscating all the resources and taking the control over the Divans until 1829. Pavel Kiseleff was the third appointed governor by the Russian Empire in 19 October 1829 and during his administration took place among the most important reforms of that period. The Russian occupation lasted until 1 April 1834 when the two Principalities were supposed to hold free elections according to the Adrianople Treaty.

At the core of this *regulation period* was the *quasi-constitutional* organic law called “The Organic Regulation” which was adopted by the Imperial Russian

authorities. This special law was introduced in two similar versions in the two Principalities, Wallachia (13 July 1831) and Moldavia (13 January 1832) which later by uniting formed the core of the modern Romanian state (Djuvara, 1995). The Russian representative in the two Principalities, Pavel Kiseleff neglected to ask Sultan Mahmud II's ratification. The only difference consisted in the size of the budgets for each of them and the size of the military restrictions imposed. Among the main principles and regulations set by the Organic Regulations we have the following (Bounegru, 2011a and 2011b):

- the separation of powers in the state (executive – the Lord and the Lord's counsel gathering, legislative - the Public Assembly, the judiciary branch - the Lord and the courts of law, of which the highest was the Divan which was the Lord's counsel and the room where it was taking place);
- Freedom of trade;
- Imposing the principle of the annual budget;
- Fiscal reform;
- Maintaining the privileges for the “*boieri*” and clergy;
- Setting up national schools in the Romanian language;
- Setting up archives, firefighters, public prosecutors and other contemporary institutions
- Regulating the relations between *boieri* and “*clăcaș*” (see Appendix One) in favour of *boieri*.

Starting from 1834, the two new Lords of the Principalities, named by the Russian and Ottoman Empires were Alexandru the 2nd Ghica (the step brother of the previous Lord, Grigore the 4th) as ruler of Wallachia and Mihail Sturdza (distant cousin of Ioniță Sandu Sturdza) in Moldavia. These two were meant to implement the reforms and deal with the increasing anti-Russian movement. Although being carefully watched by the Russian consul and helped by numerous counsellors they

still face a heavy and united opposition in the two National Gatherings. But at the same time there was a romantic movement in the two Principalities for self-determination and independence from the Russian and Ottoman oppression. This led ultimately to two revolutions. The one in Moldavia was swiftly quelled but the one in Wallachia succeeded and deposed Bibescu who succeeded Ghica from 1842. Following the Islaz Proclamation of June 21, which outlined a new legal framework and land reform that put an end to all “*corvezi*” (see Appendix One) the revolutionaries constituted also a provisional government in Bucharest. This new government abolished the Organic Regulation and tried to create a conflict between the Russian Empire and the Ottoman one but in 1849 the Ottomans intervened and retook the control over Wallachia (Djuvara, 1995).

The Crimean War brings the two Principalities again under Russian occupation and from 1853 until 1854 when the Austrians take the administration of the two Principalities under a neutral status and they will remain in control until 1857. The Crimean War ended in 1856 with the Paris Treaty (30 March) which stipulated that the two principalities are still under Ottoman suzerainty but under the protectorate of all European powers (the United Kingdom, the second French Empire, the Kingdom of Sardinia, Prussia, Austria and Russia).

6.1.2. The period of inception of Romanian state in 1857 and 1918

In 1857 the Divans of Moldavia and Wallachia elect the same Lord, Alexandru Ioan Cuza of The United Principalities of Moldavia and Wallachia and therefore set the basis of the modern state, adopting officially the name of Romania in 1862.

A new country also required a new fundamental law, a constitution in order to solidify its legality. Therefore, the constitutional history of Romania between 1859-1947 knows three periods:

– the phase of implementation of constitutional institutions (24 January 1859-1 July 1866);

- the continuity phase of these institutions (1 July 1866-20 February 1938):
- the stage of constitutional instability (February 20, 1938 to December 30, 1947);

Until 1866, when the first Romanian constitution was drafted and came into effect, Romania has several laws that had the same effect as the fundamental law. These are as follows:

- *The Organic Regulations* applied from 1831 until 1858 in Wallachia and 1832 until 1858 in Moldavia;

- *The Paris Convention* - elaborated by the Great Powers of that period - its stipulations were implemented in the Principalities between 1858-1864; this Convention established the creation of the United Principalities of Moldavia and Wallachia, but with two Lords (Sovereigns), two assemblies, two governments, thus just a formal union; paves the way for the creation of the *modern Romanian state*, as well as the separation of powers in state;

- *Developing/Statute of the Paris Convention* - adopted by Lord Al. I. Cuza following the coup d'état of 2 May 1864; provided wider powers for the Sovereigns, as well as the establishment of the Weighing Body (orig. *Corpul Ponderator*), which is the second legislative body (the future Senate).

Alexandru Ioan Cuza has ruled the newly formed country until 1866 when he was forced to abdicate by a coup d'état made of a coalition of local parties, named the Monstrous Coalition (Iorga, 1992). In the same year Romania adopts its first Constitution and brings a foreign Ruler, *Carol I of Romania*, Prince of Hohenzollern-Sigmaringen (his full name being Karl Eitel Friedrich Zephyrinus Ludwig von Hohenzollern-Sigmaringen) who becomes in 1881 King of Romania. In his 48 years of reign (the longest in the history of the Romanian states), Carol I achieved a number of long desired outcomes (Hitchins, 1998). He obtained the independence of the country, thanks to which he greatly increased its prestige. This was done after Romania took part in the Russian-Ottoman War of 1877-1878 in which the Russian-Romanian side had won this war. The Romanian independence was recognised in the San Stefano Peace Treaty on 3 March 1878 although the

Russians did not seem inclined to respect the new independence. But the fact that the Russian Empire has gained too much influence in the Balkans and Caucasus, has made the Great Powers (Great Britain, France and the German Empire) ask for a revision which was obtained through the Berlin Treaty in the same year. During this peace conference, it was decided that Russia should recognize Romania's independence, cede to Romania the territories of Dobrogea and the Danube Delta, including the Constanta port and the small Island of the Serpents but it gained the South of Bessarabia.

Carol I has also redressed the economy, endowed Romania with a number of institutions specific to the modern state and established the foundations of a dynasty (Carol I, 1909). He built the Peles Castle in the Carpathian Mountains and ordered the erection of the bridge across the Danube between Fetesti and Cernavoda, linking the new province (Dobrogea) to the rest of the country (Carol I, 1909).

The 1866 constitution, the first modern constitution of Romania, omitted entirely from its text the Ottoman suzerainty and the collective guarantee of the seven Great Powers - Germany, Great Britain, Austro-Hungary, France, the Ottoman Empire, Italy and Russia - and at the same time provided the framework for Romania's evolution as a state based on so called *modern* and *democratic* bases (Hitchins, 1998).

The first Romanian constitution in the true meaning of the term (fundamental law of a state);

It had as example the Belgian Constitution of 1831, which was considered the most liberal at that time;

Has not been subject to the approval of the major European Powers,

Was promulgated by Carol de Hohenzollern-Sigmaringen on 1 July 1866;

It was structured on 8 titles;

Imposed the official name of the state *Romania*;

The form of state organization was that of hereditary constitutional monarchy;

Mentioned the principle of national sovereignty;

Imposed liberal principles: separation of powers in the state and observance of citizens' rights and freedoms;

Citizens' rights and freedoms: the right to free association, the freedom of the person, inviolability of the home and property, freedom of conscience, word, the press, the right to education (primary education being compulsory and free of charge).

The power in the state was divided into (Florin, 2016):

a) *The executive power* - held by the Lord and the government.

The Lord had broad prerogatives such as calling and revoking ministers, he had the right to politically pardon (amnesty), the right to name and confirm all public functions, he was the head of the army, to award distinctions and decorations, had the right to strike coins and could declare war and sign treaties.

The Government was headed by a Prime Minister elected by the Lord: the Prime Minister chose the Cabinet (ministerial team) which had to be approved by the Monarch (Lord).

b) *Legislative power* - held by the Lord and the Parliament.

The Lord had the power to initiate legislation, to sanction and promulgate laws and had a right of veto.

The Parliament was elected by “*cenșitar vote*” (see Appendix One), was bicameral (composed of the Senate and the Assembly of Deputies), could initiate, debate and approve laws, could interpellate the ministers;

c) *The judicial power* - held by the courts of law. Courts of Justice and the High Court of Justice and Cassation. The judgments were pronounced in the name of the Lord, and the judges were immutable.

The Constitution contributed to the creation of political parties (National Liberal Party – PNL in 1875; Conservative Party - PC in 1880); It introduced a liberal political regime; has been amended several times:

- 1879 - art. 7. By which the prohibition of the acquisition of Romanian citizenship by non-Christians (i.e. Jews and Muslims) is annulled;
- 1884 - the new state adopts the title of Kingdom and Carol and his wife, Elizabeth of Wied. become the first kings of Romania; The number of electoral colleges is reduced from 4 to 3 by lowering the census, thus the number of those entitled to vote increases;
- 1917 - Revisions are voted on the adoption of universal suffrage and execution of agrarian reforms and remained in effect until 1923.

One major downfall of the new monarch and his successors was the the failure to solve the typical problems of a country whose economy was based on agriculture and whose population was represented by the overwhelming majority of peasants (Encyclopædia Britannica, 2013). After the reign of Carol I, the situation of the Romanian peasantry begins to seriously degrade as the landlords, in order to cope with the foreign markets, continuously raise the exploitation level of the peasantry (Dobrogeanu-Gherea, 1977a). The unfair system for the overwhelming majority of Romania's population at that time was moreover an almost exception in the region (Lampe, 1975) which did not, however, encourage the sovereign to initiate an agrarian reform programme. This led to repeated social unrest (peasant revolutions) in rural areas at the end of the nineteenth century and early twentieth century. The result was that the main sector of the Romanian economy at the time, incorporating the majority of the population, remained in a primitive and undeveloped state.

At the beginning of the 20th century Romania was a country where even if the institutions of the democratic regime were present, the functioning of the state was far from Western standards. The economy had an archaic and anachronistic structure, based on a subsistence and traditional type of agriculture and low productivity compared to what could have produced.

The society was dominated by a land aristocracy (the big boieri) who exerted their domination over a large mass of population, predominantly living in rural areas and overwhelmingly illiterate. But despite all the efforts made by the political and intellectual elites of the country in the second half of the nineteenth century, Romania was still far from being at the same pace with the Western Europe. Despite these shortcomings, Romania remains though the most productive country in Eastern Europe because of its natural resources and agricultural potential.

It was clear that Romania was caught in these power games of the Great Powers of the time. On the one hand, it was an object of the rivalries of the neighbouring empires, which had prepared annexation plans for different parts of its territory and, on the other hand, Romania sought to create favourable conditions conducive to the fulfilment of the national ideal of uniting into one state all the Romanian historical provinces (Florin, 2016).

From the point of view of the military hostilities before and during the first world war, Romania was the following: a neutral country between 13/28 July 1914 - 14/27 August 1916, a belligerent country on the Allied powers side during 14/27 August 1916 – 26 November / 9 December, 1917, in a state of armistice between 27 November / 10 December 1917 - 24 April / 7 May, 1918, non-combatant country during 24 April / 7 May 1918 – 26 October / 9 November, 1918, belligerent on the part of the Allied powers during 26 October / 9 November, 1918 - October 28 / 11 November, 1918.

In August 1916, Romania receives an ultimatum from the Allied powers to enter the war and under this pressure of the ultimate demand, the Romanian government agrees to enter the war, although the situation on the battlefields was not favourable for this side. After a series of rapid tactical victories in Transylvania over numerically overwhelmed Austro-Hungarian forces, the Romanian army suffered in the fall of 1916 a series of crushing defeats, which would force the government and the other authorities to flee to Moldavia, allowing the enemy to occupy two thirds of the national territory, including Bucharest.

The main causes of the defeat of the Romanian armed forces in the campaign of 1916, by significantly lower German and Austro-Hungarian forces, were the major political interferences in the act of military leadership, the incompetence, imposture and cowardice of a significant part of the military leaders as well as the lack of suitability of training and equipment of the troops for the type of war that was going on.

In the winter of 1916 and the spring of 1917 under the lead of a new military leadership and with the substantial support of the French Military Mission led by General Henri Berthelot, the Romanian army was reorganized and trained on modern bases and adapted to the requirements of the war. The campaign in the summer of 1917 was a success, with the initial defeat of the Central Powers' troops in the battles of Marasti, Oituz and Marasesti (Florin, 2016). The Romanian military planners intended to continue to develop this offensive to begin the liberation of the occupied territory, but the outbreak of the revolution in the Russian Empire led to the abandonment of these plans and the return to the strategic defensive.

The situation on the eastern front evolved in a clearly unfavourable way for Romania, and after Russia signed the Brest-Litovsk peace with the Central Powers, the country had to demand an armistice, had to withdraw from the war and sign a peace in humiliating conditions in the spring of 1918. King Ferdinand's refusal to endlessly postpone the formal gesture of signing this treaty made it possible to resume the hostilities in the last two days of the war, preserving in this way the status of Romania's belligerent state at The Peace Conference in Paris.

6.1.3. Great Romania after 1918 (until 1947)

The outcome of the First World War was the disappearance of Europe's "old" political organization. It also brought a new vision of economic organisation, of political and social life. With the end of this conflict a new mentality was born that was supposed to further and modernise the mankind. The war imposed on European states an increasingly planned economy, in which a development plan meant a

concentrated action. Capitalism based on free competition has been maintained but in the formula of economic neo-liberalism, which meant the state's limited intervention in the economy.

Europe's economic recovery lasted until 1924. Governments prioritized the industry and the old industries - coal, cotton, shipbuilding - have fallen, while the car and electricity industries have experienced growth. Agriculture has been affected by huge material destruction and human loss. Prices collapsed as European agricultural products could no longer compete with similar products from the United States, Canada and Argentina (Tucker and Roberts, 20015).

From now on, Romania is steering its foreign policy towards ensuring territorial integrity. Thus, in June 1919, the League of Nations was founded with Romania as a founding member. The pact was meant to maintain peace and avoid a new global conflagration. It stipulated the commitment of all member states to maintain and defend the integrity of each signatory State. Romania has promoted the growing international role of this treaty by militating for disarmament and discouraging revisionism. The merits of Romania's foreign policy are recognized by the fact that Nicolae Titulescu has been the President of the General Assembly of the important treaty twice consecutively in 1930 and 1931, respectively.

In addition, Romania continued to straighten its foreign policy by focussing their efforts towards the UK and France, where it found the most viable argument of national security. But success was just a pale one. Thus, after long diplomatic discussions, on 10 June 1926, is signed the alliance treaty with France, which has only a moral value. It was a friendship treaty, practically the lowest value of a pact. It was foreseen that in the case of an unprovoked attack the two countries will consult on the measures to be taken. The treaty had no military obligation stipulated as the Small Central Powers Treaty (Romania, Poland, Czechoslovakia, Yugoslavia and Greece), and that was because France avoided such a commitment (Retegan, 1997, pp. 29-30). From the French political point of view there was no gain in supporting Romania. On the contrary, France was trying to recover the enormous debt that Russia had from the loans of the First World War. Considering the fact

that, after the October 1917 revolution in Russia, the Bolsheviks now in power refused to pay the debt of the former Tsarist Empire and did not recognize the unification of Bessarabia with Romania, making it difficult for the French to sign such an act. This would have virtually destroyed any hope of a repayment from the Russian side.

During the inter-war period, was born also the Romanian Communist Party (PCR) in 1921, after a rift in the Socialist Party. Its popularity was extremely low due to the fact that it was obliged to join the Third International that placed him under Moscow's political leadership. The USSR never recognized Bessarabia's union with the motherland, and the Communist Party was implicitly bound to play the same political card as the Kremlin's. In a period of increased nationalism and the strengthening of the principles of Great Romania, this revisionist policy could only be seen by society as adverse. Interestingly, PCR did not have a president. Moreover, no recognized Communist Party adhering to the Third International was led by a president, but a general secretary. That was because the only president was Vladimir Lenin and all the affiliates were only international political parties affiliated to the Bolshevik ideology in the U.S.S.R..

The outcome of the Tatar-Bunar (now part of Ukraine) revolts, provoked by the Communists, was the "Law Marzescu". The law bears the name of Gheorghe Mârzescu which was Minister of Justice at that time, in the government lead by Ion I.C. Bratianu (liberal). On December 18, 1924, the "law for the suppression of crimes against public order" was adopted, but on December 19, 1924, it had been published in the Official Monitor (Cioroianu, 2014, p. 92). It is the action by which the Communist Party of Romania was taken out of the law banned PCR activity. This party remained illegitimate until 1944.

From the social point on view, census data from 1930 (the first Census of Great Romania) shows a total population of 18,057,028 of which 71% of the population Romanians, 7% Hungarians, 4% Germans and 4% Jews (*Recensământul general al populației din 29 decembrie 1930*, Vol. II). These factors have played an important role in the economy and interwar policy.

Another key factor was electoral reform. Specifically, the mass of peasants which becomes politically active after being granted the right to vote. The first victim of this reform was the Conservative Party. It had been crushed since the beginning of the century by a severe crisis caused by the accelerated process of development and modernization. At the end of the War there were two conservative parties, namely the Conservative Party and the Nationalist Conservative Party. The party's base had been destroyed by the agrarian reform, and the electoral reform ended it. At the 1922 elections, the Conservative-Progressive Party does not even get a mandate. The votes of the few thousand landowners were lost in the overwhelming mass of peasants' votes. It is worth mentioning that during the interwar period, the winning of the elections did not guarantee a governing position. The party that was governing the country was chosen by the king, and he usually used a rotating system.

From the point of view of the fundamental law, the new *Constitution of 1923* incorporated the following:

- legitimates the new political reality after the First World War (the achievement of Great Romania by uniting Bessarabia, Bukovina and Transylvania to the Romanian state);
- was promulgated by King Ferdinand I on 28 March 1923;
- there were two long debated constitutional projects (one liberal and other national-peasant) until this constitution was promulgated in its final form;
- it was mostly based on the content of the Constitution of 1866, being a synthesis between that one and the constitutional projects voted in 1917;
- it was structured on 8 titles;
- insisted on the unitary national character of the state;
- introduces the equal and direct universal suffrage (granted to men over 21 with the exception of magistrates and military personnel);

- stipulates the separation of powers in the state: *the executive power* - held by the King and the Government; *the legislative power* - held by the King and Parliament; *judicial power* - held by Tribunals, Courts of Justice and the High Court of Justice and the Cassation.

- affirmed the compliance for citizens' rights and freedoms, including those of minorities;

- introduced the preventive control of the constitutionality of the laws, duty which fell on the Legislative Council;

The 1923 constitution introduced a democratic political regime and it remained in effect until 1938, subsequently being reinstated in 1944.

Another important aspect of the inter-war period was the Monarchy crisis. Prince Carol II, Ferdinand's son abdicates the throne in order to marry a commoner. This makes Carol's son, Mihai to become the new King after Ferdinand's death but considering that he was a minor the country is being led by a regency council (Florin, 2016). Nonetheless, in 1930 after being asked to return on the throne, Carol II becomes the King of Romania and slowly he assumes an authoritarian rule based on the "*divide et impera*" principle. Following a series of authoritarian and populist measures, on 28 February 1938, a new Constitution was promulgated through a referendum. The climax is reached on 30 March 1938 when political parties are disbanded. Thus, on December 15, 1938 Carol II established the National Renaissance Front - FRN which did not have a proper ideology. The fundamental element was the support for the monarchy and for the regime authoritarian regime established by King Carol II. All power was seized by a king who had the right even to change ministers. From a political point of view, the right to be elected in Parliament was held by membership of the single FRN party. The Constitution which was promulgated by King Carol II on February 27 1938 has taken as inspiration fascist elements as, for example, voting rights only for those who have a work job. More elements of this Constitution are as follows:

- was subjected to a plebiscite (where people had to declare in writing whether or not they voted the law or not);
- imposed the Authoritarian Monarchy, in which the powers of the king were extended greatly;
- abolished the separation of powers in the state;
- the King becomes the "head of the state", taking control over the executive power, the legislative one (the Parliament - called the National Representation - had a role but in name and had a very limited right in terms of legislative initiative);
- the King named a large number of the senators;
- the King could convene, close or dissolve one or both Chambers of Parliament;
- remained in force until the establishment of the Antonescu dictatorship.

Shortly after the promulgation, the National Renaissance Front (extreme left party) is established as a single political party in Romania.

1940, was a fateful year for Great Romania. All that was built in 1918 was shattered without even an attempt to defend it. On 28 June 1940, through the Crown Council, Romania accepted the USSR ultimatum on the cession of Bessarabia. On 19 August 1940 negotiations were held in Craiova regarding the cession of the Cadrilater (Quadrilateral), the south part of Dobrogea. Inevitably, on 19 August 1940 Romania was forced to acknowledge the Vienna Dictate by which northern Transylvania was also annexed to Hungary. In the midst of a territorial crisis, Carol II convoked the Peasant Party and Liberal Party leaders in an attempt to create a new government. At their refusal on 4 September 1940, General Ion Antonescu was appointed as Prime Minister after agreeing under certain conditions. After only two days on 6 September 1940, King Carol II abdicated and King Mihai stepped up on Romania's throne. Ion Antonescu became head of state and the king's power was limited, playing a secondary role in the state. Iuliu Maniu and Bratianu, the leaders of the Peasants Party and the Liberals ask Ion Antonescu for free elections, but Antonescu

refuses. Under the influence of the German victories on 14 September 1940 the Legionary National State was established.

At the beginning of the World War II Romania remained neutral for over a year (during which it allowed the evacuation from Warsaw of the government members, the treasury, and the leaders of the Polish Armed Forces to British Egypt). The Kingdom of Romania changes its alliances with the coming to power of Ion Antonescu. After three years and two months of military campaigns against the USSR (which got the Romanian army to the steppe in the northern Caucasus and back), on 23 August 1944 (with the Soviet army already in northern Moldavia since March of that year), the King Mihai agrees to remove Marshal Antonescu by force if he refuses to sign the armistice with the United Nations. Following Ion Antonescu's net refusal, King Michael dismissed and arrested him, and Romania changes sides to the Allied Powers. Romania's participation in the Second World War was characterized by two campaigns: the one in the East, for the liberation of Bessarabia and Bukovina which was lost, and the one in the West for the liberation of Transylvania which was won. At the end of the war, diplomatically it was taken into account only the participation on the side of the Axis, and Romania signed the Paris Peace Treaty (1946) as a defeated enemy state. The losses of the Kingdom of Romania amounted to about 300,000 soldiers in the battles with the USSR and 169,822 soldiers in the battles with Nazi Germany.

Less than 3 years after the Soviet Occupation of Romania, on December 30, 1947, King Michael I was forced to abdicate. The new proclaimed status of Romania becomes the Romanian People's Republic, a Communist state.

6.1.4. Analysis of the historical, military and political context with the help of MOE

From the perspective of the inhabitants of the Danubian Principalities, namely Wallachia and Moldavia, there is clearly a perceived need for a unitary legal language, an imposed discipline and reaffirmation of unity and therefore an

identification of the requirements for the existence of at least several modes of existence, but for now [REP], [HAB], [LAW] and [POL] are the ones chosen.

It is the “reinventing” needs, the sometimes-desperate attempts of the oppressed peasants and their representatives that are the shifting key elements of the social and political elements in Romania at the beginning of the 19th century. This happened in a context of oppression from an Ottoman Empire that was anything but in line with the mentality in the two Danubian Principalities and the meddling of the Russian Empire in the internal policy of these two. There was also the need for self-determination of the majoritarian Romanian population in Transylvania living under the Austro-Hungarian occupation for centuries. This creates the existence of the “alteration” demanded by [REP] in order for the afferent shifting to take place (taking the same stance as the counterfactuals. It is also the “stubbornness” in the decision-making process of the actors involved to keep their stance and continue according to the set goals regardless of what is being thrown their way by history. Looking back one could say that the results should have been predictable, but leaving the “*a posteriori*” knowledge and point of view aside, one could have not foreseen at the time everything that could have happened, especially given the extremely complex webs ([NET]) of political and military interests in the region.

I have presented a general account of the political and military “facts” that Romania has experienced during more than 100 years (in the 19th and 20th centuries) but that does not fully tell us what has brought those specific events to happen the way they did. It is perfectly plausible to present a relatively linear narrative of such complex historical events but by analysing it and offering a counterfactual argument, one can understand also their clear significance. In other words, the theory-informed history derived from the idiographic-nomothetic counterfactual allows us to identify legitimate regularities across cases. Therefore, it is worth mentioning early on that, in the case of this research, there are parallels in terms of the sequence of events in the two periods chosen for analysis (1831 to 1947 and 1989 to present day), but these parallels are also superimposed on differences. That makes the order of the events highly similar in terms of the process of accounting and finance regulation

and practice setting, albeit the sort of structures that drive these events are different from one period to another.

One could say that, oddly enough, the first period analysed is not exhibiting the expected features in relation with [REP], meaning it does not have set strong independent institutions (I am not counting here the “archaic governing institutions” and the archaic social setting which are already showing signs of being ideologically and functionally overdue) that are at the helm of the modernisation/change process. This is a period characterised by big personalities placed in charge of the change. These often self-proclaimed or at times designated leaders are remembered throughout history as the ones who altered the *status quo* and produced the changes, triggering also “*the*” alteration of/in the “dormant” actors of that period. Why was that the case would be the question. The answer lies in the total oppression of the peasants which had no power, nor the resources to overthrow the status quo they have known for centuries. The knowledge of and the desire for “better” existed but the means were beyond their grasp. It is the mode [HAB] which is represented by the apparent immobility of these important actors, the peasantry encased in the past, being literally an “institution” during that period, which was not officially organised, regulated or even listened to, albeit being the backbone of the Economy.

Looking at the political discourse, or speech as Latour calls it, in relation with [POL] and looking at its translation into clear effects, one can distinguish several informed regularities. It is the ever potential “IF” that shows the importance of the events and then the way these were reflected into the [LAW] in the way of the legal path. And the auto-imposed (or at this point often still imposed) discipline of “truth and falsity” of the slowly paced emerging institutions.

The curved speech of [POL] is reflected in this period of more than 100 years in a relatively predictable manner when taking into consideration all these “IF’s”. That is, the way the political and non-political institutions behaviour captured in the previous sections shows certain patterns that are expected considering the knowledge we have now of that period. Whether that was the case back then is a

matter of inference or counterfactual research, one which will be the focus of a separate subchapter at the end of this chapter.

6.2. INDIGENOUS EMERGENCE OF ACCOUNTING (STARTING FROM 1831)

The *first cycle* of this period begins with the publication of “Pravila comercială” by Emanoil Ioan Nechifor (“Commercial law”) a commercial and accounting work written in Romanian language and dating back to 1837. This was, as far as it is known, the first book on accounting published in the Romanian language. After this pioneering work for the Romanian accounting, the next publications are in 1844 and 1845, the translations of a two-volume book by the French author J. Jaclot, those of Dimitrie Iarcu (Jarcu) and titled “Doppia scriptura sau tinerea catastiselor” (“Double entry or how to keep the books”).

But the *context* of these publications lies in the broader *political* and *economic* changes experienced in the Romanian territories at the beginning of the 19th century. Two of the three Romanian Principalities (Wallachia and Moldavia) had been under Ottoman influence (called Phanariot regimes) for more than a century until 1821 when the revolution of Tudor Vladimirescu took place, this being the basis of the beginning of the economic development in these territories (Albu, 2010 citing Mureşan, 1995 and Dobroţeanu, 2005, p. 282). According to Demetrescu (1947, p. 7):

After 1800, the Romanian commerce, in which forms and methods of western commerce were introduced, began its development; it established stronger relationships with various other countries, and the need for bookkeeping, and thus of accounting records, emerged. (translation from Romanian)

Therefore, it is quite clear that the indigenous emergence of the Romanian accounting happened in a context of tumultuous political, social and economic changes. As mentioned before, the idea of a unitary accounting system could not have existed due to the fact that there was no Romania until the Romanian language

took a form as close as possible to that in the present and later the actual country taking shape.

In terms of the economy as the driver for the accounting changes, Romania was heavily relying at the beginning of the 19th century on a rudimentary agriculture and almost no industry as aforementioned. The large surface of the agricultural land was owned by land owners who had also political powers and therefore the peasants working on their estates were only slightly above slaves in social status. Until the introduction of the agrarian reforms these peasants were heavily exploited and although they were forming the majority of the workforce they had little to nothing to say regarding what was happening on the estates and the country.

It is 1831 when the regulation epoch has begun in the Romanian Principalities and it was a crucial moment in the development of the Romanian agriculture. The trade liberalisation in 1829 and its reattachment to the European capitalist market is the trigger that brought together two main actors (or factors) of the production process, the peasants and the large owners of the land *boier* (*pl. boieri*). This happened also in the context of an increasing demand for agricultural products both internally and from external consumers, putting this way an end to rudimentary agriculture and agriculture destined solely for individual consumption. All these have created the environment necessary for the identification of [ATT] as the language of the new processes of change and modernisation. It is the networks of interests that are primary components of [ATT] as well as the “economic interests” and the social ones.

The interests of the two aforementioned parties are clearly contradictory, a fact that is clearly specified in the text of the two Organic Regulations. On one hand, the *boieri* wants absolute control over the land, considering the evident economic benefits such a situation would derive. This meant the transformation from a conditioned possession by the *boieri* to an absolute possession. On the other hand, this was fought against by the peasants who had the right to work the entire property as long as they paid back to the *boieri* a part of the production, payment called “*dijma*” (see Appendix One). The Organic Regulation represented a compromise

between the two aspirations. The boieri were able to emancipate from the feudal servitude only a third of the land, the rest of two thirds remaining in the conditioned possession of the peasants who have the right of co-ownership of the land recognised (Stan, 1994, p. 11). Moreover, it also extended the notion of *clăcaş* to any person of any statute, not only peasants but also high statute boieri, smaller boieri, merchants or skilled people, that were living on a foreign property and did not own any land on an act of acquisition or donation. It is therefore a clear step towards modernising the Romanian agricultural system but still a transitional one as the final desired outcome was the total emancipation of any feudal servitude.

The Organic Regulations stipulate specific rights and obligations for the peasants, setting therefore the basis of their social and economic fundamentals as they were the main practitioners of the agricultural duties in both Wallachia and Moldavia. In Wallachia, *clăcaşii* were divided in three categories according to the number of cattle owned. Based on this, they received 400 square “*stânjeni*” (see Appendix One) on the plains and 200 square *stânjeni* in the mountain region for building a house, yard and garden. Besides these, they received also up to 3 tillable “*pogoane*” (see Appendix One). The first two categories were given afterwards the following depending on the cattle basis:

- 1) To the leading *clăcaş* with 4 cattle destined for work - oxen, buffalo, horses – and a cow destined for food 2.5 pogon (plural *pogoane*) pasture, then half pogon “*izlaz*” (see Appendix One) for each cow and 3 pogon hayfield.
- 2) To the middle statute *clăcaş* with 2 cattle destined for work and a cow destined for food the proportional equivalent compared to the leading *clăcaş*.

At the same time a cow could be substituted with 10 sheep. But the land owner had the power to distribute the *clăcaş* the land in any location he desired and after these distributions, the rest of the property was his to do as he wished with it. Any peasants who needed more land could contract it by contracting also extra obligations towards the land owner. On the land with forests the owner was obliged to provide the *clăcaş* fire wood only destined for the needs of the house.

Receiving the land legally, the clăcaș was obligated to perform a series of duties such as: 12 days “claca”, spread in 4 days in each of the three agricultural seasons, done with the plough or cart if available or with the hands if the clăcaș did not possess any cattle destined for work.

In Transylvania the land given for use to “*iobagi*”- serfs (see Appendix One), known as land written in the Urbarial Register, is separated from the Senioral property. One “*sesie*” (pl. sesii) (see Appendix One) entailed up to 20 “*iugăr*” (pl. iugăre) (see Appendix One) or over 20 hectares. There were bigger sesii of the one mentioned as a standard. Around 1848, due to social developments, especially through inheritance, few sesii remain unbroken, having been diminished through division. After that, the average of the land in use of iobagi was of 8-9 iugăre or 4-5 hectares. In Transylvania, unlike the Principalities, both pastures and forests were in common use of peasants and nobles.

Charged weekly, “*robotă*” (see Appendix One) or claca could vary to up to 4 days. On some domains, this was stipulated in the Urbarial Register between the parties involved and varied between 3 and 4 days. The iobagi who worked a fourth, an eighth, or sixteenth part of the seise worked 1-2 days with all the cattle they owned. Jelerii without land worked 16 days a year. Sometimes robotă was agreed in cash, with an amount of 5-10 florins annually per each person of the family. The working day was not normalized as in the Principalities, lasting from sunrise to sunset. In Transylvania were given two dijma of grain and wine: one to the Church (“*zeciuiala*”) and the other to the noble (called “*nona*”). In Banat, Crișana and Maramures – part of Hungary - the obligations of iobagi were easier than in Transylvania. Claca was settled part in work, part in money. In 1840, in Banat and Crișana the redeeming of claca was permitted and starting from 1844 the right of property for the iobagi was enacted (Stan, 1994, p. 16-18).

The complexity of the new system and the fact that it was regulated for the first time in clear terms asks also for complex recordings of the ensuing transactions. Therefore, these complex needs asked for more and better prepared bookkeepers which is known to have been prepared through accounting courses (based on

double-entry principles) delivered in 1838 in Iași (Moldavia) and Brăila (Wallachia) according to Mureșan (Mureșan, 1995 cited in Dobroțeanu, 2005: 284; Radu, 1995: 17).

But most importantly for this study, the Organic Regulations represent the first accounting legislation stating clearly the compulsory nature of accounting bookkeeping in public accounting representing therefore an important step in the early development of Romanian accounting (Calu, 2005: 57; Ionașcu, 1997: 176; Dobroțeanu, 2005: 283). This offers the clear context of the first accounting publications in Romanian which are timed exactly after the Organic Regulations and therefore explaining the need to enrich and accelerate the local accounting culture.

In Wallachia, the above mentioned 1844 and 1845 accounting translations from French of Dimitrie Iarcu (Iarcu) are considered the first accounting books. Taking into consideration Iarcu's other accounting books one could easily say that he is considered to be the first contributor to the spreading of accounting in Wallachia, describing the technique of double entry bookkeeping and what it means for accounting (Demetrescu, 1972: 298).

The 1848 Revolution marks an important moment for the agrarian reforms due to the peasant and town inhabitants' determination in their fight for the social programme of the revolution. This determination has worried the boiers, but foremost the suzerain Ottoman court and the protectionist Russian court. They acknowledged that something had to be done and therefore it was translated into the creation of two committees of boieri in both Principalities which were tasked with the revision of the two Organic Regulations. The results of these revisions made their way into the text of the agrarian reform from 1851. One of the most important stipulation of this reform was the right of relocation that was gained by the peasants from the two Principalities. The freedom of moving from one property to another in search of economic prosperity was also one of the main problems of the regulation period, taking to the extreme the social contradictions because of the right of the owners of the land to banish any undesirable peasants. In Moldavia this

meant the relocation of entire villages from, especially after 1859 when this was a way of depriving large numbers of clăcași from getting ownership of the land.

This continuous attempt of the land owners, in Transylvania and Banat but also the Principalities, to transform their estates into fully controlled property has generated social conflicts which could not be resolved through conciliation, but through regulation coming from higher up empires, administrative institutions or the Lord.

The main result of the changes in this sector, from the transition period up to 1864, is that the agriculture gets a commercial nature which consists in the birth of a mass interest in this occupation, which, besides those directly involved in its destinies, namely clăcași, owners and renters, it also attracted agents like the newly forming category of merchants and "bankers". This "new" type of agriculture, with a commercial purpose has caused the birth and the amplifying of the mentality of owner both for the owner of the estate and for clăcași.

This entire change process is culminating with the agrarian reform from 1864 which releases the properties and working relationships from servitude and the conditioning of the past.

The revisions of the Organic regulations which represented clear steps towards modernisation also meant the beginning of major social changes. Besides the modernisation of the agriculture, and the development of the industry, it meant also the creation of new transportation routes between Moldavia and Wallachia. The Romanian unitary monetary system and the Romanian currency were created in 1868, and in 1880 the National Bank of Romania was founded.

The economist D.P. Marțian made the following statement in 1860: "we need 2-3 economic schools and a commercial academy" (in Radu, 1995, p. 12). This clear need has materialised in the second half of the 19th century, with commerce schools being established, where students learned for 5 years accounting, economics, and finance. In 1887, the Code of Commerce imposed the use of accounting books, making the existence of accounting theoretical and practical knowledge a valuable asset.

6.3. BORROWINGS FROM OUTSIDE

After a period of acknowledging and adapting foreign sources, the role of Romanian authors in adapting the accounting knowledge to the specificities of the country, and in bringing original contributions, increased. The first original Romanian accounting book is considered to be “Contabilitatea în partidă dublă” (en. Double-entry bookkeeping and accounting) written by Theodor Ștefănescu and published in 1873 in Bucharest (Ionașcu, 1997; CECCAR, 2006) and printed in subsequent 7 editions. The author presents “with high competence” “foreign and personal theories” (Demetrescu, 1972, p. 285). He was inspired by the works of L. Toussaint (CECCAR, 2006: 17). His merits are to combine theoretical with mainly practical aspects of accounting and to discuss accounting as art and as science (Calu, 2005, p. 61). In the 1908 edition, he notes that: “In Romania, even if the necessity of accounting was recognized after 1854, it was used in isolation and following various methods, for two reasons: the lack of specialized schools and the lack of appreciation for this science by those called to administrate private or public houses” (Ștefănescu, 1908, p. 5). He is also aware of, and highly prizes the distinction between, an accountant and a bookkeeper: “The title of accountant is totally antonymous to that of bookkeeper. In order to be an accountant in the sense of competence, economic, financial and legal competencies are required.” (Ștefănescu, 1908, p. 11).

Constantin Petrescu, a follower of Ștefănescu, heavily influenced by the Italian accounting literature introduced the concept of “azienda” in the Romanian literature, in his book published in 1901 (Drăgănescu-Brateș, 1941, p. 22). He also tried to position the accounting in relationship with the management function of economic entities (Calu, 2005, p. 62), but criticised some of the arguments of Gitti and Massa, developing on those grounds some solid original arguments (Rusu *et al.*, 1991, p. 238). In the same year, I.C. Panțu deals in his book with the issue of preparers and users, showing that the majority of those interested in accounting are concerned with form and not with substance (Rusu *et al.*, 1991: 236).

According to Rusu *et al.* (1991, p. 235) “The work of Th. Ștefănescu and C. Petrescu is under the influence of the French and Italian accounting literature. The German thinking and literature are the main influences on the works of I.C. Panțu and I. Lepădatu being the catalyst for a valuable thinking of that period (Rusu, 1991, p. 239).

After the World War I, the modernization of agriculture and the agrarian relations in Romania represented the strength of the country's economic recovery programme. The 1921 Agrarian Reform radically changed the ownership structure of the land, with Romania becoming a country of small landowners. However, without a concrete knowledge of the agricultural inventory and without capital, the peasants owning land could not fully reinvigorate Romania's agriculture, with the pre-war cereal production levels being reached only in 1929.

The 20's were also witnessing a heated debate around the industry and industrialization. The Liberals, adopting the slogan "through ourselves", promoted the line of industrialization through internal means, and the National-Peasant Party opted for the "open gates" policy that favoured the attraction of foreign capital (English, French, American) into the economy. Thanks to its own efforts, Romania reached a high rate of industrialization and created a rapidly expanding rail network (also with the help incorporation of the Austro-Hungarian owned rail properties in Transylvania). However, the Romanian currency (the leu), which had been en par with the French franc in 1916 depreciated substantially, losing its former importance in the international monetary system.

With this development of the Romanian economy, which reached its peak between 1933 and 1939 (Dobroțeanu, 2005: 288), the accounting sees an increasing role in the everyday life. the prior knowledge accumulation and the economic development advanced accounting research and practice. In accounting research, this is a period of refinements, personal contributions, and scientific debates.

In 1908, the first Romanian accounting journal was created – General Journal of Commerce and Accounting (ro. Revista Generală de Comerț și Contabilitate); in 1913 the Academy of High Commercial and Industrial Studies (ro. Academia de

Inalte Studii Comerciale și Industriale) was established in Bucharest, while the Body of Chartered Certified accountants and Authorized accountants of Romania (ro. Corpul Contabililor Autorizați și Experți) was founded in 1921.

Rusu *et al.* (1991, p. 235) show that “Romanian researchers noticed that in other countries accounting as a scientific essence has a foundation, a system of thinking and an appropriate vocabulary. The Romanian accounting literature progressed astonishingly fast.” Two major issues were discussed during that period: the role and the scientific character of accounting, and accounting regulation. These discussions may be placed, as regards the topic and arguments, within the international context of that time (Ionașcu, 1997, p. 179).

It seems Romanian authors and the Romanian accountancy profession at large were highly regarded on the international scene in the 1920s and 1930s (CECCAR, 2006). For example, at the 1926 International accounting congress the organization of the Romanian professional body was praised by participants. Bucharest even hosted the 1931 edition of the same congress (Lemarchand *et al.*, 2008). Also, requests were made in 1937 by the Herwood and Herwood Publishing House to Petru Drăgănescu-Brateș (Drăgănescu-Brateș, 1941, p. 50) to send references of Romanian papers published before 1900 (unfortunately, as Drăgănescu-Brateș recognizes himself, he never sent out those data, thus Romania is absent from the actual catalogue published in 1938).

6.4. ENCIRCLEMENT OF ACCOUNTING BY THE OUTSIDE

The second and third stage are often regarded as overlapping. The reason for this is that while the local accounting was borrowing elements from the outside (from other accounting systems) in order to keep up with the pace of modernisation, it was at the same time being pushed by the requirements of other disciplines and the increasing internal and external demands. What is it meant by “the encirclement of the accounting by the outside”? It is indeed what is meant by the military term, the action of being surrounded or formed a circle around (Dictionary, O.E., 2008).

Therefore, when looking at the encirclement by the outside one cannot just look at the internal and external encirclements separately.

In 1928, saw the publishing of the original book authored by Spiridon Iacobescu and Alexandru Sorescu, which addressed the issue of developing a juridical-economic theory for the first time in the Romanian literature with the purpose of justifying the scientific character of accounting (Demetrescu, 1972, p. 321). Given their contribution, Demetrescu considers that:

This book is an expression of Romanian accounting thinking, and its authors may be considered the founders of a Romanian accounting school, the patrimonialist school. (Demetrescu, 1972, p. 286)

In 1940, Ion Evian criticizes the intrusion of legal matters in accounting, showing that the theory of Iacobescu and Sorescu is “eminently juridical and to a small extent economical” (Evian, 1940, p. 62 cited in Ionașcu, 1997, p. 181) and he advances the economic theory of accounting. In his book entitled *Teoriile conturilor* [en. Theories of accounts] (1940), Evian is the first Romanian author to show that an accounting theory is needed in order to consider accounting as science (Ionașcu, 1997, p. 181) and refutes the scientific nature of accounting, being inspired by the works of the German author Nicklisch. He considers accounting as a technique in the business economic field. In response to the criticisms of Evian, Iacobescu publishes in 1942 “Probleme de filosofie contabilă” [en. Issues in accounting philosophy], which may be considered “the first Romanian book treating accounting epistemology” (Ionașcu, 1997, p. 183). Unlike Evian, Iacobescu considers that “accounting is only recording administrative exchanges, with patrimonial influence. It does not account for economical exchanges, but patrimonial exchanges” (Iacobescu, 1942, cited in Ionașcu, 1997, p. 184). Also, Iacobescu considers accounting as a “science with applications and art” (Ionașcu, 1997, p. 185).

The dispute between the economic and juridical views on accounting and its scientific statute characterizes the 1940s. Other authors advance arguments for one theory or the other. For example, based on the divergences between Iacobescu and

Evian, Voina (1944) abandons the patrimony as the object of accounting and considers accounting an independent discipline (Rusu *et al.*, 1991, p. 247). He publishes in the 1947 “*Tratat de contabilitate generală*” (en. Treatise of General Accounting) which is, “given its elegant and academic style, the systematization of the chapters and its original contributions in the first place, a monument of Romanian thinking” (Rusu *et al.*, 1991, p. 257).

One of the important themes under intense debate in the Romanian accounting literature of that time is the regulation of accounting, demonstrating that Romanian authors were well aware of the advances of this domain in other countries. A law issued in 1927 demanded state-owned entities (and later in 1934, also banks) to prepare balance sheet statements and profit and loss statements based on an approved layout.

Accounting theory influenced also the way of regulation (Ionașcu, 1997, p. 190). Iacobescu insisted on such a design of the Chart of Accounts that it could then be adjusted by branches of industry into one suitable for their own purposes; no interference was intended in companies’ cost accounting; the layout of the balance sheet and of the profit and loss statement was to be personalized by branch of industry. Evian intended to design a layout of the financial statements common for all industries, inspired by Schmalenbach’s plan, in who’s view management accounts were also to be included in the financial statements (Ionașcu, 199, pp. 180-191). The aforementioned debates took place during the plenary of the Commission for accounting regulation established within the Ministry of the Coordination in 1941. We may notice that even then accounting regulation was made by the Ministry of Finance, but with a strong orientation towards the chart of accounts (as developed by Schmalenbach).

Determinants	Main accounting authors	Foreign influence on the formation of Romanian accounting doctrine
Transylvania: National and economic emancipation of Romanians: – establishment of the National School in the Romanian Chapel in Brasov Fortress (1834), which included a preparatory class of commerce (1837); - reorganization of the Commercial School in Brasov (after 1868, the only Romanian school of its kind in Transylvania and Banat).	- Translation from a German-speaking Austrian author: Nichifor (1837); - Pantu (1907).	The emergence of Romanian accounting literature (Nichifor 1837) was made by means of imports from the German one; however, Pantu (1907) introduced, alongside accounting authors from the German -speaking area, the conceptions of authors belonging to the French school of accounting thought.
Danubian Principalities: - Westernization of Romanian society: commercial codification (1840) by importing the French Commercial Code (1807).	- Translations from French accounting authors (Urzescu 1840); Iarcu (1844-1845).	- French accounting doctrine.
- National Unity (1859) and the founding of the modern Romanian state: the education reform and the emergence of state commercial schools in the secondary level of education, in Galati and Bucharest (1864), Ploiesti (1874), Iasi (1880), Craiova (1877).	- Toussaint (1865; 1876) - Stefanescu (1874; 1902) - Eliade (1875) - Z. St. Petrescu (1897) - Crainic (1900) - Petrescu (1901; 1901a) - Voiculescu (1912) - Trancu-Iasi (1913)	Toussaint (1865; 1876), Stefanescu (1874; 1902), Crainic (1900) and Voiculescu (1912) were influenced by French accounting literature . By content, the works of Eliade (1875) and Z. St. Petrescu (1897) were also influenced by French accounting literature . Petrescu (1901; 1901a) and Trancu-Iasi (1913) were influenced both by Italian and French accounting literature .

Table 3. The formation of the early Romanian accounting doctrine,

Source: Ionaşcu (2015), p. 106.

Until 1950, the Romanian economy knew an important development, but with some imperfections such as corruption, external influences, the need for economic reforms and laws. The accounting profession had a short history and the accounting regulation was a plan never finalized under the intended conditions. Accounting in this period is characterized by significant developments, from adaptation of foreign practices to debating accounting's role and nature. Dobroţeanu highlights the fact that:

The development of accounting depended, to a large extent, upon the economic development ... as the capitalist society developed and matured, we have witnessed an explosion of accounting research, which culminated during the 1930s and 1940s, a period of full economic development. (Dobroţeanu, 2005, p. 289)

Even if some authors (such as Ionaşcu, 1997, Calu, 2005 and Dobroţeanu, 2005) distinguish between a period of adaptation of the best international practices (prior

to 1900) and a period of maturation of the Romanian accounting thought or the time of controversies (after 1900), we consider that this evolution is based on internal necessities and development, is characterized by collective consensus and is the result of the continuous changes in the environment, without external shocks or intrusions.

6.5. COUNTERFACTUALS IN THE PROCESS OF ACCOUNTING CHANGE

This section is effectively an analysis of the elements presented in this chapter. This is necessary because of the complexity that stems from the information introduced in this chapter. Moreover, there is also the need of a linking of the military-socio-economic factors with the accounting periodisation and the eight modes of existence.

When looking at events from a counterfactual perspective, one asks “what if” type questions. Often the issue with other types of approaches is the difficulty of testing the veracity of the importance of organisations, groups or certain figures in those groups, in the processes of change under study. This is why counterfactuals will add an additional layer of analysis for this study. More specifically, I am trying to determine a node or a crucial event where what happened could have been different. Here the counterfactual explores what might have been the outcome if things would have been different in relation to how things actually turned out.

As it can be seen from subchapter 6.1., there were particularities exhibited by the Romanian history starting from the early 19th century. One of these particularities was the fact that the military-socio-economic context was best described as a web of influences colliding in this particular geographical space. The decisions during that time were taken often by external actors and imposed on the local authorities and people. But does that mean that the Romanian institutions and people had nothing to say in this matter? I will have a closer look at this particular question in the following paragraphs and afterwards I will look at the effects Romania’s particular situation had on the evolution of the accounting.

According to Galinsky and Kray, complex decisions in various fields such as the military, economics or legal are being in fact taken by groups rather than individuals (Galinsky and Kray, 2004, p. 3). What matters then in such groups is the dissemination of information between the members in order for the group to take the best possible decision. But more often that does not happen as the decision-making process is “biased in the direction of information that is commonly shared among group members, leading to a potential failure of collective intelligence” (Galinsky and Kray, 2004, p. 4). An important question is then what does happen when the pressure exercised on the decision-making groups comes from the outside? Is the process of change initially intended by and for the internal decision makers shifted entirely in the direction of the external parties?

This case can be best expressed by looking at the Romanian principalities in the 18th and 19th centuries. As aforementioned, the autonomy of the two Danubian Principalities, Walachia and Moldavia, was non-existent for almost 200 years. The Ottoman and then Russian meddling in the internal policies of the two Principalities has transformed their decision-making process into a farce, every decision being dictated by the two politico-military powers. While the boieri were complacent with this status-quo, that was not the case at lower levels of the society (the peasants) where the oppressive burden was far more accentuated. That gave rise at multiple stages of the first half of the 19th century to major social riots.

Therefore, at times the information dissemination process was disrupted and the Romanian internal decision-makers were left in the dark as to what these decisions meant on the long term. That is not to say though that all decisions taken by the Ottoman and Russian empires were bad. There were legislative measures taken which did have positive effects in socio-economic matters. But these decisions were often taken after social riots in which people made it clear that they will not accept anymore the existing conditions. Such decisions did lead to the slow and gradual development of the economy from a rudimentary agricultural economy to one that adopted more modern means of production. That in itself led to an increasing requirement for better ways to manage the information and the process of gathering the information.

One can answer the previous questions by reducing the magnitude of this process to accounting setting level. And the focus in this case is on the first cycle of changes in the Romanian accounting. Specifically, the accounting information for decision-making processes during that period. But due to the fact that at the beginning of the 19th century Romania had no established accounting it was difficult to manage the developing and changing economy with rudimentary means of addressing estates management and informational needs.

With the use of counterfactuals and causality/inference I will look into the influences exercised by external nations and internal institutions, as well as into influences from individuals in the decision-making process. Thus, I am assuming here that there is a connection between counterfactuals and causalities. Ginsberg (1986, p. 38) lays out such an example of relation between counterfactual and causality of the form “if p, then q”, implicitly stating that p is one of the causes for q happening. Returning to the previous mentioned influences, although I am looking at them in the context of that particular period, this study will be limited to accounting regulation and accounting practice changes. In order to be able to do that I will employ two methods used in the case of counterfactuals studies. The first one is represented by the setting of two well defined causal states, two states that would offer the choice to all the interested parties to adhere to (Morgan and Winship, 2015, p. 31). The second method is the classical “what if” type of counterfactual used in historiography which is trying to evaluate the solidity of an explanation provided for a historical outcome. Both counterfactual methods are in line with the causality assumption mentioned above although this might not be always the case, if taking into consideration particularities of each counterfactual at points in time. For the purpose of this research, a simplification is needed, and therefore will not take into consideration the opposite condition of the cases expressed.

Following the two types of counterfactual arguments, I am choosing two particular points from the 19th century.

The first historical point is considered as that of the influence of the new organisation as a state after the two Danubian Principalities united in 1859 on the economic modernisation, the two causal states are as follows. The first causal state is represented by the push from the new State for the industrial revolution as a cause for development of the accounting on all of its aspects, while the second state, at a quick glance could be defined as the lack of adoption of the industrial revolution if the unification of the two Principalities. The alternative state though, or treatment as Morgan and Winship (2015, p. 31) refers to, is in reality certainly more complex and less straightforward compared to situations when one can narrow down the line of the causality of a clearly definable situation (if the first option is not true, then it is clearly the alternative). In the case of the adoption of the industrial revolution, due to the fact that it is an economic-political process and considering also the socioeconomic dimension added to it, there is no well-defined causal state. It is not as much about defining the particular components of the alternative, but more about how well this alternative can be defined as a whole (Morgan and Winship, 2015, p. 32).

If not for the social unrest in the 19th century, the status quo would have not changed and therefore the change in the accounting system would have been delayed or even shifted in another direction completely. One cannot say with certainty though that the change would have not happened at all given the conditions of the time. But the status quo showed that no “actor” had enough power to push for major changes before the second half of the 19th century, changes that could have been accepted willingly by the general population.

I am taking this argument a step further though and ask what if the “modernisation” of the economy did not happen the way it did? What would have been the outcome and how different it would have been? One side of the argument is that the modernisation was demanded by parts of the society but instead of being a straight forward process, it took turns and twists due to conflict of interests, as it could be seen in the first section of this chapter. The main facilitators of change have been either nation-states (such as Russia and the Ottoman Empire) or important Romanian historical figures such as Alexandru Ioan Cuza or King Carol I. During

the period of the first cycle taken as a basis for the analysis, there is no apparent clarity in the evolution in one direction or another in terms of influences, being a back and forth movement, from foreign nations being in charge of the decisions, to various political figures or the Romanian governments or Romanian rulers (often voivodes or kings). But one of the circumstances that did shift the modernisation forward was the unification from 1859 when the new founded State had acquired the power and the legitimacy to start making major changes in the economy and therefore in the social life.

The accounting has changed accordingly to the requirements of the economic development, but it was clearly influenced by the existing societal and economic barriers. A heavily agricultural society, with the majority of the workforce being tied in a way or another to the land they were working, including after the reforms that took place after the second half of the 19th century, Romania was exhibiting all the expected signs of slow development of the accounting. That is, a slow process of change both theoretically and professionally being accelerated slightly by the introduction of the industrial elements after 1859. Out of the 4 million inhabitants in the Old Kingdom (the two Danubian Principalities) in 1860, a mere 6% worked in industry and over 80% were involved in agriculture, whereas in England for example, during the same period the number was around 49% (Axentiuc, 1997, pp. 15-40). There were clear reasons for this state of severe delay according to the same author (Axentiuc, 1997, pp. 77-78). These reasons were the semi isolation of the South Eastern European space from the Western trade routes; the frequent wars waged on the territories of the two Danubian Principalities, both in the 18th and 19th centuries; a particular Balkan mentality which was influenced by the Phanariot regimes, describing a corrupt society, with a weak institutional structure (characterised by long periods of instability and institutional discontinuity).

The particular evolution of spaces often described as “lacking behind”, such as the two Danubian Principalities, is characterised through a distinct evolution of both formal and informal institutional environment (Muresan and Muresan, 1998). The two types of institutions have been represented, for the informal ones by norms, rules determined by traditions and customs and for the formal ones, which were

instituted by the political elite under the pressure of the “irradiation” zones (The Ottomans, Russia, France, Austro-Hungarian Empire, Germany and their counterparts at different points in history). Therefore, the solution often chosen, that of adopting models of organisation from the so called “evolved” or “civilised” countries was considered the logical evolutionary step in the Romanian society, disregarding the potential failing in assimilation due to the discrepancy between then difficulty in adapting the old norms of the land to the new regulation environment.

It was the legitimacy of the state which was deeply inoculated into the general mentality of the Romanian people that allowed for the socio-economic evolution, through public investment and foreign capital. This is the

The lack of specialised schools that could train accountants according to the needs of this changing and modernising new society was highlighted in the developing economy after 1859 and was only addressed towards the end of the 19th century, after important regulatory changes and the adoption of a new constitution for the Romanian state in 1886.

The what if type of counterfactual argument takes into consideration the presence of a mix factors in the late 19th century and early 20th century, allowing for institutional changes and therefore for the flourishing of the accounting both in theory and practice. A major institution in Romania towards the end of the 19th century was that of the King. Therefore, the *what if* is represented by this particular institution missing and what it would have meant for the economy, the regulation process and ultimately for the accounting development.

The institution of a monarchy in Romania was in itself a disrupting force for the old political customs and in itself a power that helped in the modernisation of the country. The entire process could be described as a “burning” of normal stages of change. The main question therefore is, what if Carol I, the first King of Romania would have not been part of the process of shaping the Romanian society and

economy? The answer now looking back would be quite simple. Romania would have had an even slower rate of change, and it is uncertain whether the local political elites would have ever had the will to embrace the change.

The main characteristic of the King was the stability he brought in a society and economy which were under a constant state of flux. The fact that he was not Romanian posed problems initially but at the same time it did constitute a disruption in the old ways of which the new state could not get out of. The need for a more accelerated process of change was even more obvious for the foreign ruler. Therefore, the regulatory changes brought by the new royal institution were extremely important for the society, economy and ultimately for the accounting.

6.6. CONCLUSION

The analysis conducted in this chapter had a twofold aim. On one hand to present an account of the socio-political-military changes in the space of the three Romanian Principalities and part of the first cycle chosen for the analysis. On the other hand, the underlying foundation of this analysis is represented by the idea of modernisation. The MOE which are used in this section in order to summarise and enforce the analysis are [REP], [HAB], [POL], [ORG] and [NET].

From the social and political points of view, the 19th century in the three Romanian Principalities represents a mix of alterations in the lines of [REP]. It is a matter of persistence of the existing social customs, habits and mentalities which were the key factors for the maintenance of the status quo. But at the same time, these factors were also drivers for change, due to the political fight for self-determination of the lower classes, the desire for independence from the higher aristocracy and the desire for a better economic status overall.

It is modernisation or the desire for modernisation, even if articulated differently at that time that drives the changes in the 19th century and early 20th century. And the process of modernisation is extremely slow in a period of almost a hundred years

due to institutional automatism (bad habits as [HAB] defines them) and the constant idea of continuity being needed in order to preserve the cultural aspects and the national identity. As [HAB] operates at higher level, it is the archaic institutions or organisations [ORG] and the nation-states through politics [POL] that are the facilitators of most of the change in this first cycle. The networks of interests are less normative, unlike the way they are in the second cycle. These are constituted from a multitude of individuals based on common mentalities and interests (the peasants, the aristocracy, the merchants and so on).

The three recurring phases in the first cycle are very much following the political, economic and social evolution. It is, more than anything through [POL] and [ORG] that accounting is defined during this period. When and how the accounting changes happen are aspects at the “mercy” of political institutions and actors, albeit their hand is pushed many times by economic needs. Because the mode [POL] is perceived as a cycle itself, how can one disregard the political involvement when the society is struggling to make sense of a direction for the economy at turning points in time, when there are such substantial hiatuses as the ones identified in this chapter, breaking the continuity? That is the case of at least part of the current chapter, the need for an economic and financial (implicitly for a new accounting) system, some might call it “new”, some might call it “needed” or some might call it a move towards modernisation.

The political and economic changes have an impact on accounting, and the chapter has shown how a three-stage process of indigenous emergence, borrowings from outside and encirclement of account can be observed during the period prior to Communism. In section 6.2, the emerging indigenous accounting as the Principalities of Wallachia and Moldavia gain increasing independence from the Ottoman Empire is particularly appropriate for a rural and still semi-feudal society. As Romania gains independence not only from the Ottomans but also from Russia and becomes a sovereign nation, its accountants look to outside the country to “boot-strap” financial reporting practices, and section 6.3 discusses educational processes, such as schools and textbooks, that draw on practices in leading Western economies. In section 6.4, the third stage, encirclement, is discussed as an extension

of borrowing that can be distinguished by the extent to which the national financial reporting system (both theoretical and practical) has absorbed ideas from other countries. The specific development of “Great Romania” after World War I, particularly the union with Transylvania, provided significant international influences from German, French and Italian accounting traditions (in addition to indigenous factors and borrowings from Russia), as shown in Table 3 in this chapter. In the following two chapters, this three-stage model is investigated to ascertain whether the cyclical processes of accounting change discussed by Mumford (1979) and Nobes (1991) help us to understand the process in Romania.

CHAPTER 7. COERCIVE ACCOUNTING REGULATION AND PRACTICE BETWEEN 1947 AND 1989

7.1. THE NEW SOCIALIST IMPOSED “ORDER”

This chapter is by no means an attempt to write the history of the Communist period in Romania. This has been previously done in the English language by historians like Vladimir Tismăneanu (2003) on the nature of Romanian communism (the dynamics of Romania’s Leninist movement as Tismăneanu himself confesses), Ghiță Ionescu (1964, 1967) and Robert King (1980) on general historical aspects of the Romanian Communist Party (RCP) or Michael Safir (1981) on the socialist experience during the communist regime.

Based on the well-known ideas of Karl Marx helped by Friedrich Engels in the middle of the 19th century, the communist regime represented a mix of economic and social aspects (having two forms – Marxism and Marxism-Leninism) which, in theory, gave control and common ownership over the resources to all people. But in practice it led to a single autocratic authoritarian party with complete control over the politics and implicitly over the economy and society.

An interesting aspect, that is highlighted also by Tismăneanu, is the lack of any studies interested in examining “the historical and structural correlations between Romanian communism and post-communist developments in that country” (Tismăneanu, 2003, p. 14). And more so, since the historical correlations were not drawn clearly between these two periods for a long time (until 2003 at least), there has been no attempt to do that in terms of financial and accounting changes after 1989. The examination of these issues is only partially the purpose of this research due to time and scope constrictions but it will be tackled shortly in the following chapter nonetheless. These connections cannot be completely overlooked though, due to their important nature, which were also revealed during the data collection stage.

7.1.1. Short account of the emergence of the communist regime and ideology

The process through which the communists came to power in 1947 was a complex one and happened certainly in the context of World War II and the influence of Socialist Russia.

On the World stage, during World War II, the ideology went from internationalist and pacifist propaganda to patriotic propaganda. The anti-Nazi struggle was called "The Great Homeland Defence War". Having a "common" enemy in the Nazis led the Western powers to accept the Russian communist regime as a dialogue partner and ally in the war. This in turn brought out from hiding the communist parties in Europe during the war and granted them legitimacy after the end of the War.

At the same time the coming of the communists to power had already been sanctioned by the Western Powers. That is, Winston Churchill had granted the Soviets a zone of influence over the Balkans in exchange for the United Kingdom keeping its influence over Greece and therefore over the Mediterranean. Politically, Romania was pushed by the US and UK into capitulating without signing a separate deal with Russia.

As previously mentioned (in Chapter 6), the Romanian Communist Party (RCP) was an underground party for around 20 years since it was outlawed in 1924. The coup from 23 August 1944 which overthrew the pro-Nazi dictatorship of Ion Antonescu, brought into light the various RCP factions that existed at that time, which were increasingly vocal and calling for a "socialist revolution" (Tismăneanu, 2003, p. 86). With Russian troops already on Romanian territory by 1944 (equating to a direct occupation), the support for RCP was categorical and the party gained preponderance in the governing coalition formed on 23 August 1944. This coalition also included representatives of the democratic parties (Liberal and National Peasant) and was in fact ruled by career military officers. This government was succeeded on 6 December 1944 by the government led by General Nicolae Rădescu.

One of the main aspects of RCP in August 1944 was that it had only 80 members in Bucharest and around 1,000 in the rest of the country. But, in just three months, by October 1944 the number of members was between 5,000 and 6,000. This rose to 15,000 by February 1945 and to 42,653 by 23 April 1945 (Tismăneanu, 2003, p. 87) while the Communist Youth Union had 62,925 members.

On 28 February 1945 the Prime Minister Rădescu resigned. On 6 March 1945, under the pressure of the Soviet Russian forces and at the direction of Andrei Vyshinsky, the Soviet Deputy Foreign Minister, the first Communist government in the history of the country led by Petru Groza was installed in Romania. At this point it is obvious that the Communist Party was being used by Russia for reaching its objectives. Through a “radial system” having Moscow at its centre it also planned to get the “unconditional solidarity” of the countries under its influence (Tismăneanu, 2003, p. 88).

The legislation adopted by the Petru Groza government was based on the Communists' need to strengthen their position and the need to sideline all those who opposed their ascension. Thus, on 27 March, the purges in the army began, and two days later, the decree-law for the "cleaning up of the public administration" was published. As a consequence of this, the representatives of the old parties were replaced and their positions taken by government supporters. The punishment of those “guilty of the disaster of the country” was a primary point of the policy promoted by the Groza government., By deliberately leaving ambiguity in defining clearly who were the “guilty ones”, the government was able to apply its purge to the entire country.

On 30 December 1947, the communist authority led by Gheorge Gheorghiu Dej and Petru Groza forced King Michael I to abdicate. The King was threatened with death and with the execution of a large number of political prisoners who had been incarcerated between the years 1945 and 1946. The King was allowed to leave the country with his mother and a few close relatives. On the same day, the communist authorities proclaimed the state as the Romanian People's Republic. Thus, the

communists removed the Monarchy, the last reminder of the democratic regime, which until that point had been the guarantor of the constitution.

7.1.2. Particularities of communism in Romania and the Communist Economic System

According to Tismăneanu, the Romanian communist party members had a rather limited “theoretical imagination” compared to their European counterparts (Tismăneanu, 2003, p. 64). Some of the early Romanian communist leaders like Lucrețiu Pătrășcanu and Eugen Rozvan had none of the knowledge of western communists, such as the French Marxist Georges Politzer, the Hungarian György Lukács or the Italian Antonio Gramsci. The founding ideas of the party were based on an aversion towards intellectuals who were perceived as “troublemakers whose taste for abstraction prevented the party from acting resolutely” (Tismăneanu, 2003, p. 64). While the early RCP was based on “ruinous factionalism, pathological suspiciousness, and an unsparing struggle for power” (Tismăneanu, 2003, p. 65), Nicolae Ceaușescu himself recognised later the danger of extinction posed by this ideology of the RCP.

Ceaușescu himself was taught the communist ideology by graduates of the Leninist Comintern School in Moscow but also while he was imprisoned during 1936-38 and then in 1940. The prisons were prolific recruitment grounds for the true working-class men and women who later became the leaders of the RCP. For example, Gheorge Gheorghiu Dej who was General Secretary of the RCP until 1965, was the leader of the communist group in Doftana prison, where he participated in the indoctrination of Ceaușescu.

The Communist regime in Romania was a totalitarian regime and consequently had all the traits one would expect of this type of political and social organization: antidemocratic, anti-capitalist, anti-modern, based on terror, anti-egalitarian and aggressive and having the cult of the ruler.

In its evolution, the communist regime in Romania had two stages: the stage of the Stalinist regime (between 1947 and 1965) and that of the national-communist one (1965-1989). In Romania the communist regime was a true copy of the Soviet Union's state and type of society. In fact, the communist regime achieved a sovietisation of the entire Romanian society. In some situations, this was in fact a russification.

A characteristic feature of all the communist governments was that repressive institutions were created following the Soviet model: Securitate (political police), militia (the force of taxation and defence of public order), justice (judges and prosecutors) and the army, together with work camps.

The shift in the political and social setting also meant a shift in the economic setting. In theory, when referring to a socialist type of economy, the decisions were to be taken by the people as a whole, in other words, the "people's democracy". That was only idealistic, as in practice the decisions fell into the hands of autocratic rulers, creating therefore "state-driven authoritarian economies". The main purpose of these economies was to serve the political elite of the single socialist party, who were not accountable to the wider community.

Following the Soviet model from 1947 meant the sovietisation of society, economy and culture on the principle of class struggle, combined with institutionalised surveillance, nationalization and collectivization, and the phenomenon of Russification. This meant following the Russian culture and teaching Russian as the only foreign language.

This total subordination was achieved by the presence of Soviet councillors in all the ministries, reinforced by Soviet occupation through the Red Army, which was perceived as an allied army until 1958 when the Red Army withdrew following an agreement between Dej and Khrushchev. Another particularity was Sovromurile, which were mixed Romanian-Soviet societies, through which Romania was economically exploited in order to cover war reparations towards Russia. These societies were abolished in 1955 and 1956, after Romania's debt was paid.

The country was ruled through institutions of terror and repression - security (political police), militia (police replace), justice and the army. There was a continuous power struggle at party leadership level. In 1948, the removal of Lucrețiu Patrașcan, arrested for “nationalist deviation”, was actually due to his being an intellectual of high moral stature and therefore eclipsing the other leaders. In 1954, Patrașcan was tried and sentenced to death because Dej was afraid that he would be rehabilitated and replace Dej. In 1952, the most powerful rival group, Ana Pauker, T. Georgescu and V. Luca, was removed from office, with Georgescu and Luca being imprisoned. In 1957 a third group, that of Joseph Chisinevski and Miron Constantinescu, was arrested for the same reasons.

There was a change in the attitude towards the Soviet Union after 1960, which emerged in the context of the attempt to promote a new attitude of autonomy for the equality of communist regimes around the world. The P.M.R. declaration in 1964 (The Declaration of Independence of the Romanian Workers' Party) set out the principles of equality and the idea of pursuing its own path in the structure of the communist regime. Without this declaration, Ceaușescu would not have been able to apply his own policies after 1965.

This deviation from the previous ideology had a major effect on the direction followed by the country. First of all, the Romanian Communists rejected E. B. Valev's plan for economic integration of the cross-border communist world. Secondly, there was a drift away from the primacy of the Russian language. Three other foreign languages (English, French and German) were introduced and the Romanian-Russian Museum was abolished.

From 1965, the national-communist regime began to incorporate ideas of ethnic nationalism alongside those of Stalinism. Ethnic nationalism and Stalinism are incompatible, but they began to be combined after 1953 when communist leaders wanted to move away from USSR by focusing on ethnic nationality to gain their own authority. With this ideology comes the idea of the superiority of the Romanian nation, but not in the extreme forms of the Nazi regime. This is a superiority to the Western world and other ethnic minorities, through claims about superiority in

Romanian history as part of world history and about the contribution of Romanian culture to the universal culture of the world. The cult of Nicolae Ceaușescu's personality was based on this idea and he was regarded as the summation of Romanian values and culture. Seen from a political point of view, the purpose of this cult was to create a benevolent popular sympathy towards the ruler.

Ceaușescu's struggles to grab power started from the time of Gheorghiu Dej (before 1965). Ceaușescu was the political chief in the army, a role that gave him access to the main members of the party, which allowed him to build a supportive network. After Dej's death, Ceaușescu was chosen as the successor, because he appeared to party leaders to be the easiest person to manipulate. After becoming Secretary General, Ceaușescu began to limit Dej's legacy, changing the name of the party to the Communist Party of Romania and creating the Socialist Republic of Romania. Between 1965 and 1974, he removed most of Dej's supporters. In 1968, Ceaușescu expelled his rival Alexandru Draghici and assassinated Lucrețiu Patrășcan. During 1970-1971, he eliminated from office Alexandru Bârlădeanu and Ion Iliescu. In 1974, the last major leader, Ion Gh. Maurer, was persuaded by Ceaușescu to retire, and now all Dej's old guard was either on Ceaușescu's side or sent out of the country on diplomatic missions. Ceaușescu readopted the tough line of control in the name of the "true" Communist ideology, Stalinism, in 1971. The prohibition of cultural works from the West began, with censorship being undertaken by the State Committee on Culture. Ceaușescu invented for himself the position of President of the State.

The regime has become more relaxed though since 1964, political prisoners were released by successive decrees of amnesty. In August 1964, the last 10,000 political prisoners in Romania were released. Most received state pensions and some have been even reinstated in their old jobs, including in universities and research institutes.

The economic policy continued to focus on industrialization, but, alongside heavy industry and machine constructions, greater attention was paid to the food and consumer goods industry (clothing, footwear, electro-household articles and so on).

The compulsory directions in the eyes of the communists of the industrialization process were electrification, complex mechanization, automation of production, chemistry, growth and development of the machine building industry. Following this, the Romanian industry has been allocated considerable funds. Productive capacities have been created in all counties, almost all the localities of the country have been electrified, large industrial sites have been built and new branches and economic sub-branches emerged.

Later, when talking about an authentic political and economic reform, Nicolae Ceaușescu invoked the decisions of the Ninth Congress of RCP in July 1965, which established the principles of collective leadership, a broad consultation of party members and citizens in general. But he failed to mention that these principles were abandoned only two years after the merging of party and state functions. In 1967 RCP decided to increase the powers and competencies of the basic units of the economy in the planning, organization and management of economic activities. But this was again abandoned, reaching towards the mid 1970s and the 1980s at an excessive, much more drastic centralism than it had in 1967.

At the end of 1970s and beginning of the 1980s the communist regime was facing several external challenges. On one hand, the rise in interest rates on loans from the International Monetary Fund (IMF) and the World Bank. On the other hand, the use of finances as levers by the Western states led by the US to exert pressure on the Bucharest regime, demanding respect for it of human rights in Romania. These external pressures led Nicolae Ceaușescu to decide in 1980 to pay as quickly off, as possible, the foreign debt contracted over the years by the Romanian state. This policy led though to the draining and impoverishment of the national economy, with extremely serious social consequences (famine, rations for electricity and banning the cars from the roads in certain days among others).

7.2. WHY WAS THE ACCOUNTING AFFECTED AND HOW DID IT CHANGE THE STATUS QUO FROM BEFORE 1947?

Right after the act of nationalization of the main means of industrial production, banking, mining, insurance and transport (in 11 June 1948), the Romanian Communist Party elaborated the economic leadership strategy considered to be scientific. The first annual state plans were those of the years 1949 and 1950. Other plans developed at the same time were the 10-year electrification plan, the first five-year plan, and the directives of the Seventh Congress of the RCP. These played a crucial role for the development and consolidation of the centralised economy under the guidance of the national governments from 1956-1960.

7.2.1. The effects of the coercive nature of Communism on accounting

The act of nationalization, the creation of the socialist sector of the economy, also meant the beginning a new stage in the organization and management of records. The party's initiative was set the basis of a new concept of organizing the evidence, namely the normative accounting, on the basis of which unitary registration rules were developed to record economic and financial phenomena.

With the transition to economic leadership, accounting was organized in this way so as to reflect not only the achievements but also the situation with regard to the plan. This also contributed to the elaboration of unitary planning, and reporting rules, which allowed analyses and studies to be made on the basis of comparable data, the conclusions drawn by allowing the setting of directions of action to track activity in all sectors.

Formation of the socialist sector of the national economy, parallel to the creation of transition conditions on the basis of the economic plan, led to the introduction of

standardized accounting for economic units starting in 1949. This moment was necessary to ensure tracking the execution of all sections of the plan and at the same time maintaining the integrity of public administration and control over managing funds made available to economic units. Introducing standardized accounting as an integral part of the planned management of the economy was achieved by applying the first unitary account plans and schemes for balances to the branches of the national economy and by setting accounting rules for economic and financial operations.

7.2.2. Command Planned Economy and the keeping of the records

The experience gained after the introduction of standardized accounting demonstrated the need for instruments to be used by accounting personnel, to ensure the systematic recording of economic operations, and the interpretation and analysis of economic and financial results obtained by enterprises, both central and other socialist units.

In this respect, the accounting apparatus in the economy, with effect from 1 January 1971, had new regulations on organization and leadership, which were elaborated in a simplified and unitary form of accounting in economic and budgetary units. The normative acts in the field of accounting were H.C.M. no. 1.885 / 1970 on the organization and management of accounting, attributions and responsibilities of the manager of the financial-accounting department, and the Methodological Norms concerning accounting for economic units approved by O.M.F. no. 595/1970. These regulations concentrated, in a simplified manner, all accounting provisions occurring during the period 1948-1970 and dispersed in numerous regulations, circulars, instructions, etc. These normative acts ensured the adaptation of the accounting requirements to the new organizational structures created in the economy. They reflected the regulations on the line of application of leadership and economic planning methods, such as planning, distribution and return of benefits, financing and crediting of investments, financing circulating means, housekeeping and cashing etc.

7.2.3. The accounting system as a means of “control”

In a speech on 6 March 1972, Nicolae Ceaușescu stressed that for good leadership it is necessary to have good systematic control and good evidence. He was in fact referring to all three forms of economic evidence, that is, operative evidence, accounting evidence and statistical evidence.

Under the conditions of super-concentrated production, operative leadership was based on the collaboration of all the actors in the enterprise in the development of well-founded decisions. For their substantiation, information and data recorded in primary documents and records was used. But the abuse of documents was damaging both in terms of the operability of the information provided, as well as the cost of producing the documents. That is why the improvement of the economic information system and, above all, the necessity of the economic evidence meant the rationalization and simplification of existing way of keeping the financial records.

In the years of socialism, in Romania were distinguished several stages in which measures had to be taken to rationalize and simplify these specific primary documents and records. Thus, in 1959 a series of new or adapted layouts were introduced instead of the old ones, especially in the financial accounting field. Between the years 1967-1968, the Department of Accountancy and Accountancy Payments of the Ministry of Finance coordinated, guided and conducted a substantive rationalization action, which required the reviewing of all financial and accounting forms. For this purpose, data collection took place in 150 companies from different economic branches, analysing all the 106 accounting forms used in practice, their frequency, use, causes and the possibilities of simplification and improvement (CECCAR, 2011). The measures taken under this action expanded the number of standard forms that could be used by all businesses to the detriment of the non-standard ones, the content and structure of those in use improved, establishing a maximum format fit and an “optimal circuit”. At that time some documents were conceived in such a way as to allow easier data collection under the use of mechanized means available (Marinescu, 1969).

The most extensive rationalization of documents was initiated as a result of the Central Committee of the RCP from April 1972. A Governmental Commission was established for rationalizing the record system across the economy, making all efforts to rationalize and simplify documents. This was a stage in the implementation of the system improvement program for economic and social information. A great number of specialists were involved in this action, capitalizing on their accumulated experience, which led to numerous proposals for this purpose. The results achieved demonstrated a 30 to 80% reduction of documents and forms in circulation, and the possibility of redesigning some forms and replacing other forms, maintaining or even increasing the amount of information, while allowing for a considerable reduction in the time required for completing forms. Rationalization and simplification of documents, as well as the entire economic evidence, was correlated with the rationalization of the organizational structures in the economy, which ensured the necessary conditions for the rational use of material and human resources.

Another means of control was the Chart of accounts général (Rom. Plan de conturi). The first chart of accounts used in the standardized accounting was applied from 1 January 1949, for industrial enterprises. It consisted of 23 groups of accounts, symbolized with two digits. Consideration was given to the economic content of the accounts, as well as their function, establishing an organic link between the data to be provided and the state plan indicators. All material values were reflected in actual costs (prices). In 1951 and 1958 new chart of accounts were introduced, the purpose of the 1958 one being the alignment of the industry plan with those of all the other branches of the economy.

In the period between 1960-1965, the process of normalising the accounting was deepened through the elaboration of the analytical plans of accounts. The purpose was that of tracking, in detail, of the technique and the branches of the accounting records, and the achievement of a unitary methodology regarding the reflection of the economic means, the processes and their sources.

The year 1971 was a milestone that brought profound changes to the chart of accounts. From a methodological point of view, this stage aimed to achieve three major objectives: homogenization of the content and function of the accounts, the systematization of their grouping in a unitary structure and coding their structure through a symbol-based system decimal classification. For this purpose, the overall framework was composed out of chart of accounts for economic organizations, conceived as the main instrument of rationalization of accounting, new chart of accounts for each business branch and implementing rules for each updated or improved chart of accounts.

In terms of the financial reporting, the Balance Sheet was considered the main component. The Balance Sheet of the socialist enterprises was based on a methodology for the creation and grouping of positions, appropriate to the goal pursued, i.e. the analysis of the economic activity of the socialist enterprise. Secondly, the balance sheet of the socialist-led enterprises based on the chart of accounts had a unitary character, named back then “Log-Order” (Rom. Jurnal-Order). This made theoretically possible the reflection of the situations of the economic means and the result of their reproduction at enterprise level and paved the way through centralization to knowing these indicators of the synthetic plan at the level of the branches and the entire national economy (CECCAR, 2011, p. 116).

In terms of the existence of debates on conceptual terminology during the communist regime, these were far more limited than before but still existent (Calu, 2005, p. 174). Theoretical notions, such as, “funds” (rom. fonduri) and “resources” (rom. mijloace) have sparked a veritable abundance of articles in the “Evidența contabilă” magazine around 1961.

7.3. CONCLUSION

This chapter is an account of a disruptive hiatus in the societal spirit and economy on one hand and the evolution of the accounting system in Romania on the other hand. The [POL] takes first stage in this period with the cycle of decisions and the impact on the economy, and becomes disconnected from what Latour calls [POL]

as one of the drivers of modernisation. There is no attempt in this cycle to drive change in the positive way in a modernising manner and for the benefit of the people. The main organisation [ORG] becomes the communist government, with its attention and attachment [ATT] turning the “passionate interests” or “interested passions” as Latour describes them (Latour, 2013) solely to the needs of the few who run the political apparatus.

The accounting becomes in this alteration just another means of control, a way to keep track of the “public” wealth. But at the same time, there is no real representation or “true and fair” view of the financial situation. All the numbers are closely checked and shaped in order to favour the establishment. There is no [LAW] and no moral compass, and no social justice being granted through the language of the law. The legal speech becomes completely subjugated in the service of the communist regime and has no purpose in delivering justice or helping the society evolve. It is employed as a means of silencing, controlling and maintaining the status quo.

This period of coercive accounting is extremely damaging for the attempts to modernise the accounting. That is because the professional bodies are first pulled apart and then later the professionals brought completely under the control of the centralised state. As regards regulation, the decisions were dispersed in numerous rules, circulars, instructions, etc. in order to fit the new centralised economy and ultimately fit the desires of the communist leaders.

During the Communist period, significant shocks to the system mean that the three-stage process discussed in Chapter 5 was less likely to operate. We can observe a large degree of borrowing, even to the extent of considering this to be encirclement, in the various accounting systems that facilitated the Command Planned Economy (see section 7.2.2), as these systems often reflected ideas and procedures borrowed from the Soviet Union. The complete break from the past means that the accounting systems from the previous period had no effect on the Communist accounting systems. One factor that can be observed, however, particularly under Ceauşescu, is the emergence of local accounting practices (see section 7.2.3). This suggests that

the three-stage cycle identified in Chapter 6 may have different “starting points”, as the Communist period could be interpreted as borrowing, followed by encirclement, followed by some indigenous accounting. In a way, this is similar to the process observed by Nobes (2006) where adoption of international accounting rules such as the EU directives or international accounting standards does not close the door to local modifications. In the next chapter, the original cycle reasserts itself, and it is probably too early to detect significant local variations from IAS in Romania.

CHAPTER 8. ROMANIAN ACCOUNTING AFTER THE FALL OF THE COMMUNIST REGIME IN 1989

8.1. SOCIETY AND ACCOUNTING AFTER THE FALL OF THE COMMUNIST REGIME, UNTIL 1997

In December 1989, after forty years of communist dictatorship, Romania manages to overthrow the dictatorship of Nicolae Ceaușescu after a bloody revolution. According to Tismăneanu, Romania is the only former communist country in the Easter European block that replaced the communist system with middle ranked communists (Tismăneanu, 2003). This might explain to some extent as to why the evolutions that followed, and all the areas affected by the ensuing politics have clear particularities when compared to the other Easter European countries. This is one of the aspects that will be looked at in this chapter, but more so, I will look more in detail to the particularities of the accounting changes and their nature after the fall of the communist regime in 1989.

8.1.1. Turbulent political life – turbulent economy – social turmoil

Perceived in Romania as the year of “major changes”, 1989 was a turning point for the country and its future in Europe. To begin with, the changes could only happen due to all the shifts on the international political and economic scene. That is, the shift of forces between the major world powers (especially between the Soviet Union and the United States). Another critical factor was Nicolae Ceaușescu’s independent position in terms of the international relations. Due to the fact that he was resistant in accepting the change that was coming and unwilling to step down from a position held for nearly 25 years, transnational forces have pushed for his elimination. The revolutionary coup was done with the help of the army, led by General Victor Athanasie Stănculescu, who handed the power to Ion Iliescu (a communist himself), the leader of the Council of the self-appointed National Salvation Front.

The shift from a communist regime into a democratic one meant for Romania, primarily the change of the mentality, organization, implementation and involvement of the public servants and politicians with the citizens. Thanks to the 1989 revolution, the Romanian people finally became a nation, albeit not one with a sense of unity.

Beginning with the early year 1990, old political parties that were muted during the communist regime started reappearing. These were the National-Liberal (PNL), National Peasant (PNȚ) and Christian Democrat (PCD) parties. The battle for power in Romania begins in the first free elections. These elections were held on 20 May 1990. The electoral campaign was carried out with incidents and accusations because some supporters of the National Salvation Front did not agree with Ion Iliescu's opposition. The major problem was that Romania had no “enlightened, reform-oriented faction within the party (nr. PCR) elite to negotiate a transition” (Tismăneanu, 2003, p. 233). With Romania being isolated from both the West and the East (from USSR) and with no inner party life due to Ceaușescu's need for maintaining the cult of personality and tyranny, most communists hated his ideology but were still adepts of the Leninist ideas and that of a Romania with a reformed communism. The elections were won though by Ion Iliescu with an overwhelming majority. This has brought a lot of accusations of him trying to re-establish a “crypto-communist” regime as Tismăneanu calls it (2003, p. 234).

After the elections, the Constituent Assembly was gathered in order to create the first democratic constitution after 1989. This constitution was meant to define the new status of Romania, the rights and obligations of each citizen, the freedom of the press and speech.

Politically, the period that followed can be characterized as provisional in many ways, with lots of internal conflicts and legitimacy shortcomings. Without realizing, Romania has again entered a political and economic isolation. That was due to Romania wanting to continue its relations with the Warsaw Treaty Organization states which did not please the Western power. The implementation of democracy and that of the free economy took longer than what Romanian

officials were expecting. The process of the transition from communism to democracy of the Romanian society is characterized as a long term one.

The first decade after 1989 is a paradox from many points of view. On one hand, Romania experienced the most abrupt break from the old communist regime but on the other hand, it experienced the least radical transformation afterwards (Tismăneanu, 2003, p.234). The 1996 elections saw Iliescu facing Emil Constantinescu, a university professor running as a representative of the “Right” wing National Peasant Christian and Democratic Party (PNȚCD). The latter won the elections but as a result of the “discontent” with the PDSR run by Iliescu and its failure to address issues such as widespread corruption in the public apparatus, the citizen’s access to communist security files and the poor state of the economy. It was the first government with little connection with the previous communist regime and it did consist in a break, albeit not a total one from the past. But in 2000 the victorious from 1996 lost the elections in favour of Iliescu. The reason for Iliescu’s comeback was the fact that the previous government was unable to deliver on the promises from the electoral campaign. The reforms desired were not truly implemented in the period of four years and three different governments were changed under the presidency of Constantinescu. But the striking side of these elections was that the runoff opponent of Iliescu, a member of România Mare Party (PRM), Corneliu Vadim Tudor was an antisystemic nationalist caudillo and a self-indulgent buffoon” (Tismăneanu, 2003, p.234) and former court poet for Ceaușescu. He managed to get so far into the elections because he was appealing especially to the youth electorate which was resenting the lack of reforms and the disappointed by the entire political class. Although he lost the elections the message was clear that a part of the electorate was not pleased with state of the economy and the direction taken by the political class.

From the point of view of the finances and economy, by 1989 Romania the communists managed to pay its external debt, and from that moment on, the country was broken off from the international markets. Rebuilding ties with the International Monetary Fund was extremely difficult. After 1989, the Romanian

economy experienced a dramatic decline. The political leaders left the industry to fall but held the hope that at least the agriculture would be a prosperous field. This was an aspect that failed to materialise.

The privatization of large state-owned companies in the industry began in 1992 with the transfer of 30 percent of the shares of these companies to a private fund, each Romanian citizen receiving shares of the companies. Many of these shares have been overestimated and shortly after their release they have lost much of their value, but there have also been a few companies that have survived this period and even increased. The rest of 70 percent of the shares remained the property of the state.

With the help of the World Bank, the IMF and the EU, began the process of privatization of state-owned companies. The privatisation process has been inconsistent and often challenged, and almost 30 years after the revolution it has not yet completely finished. In most cases, the privatization did not have the expected results and led to the bankruptcy of those companies and their sale as scrap metal. The economic interest in these companies was extremely high but a lot of times the value of the land pertaining to those companies was of far more interest than saving them from bankruptcy.

By 1992, the GDP has fallen by almost 40% and the industrial output has fallen by more than 45%. The economy redressed slightly after 1993, but after 1996 followed a rapid fall.

The foreign debt of Romania, although zero at the beginning of 1990, has grown in a period of only six years from \$1 billion to more than eight billion. During this time, all the money stored at home by people (which had little trust in the banks) was lost and only the ones who invested saw a profit.

The inflation has reached alarming proportions, and Ponzi schemes and other quick pay-out schemes have emerged. These schemes have only further impoverished the population, as the number schemes such as the famous Caritas, SAFI, FNIs has risen to an alarming number of over 500 thousand.

In terms of the agriculture the period after 1989, saw the beginning of the process of restitution of the agricultural land to the rightful owners. This measure, which in theory was supposed to be a very good one, parcelled the major farms and decreased the agricultural production. This was accompanied by “heavy redundancies among industrial workers” (Turnock, 2007, p. 266). After the revolution, the number of agricultural exploitations exceeded 4 million. But because of the lack of experience of the new land owners, their advanced age, the reduced levels of mechanization of the agricultural work and the difficulty in acquisitioning of property titles, the agriculture productivity declined and the agricultural production became unpredictable, oscillating extremely from one year to another.

The energy production levels followed the same trend and declined by almost 30% by 1992. This decrease was determined by the decrease of industrial production, the industry being the largest energy consumer in Romania. After 1992 the production of electricity gradually increased and in 1996 the first reactor of the Cernavodă nuclear power plant became operational.

The lack of competitiveness of Romanian products on the foreign markets and the dissolving of the state-owned non-performing companies made Romania's exports drop by over 50% by 1991. Until 1996 imports increased by more than 30%, giving birth to an acute shortage of foreign currency. This currency was extremely difficult to acquire, and the most important source were the Stand-By agreements with the IMF, agreements that could not be maintained though more than a year after their signing.

But in terms of the social setting, 1989 represented quite a shock for a large part of Romania's population. While the majority of the people were adamant in asking for change, no one could clearly envision what that change might be. But these expectations were not met in the eyes of certain social categories and that resulted in mass movements in 1990 and 1991. These were on two fronts, the peaceful social movements in Bucharest and the so called “mineriade”, the movements of miners

who marched from Jiu Valley to Bucharest at the request of the government to “persuade” the public into following the “new order”.

On 22 April 1990, a marathon demonstration took place in the University Square in Bucharest, which represented the collective public pleadings for genuine freedom and democracy, at a time when President Iliescu spoke of an “original democracy”. The spark of the revolt was the FSN's decision to form a political party, one that would participate in the following May elections, despite its previous promises not to do so. It was evident that the leaders of the country did not intend to give up on the communist system and its methods in 1990 and to reorient Romania towards Western values.

The politicians initially ordered the mobilization of the state workers from the heavy machines companies in Bucharest to solve the issue of the “recalcitrant” students. This mobilization was the prelude to the call of the miners from the Jiu Valley to the capital. However, evidence had to be produced to justify aggressive action and force. That is why the leading political circles and the secret services staged acts of two days followed in which the horde of miners sowed terror, unleashing aggression in Bucharest (Berindei *et al.*, 2010).

But the “mineriada” from 1991 was the total opposite of the one in 1990. The miners marched in Bucharest, this time, in order to protest against the government and to plead for help for the dying industry in Jiu Valley. It was an extremely bloody manifestation which ended with the resignation of the entire government.

Another social aspect of importance would be the emigration levels that have increased once the borders were opened. The emigration was determined by the high poverty level but at the same time the relief on poverty levels and unemployment in the 1990s was due to that increase in emigration specifically (Turnock, 2007, p. 266).

These political, economic and social acts from early 1990s were signs of a society struggling to build something on the remnants of an antiquated regime but at the same time fighting with the inertia that was present due to the “old guard” being

still at the helm of the country. A particular story of modernisation indeed, one could ask what would have happened if there was a different political class in charge at that point. What would have been the reforms and what would have been the impact on the ensuing regulation in all the areas of the economy (including accounting) and implicitly on the society. When it comes to the accounting part of these reforms, this will be analysed in conjuncture with the accounts from the people I have interviewed and the evolution of the accounting, regulation and practice wise.

8.1.2. What direction did the accounting take? Indigenous emergence of accounting and Borrowings from outside

After a thorough analysis of the literature and after studying the regulations I have drawn a timeline that would describe in an appropriate manner some of the major changes that took place in the accounting in Romania (Fig.6.). This timeline is based on the major changes in regulation after 1989, but does not highlight the transnational steering forces at work.

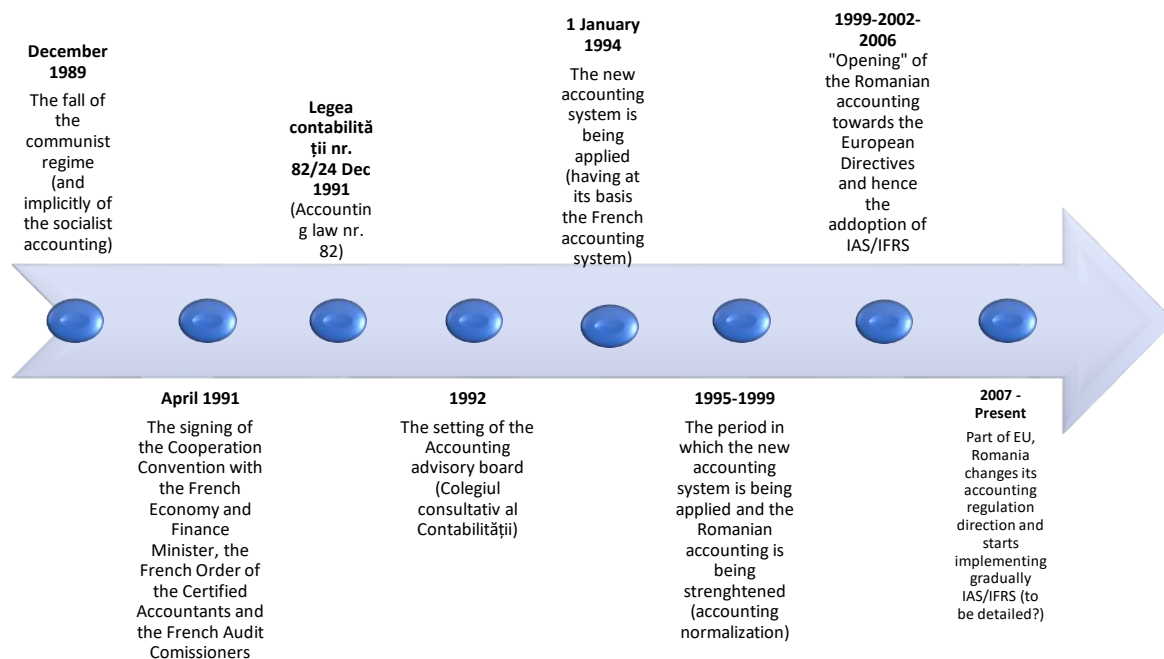


Fig.6. Timeline of major changes in the Romanian accounting from 1998 to 2007 (own projection)

After the previous subchapter and having the knowledge of the links between politics, economy and society, one would expect the accounting changes to follow the same pattern. Because accounting cannot exist otherwise but operate in a social context. According to Interviewee 2, a Professor from the Academy of Economic Studies in Bucharest:

After the 1990 talking about the opening for the creation of market economy structures, the possibility of creating the first private businesses, after 1990, in the form of uni-family enterprises and then the transformation of the state economy into a private economy, it was a long process, and unlike that of other countries, like Poland which had a shock therapy, we went with gradual therapy, and we also donned certain specific forms ... that is why the evolution of accounting, in a way accompanied the evolution of the economy, from the Communist model - which was a Soviet economy - to an accounting, let's say more suited to a market model. More correctly called would be actually post-communist, because a similar historical experience was not ... capitalism and its becoming ... or now the return to capitalism was made through the Soviet-type communist system that functioned in Romania. (Interviewee 2, Professor at the Academy of Economic Studies in Bucharest)

An account of the exact period of 1989 given by an interviewee directly involved in the setting of the new accounting system after 1989 strengthens the previous interviewee's statement and talks more specifically about the actual process of how the changes in the accounting were approached:

Everyone said that Romania has a very good accounting. It is true that it was an accounting that responded very well to the demands of that period, so a centralized economy, we were in the direction of accounting regulations and a balance sheet service that actually centralized the entire national economy situation on the basis of the balance sheets. And we were very good at managing things. We knew we had 14,500 enterprises, including the state ones, the co-operatives, so we had differences of 2-3 because there were some craft cooperatives that when they joined together when they split. So they were managed very well. In fact there were some rules to follow. So everything was in the garden of the state and then the things were oriented towards the centralized economy. From this point of view, we had chart of accounts on each branch of activity, We had even determined by 1989, we had just finished for all: industry, construction, commerce, agriculture, craftsmanship. So we just had every account, including highly developed monographs for everything .. So the specialists were somehow taught to be given just about everything. (Interviewee 1, Former Secretary of State in the Ministry of Finance)

This paragraph sums up extremely well the situation of the accounting in Romania in 1989 and what was expected from both the regulators and the accountants at that time. Taking it further, the same interviewee reveals the need for change of an existing system that, although still supported by numerous people in the government, was not suited for the demands of the new system.

This was the reason why right after 1989 was, I think, the accounting was the first sector of activity where they started right from January, they started their first meetings, so at the finance ministry, with economics specialists, with university professors, with finance specialists. We were talking exactly, the new orientation was very clear and we were judging what we were doing. Some people said no, what we have now is very good, why should we change anything? At the same time, we realized we could not leave it the way it was. And the first thing we said was, what should we prioritize to change? We'll have to change, we had to have an accounting law. (Interviewee 1, Former Secretary of State in the Ministry of Finance)

According to Interviewee 2, the major moments in the economic change were the creation of the idea of a private enterprise, private investors – that had their own capital or that they borrowed it from the bank –launched themselves into business, alone as part of an investment collective, in the form of smaller or bigger companies. And then it was the transformation of state property into private property.

Here with the rigorous skirmishes, you saw how many scandals, comments and everything that was ... that means when there were a lot of abuses in the shift from communism to capitalism, this time ... and here is a phenomenon to be investigated, especially in economic terms - how the state property was transferred to private ownership. This is another topic, which has ended broadly, but Romania still has a consistent sector in the hands of the state, the state property. But largely, the Romanian economy is a privatized economy. (Interviewee 2, Professor at the Academy of Economic Studies in Bucharest)

After 1989 the regulator (the Ministry of Finance) also acknowledged the need for a separation in terms of the laws for private and public companies. In that sense, the regulator has produced in 1990 the Law of the commercial enterprises due to

the need to introduce Capital among others and then in 1991 the Accounting Law no. 82. Among the inspirations for the new accounting law was the 1927 accounting law according to Interviewee 1. This new law was meant to be one to introduce basic concepts but at the same time to be concise and clear. It was followed by the actual application procedures which were a detailing of the law (Order of the Minister of Finances no. 704/1993). The regulator faced problems during the conception of this law. The business mentality was not yet used to the market economy thinking and the idea of responsibility, which did not exist during the communist regime, was a foreign aspect for the majority of the people. Yet these had to be introduced into the law in order to make it suitable for the new economy's requirements.

And then we brought into the accounting regulations some norms and brought some minor regulations in 1991, so after much discussion in the Parliament's specialized committees the accounting law was passed through which we had to establish, clarify the new responsibilities. It was very hard to move the responsibility from the executive from the executive (so everyone was not, the chief accountant is responsible for everything), to move them to the decision-maker, the administrator, to give him the responsibility. (Interviewee 1, Former Secretary of State in the Ministry of Finance)

In the accounting research literature on Romania (for example Albu *et al.*, 2010 and Barbu *et al.*, 2010) there is a constant claim that the Romanian accounting system is influenced by the French after 1989. And that is partly true according to Interviewees 1 and 2:

Here we worked with the French, but I could not say that we took the French system/ We took the plans du comptes (chart of accounts), but we tried to ... so we took the principles, so we brought in our accounting the established accounting principles. So we brought the valuation rules for recognition, the inventory, the derecognition. And who is answering. So some of the issues we have taken into account through the directive (nr. The European Directive). We still had no clear prospect of long future plans, but it was very clear you could not and especially that many of our actions we did ... we also had European funding. And then it was a rule that you cannot take someone else's system. (Interviewee 1, Former Secretary of State in the Ministry of Finance)

As the first transformation was ... well, there was the current as well as inventing an accounting adapted to capitalism. But that scattered quickly ...

after the 90s. But there was a problem, we had to take a model ... which model?! It was known as an idea that the American model was the best, but there was no local expertise and competencies, and no tradition ... My opinion is that, after the 90s, when choosing a model, there is no doctrine behind ... my opinion. The normalization body did not say: we are heading for the French model, that suits us the most. As far as I know, the Chartered French Accounting experts specifically came to Bucharest, they consulted here and taught ... some French teachers. As far as I know there were European programs PHARE that funded the movement of French experts ... (Interviewee 2, Professor at the Academy of Economic Studies in Bucharest)

Therefore, it is quite clear that the “new” accounting system was a mix between the French system (and with the 4th European Directive influences) and the former Russian socialist system. As it was in the everyday social and political life, the communist influences still lingered also in the regulations as the break could not be complete yet until the “new” system could be anchored in a more solid regulation appropriate for the specific case of Romania.

So us for the Accounting Law, we documented ... we started from our law in 1927, but we also had the Commercial Code of France, but we also had the Companies Act in the UK, we had also from the Italians. So we built a general picture. So we did not with no premises ahead. It was very clear that temporarily you cannot take the system of a country as such ... (Interviewee 1, Former Secretary of State in the Ministry of Finance)

But besides the actual regulation changes, the early 1990s meant for Romanian accounting also the reintroduction of the professional bodies. In 1994 the law of functioning of CECCAR (the Body of Certified Accountants and Authorised Accountants in Romania) was published and the body started functioning.

... so in 1994, the Body of Expert Accountants was created, we had the first authorized accountants who have already begun to perform their services on the new criteria under the law and the accounting regulation. So it is for the first time that accounting services could be outsourced, but as I was saying, things started to evolve. (Interviewee 1, Former Secretary of State in the Ministry of Finance)

Starting from 1994 we also can see the full implementation of the new Accounting Law no. 82/1991 which as it can be seen above, it is among other, a French

influenced regulation but not only, aspect which was never actually highlighted before. As it can be seen from above, the new legislation was inspired from UK and Italian laws also. But some remnants of the old socialist system, having the form of concepts, ideas or simply parts of the actual regulations remained until towards the end of the 1990s (Albu *et al.*, 2010, p. 26).

At the same time, as Interviewee 1 mentioned, all these changes meant a major step towards the modernisation of the accounting regulation and practice in Romania after 1989.

8.1.3. Analysis – “chaos” and “modernisation” in a new “democratic system”

Politically, the period after 1989 and quite well after 2000 was often characterised as “chaos”. We can say chaos due to the fact that the inertia was so extreme that it was “pushing” back the attempts for modernisation. The society settled into the “new” existence after 1989, the [HAB] can be seen in action here. The course of action taken by the politicians was one that was in direct contradiction with most of the expectations of the people. The alterations that followed from that specific course of action represent shaping factors for both the society and the economy.

One could say that chaos is not always a bad aspect, as along it comes its opposite, the order. In Romania’s case the chaos gave birth though to a flawed political system. Classifying the political class as an institution, one can say that the circle of its discourse is extremely flawed. On one hand is asking for modernisation, but that modernisation should be done in line with its expected outcome, merely a different version of its former self, of the communist regime. There was a “liquidity” in its choices and the way it was presenting itself, an adaptation that, now, looking back it is quite impressive. Its will to remain the same, to reproduce itself into something that does not respond to the needs of the new times, but rather to the needs of its internal network.

This could not be, as once the habit was broken, the reproduction process that comes in pair with it was in action. And it was not an isolated environment anymore the one that represented the scene of the changes. The passions for the expected change

and the external pressure of the transnational actors was pushing not only the economy in a certain direction, but with it also the political institution. Of course, the change in the latter was slower, less obvious and it is still problematic even nowadays considering that the networks of interests are still in action because a lot of the former communists are still in power after almost 30 years from the change in the system.

Due to those networks of inevitable connections, both in the political system and the social one, the attachment [ATT] that came with the shifts cascaded into every part of the everyday life. Therefore, during the 1990s, “political interests” in conjuncture with the “economic interests” have created at times major setbacks and an economy that was not working due to the incapacity of putting into practice the needed reforms. The “game of interests” was the key when it came to the accounting reforms. Without the overarching interests of the transnational forces to see the change in accounting regulation and practice happen, sometimes for the advancement of their own agenda rather than for the greater good, it would have been solely something to dream of rather something that could be realistically realised.

8.2. THE EFFECTS OF FOREIGN INTERVENTION ON ROMANIA AND THE SETTING OF A NEW DIRECTION

The modernisation process of the accounting both regulation-wise and in terms of the professional life was accelerated after 1996-1997. This was due to a conjuncture of economic and political factors. Among the economic factors, one of the most important was the need for financing in a context in which the economy was slowing down significantly and the process of real privatisation of the state-owned companies was quite problematic

8.2.1. Encirclement of accounting by the outside - The World Bank influence and the Know-How Fund influence on accounting regulation and practice

Politically, the UK Government started to show more and more interest in the development of the former communist Eastern European countries. Hamilton, talking about the Polish though and some years earlier (in 1989) makes quite a good point which would be also applicable in the 1990s to Romania. The British government back then refused to offer the Polish government new credits “since that would be to repeat the past mistakes and would not provide the targeted assistance which would be of most value for them” (Hamilton, 2013, p. 15). What followed was of importance for this study, as it was a reiteration of UK’s support for Easter Europe in “helping ... to acquire the skills and expertise needed to run a modern economy” (Hamilton, 2013, p. 15). That gave birth to a “distinct ‘know-how’” fund, with staff from the government department and “sufficient” funding but also supplemented with the help of the private sector (Hamilton, 2013, p. 15). This was the inception moment of the “Know-How Fund” in the form that involved Romania in the second part of the 90s.

Interviewee 1 and 5 mentioned (and this was confirmed by the findings from the DFID archive, ECC 0406 0223 0544 062 A, p. 26) that after 1997 an assessment was done trying to identify the problems faced by the Romanian accounting system and to what triggers was this system answering to. This assessment was conducted by the joint effort of the Romanian Ministry of Finance and the Department for International Development as a representative of the UK Government through the Know How Fund programme with the help of ICAS (Institute of Chartered Accountants of Scotland). This assessment was perceived by the Romanian Ministry of Finance as being quite objective and concluded that the concepts of modern accounting found in the European directives were slowly adopted into the Romanian law but that there were many problems still, and the majority originated from practice rather than regulation. This was due to the practice not having yet assimilated some theoretical aspects very well, especially with regards to the valuation rules, depreciation, provisions and so on.

There was work done before 1999, I believe ... it was through the Department for Foreign and International Development. And the work that would've been done prior to then would probably be on schematics in relation to the accounting and audit directives of the time. And doing a comparison with existing Romanian legislation and accounting requirements and audit requirements... And also looking at the structure of the profession in Romania, the accountancy profession. Now to the best of my knowledge the only body in Romania at that time would've been CECCAR. And CECCAR had a wide ranging membership from bookkeepers, auditors, financial directors of fairly large companies, so it really had a wide spread membership so that was of the things which was looked when we arrived. When I became involved in 1999, my initial involvement was to go out to some companies. The companies I went to were fairly large companies. There were either Romanian large companies or they were subsidiaries of international groups. And we would go out and discuss in general what accounting framework they were using and were they producing specifically financial statements in accordance with international accounting standards. And what we found is that they had to satisfy Romanian legislation which I think was largely tax based and there would have been a code of accounts and so forth, chart of accounts based on the French system. But some of the companies were also producing a separate set of financial statements under, at that time international accounting standards. Now, one of the sets of accounts which I looked at had a number of qualifications so although they were getting accounts produced under IES, it was difficult for some of these companies to be able to access all the information that was acquired in order to ensure they would get a clear opinion from the auditor.

So we were going out there and just ascertaining where they were in relation to IS. Some companies were actually quite far on because of their international structure and they were being in effective, effectively forced by the parent company that you know, they would have produce accounts in accordance with IS. (Interviewee 5, ICAS employee who participated in the Romanian Accountancy and Audit Reform Project)

At the same time, one of the major sources of regulation and modernisation demand was the World Bank. As the main source of finance for Romania after 1989 (together with the EU and partially the Know-How Fund), the World Bank and the European Union had all the necessary levers in order to push for reforms, economically and regulation wise, in terms of financial reporting.

The more subtle parts, but they said ... so it's not the fault of the regulation, what the blame of practice. Finally, we were very receptive on that side, and in 1997 -1998, even when the PSAL 2 Loan Agreement (nr. With the World was signed, it was made very clear that the following steps are needed to

launch the major privatization program for Romania. So for big companies to get into the schedule of applying international accounting standards like they were then. So we do not call them IFRS. To apply international accounting standards, be audited according to international audit standards, and to this end in view of the assessment that has been made about the activity of censors, it was appreciated that they did not respond adequately to what they were doing, the way they were reporting. And that we should create the Institution of the Financial Auditors. (Interviewee 1, Former Secretary of State in the Ministry of Finance)

Now as well as this specific contract, there was another contract and that other contract I believe would have been issued, I think it was in the year 2000, and the contract was won by a joint bid between ICAS and PwC. And that contract I'm sure was funded by the World Bank. And that contract, as far as I can remember was more geared at actual audit profession and so forth and in the delivery of training in international accounting standards. So that was a separate contract which there was quite a large delivery of material on international accounting standards. (Interviewee 5, ICAS employee who participated in the Romanian Accountancy and Audit Reform Project)

The PSAL Loan Agreements hold clear requirements in terms of the economic and financial reforms needed to be accomplished by Romania in order to get access to each payment. These requirements were primarily focused on building a sustainable economy and fight the corruption at the high level but were also intertwined with the requirements for accession to EU.

Four other interviewees, Interviewees 2, 3, 7 and 8 have actively participated in the DFID programmes run by ICAS in Romania and their accounts are as follows:

... there was an interest of the British side for this part of South East Europe, because why I say this ... the body, the body of the Scottish profession ICAS came here, including ASE, and it trained on Anglo-Saxon accounting, starting with the years 1999-2000, as far as I remember. But they had a consulting mission to carry out, and I believe in the Finance Ministry, according to the international accounting rules, IAS. I know that, because I participated at the training, on the accounting side. (Interviewee 2, Professor at the Academy of Economic Studies in Bucharest)

... by 1997, when I was still a student in the last year DEA (nr. Diagnosis and Chartered Accountancy degree), the accounting development program began, run by the Scottish, ICAS. And they started to do courses ... and I

remember, I wanted to stay in education, and I had the chance to attend, I think I was the only student at the course organized by the Finance Ministry ... in 1997. And, in fact, were presented the international financial reporting standards, with examples. It was done through samples from each. There were more teachers from ASE, from the ministry, and by chance I participated too. (Interviewee 3, Professor at the Academy of Economic Studies in Bucharest and member of CECCAR)

I was for around two weeks in Bucharest participating to this course run by ICAEW (nr. it was in fact ICAS but the interviewee could not remember it anymore). They were training us on the international reporting standards and this was all new for us. (Interviewee 7, Professor at FSEGA, Babes-Bolyai University in Cluj Napoca and member of CECCAR)

We flew to Bucharest every weekend for several days for around six months to attend the courses for financial auditors run by the ICAS. It was extremely extensive and there were only around two thousands of us being prepared. (Interviewee 8, Accounting and Auditing Firm Administrator in Cluj Napoca – member of CECCAR and CAFR)

All these accounts were confirmed by one of the actual trainers as follows:

And so those who wanted to get more up to speed with developments in audit, that is why we then developed this specific case study and people came from all over Romania, from various parts to do this course, cause we only did the course in Bucharest. In fact, we did the course, I think it's called, it was a large hotel, The Marriott.... (Interviewee 5, ICAS employee who participated in the Romanian Accountancy and Audit Reform Project)

These are all accounts of what was known as the Romanian Accountancy and Audit Reform Project run by DFID through the “Know-How” Fund and taught by members of ICAS in Bucharest. The final report of this project found in the DFID documents in the dossier no ECC 0406 0223 0544 062 A, page 26 to 40 defines the project as follows:

The project is designed as part of the process to improve financial performance of Romanian commercial and industrial enterprises (Project Goal). The specific goal is to improve the quality of financial information available to users such as investors, potential investors and lenders, employees, EU departments and the Romanian government. (ECC 0406 0223 0544 062 A, pp. 26-27)

The history of this project as stated throughout the Report tells us that the project started in fact in November 1996 as the Accountancy Reform Project, name not used in the literature. The programme started with a training element for the staff of the Ministry of Finance (MOF) and others involved in the legislative and standard setting process. This was followed by a comparative study of the Romanian legislation and standards with the international equivalents and best practice. The final phase was to assist the Ministry of Finance to upgrade and implement a financial reporting system which reflects the financial state of the enterprises rather than be merely a tax collecting mechanism.

Indeed, one of the most important reforms when it came to the accountancy profession was, as it can be seen above, the creation of the Chambers of Financial Auditors. Although ultimately a resounding success, the initial stages have experienced a tense “battle” between the MOF and the Chartered Accountant Chamber.

So it was well understood that things were starting to work, but there were great national discontents because CECCAR was already present. They had built a sort of internal room, the Financial Audit Chamber, because they knew sooner or later this will come and they were already created. It was very categorical, it was a struggle with the MOF as to why it is being created (nr. the new Chamber of Financial Auditors), because it dismantles them, but all I know is that the rules were very clear. A separated institution and with people entering based on new criteria, on examinations that are in line with the requirements of the directive in terms of access, it was the eighth directive then. Because they already around those years, in 1997 - 1998 they exceeded twenty thousand members. What we asked was, are you able to get out of these twenty thousand, to select a small core of financial auditors to operate under the rules of the Financial Audit, on everything that it means? (Interviewee 1, Former Secretary of State in the Ministry of Finance)

But the requirements came from higher above than the MOF and the resistance was futile as it was a primary requirement for both the EU and the World Bank.

Now that was established on the basis, we believed that in order to meet some of the criteria in relation to EU membership, we needed a separate body with a high level of standards to govern the audit profession. And CECCAR itself was too wide and there was a need for a more narrowly

defined body that would specifically be tasked with looking after those who were carrying out statutory audits. So that's why the Chamber of Auditors was established.

There may have been other political issues as well in terms of how CECCAR was perceived but again I can't really comment on that but it just was decided that the best way forward was to establish this separate body and I believe it's gone from strength to strength, the Chamber. And just as an aside, I actually was involved in the... there was an examination which was used to allow certain people to sort of grandfather themselves into the body, so there was an initial test. Now I think that would've been 2000, but it could have been 2001 and so I personally took out the examination papers here from Edinburgh on the Sunday for the examination to be sat on the Monday and that was the first test and that's when we then had the first entry of members into this new body. (Interviewee 5, ICAS employee who participated in the Romanian Accountancy and Audit Reform Project)

The end of the 1990s saw Romania embarking on the road to becoming a member of the European Union. That in itself was an extremely ambitious project considering the state of the economy at that point, the extremely “difficult and volatile political context” (DFID, 2004, p.1) which made some reforms difficult to implement. As Interviewee 5 stated:

The other contract was more primed... that contract was more specific. I was... as I say, started off really with the objective of helping Romania or the Romanian government manage the transition towards accession to the EU. So our goal was really to go in and ascertain where were we in relation to the accounting directives, company law directives, audit directives and what had to be done to get them to the level that they would satisfy, at that point in time, the requirements that would allow Romania in those areas to satisfy the EU membership criteria. So as I say it started off with looking at what they had, discussions with the government and so forth and then looking at the changes that would need to be made. We had legislation drafted, which was put into the Romanian legislation, so that was part of this process. We were involved in training various people including those from the government. We were also involved in training accountants and then I was involved in designing an audit pack. We created this case study, an audit case study and from that we had a sort of one week, every four days training course in audit. And part of the reason behind that is we established a chamber of auditors, which I think is called CAFR. (Interviewee 5, ICAS employee who participated in the Romanian Accountancy and Audit Reform Project)

With the desire to accede to EU, came the obligation to adopt the EU Communitarian Acquis (Acquis Communautaire) in the internal regulations. For accounting that meant the gradual adoption the 4th Directive and slowly through that, of the IAS/IFRS (International Financial Reporting Standards) as per the negotiations between the EU and the Romanian government. As stated by Interviewee 3, Romania began therefore the process of normalization of the accounting and afterwards the convergence.

As normative acts that have confirmed the normalization process I would say it would be good to refer, first of all to this order, 403/1999 which was called, Accounting regulations harmonized with the 4th European Community Directive. According to this, our centralized economy, based on plan of accounts, application instructions, etc. was among the closest to meaning and needs of a market economy. After that, you have to refer to OMFP, it was also the first and second OMFP 94/2001 which, as the name calls it, Accounting Regulations harmonized with the 4th Directive and the IAS/IFRS ... So somewhere, the country's economy has also gone through a European integration but also with an international respect for regulations. (Interviewee 4, Professor at the Business School part of Babes-Bolyai University in Cluj Napoca)

The Romanian Accountancy and Audit Reform Project ran by DFID was quite successful despite all the problems encountered during the implementation period. But at the same time there was also the relation with the MOF, the regulator that was at times strenuous.

I would say there was mixed views Nick, there was a cultural resistance: why are we going in this direction? from certain individuals who were used to doing things a certain way and really just wanted to continue doing them that way, to those who actually saw that this is the way forward and the best way of Romania to try and attract international financial investment. So I would say there was a mix, I wouldn't say everyone within the Ministry was against the project and I wouldn't say everyone within the Ministry was positively supportive. And there were some individuals that were just ambivalent and NFA just accepted that this was going to happen anyway, and the World Bank was putting on pressure for certain things to happen. (Interviewee 5, ICAS employee who participated in the Romanian Accountancy and Audit Reform Project)

Another extremely important aspect of the changes in accounting regulation and practice was the attempt to shift the local mentality that came with the external involvement. And that was not an easy thing to do, especially when working with generations raised under the communist regime. The clear contrast between the Western trainers and the frustration they felt sometimes when faced with social and professional aspects they did and could not comprehend can be understandable.

... even though this is what ...more than 10 years after the revolution, we still had a lot of people in power who had a very communist mind-set, and were used to the communist way, planned accordingly, etc. And so the accounting to a certain extent still reflected that and we were having not just to do these changes in terms of legal requirements, but actually change mind-sets. And that was easier amongst the younger generation, and certainly, in the younger generation that we dealt with, the knowledge of English was excellent. Whereas those at higher level, a lot of the time we still had to talk via translators. There was a fact that we had this cultural shift as well, and to move from this planned basis of accounts and accounts really being there to enable a tax liability to be recognised and taxes payed by moving to accounts that are designed for general stakeholders and for market investment, etc. And this was particularly important in relation to trying to get a proper practice for some of the companies that the Romanian government would ultimately privatise. (Interviewee 5, ICAS employee who participated in the Romanian Accountancy and Audit Reform Project)

But, as DFID itself states, there are clear achievements that span from

- the key actors involved in the financial reporting practice achieving a good understanding of the financial reporting methodology and structures necessary for the market economy to flourish afterwards;
- the translation of the relevant EU Directives, International Financial Reporting Standards (IFRS) which meant over 750 thousand words, International Standards of Auditing and other relevant legislation and standards for the country. These standards have been also published together with the MOF and other associations, such as CECCAR and CAFR;

So we did some work there, we produced training material on various international accounting standards of the time and that would then be used to train people across the country. Some of it we did direct training and some would just be cascade down via a train the trainer approach.

(Interviewee 5, ICAS employee who participated in the Romanian Accountancy and Audit Reform Project)

- after advising the staff of MOF and other users on the structure, implementation and governance of financial legislation and standards to ensure compliance with EU regulation and international best practice, it has resulted in the new structure being “very close” as the report defines it to the requirements of EU and other international practices;

- and maybe one of the most important aspects, the assistance in establishing and developing the Chamber of Financial Auditors and then successfully helped introducing them to membership of the International Federation of Accountants. At the same time, ICAS and DFID have introduced and developed a monitoring unit within the new Chamber to “report on the quality work of auditors and counsel them to improve their work quality where necessary” (dossier no ECC 0406 0223 0544 062 A).

And then we had to look at how that body would establish a monitoring programme because one of the requirements under the EU legislation obviously was you need to have some form of audit inspection and again we assisted in that process as did the large firms to ensure that we could get people of sufficient quality to enable such a function to operate effectively and efficiently and it took time but again that was one of the aims was to establish that particular aspect of the Chamber. (Interviewee 5, ICAS employee who participated in the Romanian Accountancy and Audit Reform Project)

Starting from 2001 and up until 2007, there was a differentiated system applied to enterprises based on their size. Therefore, small and medium companies applied the national regulations OMFP 94/2001 (the Ordonnance of the Ministry of Public Finances) .

We had a legislative framework, we had a decision, an order of the Minister of Finance that provided for the consolidation of the Seventh Directive, so we had the Seventh Directive and said it was not the first priority to consolidate under the IFRS. Let it be done under the Seventh Directive that we have already and we should focus on the application.

So regarding the IFRS standards we took them as such, but it is true that these regulations came in and some more difficult problems arose ... and they were ... in 2000 came the rules of applying IFRS, or the International Accounting Standards in Romania. We had a year of experiment on 13 companies, we have experimented with them, and since 2001 we have applied on the basis of a program in which in the first year - 2001 - a number of companies entered. So they were according to the size criteria, the highest ones. Then in 2002 came the following and we had a program, so how to get these companies in. So all the entities that really were interested in that process. This worked until 2005 and why did it work until 2005? In order for OMFP 306 to emerge in 2002, we signed the accession commitments. Regulation 306/2002 stated where the application of IFRS is mandatory. The application of IFRS is mandatory for listed entities and for consolidated financial statements. And in these conditions, unfortunately, it was decided this... (Interviewee 1, Former Secretary of State in the Ministry of Finance)

The ordonnance 306/2002 in fact was in fact addressing the simplified accounting regulations, harmonized with European directives. Three criteria were introduced and if a company had two of the three it was obliged to produce the financial statements according to the new law. These criteria were, the sales revenue that was above 5 million euros, the value of total assets up to 2.5 million euros and the average number of employees up to 50.

The financial reporting has been made through financial statements made up of elements similar to those in EU. That is, a balance sheet with a column format, as compared to the previous one, right-left parallel columns; a profit and loss account arranged on a single column, with the current year and the comparative previous year ... we have reached the statement of changes in equity, which has not been used at all up to that point; the situation of the cash flows and the explanatory notes to the financial statements.

In terms of the public interest entities it was OUG 37/2011 (the Emergency Government Ordonnance) which established that public interest entities prepared financial statements in accordance with the European directives. And on the basis of international financial reporting standards. (Interviewee 4, Professor at the Business School part of Babes-Bolyai University in Cluj Napoca)

Another important moment was the publication of OMPF 907 from May 2005 which specifies the use of international accounting standards and international financial reporting standards (IAS/IFRS). This was in effect until 2005, and then OMPF 1752 that applied since January 2006 and lasted until December 2009. Also in the idea of convergence and compliance, OMPF 3055 was introduced in 2009 with application from January 2010 until December 2014. At that point, the Romanian accounting was in line with the EU directives and IAS/IFRS.

And there, at Finance, we have an Accounting Council, the Accounting Council, which I joined and remained a kind of technical director of the Accounting Council even after retirement. This council brought together, besides the finance specialists, academics, professional representatives, Experts' Body, representatives of the Chamber of Financial Auditors, Ministry of Justice, the National Bank, capital market. So all the basic accounting issues were discussed in that ... so it was an opinion, an advisory opinion, but now I can tell you how it worked. So all the recommendations that have been made have been taken over. So even if they were advisory, why? Because they were very logical. (Interviewee 1, Former Secretary of State in the Ministry of Finance)

8.2.2. International pressure or transnational effect?

One important question would be as to why do these type projects occur at all? In the course of an email correspondence, one of the interviewees, Interviewee 6, who has an extensive knowledge of these type of projects and is a practitioner and academic himself, addressed this question in detail.

There were many accounting development projects of this nature in the 1990s which were funded by national governments, the EU, or other supra-national bodies and which involved teams of consultants operating within a particular country often for a period of years. Many of the earlier projects were carried out by the major accounting firms but I recall that donors became concerned about the involvement of the firms (this may have been investigated in academic research). Later projects were carried out by other consultants including those based in the accounting institutes such as ICAS as well as others that specialised in certain regions but not in, say, accounting. Some consultants looked to win assignments first and then find team members with the relevant expertise (I was approached on several occasions by consultants who had won projects and were looking for

accounting experts to deliver what they had promised). ICAS was one of the better consultants as it looked to set up a suitably qualified team as part of the bidding process, hence I was included as part of the team in the bid. (Interviewee 6, UK University Professor and collaborator with ICAS for the Romanian project between 1996-1997)

Another question can be derived from this answer. Why particular donors (like the World Bank or EU) got involved in a particular country. In this case, why did the UK “Know-How” Fund (KHF) want to help Romania? And why did it focus on accounting development in Romania? Especially taking into consideration the Franco-Romanian relationship which made the earlier French accounting project logical – the affinity between and the similarities in the approaches to French and Romanian accounting. Interviewee 6 has some thoughts seeing the initial project proposal

- the KHF proposal was very detailed and included many specific accounting recommendations, including the adoption of UK GAAP – I would have expected such recommendations to be developed during the project by the Romanians in conjunction with the consultants;*
- the consultants should have been looking to build on the accounting work already carried out in Romania by the French project several years earlier (the possibility that the KHF project might destroy this work became an issue during the first few months); and*
- in 1996, Romania should have been looking to adopt the EC 4th and 7th directives (necessary for EU membership and the subject of the French project) and then should have added national accounting standards based on the appropriate International Accounting Standards – while I had, and still have, the highest regard for UK standards and the work of the ASB, I felt it would be wrong to sell UK standards (or any other foreign national GAAP) to Romania.*

(Interviewee 6, UK University Professor and collaborator with ICAS for the Romanian project between 1996-1997)

There are two accounts on the fact that Romania was being “courted” in order to adopt various accounting systems before the actual acceptance of the IAS/IFRS via the World Bank and KHF project.

The suggestion in the KHF project proposal that Romania should adopt UK GAAP was not unusual in the sense that other national donors and consultants were proposing that Romania and similar countries should

adopt other national GAAPs. I had issues in Romania and elsewhere with a USAID advisor who was arguing that all the transition countries in Europe should adopt US GAAP – fortunately nothing came of this although it did waste much time and effort. (Interviewee 6, UK University Professor and collaborator with ICAS for the Romanian project between 1996-1997)

But then US GAAP would be a hindered trouble than something which would actually help them achieve that. In order to meet the European directives we also knew at that time the direction of travel, now this was before I believe, the regulation was established, that the consolidated accounts of those entities listed in EU regulation. So we knew the direction of travel, we had been in discussions with various people within the commission, I remember David Tweedie was just about to become the first Chair of the International Accounting Standards Board, and it is IASB as opposed to the International Accounting Standards Committee. So we knew the direction of travel, we knew where they were going, we also knew that David's agenda was very much one of trying to look for convergence. This has not quite been achieved...we have come a long way and I look more on the positive as to what had been achieved and rather what was not achieved. So we were very much of the view that if our overall mission was to actually help Romania to become a member of the EU then US GAAP was not the way forward. I mean, just as an aside, and this is purely for your information, I wouldn't want this repeated, we were involved in another contract, in another country, and actually in discussions with US agencies, they actually agreed with us that IFRS was the way forward for that particular country. And that country is not a member of the EU. Even though the US was funding this, the terms of the contract were that we were there to give the best advice in relation with what would be best suitable for that particular mission and not what would be in the best interest for the US, for example. To be fair to the US agencies, that was accepted. Although there were rumours of pressure within Romania for adoption of US GAAP and so forth I'm not convinced that ultimately if the WB, and I don't know if the WB had a role in this, I'm not sure that at the highest levels in the WB, ultimately they would force an issue on...given that they should be trying to assert what is best in relation to what is the perceived future of that nation. And even without the benefit of doubt and everything known, I think if we went back and made the same decision, we would make the same decision.

At that time I couldn't see a reason to adopt US GAAP, other than...the only way that US GAAP would have been the answer is if I felt that IAS IFRS was going to fail.

The information we had at that time was that was such a momentum within the European Commission, and there was such a momentum following. There was a conference here in 2000, the IFAC 2000 conference, when it all happened, the establishment of the new board, and so forth and the fact that everyone seemed to be on board this was the way forward, we just struggled to see that US GAAP would be the way forward and that it would be a serious competitor to US GAAP. I think Mitch??? was right, people

might not like IFRS, might not like certain aspects of IFRS, but has achieved a lot, in that since that it was... That's not to say that there are not things that need changing. Yes, so I think that probably there are rumours of people putting pressure on for US GAAP to be applied, I am just not sure how seriously would really have been given the circumstances and just looking at the overall climate. I really struggle to see that the US GAAP would have been introduced given that the real reason for us being there was ultimately trying to assist Romania to join the EU. (Interviewee 5, ICAS employee who participated in the Romanian Accountancy and Audit Reform Project)

In other words, the Eastern European countries were to some extent a “battlefield” in terms of influence and control, but also due to their proximity to EU and the increasing influence of IAS/IFRS. Interviewee 5 was referring to Geoffrey Mitchell a former secretary-general of IASC from 1982 to 1985. He then went to work with Barclays but was still involved with International Accounting Standards until 2006 when he has become the chairman of SARG (Standards Advice Review Group) which was an advisory group for the European Commission in relation to standards adoption (Camfferman and Zeff, 2015, p. 2016).

The influence and push towards IAS/IFRS were exercised from multiple sources. On one hand, it was the World Bank that was asking for a unitary financial reporting framework as a condition for the payments of the Loan Agreements. Then it was the European Union that was adopting the IAS/IFRS in their Directives and therefore as part of the accession process Romania was inevitably pushed in that direction also. And then it was the direct involvement of the UK Government and ICAS, which would have preferred to see the French influence gone from the Romanian accounting and auditing.

The KHF project was very unusual in that it came with a full-time KHF project manager, Neale King, who may well have written the proposal and who had from the outset very strong views on what should be done in Romania – as I recall it was Neale King who wanted Romania to use UK GAAP and wanted to “destroy” the French work as well as the chart of accounts and similar things. ICAS wasn't used to the involvement of a government appointed project manager – and haven't seen such an approach elsewhere. It caused some friction and led to the ICAS staffing changes in 1997. (Interviewee 6, UK University Professor and collaborator with ICAS for the Romanian project between 1996-1997)

After 1989, unlike the period taken for comparison, that before 1947, it was not the nation states per se anymore who exercised their influence transnationally. At least not directly. This new period became a period of control being exercised through entities, institutions and supra-national institutions which have delegated power from the states who have representatives in those institutions. Political and military interests are being replaced with new type of interests, those of being lending money, those of accession to capital markets, of access to consumer markets and uniformity of financial data reported in every part of the world. Therefore, supra-national bodies such as IASC (International Accounting Standards Committee) which later became IASB (International Accounting Standards Board) and is based in London has pushed for an increasing use of its accounting, use that meant also increasing influence.

From this chapter it is also seen clearly that with money lending came also the ability to pull the strings in terms of the directions in which certain reforms were going. In order to get future payments, as a country, the compliance with the requirements was inevitable. It can be seen also from the interviewees that it was often a push-and-pull type of relation between the transnational actors and the local decision makers and users of the reformed reporting frameworks. Due to the fact that the habits were so strong in a society that stagnated for almost half a century, it was a battle of wills for this change to happen in line with the reproduction mode [REP].

8.3. COUNTERFACTUALS IN THE PROCESS OF ACCOUNTING CHANGE

In this period, a key aspect of the narrative was the role of the Know How Fund. As discussed in the previous section of this chapter, the intervention of the Know How Fund was crucial in setting the direction of audit and tax systems as well as financial reporting, towards convergence with IAS. This provides an opportunity for applying counterfactual reasoning: what might have been the outcome for Romanian financial reporting if the Know How Fund had not been involved.

Three possible paths seem to be suggested. First, the influence of plans of accounts carried over from the Communist period, and seen in moves towards adopting a French system, could have been a likely path, particularly as the accounting laws adopted in the early 1990s were heavily influenced by French thinking on financial reporting (see section 8.1.2 above). A second possible path would have been adoption of a reporting system based on US GAAP, although support for this was less obvious in Romania. The big international accounting firms could have been a mechanism for advancing the use of US GAAP, particularly as some managing partners had a US background. In the 1990s, some large German companies had adopted US GAAP for their international financial statements (Nobes, 2006), so this certainly was a path that could have been taken. However, against this, an important factor for adopting US GAAP by German companies was cross-listing on US stock markets, where as a minimum it would be necessary to produce reconciliation statements based on US GAAP. At this time, no Romanian companies had stock market listings in the USA, so this motivation for using US GAAP would not apply. Most international staff of big accounting firms in Romania were likely to come from other parts of Europe, and would have brought their own personal knowledge of a range of different accounting traditions, which would have provided competition to any proposal to adopt US GAAP. As interview quotations in section 8.2.2 make it clear, although there were some external suggestions that US GAAP should be adopted, these were not taken seriously, particularly as the World Bank did not force the issue.

This leaves a third path, which is that Romania would have moved closer to the requirements of the European Union and the various accounting directives. Evidence from interviews in the previous sections of this chapter suggests that, even though Romania had been left out of the first wave of transition economies to join the EU, there was growing interest from the mid-1990s in Romania becoming a member state. The formal process did not begin until 2000, after the start of the Know How Fund's activities in Romania. In the late 1990s, the EU's requirements were not based explicitly on any system of financial reporting standards. In the absence of the activities of the Know How Fund, it is likely that there would have

been much less attention given to international accounting standards, as these were not at that time part of the EU's financial reporting package.

The counterfactual analysis shows that the main contribution of the Know How Fund to Romanian financial reporting was raising awareness of IAS earlier than otherwise. Through the work of the Fund with CECCAR, Romanian translations of IAS were available from 2001, whereas without the Fund's activities, such translations might not have appeared until later in that decade, perhaps at the time when Romania joined the EU on 1 January 2007. The Fund also played an important role in providing knowledge in Romania of international best practice in audit and tax, and training the initial cohorts of accounting practitioners and academics in Romania. As is often the case in counterfactual analysis, it is found that the nodal event (the intervention of the Know How Fund in Romania) acts to accelerate trends that are in sympathy with the nodal event. Although some in Romania saw the Fund as a cultural intrusion, the general direction was towards international harmonisation, and the Fund reinforced this trend. Without the Fund, interest in IAS would still have arisen, but possibly a few years later, when Romania joined the EU. By that time, the EU had adopted international accounting standards. The intervention of the Fund meant that many practitioners and academics in Romania were suitably prepared for this moment.

8.4. CONCLUSION

Following a similar pattern as in the first cycle (see Chapter 6), I will bring together the analysis in this chapter with the help of the modes of existence (MOE) in relation to the idea of pattern identification.

Similar to the cycle in Chapter 6, the changes after the fall of the Communist regime give birth to a turbulent political period. Politics [POL] is therefore an important factor in the continuity and functioning of the economy, society and institutions after 1989. It is a period of strong involvement of politics in the economy, given the need for a new economic system to suit the move towards a capitalist market,

and therefore the need for new regulation. This process of economic change is contrasted to the attempts of some of the political actors to maintain as much as possible of the old regime in place, to benefit the “new” political class.

If looking at the process of change or modernisation through the lens of the mode [REP], especially when focussing on the organisational changes, the conclusion is that the institutions created after 1989 were either created on the model of the “old” ones (and by old I mean communist institutions or institutions from before the communist regime came to power) or new ones created due to the affirmation of new ideas adopted or assimilated through the modernisation process. The changes in this second cycle are far more accelerated than the ones in the first cycle due to a number of reasons. One of these reasons is represented by the accelerated evolution of technology [TEC] and the impact it has on the everyday human life. Another reason is represented by the mutations which occurred on the international scene, the move from the supremacy of nation-states towards the influence of international organisations and supranational institutions and their increasing transnational impact. A third reason would be the desire for modernisation which operated on two levels: a lower societal level and a higher level, that of the governing institutions and being perceived as inevitable as highlighted in section 8.2.1.

The increasing impact of networks [NET] (both of organisations and technological networks) on the modernisation process is therefore a facilitator of both identity (which was missing due to the negative influence of the former communist regime) and continuity. Due to the constant need for change which is at the core of this modernisation process, [ORG] exists in a world where [POL], [LAW] or [REP] also exist, therefore any change driven by these other three will change the inertia existent in an already established organisation to shift for something else, a different trajectory. This is the case of the “old” communist institutions/organisations which were inherited after the fall of the communist regime. The elevated level of inertia (or habits [HAB]) the members of organisations were experiencing, was trying to disrupt the move forward and it did succeed at times. But the contradictory messages and desires coming from the political spectrum and the repercussions of

Romania becoming part of an entanglement of networks [NET] after 1989, both internal and external, pushed for more. More in the sense of change, more in the sense of criteria needing to be met in order to get access to necessary external funding or to international organisations.

The mode [ATT] states that aspects of importance for this study, such as economy, society and political relations are all brought together by this mode. In other words, “the Economy out of its bed of social, moral, aesthetic, legal and political relations” (Latour, 2013) means that the entanglement of economic relations on a political and social scene in an apparent chaos after the fall of an established regime drives the need for creating a new one. Or it drives at least the creation of a regime that serves the interests of almost all the actors involved in the never-ending “game of influences” as was highlighted by the interviewees in the previous sections of this chapter. Romania is an example of such a change, derived out of the need to fit into globalisation.

For this period, the indigenous accounting is partly represented by accounting and reporting procedures that were carried forward from the Communist period and, to a lesser extent, attempts to recover accounting methods from the pre-Communist period. For example, the Commercial Law system after 1989, which impacted on accounting and financial reporting, was based on the pre-existing system from before Communism. However, the indigenous financial reporting system quickly proved inadequate in meeting the challenges of transition, and both borrowing and encirclement appear to happen close to each other in time. For example, as early as 1991, as shown in the timeline in section 8.1.2, Romanian practitioners and academics (the latter group often very close to the political establishment) were engaged in borrowing from France. In this borrowing, they were supported institutionally by French accounting bodies, but these bodies provided only minimal support in the form of material resources. The initiative lay with Romania, so we can identify this as borrowing rather than encirclement.

However, by the late 1990s, the role of the UK’s Department for International Development (DFID), through the Know How Fund, becomes more like

encirclement, because substantial material resources were offered to encourage Romania to move towards IAS. Although the principal agent in this process of encirclement was a UK professional body, the Institute of Chartered Accountants of Scotland (ICAS), the sponsorship of the UK government shows that this stage of development was different in kind from the earlier French relationship. It is particularly significant that, although the UK had at that time its own highly developed system of Financial Reporting Standards, the ICAS personnel promoted IAS. This shows how the encirclement of accounting is no longer merely a national process of hegemony – it is now transnational.

Bringing order out of the chaos left by the fall of Communism was therefore addressed through the same three stages as the similar process in the 19th and early 20th centuries, although the specific accounting needs were different. In the more recent period, as noted above, we have a move from indigenous accounting, through borrowing from France, to encirclement by IAS, but now the process is dramatically accelerated (see comments about [ATT] and [NET] above), so that, within just over a decade the three stages that, in the earlier period, took a century, were enacted. This chapter shows that, underlying the change process, we have the same accounting cycle, and this suggests that the cycle of indigenous accounting-borrowing-encirclement may be a useful model to adopt in studies relating to other transition economies.

In the final chapter of the thesis, the empirical findings set out in this and the previous two chapters are considered in the context of the research questions set out in Chapter 1, and the overall theoretical contribution of the thesis is examined.

CHAPTER 9. CONCLUDING REMARKS

9.1. SUMMARY OF THE THESIS

The thesis is an exploratory study of how and why new accounting regulation systems and professional organisations are shaped. The context for the study is the development of financial reporting regulation and practice in Romania, particularly after the fall of the communist regime in 1989. Although studies of accounting in the transition from communism have been carried out in the past, these tend to be purely descriptive and disregard the reasons for and ramifications of the actual factors that have driven the modernisation of accounting in particular directions. The thesis adopts a theory-building approach, with a multi-layered prior theory being developed and then exposed to the empirical evidence in order to validate the theory or modify it where necessary. The theory itself and the analysis of the data are built upon nine of Bruno Latour's Modes of Existence, which are chosen based on the notion of Continuity. The analysis also uses a counterfactual approach and is grounded in the idea of cyclicity in history.

The research explores developments in financial reporting regulation and practice in a single country, Romania, from the fall of the communist regime in 1989 until the present day, comparing these developments to their equivalents during the period between the establishment of a Romanian tradition of accounting in 1837 to the beginning of the communist regime in 1946. The empirical narrative is based on archival data and interviews, as well as primary and secondary literature.

The thesis undertakes a cyclical analysis of these two periods. In both periods, the analysis identifies three stages: (1) an Indigenous emergence of accounting (starting from 1837 and then 1989), (2) borrowings from outside, and (3) encirclement of indigenous accounting by the outside. With the help of the empirical narrative and the theory building, the thesis contributes to knowledge about how new financial and accounting regulation as well as new professional institutions emerge. What results is a theory that reflects both the time dimension of history and the

modernising international influences that have affected the accounting system of a country like Romania.

9.2. SUMMARY OF THE FINDINGS

At the beginning of this thesis, three research questions were set out. In this section of the thesis, answers to these questions are provided in summary form.

(a) What actually happened after 1989 with the Romanian financial reporting regulations and practices?

The two periods under analysis in this thesis can be resumed as follows. During the period between 1821 and 1947, Romania, in particular because it is a new state, is torn between two major forces. One of them is the need and desire to develop an indigenous accounting and the other is operating in a world where increasingly international trade and investment are important. And the road taken by Romania goes in a distinct way, as it can be seen from the last three chapters. This distinct way is the transition from three separate Principalities, with similarities and differences due to the internal and external influences, to a unified country, with a unified accounting system and a more coherent political system, compared to the beginning of the 19th century.

Moving forward a century, from 1989 the story is almost the same. Romania is already an established country but due to the fall of a regime that led the country for almost half a century it almost looks like it re-establishes itself in this post-communist period. Moreover, there is the tension between the two major questions: do we develop or rediscover an indigenous Romanian accounting, or do we borrow from elsewhere?

Chapter 8 sets out how, initially, Romania drew on existing accounting practices carried forward from the Communist period, as many organisations were effectively still organised as publicly-owned concerns. However, the Commercial Law system that was introduced in the early 1990s, which contained accounting,

auditing and financial reporting regulations, went back to the pre-Communist period. So the cycle began with reliance on indigenous accounting ideas. However, very quickly, these indigenous approaches were considered to be inadequate, and recourse was made to borrowing from France. This was encouraged by French professional bodies, but the initiative came from Romania. Finally, as Romania moved closer to the European Union, encirclement, through the advocacy of IAS by the Institute of Chartered Accountants of Scotland (ICAS), working under the aegis of the Know How Fund, increasingly took place. The counterfactual analysis contained in section 8.3 concludes that the Know How Fund's work made Romania better prepared for adopting IFRS on joining the European Union, blocked any attempts to introduce US GAAP, and undermined French accounting ideas.

(b) What were the mechanisms (for example, professionalization, education, international pressures) that gave rise to what actually happened?

The major factor that differs in the second period is, alongside the internal struggles, the fact that we have the influence of the International Financial Institutions; there are organisations and these organisations are much more formal in terms of pushing particular agendas onto different countries and therefore more direct in their involvement. And they operate in a number of different ways. But reducing them to a basic pattern, it is the organisation that is playing the key role here rather than the nation-state (as in the prior period) or even, at times, loosening networks of people, businesses and even interests. Ultimately, this is resembling a balancing act with similarities and differences. The similarities, the underplaying patterns, answering the question "why we had this happening in this particular way?". And then, as these are the key differences observed between the two periods, like for example the speed with which the changes happen, the nature of the interests and influences, the question is what is driving that difference. This can be answered in terms of the [TEC] mode for the speed with which things happen, both in terms of physical advancements of technology but also the knowledge brought by the advancements that have changed the nature of these networks. In terms of the differences of interests, the stakes are different after 1989. If before 1947 it was territory, conquest and power struggle between the nation-states, after 1989 the

power struggle is done through organisations and supra-national entities such as EU.

In the post-Communist period, the important role of the big international accounting firms helped to encourage borrowing from western European countries, as international personnel tended to come from these countries. The establishment of the Romanian professional body CECCAR was supported by French professional institutions, and the later involvement of ICAS provided a further model for professional development. As regards education, the connections between several leading Romanian accounting academics and France encouraged borrowing from that country, but with the passing of time, a newer generation of academics looked more towards English-speaking countries and institutions, particularly as a view developed that the UK had more influence on financial and accounting matters within the EU and other transnational bodies, such as the IASB and the World Bank, than the French. The most important factors in understanding how Romanian financial reporting became encircled from outside are the need to raise financial resources externally (which put Romania inside the sphere of influence of the World Bank) and the EU accession process, which imposed IFRS.

(c) What does the Romanian experience tell us more generally about the ways in which financial reporting regulations and practice change?

Looking at the last three chapters through a simplistic view, it is almost like these are findings that Latour and his MOE are implying in the particular case in which we are undertaking historical analysis. That is, there are various aspects of the material and immaterial world that we need to be looking out for, we need to be aware of and pay attention to. And while we can have a fairly general and abstract conceptual understanding of these aspects, that does not necessarily mean it operates exactly the same in all cases. And this is the manner in which this approach differs from less nuanced theoretical understandings of history.

In this research I am using the idea of cyclicity to inform and show how I am deciphering the empirical material and the historical material. But within that similarity in structure, within the structure cyclicity there are differences in how

things happen. By using the historical writing and taking into consideration the way in which I have put together the narratives, I am in fact showing that there are the same steps and the same stages in the two periods. But within that framework there are still areas of difference that can be flagged up.

Two aspects interact. First, there is the national context, which is likely to involve some degree of repetition because national cultures, economies and politics tend to change slowly, unless there is a shock in terms of revolution. So cyclicity may be a general feature of the ways in which financial reporting regulations and practice change. The other feature, which can be seen in both periods, is the important influence of transnational pressures, where emerging economies often see no alternative to following the lead of leading developed economies. This has been referred to as “encirclement”, where attempts to develop a local form of financial accounting practice are squeezed out by international pressures. These pressures include transnational bodies with regulatory power (e.g., EU), transnational bodies with economic power (e.g., World Bank), international organisations whose requirements are supported by these bodies (e.g., IASB), and international entities such as big accounting firms). The overall conclusion is that only the most powerful economies are able to resist transnational pressures for homogenisation. These pressures may take different forms in different periods, but in the end they have the same general effect of undermining national accounting initiatives.

9.3 THEORETICAL CONTRIBUTIONS

The theoretical framework for this thesis was developed as a special project in order to reflect the underlying complexity of the case being studied. Important elements of the framework were drawn from the following sources:

First element: A central notion of the theoretical framework is that of *modernisation*. To understand this fundamental concept, the work of one of the major scholars of modernisation, Bruno Latour, was drawn on. Latour’s modes of existence (2013) were selected on the basis of the *continuity* assumption, the notions

of recurrence and pattern identification. I have shown that the periodisation of the accounting changes that affected Romanian accounting from 1837 to the present day have a circularity to them. The notion of pattern identification has not been used as an analytical device in any prior national or international accounting history research. The idea of repetitive cycles in standard-setting has been used in the broader accounting literature by Mumford (1979) and by Nobes (1991 with a reply to criticisms of it in 1992 and 1992 Abacus article).

Second element: Existing studies of transition are often descriptive rather than theoretical, and where theories are involved, they are eclectic. Some researchers have used economic forms of analysis while others have drawn on social and political ideas. No specific theory of transition was adopted, but the general ideas of this notion, combined with the theory of modernisation based on Latour (2013), were combined to form an initial prior theory, which was subsequently “clashed” against the empirical findings, resulting in mutations of the prior theory, mutations which are being highlighted in the Conclusions chapter, and therefore reshaping and creating a final theory.

Third element: The idea of “making order out of chaos” is a theoretical device drawn from the work of John Law (2003, 2004), which in itself is both a process and a description for the purpose of this research, ultimately highlighting the relationship between states of the world in the first cycle and organisations and political pawns in the second cycle. It is concluded that the organisations that are involved in the shaping of the Romanian accounting regulation and practice after 1989 have tried to achieve their objectives by trying to make order out of what they perceived as being chaos, whether there was an existing underlying structure in order to explain their assumptions or not at the time.

Fourth element: Finally, in this second stage of theory development, it was necessary to acknowledge the importance of transnational organisations. This led to incorporating the emerging theoretical literature on transnational history (Iriye, 2004, 2012; Saunier, 2004), which studies in particular how historical changes in a

single location are the outcome of forces not only from other nation states but increasingly from transnational bodies, such as the World Bank, foreign governments and other supranational bodies (such as the EU). There was a clear view in regards to Romania in the early 1990's in terms of what order was in the opinion of these organisations. For example, for IASB order meant IFRS and for the World Bank order meant proper financial reporting, a transparent privatisation process and less corruption. For the EU order meant the adoption of the Community Acquis and reaching the levels of progress in all the areas so as to meet all the requirements.

In developing a final theory that reflects these four elements, the aim was to emphasise the conceptual passages between the elements and ultimately find generalisable elements based on the case of Romania which could allow researchers to look at other transitional economies through the lens developed for Romania. I am by no means looking for objectivity though, as that would not be possible when looking at social, political and economic changes all at once. As part of the social sciences, the aim was to find an explanation that does not just explain particular phenomena but also potentially can explain phenomena that have not yet been observed. So, in other words it is the idea of generalisation. That is the reason for which I did not adopt solely a historic view. Social scientists have a far broader interest in trying to find a more general explanation.

The finally developed theory is complex because it has to provide a means of understanding a complex social, economic and political reality. Using Latour's Modes of Existence, I find that the development of financial reporting in Romania, in both the earlier and the later periods, is the outcome of both discontinuities and persistences, as networks (this is a key MoE for Latour) often continue in existence across apparent discontinuities (for example, specific groups of individuals may continue to be important even though their roles and job titles have changed). Much of the early transition literature stresses the discontinuities involved in transition (for example, the fall of Ceauşescu in 1989, which was dramatic and unexpected), but underemphasises continuities across the disruptive shock. Discontinuities are often occasions of chaos, and the "order out of chaos" approach of Law (2003,

2004) provides a framework for understanding how actors cope with abrupt change and the forces at stake in such change. Increasingly, changes are induced or reinforced by transnational pressures, which in the more recent period come largely from institutional actors that take the form of transnational entities. Hence all elements need to be combined together to provide a rich framework for understanding what actually happened in Romania in different periods where the country's accounting systems and practices had to engage with pressures from outside.

9.4. LIMITATIONS

Although the thesis acknowledges the important role of national culture in understanding how accounting emerges and develops in Romania, limitations of space have meant that this role has been sketched out in Chapters 6 to 8, rather than being explored in detail. There has been growing criticism of the use of simplistic ideas of national culture associated with Geert Hofstede (1980), in particular by accounting scholars (such as McSweeney, 2002). Such criticisms could well apply to Romania, which has changed its geographical make-up significantly during the period considered in this thesis (for example, the acquisition of Transylvania after World War I). However, as discussed in Chapter 6 and 8, important political figures in Romania often appealed to historical and cultural continuity to justify their intentions. A future study could address the cultural dimension in more detail.

The collection of empirical evidence suffered limitations with respect to both documentation and access to interviewees. As noted in Chapter 5, several potential interviewees, particularly in Romania, either refused to be interviewed or were not particularly forthcoming in their interviews. Documents were often difficult to locate, and, again as noted in Chapter 5, interviewees sometimes refused to provide copies of documents that turned out to be available on the internet. As this historical study considers events from some time ago (even the "current" period goes back to 1989), potential interviewees had passed away. On the other hand, it was possible

to gain access to UK government records, which provided a rich source of information.

A more general issue is that the study focuses on a single country, which is not necessarily typical of other transition countries. Hence generalisation of the findings may be difficult. However, the theoretical framework is sufficiently open to allow subsequent researchers to use it in similar studies elsewhere, even though their specific findings may be contingent on events and factors that are unique to their cases. The thesis shows the tensions that are involved in undertaking historical research within a social science paradigm, as the latter puts some stress on generalisability, where historical research may favour a deep examination of specific events.

9.5 FUTURE RESEARCH DIRECTIONS

Reflecting on the research journey involved in this thesis, I can see a considerable amount of development but areas where more work could have been done. Various literatures have been drawn on that are not widely known within the accounting field. For example, although Latour's ideas are very widely employed, accounting researchers rarely go outside Actor-Network Theory, and his recent work on Modes of Existence is only now starting to be recognised in the accounting literature: for example, in their recent review of the impact of Latour on accounting research, Robson and Bottausci (2018) mention, but do not explore, this recent direction in Latour's work. There is significant scope for using Modes of Existence as an analytical tool (one of the few contributions to mention this approach is Busco and Quattrone, 2018), not just in historical studies but more generally across the accounting research field.

Several researchers into transition in Eastern Europe have referred to the British Government's Know How Fund as a factor in their narratives, but these researchers have relied on secondary sources. This thesis has used primary archival material about the Know How Fund in the case of Romania, but there is a considerable

volume of surviving documentation relating to other countries. A detailed study of these materials would provide interesting insights not only into the transition process (especially in years subsequent to the immediate event of transition), but also into links between government and the accountancy profession.

This thesis has made extensive use of the notion of the counterfactual argument, which is a widely adopted approach in history, but less so in accounting. Lukka (2014) has drawn on the modern philosophical literature on causation to suggest that counterfactuals provide effective explanations of phenomena for interpretive researchers. Further research, both historical and on more contemporary topics, using counterfactual arguments, will provide a new dimension to our ability to understand events and processes of change.

This research has shown that complex theories are needed to understand the world in all its complexity. Perhaps the most promising future research direction will be using the theoretical framework developed in this thesis for other studies of transition. As the principal events that triggered transition are now nearly 30 years in the past, studies of transition must move away from atheoretical descriptions to theoretically-embedded historical studies, and the present thesis is offered as a way of stimulating a wide range of future research.

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- Folder no ECC 0406 0223 0544 062 A
- Folder no KHB 0103 0223 0544 002 B
- Folder no KHB 0103 0223 0544 002 C
- Folder no KHB 0103 0223 0544 002 D
- Folder no KHB 0103 0223 0544 002 E
- Folder no KHB 9800 289 303 001 G
- Folder no KHB 9800 289 303 001 I
- Folder no KHB 9800 289 428 002 A
- Folder no KHB 9800 289 428 002 B
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APPENDIX ONE: DEFINITIONS OF TERMS USED IN THEIR ROMANIAN FORM

Boier – it is the owner of large land properties which also held a high function in the state; noble, person part of the East European feudal aristocracy.

Cenzitar vote – electoral system practiced on a large scale before the introduction of the Universal Vote. This consisted in the recognition of the right to vote only for the citizens which had a certain annual income quantifiable on property titles (land, buildings) or established on the basis of the amount of taxes paid annually on revenues received. In Romania, this type of vote was introduced through the Electoral law of 1864 and was kept until 1917 and divided the people with right to vote in two categories: rural electorate – citizens paying towards the state a tax of 48 lei and urban electorate – those who paid a tax of 110 lei. Parish priests, academics and college teachers, doctors and graduates from different faculties, engineers and architects, and so had the right to be exempt from the wealth census.

Claca – form of feudal rent consisting in the obligation of the peasant without ownership rights of the land to provide free work in exchange for the right to use the land given by the land owner (the master of the land).

Clăcaș - also known as "pontaș" is the name given in the Middle Ages to peasants obliged to do "claca" on the property of the aristocracy owning the land, for the batch of land given to him for use.

Corvezi - hard work imposed by the state on certain categories of citizens but unlike slavery, the chore was limited to a certain period only.

Dijma or **zeciuiala** – form of land rent consisting in the obligation of the peasant to yield to the owner of the land a portion of the output obtained from the batch of land given to him for use by the land owner (often a tenth of the production).

Divan – Council with political, administrative and juridical attributions, made up of the highest officials; (in the Romanian Principalities) Sfatul Domnesc (Lord's Council).

Iobag – is a term coming from the Hungarian *jobbágy* and is the peasant "bound" on the land of the feudal master on which the peasant resides and depending on this with both its self (body) and all its belongings. The difference between iobag and slave consisted in the fact that the feudal master did not have life and death rights over the iobag and they could not be sold separate from the land they were working or they received for use. They could be transferred through war, gifting, marriage among others.

Iugăr - old unit of measure for agrarian surfaces, used in Transylvania, equal to 0.5775 ha.

Izlaz - land that is not worked, with grass, used as a grazing ground.

Pogon – Agrarian measurement unit equal to approximately 5011.79 square meters (with very small variations depending on the historical period) which is approximately 0.5 hectares.

Rumân – the equivalent of șerb but in Wallachia.

Robota - (In the Middle Ages) Obligation of iobagi (serfs) from Transylvania to the feudal lord; (later) work done (several times a week) by the poor peasants from Transylvania and the Romanian Principalities for the benefit of the boieri; clacă.

Stânjen – archaic measurement unit of length. The value of this measurement unit around the middle of the 19th century was: 1,896 m in Transylvania, 1,962 m in Wallachia and 2,230 m in Moldavia.

Sudiți – having the significance of "subject" or "citizen", were in fact inhabitants of the two Romanian Principalities, Wallachia and Moldavia, which in the second half of the 18th century and a part of the 19th (during and after the Phanariots periods) were granted protection by foreign powers (generally the Habsburg Empire, Russian Empire or France). This protection was given in exchange for certain services provided or in exchange for various

payments. The rights given included immunity in front of the two local authorities, the Ottoman empire and the Voivodes, or even exemption from paying taxes.

Șerb – is the name under which the peasant dependant (with both its self and its goods) on the Feudal Master in Transylvania between the XVI and XVIII centuries.

Sesie - the name given in the Middle Ages in Transylvania to the land lot, part of a domain, over which the dependent peasant had the right of possession in exchange for the rent to the feudal master and which could be transmitted hereditary.

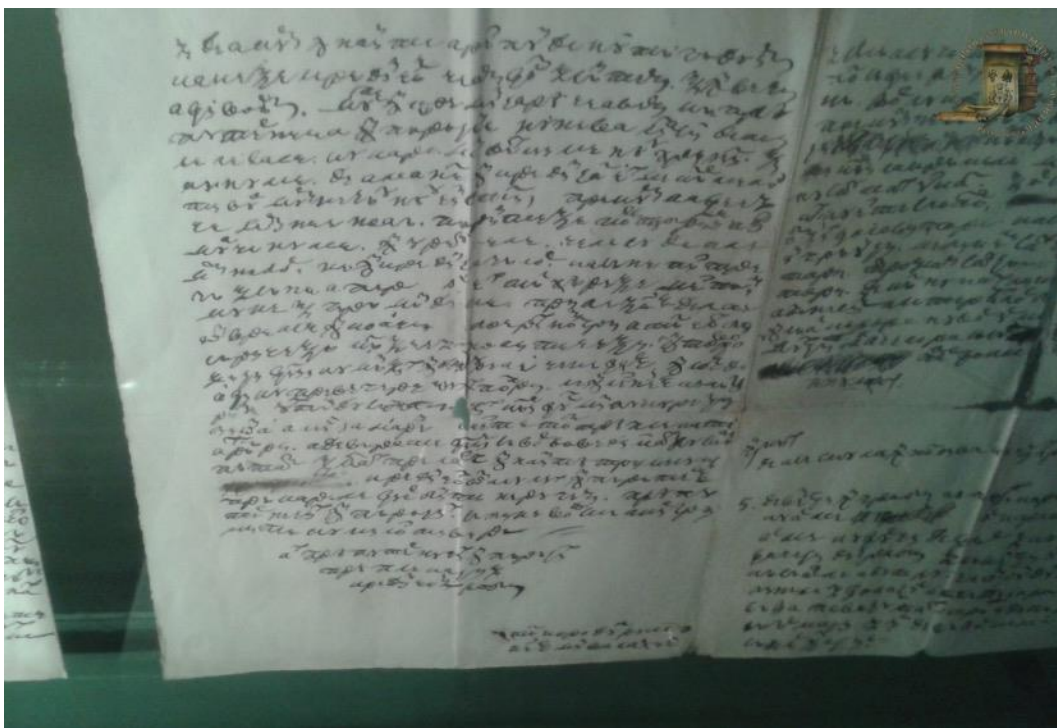
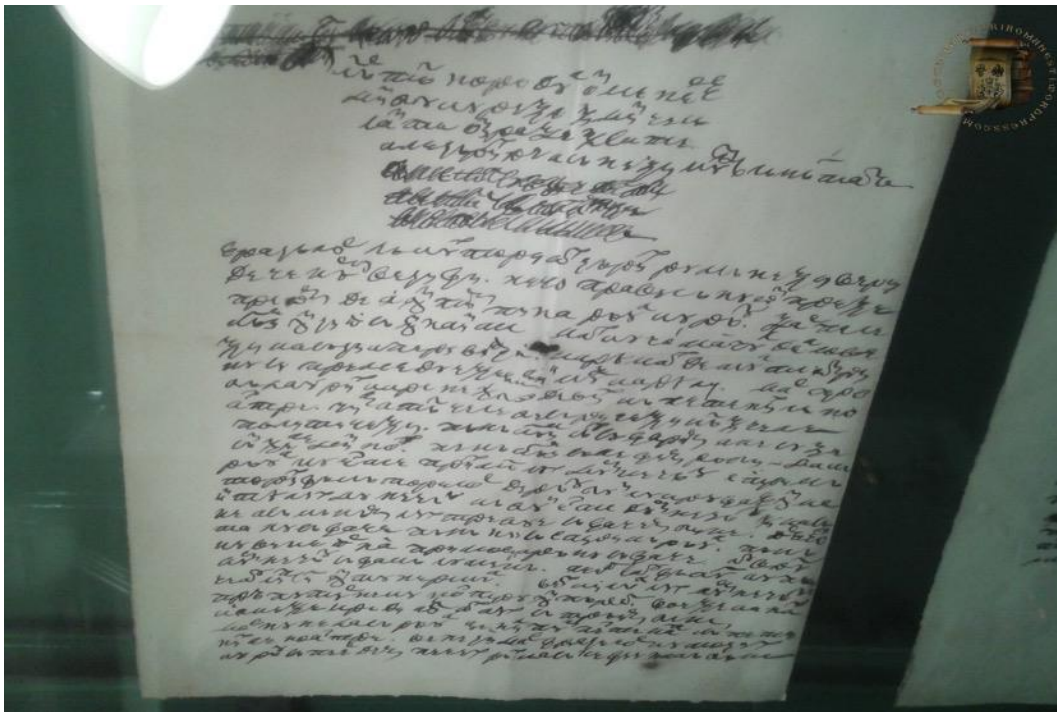
Vecin – the equivalent of rumân and șerb in Moldavia

APPENDIX TWO: TUDOR VLADIMIRESCU'S 1821 PROCLAMATION TO PEOPLE IN BUCURESTI



Source: <http://www.arhivelenationale.ro>

APPENDIX THREE: TUDOR VLADIMIRESCU, 23 JANUARY 1821 THE PADEȘ PROCLAMATION



Source: <https://tiparituriromanesti.wordpress.com/>

APPENDIX FIVE: SAMPLE OF INTERVIEW CONSENT FORM AND TRANSLATION INTO ROMANIAN

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INTERVIEW CONSENT FORM

I give my consent to be interviewed in connection with a PhD research project examining the emergence of the accounting regulation and practices in Romania after 1989 being undertaken by Nicolae-Ionut Bertalan ("the researcher") under the supervision of Professor Christopher Napier, Royal Holloway University of London. The project is intended to gather information about accounting, social and legal aspects from about 1989, with particular emphasis on the accounting regulation, professional and legal changes that underwent after the fall of the communism in Romania.

1. I understand that the interview will be audio recorded. The researchers will be the only ones with access to these recordings and subsequent raw transcripts.
2. I understand that the material included in any audio recordings may be used in scholarly publications derived from the research project. In the case of such publications, in the form of journal articles, books, or otherwise, I will be given the opportunity to comment on any proposed publication where my interview is quoted.
3. I have read and understand the explanation of the project provided to me. I have had all my questions answered to my satisfaction, and I voluntarily agree to participate in this study.
4. I am aware that I can terminate the interview at any time and that I may withdraw my consent to being quoted in any output from this research at any time prior to publication.
5. I have been given a copy of this consent form.

My signature

My printed name

Date

Signature of the researcher

For further information, please contact:

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FRUMULAR DE CONSIMȚĂMÂNT PENTRU INTERVIU

Imi dau consimțământul pentru a fi interviuat în legătură cu proiectul doctoral de cercetare care examinează apariția și evoluția reglementărilor și a practicilor contabile în România după 1989, proiect realizat de către Nicolae-Ionuț Bertalan ("cercetătorul") sub supravegherea Profesorului Christopher Napier, Royal Holloway University of London. Proiectul are menirea de a culege informații referitoare la aspecte contabile, sociale și legale de după căderea regimului comunist în România.

1. Înțeleg că interviul va fi înregistrat audio. Cercetătorii vor fi însă singurii care vor avea acces la aceste înregistrări și la transcrierile derivate din acestea.
2. Înțeleg că materialele incluse în aceste înregistrări audio pot fi utilizate în publicații în reviste de specialitate derivate din aceste proiecte de cercetare. În cazul unei asemenea publicații, luând forma unui articol științific, carte sau oricare altă formă, sunt conștient că voi avea oportunitatea de a-mi exprima părerea asupra respectivului material propus spre publicare în cazul în care acesta conține o citare a interviului meu.
3. Am citit și am înțeles explicația proiectului realizată de către cercetător. Toate întrebările puse au fost adresate de către cercetător și răspunsurile sunt satisfăcătoare. Astfel sunt de acord în a participa voluntar la acest studiu.
4. Sunt conștient că pot să inchei acest interviu în orice moment și că pot să imi retrag consimțământul de a fi citat în orice lucrare viitoare derivată din acest proiect în orice moment înainte de publicarea respectivei lucrări științifice.
5. Certific că mi-a fost acordată o copie a acestui formular de consimțământ.

Semnătura:

Numele:

Data:

Semnătura cercetătorului

Pentru mai multe detalii vă rog contactați:

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APPENDIX SIX: INTERVIEW QUESTIONS

1. Which do you think were the most important points in the Romanian transition from communism to a market economy?
2. What were your impressions/experiences in terms of accounting and societal changes at the moment of the fall of the communist regime?
3. Regulation wise, what is your view, what happened and what do you think about how the regulation happened?
4. What do you think were the internal organizations and/or international organizations that influenced both the transition and later the accounting process in Romania?
5. Looking at this timeline of the events after 1989 (Fig. 6.), do you agree with it and would there be any I left out?
6. Do you consider that the transition process and, later, the changes in the accounting regulation and practice can be perceived as modernisation and if yes, what are the main elements that make it such?
7. Please have a look at these elements (Latourian modes of existence):
 - REPRODUCTION
 - HABIT
 - TECHNOLOGY
 - FICTION
 - POLITICS
 - LAW
 - ATTACHMENT
 - ORGANIZATION
 - NETWORKDo these notions link in any way with what you have lived after 1989?