

DIVERGENCE AND CONVERGENCE IN THE ITALIAN ACCOUNTANCY PROFESSION

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1. Introduction

The professionalisation of accounting has received growing attention from historians in recent decades (Sikka and Willmott, 1995; Dezalay, 1995; Rittenberg and Covaleski, 2001; Covaleski et al., 2003; Edwards et al., 2007). However, the history of the accountancy profession in Italy appears to have been neglected, apart from a few important exceptions (Antonelli, 1969; Cantagalli, 1996; Fiorentini, 1987; Melis, 1950; Tomasin, 1982). This is very surprising as in Italy we find the earliest development of accounting and bookkeeping. It is in Italy where we find the beginnings of professional accountancy bodies. Indeed, these are arguably the first accountancy professional bodies in the world. In fact, the history of accounting and accountants in Italy has long been of interest (Brown, 1905). It is, for example, in Italy that the two terms *ragioniere* (accountant) and *ragioneria* (accountancy) were first used by the Romans. They derive from the Latin word *ratio*, which was used to refer to all operations to do with calculus, mathematics, value and business records.

As early as AD 831, a deed entered into between the Abbot of St. Ambrose of Milan and a certain Giovanni Donnolo is signed by a self-designated ‘accountant’, who for the same deed gave an evaluation and an estimate.¹ Indeed, the statutes of the various eleventh century communes contain numerous rules as to how books should be kept (Brown, 1905). Further references to accountants can be found in Milan in AD 1164, when the vestry of the cathedral, the ducal court, and the commune each employed an accountant, as shown by a general register of taxable land compiled in that year. Again in Milan in AD 1387, at a meeting of the committee for the building of the cathedral, mention is made of the appointment of an accountant and a *revisore dei conti* (auditor). In AD 1394, a certain Giovanni Scanzi was elected *Ragionato* of the commune of Milan. Moreover, chapter 115 of the statutes of Milan of 1396 is entitled “The Accountant of the Commune and his functions”,² which attributes to the accountant the most important administrative functions in public affairs.

Notwithstanding these early requirements for accountants and auditors, the true birth of the Italian accounting professional dates from the late sixteenth century. The official birth of the modern accounting professional coincides with the foundation of the *Collegio de’ Rasonati* by the Republic of Venice in 1581. Documents prove the creation, in the 1620s, in the Northern Italian

¹ *Signum manus Garefrit Rationatori, qui ipsis rebus mensuravit, et estimavit.*

² *De Rationatore communis et ejus officio.*

area of modern Piedmont, of judicial settlers, who were in charge of laying down reports, surveys and arranging the winding-up of businesses (Cappellaro, 1997). Over the next two centuries, accountants began to form groups culminating in a College in Milan in 1742 (Cantoni, 1902). However, only later was it officially recognised that they performed a function that was in the public interest (Bariola, 1987).

These groups can be seen as the origin of the Italian *ragionieri*. However, interestingly, in Italy a rival group grew up to challenge the dominance of *ragionieri*. This new group, *dottori commercialisti*, drew upon their university education to claim a distinct and independent identity.

Throughout their historical and judicial evolution, the two Italian professional categories of *ragionieri* and *dottori commercialisti* never completely acquired special and distinctive functions (unlike, for example, accountancy professions in the UK). Therefore, they have ended up as an exception to the normal process of professionalism both in Italy and elsewhere. This paper outlines the history of the two Italian accountancy professions and shows that is a tale of mutual antagonism. The two bodies found it impossible themselves to resolve their differences and to merge. In the end, a merger of the two became impossible without the intervention of a third party.

We use professionalisation theory to contextualise this study and, in particular, we draw upon Andrew Abbott's, *The System of the Professions* (1988), to provide a theoretical framework to explain the development of the accountancy profession in Italy. Abbott's thesis has informed historical studies of the accountancy profession (Maltby, 1999; Sikka and Willmott, 1995; Edwards et al., 2007). However, it has not been used before to investigate the internal development of different accounting bodies in one country or to evaluate the milestones that Abbott sets for the development of a profession. We show that, whereas the development of the *ragionieri* in Italy followed the classical Abbott's eight-part model, the development of *dottori commercialisti* was radically different.

This paper, therefore, has three main contributions. Firstly, we outline the development of the Italian *ragionieri* and *dottori commercialisti* over their whole history culminating in their 'enforced' merger in 2005. To our knowledge, this is the first paper that has ever looked at the whole history of the accountancy profession in Italy. Secondly, in connection with the theory of professionalism, we show how the development of the professions of *ragionieri* and *dottori commercialisti* extend the prior research into Abbott's professionalisation theory. Thirdly, in relation to historical accounting theory, we consider whether accounting change is more likely to be a consequence of external, rather than internal, pressures (Jones, 1992; Napier, 2006). Indeed, the

eventual unification of the professions was, in fact, determined by external rather than internal factors.

The research for this study has been principally drawn from original Italian sources comprising mainly the Congress proceedings of both the *ragionieri* and *dottori commercialisti* dating from 1879 as well as laws and regulations. This has been supplemented by secondary Italian sources, which deal with particular aspects of Italian professional development. Rather surprisingly, we know of no book or articles in Italian or English that deal with the whole history of the two Italian professions.

The remainder of this paper is structured as follows. In the next section, we review the published theories of professionalisation. We then present Abbott's analysis of the development of professions in terms of their typical stages of development and in terms of inter-occupational competition about their expertise and their subsequent struggle for control of the Italian accounting profession. In Section 3, we describe the development of the two accountancy professions in Italy. Finally, in Section 4, we interpret our findings in light of Abbott's theory.

2. Review of the academic literature on professionalisation

2.1 Early professional studies

Most authors who study professions assume that they develop in a common way through a series of stages called *professionalisation*. The focus is less on what professions do rather than their organisational structure. The focus has, therefore, been on the analysis of organisational patterns, concentrating more on the form than on the content of professional activity. In fact, professions make up an interdependent system in which each profession carries out its activities under various kinds of legal control. Sometimes, a profession has full control of the rules that govern it and sometimes the control is subordinate to another group. Jurisdictional boundaries are perpetually in dispute, both locally and nationally. Indeed, the history of jurisdictional disputes inevitably provides a narrative about how professions develop and evidence for how they relate to one another and the kind of work they do (Abbott, 1988).

According to Caplow (1954), professions begin with the establishment of professional associations that have explicit membership rules to exclude the unqualified. Secondly, they change their names, in order to lose their past, to assert their monopoly, and most importantly to give

themselves a label capable of legislative restriction. Thirdly, they set up a code of ethics to assert their social utility, to further regulate the incompetent and to reduce internal competition. Fourthly, they politically agitate to obtain legal recognition, aiming first to limit the use of the professional title and later to criminalise unlicensed work in their jurisdiction. Wilensky (1964) discussed what he called 'the professionalisation of everyone', by looking at the dates of 'first events' in various American professions. These consisted of the first examples of: 1) training schools; 2) university schools; 3) local associations; 4) state licensing laws; and 5) codes of ethics. He found that the events usually occurred in the above order.

Although Wilensky's story differs from Caplow's, they both agree that there are clear sequences of professionalisation. This clear succession of events disappears in the professionalisation described by Millerson (1964), who takes a very different approach. For him, the foundation of associations often failed to follow a simple chain of events. In fact, he asserts that not all qualifying associations began as straightforward attempts to gain professional status. In fact, these associations introduced examinations and sought to prove members' status.

2.2 Abbott's *analysis of the development of professions*

Abbott (1988) illustrates a different way of generalising sequences - one that makes them interdependent. He envisages sequences of jurisdictional control: who had control of what, when and how. Professional power is viewed in exclusive terms, that is, power at the expense of others. Larson (1977) and many others also emphasise the professions' use of organised power to achieve wealth and prestige. On the one hand, powerful professions attacked and destroyed "charlatans", while on the other, these professions extorted concessions from their unorganised clients and from the state.

According to Abbott (1988), "jurisdiction"³ is the most important property of professions as one profession's jurisdiction pre-empts another's.

"It is the history of jurisdictional disputes that is the real, the determining history of the professions" (Abbott, 1988, p. 2).

³ The term "jurisdiction" is used to describe the profession's effective control over a "task area" (Abbott, 1988, p. 112), and a classified list of tasks undertaken by a profession at any point in time therefore maps its jurisdiction (Abbott, 1988, p. 41).

However, no profession can stretch its jurisdiction infinitely. Therefore, we need to look at the inter-professional jurisdictional relationships.

In this way, we can recognise the interdependence of professional development. Moreover, this will let us look at the effects of social forces on individual professions (that is, changes in the locus of competition or external changes such as new norms which affect monopoly or oligopoly in inter-professional relations). Parallel to the territorial struggles for occupation of new markets, struggles take place continuously for power and prestige, which have their own logic and contribute at least as much to the transformation of the professional landscape (Dezalay, 1995, p. 335).

In relation to accounting, Abbott (1988) discusses skirmishes on the border between accountants and lawyers, the diminishing jurisdiction of the latter and work shifts within the boundaries of the accounting domain. His thesis, though subject to criticism (see Macdonald, 1995, pp. 14–17), has informed historical studies of the accountancy profession and of jurisdictional disputes between the professions of law and accounting (Sikka and Willmott, 1995; Dezalay, 1995; Maltby, 1999; Pong, 1999; Rittenberg and Covaleski, 2001; Covaleski et al., 2003; Edwards et al., 2007; Walker, 2004). These studies have looked at different aspects of Abbott's theory. Edwards et al. (2007) looked at how "public accountants" established themselves as a professional grouping in England during the period 1800–1880 against other competing jurisdictions. Dezalay (1995) also looked at struggles between the professions:

"To complicate matters, since the different national grids for sharing out roles on the market for expertise rarely correspond with each other, possibilities for poaching or occasions for conflict multiply, as lawyers, accountants, tax experts and, more generally, all kinds of consultants jostle each other at the bedside of the enterprise" (Dezalay, 1995, p. 338).

More specifically, Rittenberg and Covaleski (2001) looked at the jurisdictional struggle between the internal and external audit professions. Then Covaleski et al. (2003) looked at jurisdictional disputes between the, Big Five public accounting firms, the American Institute of Certified Public Accountants (AICPA), the Institute of Internal Auditors (IIA), and the Securities Exchange Commission (SEC). Finally, more generally, Sikka and Willmott (1995) showed how challenges to the accountancy profession do not necessarily come from those who seek to occupy its territory and how the accounting profession defended its jurisdictional domain in relation to the mid-1970s economic crisis, the Eighth EC Directive and organised opposition to self-regulation.

In Abbott's model, external forces directly disturb the system by opening new task areas for a profession and by destroying old jurisdictions: a new function or task appears and a profession achieves jurisdiction over it, at the expense of weakening its other jurisdictions. Other competing professions become vulnerable to invasion and the changes propagate through the system. Likewise, a professional task can disappear and the group that held it may contest and win another jurisdiction, or may strengthen other jurisdictions it already holds (Abbott, 1988). Moreover, groups of professionals can enter or leave the system. Usually, however, a group of professionals disappears only when its tasks disappear. Abbott argues that new groups enter the system in two ways: (1) the first arises out of a clientele settlement; i.e. a powerful profession ignores a potential clientele, and paraprofessionals appear to provide the same services to the forgotten group. These paraprofessionals later attack the dominant group for the jurisdiction (e.g. apothecaries, homeopaths, osteopaths and chiropractors); (2) in the second, called enclosure, a group claims jurisdiction over a task previously common to a number of professions (e.g. marital therapists, gerontologists, land agents, surveyors and auctioneers).

In analysing the development of the accounting professions in Italy, we will look at the sociology of professions, the jurisdictional conflict between the *ragionieri* and the *dottori commercialisti* and at the sequence of professionalisation.

To test Wilensky's argument, Abbott (1988) studied the order of eight events in 130 American and British professions. Overall, he distilled the order of events (which we term Abbott's mile stones) as outlined below:

1. First (national) professional association
2. First governmentally sponsored licensing legislation
3. First professional examinations
4. First professional school separate from some other profession⁴
5. First university-based professional education
6. First ethics code
7. First national-level journal
8. First accreditation of schools (U.S.) or certification by association (England).

To our knowledge this sequence has not been investigated in the literature before.

⁴ It is worth noticing that Abbott does not give a definition of profession: "Profession is not 'objectively' definable precisely because of its power and importance in our culture". "A firm definition of profession is both unnecessary and dangerous" (Abbott, 1988).

3. The development of the accountancy professions in Italy

3.1 Origin of the Italian ragionieri (1581-1929)

The official birth of the modern accounting professional in Italy coincides with the foundation of the *Collegio de' Rasonati* (translated as the “College of Accountants”) by the Republic of Venice in 1581. This can be seen as the first professional association in Italy and perhaps in the world. Venetian citizens who had resided in the town for five consecutive years, who were not engaged in any manual trade, and who had not suffered any legal punishment, could be admitted to membership (Brown, 1905). However, in 1596, it was decreed that strangers might be admitted if they had been resident in Venice for 15 consecutive years. By 1669, the influence of the *Collegio* had become so powerful that no one could exercise the functions of an accountant, in connection with either public administration or the law, unless he was a member.⁵ Whoever intended to follow the profession of an accountant, having first obtained from a magistrate a certificate of his fitness for admission, had to serve an apprenticeship of six years in the office of a public accountant and were usually from 18 to 24 years of age. Before submitting to an oral examination, a candidate had to obtain a further ‘declaration’ by a magistrate that he possessed the necessary legal requirements. The prospective accountant then presented himself before the commission of examiners with this declaration, together with a certificate from the accountant with whom he had served his apprenticeship, as a proof that he had the required capacity. The commission was composed of 45 people of whom 30 were accountants. After that, the candidate had to submit to a similar examination before the controllers of accounts and five merchants. If he obtained three quarters of the votes of that body, he was granted a certificate for admission to the College (Cantoni, 1902).

There are also documents from the 1620s proving the creation, in the Northern Italian area of modern Piedmont, of ‘judicial settlers’, who were in charge of providing reports and surveys, and arranging the winding-up of businesses. In Milan from the sixteenth century, the accountant occupied important public positions and enjoyed special privileges. One College (*Collegio*) was established in 1739 and it received the approval of the Senate in 1742. Only its members should be legally recognised and the statute of 1744 laid down the rules for admission. These required knowledge of economics, commerce and public affairs; a complete knowledge of Latin and

⁵ Women were not admitted.

arithmetic; a five year apprenticeship; the attainment of 25 years of age and passing an examination in the science of accounting.

The position of the College in Milan was different from the College in Venice, as the latter was established under the protection of the state, while the former was a private institution. So unwilling was the government of Milan to have the College interfering in state affairs that, in 1748, the government initially refused to appoint to public offices accountants from the College.

The work of an accountant was divided into practical and intellectual activities. Practical work consisted of routine arithmetical accounts, various calculations and transactions in double-entry. By contrast, intellectual work consisted of, for example, reconciling complex accounts. There were set fees for each type of work. It was compulsory to use the legal fee, otherwise an accountant could be barred from practising. However, the College in Milan aroused jealousy because of its privileges and was suppressed (re-established in 1799 and again suppressed shortly after) (Lucchini, 1969, 1881).

In 1805, Napoleon I issued a regulation relating to the practicing of the 'profession of public accountant in the Kingdom of Italy' (Cappellaro, 1997). Then, in 1828, a regulation, which made it possible to work as a professional accountant, was promulgated and 'reviser accountants' became a professional category. Next, in 1836, Pope Gregory XVI issued an ordinance on behalf of the Holy Congregation of Studies to regulate the 'public accountant' in all the Papal States. Before the unification of Italy, conditions similar to those prevailing in Venice and Milan prevailed in the majority of the independent states: no one could practise as an accountant unless he was a member of a recognised association.

In the second half of the nineteenth century, after Italian unification, there was a revival of economic and accounting studies, along with intense public and private activity to achieve the legal recognition of qualified accountants. In fact, until this legal recognition, the qualification was reserved only to those graduates who had spent a training period in a well-established accountancy firm and had successfully passed the corresponding governmental exam. When legal recognition was eventually granted in 1879, the first National Congress of *Ragionieri* was organised in Rome to celebrate this success. In the following years, 'College' or 'Gilds of Accountants' were established all over central and northern Italy, from Modena to Perugia, and Bologna to Turin. Membership of these Colleges was open to persons who had obtained the *Diploma di Ragioniere* (equivalent to A-level in the UK) from one of the 60 Royal Technical Institutes nationwide. The four year course of

study in accounting at these Institutes included law, political economy, bookkeeping and auditing, two foreign languages and general education.

The accounts of joint-stock companies were (and are still today) audited by people appointed by the shareholders, called *Sindaci* (statutory auditors), who were frequently (but not necessarily) accountants. Their duties were detailed in the Commercial Code of 1865. In bankruptcies, a local roll of *curatori* (trustees) was drawn up by the courts every three years and only those persons whose names were on the roll were eligible to wind up estates. Those enrolled were in many cases professional accountants, but the list also included many lawyers, engineers, architects and others.

The role of the accountant in Italy was defined in Royal Decrees dated 21 June 1885 and 2 October 1891. It includes designing accounts for public and private businesses, reform of office administration and bookkeeping, making up inventories and balance sheets, interpreting accounts, auditing, liquidations, demerging companies, trusts, expert evidence, and so on. However, *importantly* their duties were not exclusive to accountants (whether with or without diplomas) and, in many districts, lawyers and others could perform them.

Only in 1906 thanks to Law 327/1906, were accountants formally recognised as *liberi professionisti* (free professionals). Until 1929, they could only work if they were registered members of a College of Accountants, one of which had to be created in every province. Members of such Colleges needed to hold a *Diploma di Ragioniere*, be qualified as a teacher of accounting in Technical Institutes or be an Associate of the High School of Commerce. It was also necessary to have practised accounting for two years and, after obtaining the diploma, to be an Italian citizen and have no criminal penalty (Fiorentini, 1987).

3.2 Origin of dottori commercialisti (1868-1929)

The professional category of *dottori commercialisti* is an interesting one, as it represents an example of a professional body based on educational qualifications rather than functions. Indeed, this has been the basis on which these professionals have tried to build their own professional monopoly (Cantagalli, 1996). The history of *dottori commercialisti* is characterised by a number of jurisdictional conflicts with other similar professions, which, in some cases, even today (2012), have not been fully resolved. *Dottori commercialisti* have tried to distinguish themselves from their professional antagonists (essentially, *ragionieri*) by a superior level of study. This has eventually

evolved into a graduate degree and the birth of universities focused exclusively on the formation of experts in economic fields such as accounting (Cantagalli, 1996).

In the second half of the nineteenth century, many European countries, such as Belgium and France, reorganised their systems of higher education. Cities, such as Antwerp and Paris, in 1852 and 1861 respectively, established Higher Schools of Commerce. Italy followed this example with three Higher Schools of Commerce being established (Venice 1868; Genoa 1884; Bari 1886) (Di Vittorio, 1987). These three schools arose from the joint action of economic, cultural, and political forces, each acting in its own city to boost the local economy (Cantagalli, 1996). Their foundation was based on the belief that education (not just practical training) was important for business advisers. However, in spite of their good intentions, these schools failed to accomplish their goals as, in effect, they concentrated on practical rather than theoretical subjects. This changed with the establishment of the *Università Commerciale Luigi Bocconi* in Milan in 1902 (Cattini et al., 1992).

Bocconi University aimed at ensuring an all-round education for young professionals by combining an economic education with professional training. It soon became an important model for later economic and business universities. At the end of the four years, the University awarded a 'special graduation diploma'. However, this diploma lacked royal authority and was consequently of no use in professional disputes and this limited the professional opportunities available to Bocconi graduates.

Many of the graduates worked in a much wider range of advisory and consultancy services (Cattini et al., 1992; Massa Piergiovanni, 1992). This was a contested field, where many other professional bodies were already operating, and sharp contrasts started to arise, for example, between the graduates from the Higher School of Commerce and Bocconi University on the one hand, and lawyers and *ragionieri* on the other. Although those graduates had an education that combined both lawyers' and accountants' knowledge, they faced two severe drawbacks, which actually made them socially and professionally inferior. First, their 'diploma' lacked official recognition and any kind of legal protection from the government. Second, by contrast lawyers and *ragionieri* had already obtained, through the creation of their own professional bodies, governmental recognition and could more easily defend their professional title and qualification.⁶

Nevertheless, all those graduates in economics and commercial sciences who had chosen to work as free professionals started to demand an official definition of their professional role and the exclusivity of their functions and tasks. During the Second Congress of the Industrial and

⁶ Law 327 of 15 July 1906 regulated the profession of *ragionieri*.

Commercial Italian Institutes held in Turin in 1902, Prof. Roncali, from Genoa's Higher School of Commerce, for the first time raised the problem of official recognition of the diploma.

The main objective of the Higher Schools of Commerce and of Bocconi University was therefore to make the economic and commercial courses of study more attractive through the recognition of their legal status as universities and their ability to grant the academic qualification of *dottore*.⁷ The Higher Schools of Commerce were allowed to award 'special degrees'⁸ in 1903 and Bocconi University obtained the government's official recognition in 1906 of the title of *dottore in economia e commercio* (doctors in economics and commercial sciences). For the first time, these new 'doctors' could officially distinguish themselves from the *ragionieri* (*ragionieri*) (Cantagalli, 1996). The recognition by the government of the academic title represented the first attempt by the 'doctors' to make visible the existence of two distinct professions: *ragionieri* and *dottori commercialisti*.⁹

In the absence of any form of governmental intervention, associations of 'doctors' *unofficially* established the first professional Orders at a provincial level. By 1911, there were already eleven of these unofficial Orders. Also, in 1911, during the First National Congress of Doctors in Economics and Commercial Sciences held in Turin, the doctors in commercial sciences proposed for themselves an exclusive preference over all other groups in performing those professional functions where commercial techniques were especially important (e.g. company liquidations and commercial surveys) (see *Rivista di Diritto, Economia e Commercio*, Jan.-April 1934, p15).

In 1913, in Milan, some 20 graduates from Bocconi and from the University of Turin started the first register (*Albo*) for graduates in economics and commercial sciences working as freelance. This register was a simple list of member of the association of 'doctors' and lacked official recognition. In 1913, Milan's Chamber of Commerce published a list, valid for the following three years, of the trustees in bankruptcy. This was exclusively for the 'doctors' and was criticised by *ragionieri* of the city. The controversy arose because the 'doctors' were only required to spend two years in training, whereas *ragionieri* who graduated from the Higher Schools of Commerce before

⁷ In Italy, the title 'Doctor' is awarded once an undergraduate programme has been completed.

⁸ *Diploma speciale di laurea [...] equivalente agli ordinari gradi superiori accademici.*

⁹ The two different titles awarded by the Higher Schools of Commerce (*Dottore in scienze applicate al commercio*) and by Bocconi University (*Dottore in scienze economiche e commerciali*) generated some confusion, but this situation was resolved in 1915 when the Ministry of Education recognised the two titles as equivalent from a legal point of view. In 1924, both titles were changed into *Dottore in scienze economiche e commerciali* and, in 1935, the title *Dottore in economia e commercio* was introduced.

1913 had to undergo a four-year training period.¹⁰ The Chamber of Commerce refused to accept the protests, so the *ragionieri* took their case to the State Council. In September 1913, this also rejected their claims, stating that the superior level of studies accomplished by the doctors in economic and commercial sciences was the equivalent of two years of practical training. This opened the way for the enrolment of doctors in the official lists of many cities' law courts.

All these moves strengthened the doctors' feeling of professional uniqueness and led to the formation in 1920 of the '*National Federation of Associations of Doctors in Economics and Commercial Sciences and of the graduates of the Higher Schools of Commerce*'. This pan-Italian body sought to consolidate its existing position, as well as to acquire new rights necessary for its members wishing to work as freelancers. This led to a new definition of *dottore commercialista*.

As the category of *dottori commercialisti* grew stronger, the conflicts with *ragionieri* grew worse, as the latter continued to oppose the creation of a new category of accountants. After the end of the First World War, Alumni associations of graduates in economics and commercial sciences of Milan and Turin once again started to work together to campaign for the institutional validation of the professional registers of *dottori commercialisti*. In June 1920, the Order of Doctors in Commercial Sciences for the district of Milan's Court of Appeal was created. Then, on 4 March 1921, a new draft law was submitted to the Chamber of Deputies (Lower House of Italian Parliament) with the aim of obtaining the Order's official recognition. The proposal also required the foundation of Registers and Orders to harmonise the regulations of *dottori commercialisti* with those of the lawyers and listed the functions of the Doctors in Economics and Commercial Sciences, which went beyond those recognised for *ragionieri*, covering a whole range of financial and consultative services.¹¹ The draft law envisaged a professional Order separated into a number of regional colleges, but was thwarted by a general election in May 1921. However, the seed for change had been sown and, in 1923, the Italian minister of Justice, Oviglio, presented a proposal stating that:

¹⁰ Here we are referring to the *ragionieri* who graduated from the Higher Schools of Commerce before 1913, as it was only with a law dated 1913 that those Schools were made equivalent to universities.

¹¹ 1. Financial, economic and administrative consultancy. 2. Surveys in commercial, civil, criminal issues and corresponding writings. 3. Creation, modification, merger, dissolution of commercial companies and drafting memorandum and articles of associations. 4. Organising public and private administration offices and accounting systems. 5. Creation and auditing of inventories; estimates; depreciation plans and final financial statements. 6. Financial and managerial accounting for bank, commercial, agricultural and industrial firms. 7. Statutory auditors in public companies. 8. Estate administration. 9. Legacy divisions. 10. Tutorship and protection. 11. Voluntary liquidations. 12. Preliminary arrangements. 13. Bankruptcy procedures. 14. Judicial rankings. 15. Judicial seizures. 16. Arbitrage in economic disputes and reasoned opinions. 17. Stock market negotiation. 18. Insurance contracts. 19. Labour legislation. 20. Bank, industrial, commercial, maritime and agricultural uses.

“The technical progress of the development of the means of production in all economic and commercial branches, along with the improvements in the study of the economic culture and its technical education, have given birth to a new professional category of workers which is awaiting for the national legislator to determine its own, specific function in relation to other similar categories and to protect its personal competences.”

This caused jurisdictional conflict with *ragionieri*. They opposed a new separate accounting body and argued that the two profiles were ‘extremely similar’ and that all should be grouped into a single entity. The political strategy of the *ragionieri* was to strangle the *dottori commercialisti* at birth by amalgamating with them.

In 1924, a meeting in Rome attended by negotiators from the *ragionieri* and *dottori commercialisti* tried to get an agreement between the two professions. However, both sides’ positions and arguments were so entrenched that, in the end, no compromise was reached. Then, in April 1925, the *Accademia dei ragionieri* (Academy of *ragionieri*) changed its name to the *Accademia dei ragionieri e dottori in commercio e ragioneria* (Academy of *ragionieri* and doctors of commerce and accounting). However, *dottori commercialisti* were still not willing to join and soften their position and, during the negotiations, continued to demand recognition as a separate and autonomous professional category.

In 1925, *ragionieri* proposed a reform of the academic system to the Chamber of Deputies so that the diploma released by the technical Institutes was only an A-level degree, whereas the title of *ragioniere* could be given only to graduates from technical Institutes after two years of practical training. The *ragionieri* tried to insist that practical training was a pre-requisite to a professional qualification. This proposal was resisted by *dottori commercialisti*, who considered it an attempt to prevent, or at least slow down, their own professional regulation.

The *National Federation of Associations of Doctors* proposed to the Ministry of Justice the establishment of Orders of *dottori commercialisti* and the assignment of the title of *commercialista* only to graduates. This counterproposal was criticised by both the National Federation of *ragionieri* and by the Federation of Lawyers, who considered the graduates’ request for professional exclusivity unreasonable. Both bodies could be seen as acting in their own interests and defending their own jurisdictional boundaries.

Finally, in November 1926, the *ragionieri* and *dottori commercialisti* managed to reach a compromise that safeguarded the interests of *ragionieri*. A register of *commercialisti* (the Register) was agreed, with its members retaining the right of public and exclusive freelance professional

activity. Those who would be included on the list were: graduates in economic and commercial sciences; *ragionieri*, having at least two years of training; *ragionieri*, who had graduated before 1923, were College members and had at least six years of professional experience. Contrary to what was intended, this agreement did not end the jurisdictional disputes. Over the following two years, *dottori commercialisti* began to take a very aggressive position. In February 1928, the Minister of Justice, Fedele, set up a ministerial commission, which legally recognised two professions. In 1929, separate professional regulations were published.

3.3 Two separate, parallel accountancy professions (1929-1945)

Therefore, the 1929 regulations thus represented an important milestone in 'professionalising' the role of the *dottori commercialisti*: for the first time, their activity was recognised and regulated. However, it still caused them disappointment, as they saw their demands as only partially satisfied. Principally, this was because the degree, which they had fought for to uniquely define their profession, was not the sole criterion for membership on the Register."?] was not the sole criterion for membership on the Register. The Register of *commercialisti* was now accessible not only to a broader range of graduates, but also to *ragionieri* with at least six years of professional experience (but with no further education). The 1929 regulations were opposed also because no exclusive functions were reserved to the *dottori commercialisti* and the potential conflicts of interests with *ragionieri* became even worse. In addition, the regulations introduced, among the pre-requisites necessary to be enrolled in the Register, the need to pass the governmental exam. In 1932 the regulations came into force.

During the 1930s, the Trade Union of Graduates in Economic and Commercial Sciences tried to solve the unresolved problems of the 1929 regulations. The relations between the two accountancy professions continued to be problematic until, towards the end of 1934, they decided to adhere to a common register, which contained (1) graduates in economic and commercial sciences; (2) those who had passed the governmental exam and (3) those completing a two-year training period. Only such individuals enrolled in the 1934 Register would then be granted exclusive rights established by law.

Even after the 1929 regulations, the country still lacked a general legislative framework capable of harmonising the activities of the two professions. In 1939, a new governmental commission was set up to create a single, united professional category, combining the *ragionieri*

and the *dottori commercialisti*. Unfortunately, at that same time, Italy joined the Second World War and the Commission fell into abeyance.

3.4 The professionalism process of ragionieri and dottori commercialisti after the Second World War

In 1944, the Professional Orders and the National Counsel were set up to allow the *dottori commercialisti* the possibility of self-regulation and a commission followed in 1945. *Dottori commercialisti* began to be more favourable to the idea of the merger of the two professions, as they were aware that this would probably be the only way in which the government would assign them exclusive professional functions. During the VIII National Congress of *dottori commercialisti* in 1946, they started to talk about allowing *ragionieri* to join their own Order. Negotiations for the unification of the two categories started in Rome on 28 May 1947. All efforts, however, proved unsuccessful, as the *ragionieri* claimed that the *dottori commercialisti* were still harming their own interests.

In 1953, this position led to the creation of two separate Orders. The term '*dottore commercialista*' was officially recognised by the government for the first time as having "*competences in commercial, economic, financial, taxation and accounting matters*". The objectives of the profession of *dottori commercialisti* was defined through the following activities: administration and liquidation of enterprises, wealth and individual assets; surveys and technical consultancy; inspections and administrative auditing; review of company balance sheets and other financial statements; administration and liquidation of insolvencies; syndicates and audit in commercial companies.

As in 1929, similar functions were assigned to the *dottori commercialisti* as had already been assigned to *ragionieri*. The commission justified its decision not to assign any exclusive function to *dottori commercialisti* on the following grounds. First, the profession of *dottori commercialisti* was not yet regulated homogeneously across the whole of Italy; and second, it was necessary to avoid harming the interests of *ragionieri*, since the two professions had many things in common.

Not granting exclusive functions to the *dottori commercialisti* led to continuous tension between the two classes of accountants.

The idea of a merger was raised again in 1979 in two law proposals: the first (n°575) concerning the *dottori commercialisti* and the second (n°956) the *ragionieri*. The representatives of both *dottori commercialisti* and *ragionieri* believed that the creation of a single Order with separate registers would bring advantages: it would eliminate conflicts between the two professions; enhance professional credibility; simplify pension arrangements; and allow increased centralisation of administrative functions (Fiorentini, 1987).

In 1981, a survey by the National Council of *ragionieri* showed that almost all *ragionieri* favoured merger, since the professional competences were almost identical in nature. On the other hand, the vast majority of *dottori commercialisti* was against it, believing that, if the two different jobs were equalised, then the *dottori commercialisti* would lose the benefit of their superior higher academic qualifications. Over this time period, *dottori commercialisti* had continued their traditional functions such as bookkeeping and accounting consultancy, but expanded into other areas, such as financial analysis. In addition, they were increasingly coming from higher social classes.

It is not difficult to recognise in the attitude of the more hardline *dottori commercialisti* a certain degree of enduring 'professional antagonism' against the weaker, but longer established, *ragionieri*. However, more moderate *dottori commercialisti* were willing to accept the unification, as it would result in a truly exclusive domain for both, beneficial to both parties and acting as a barrier to entry against other professions (Fiorentini, 1987).

3.5 The merger of the Italian accounting professions: an example of 'deus ex machina'

As we have discussed, during the 1990s in Italy, there were two professional groups of accountants: *dottori commercialisti* and *ragionieri*. While they had the same functions, they received very different vocational training. On the one hand, *ragionieri* graduated from high school, then took a two-year apprenticeship and finally an exam, which was set by a local College. On the other hand, *dottori commercialisti* took a degree in business and commerce (or related subjects, such as political science). In addition, they had to take a three-year apprenticeship followed by an exam to be admitted to their Register.

Although both operated in the same field, their distinctive educations made a difference to the work available to them. As a result, in the 1990s, *ragionieri* generally ended up working on

purely practical duties, such as bookkeeping or compiling tax returns, while *dottori commercialisti*, drawing on the economical-juridical knowledge gained through their academic studies, worked in higher level fields, such as management consultancy, tax planning, tax appeals and legal assignments. *Ragionieri*'s work was rather similar to the job carried out by centres of assistance on personal tax, trade-unions, labour consultants and *tributaristi* (tax experts), all of whom were not registered. On the other hand, a *dottore commercialista* was more like a notary in respect of business consulting, like a lawyer in respect of legal practices, and like an auditor in respect of business management and accounting.

At the same time, there were some professional partnerships originally set up by *ragionieri*, which, over time, had increased in size and with increasingly important and complex clients. These 'old' *ragionieri* tended to be confused with their colleagues, *dottori commercialisti*, with whom they aimed to be compared. Therefore, the professional partnerships of those 'old' *ragionieri* started to resemble the other profession of *dottori commercialisti*. The necessity for the unification of the two professions became necessary and obvious.

Since their emergence in the late nineteenth century, the *dottori commercialisti* had been competing with the *ragionieri* for jurisdictional space and domination. All attempts by them to resolve their differences and merge had failed, even though to outsiders it seemed logical. In the 1990s, however, several events occurred, which led to unification. Interestingly, most of these had their origins outside Italy. Therefore, it was external rather than internal factors that created a unified Italian accounting profession. The most important development was university reform. The EU focused on the qualifications required to be admitted to a profession to harmonise the different legislations of the large number of member states. This goal was attained by two EC Directives (21 December 1988, n°48 and 18 June 1992, n°51), which were adopted into Italian law (d.lgs. 27 January 1992, n°115 and d.lgs. 28 May 1994, n°319 modified with d.p.c.m. 7 August 1996, n°621).

The directive n°48 imposed a three-year undergraduate degree programme. As a result, the accountancy profession was divided into two categories on the basis of length of service and the type of education. The directive divided the professionals into two groups of accountant: those who studied for a three-year undergraduate programme and those who studied for a five year programme (equivalent to a three-year undergraduate programme, plus a two year MSc).

At the same time, directive n°51 prescribed that, for an accounting qualification, it was necessary to have a three-year degree (e.g. law or business and commerce) and a three-year apprenticeship. In addition, Article 31 of the Professional Order of 1953 was reformed. First, it allowed

accountants to be categorised as members of a ‘second level’ profession, as defined by the EU, such that *ragionieri* entered a class of jobs that required a compulsory academic education. Second, this allowed *ragionieri*, together with *dottori commercialisti*, to be admitted to the list of public auditors (d.lgs. 27 January 1992 n°88), which conformed to the Eighth EC Directive concerning people qualified to audit accounts.

The revision of the rules and of the entry requirements for the accounting profession continued with the university reform started in 1999 (Law n°4 of 14 January 1999). The universities were allowed pedagogic independence, such that they could now create their own rules and their own courses. The Italian system of higher education became aligned with the model defined by the Sorbonne agreements (25 May 1998) and Bologna (19 June 1999) agreements designed to create a harmonised and modern university system. In July 2000, the regulations for the creation of the new three-year and five-year degree programmes in Italian universities were set and approved.

These educational reforms created the conditions in which the two accountancy professions could merge. On 22 March 2001, William Santorelli, President of the National Council of *ragionieri* and Francesco Serao, President of the National Council of *dottori commercialisti*, signed an agreement for the merger of the two accountancy professions.¹²

After 2001, events quickly accelerated, although several difficulties and obstacles remained, mainly from the side of *dottori commercialisti*. In March 2002, the first three-year students qualified as graduates. In June 2002, the Minister of Education, Letizia Moratti, approved the decree law 10 June 2002, n°107 (then converted into law n°173 of 1 August 2002), which, with an explicit reference to a “future re-organisation of *ragionieri* and *dottori commercialisti*”, allowed both three-year and five-year graduates to enrol as practitioners, while only five-year graduates were able to enrol as *dottori commercialisti*. Moreover, all business graduates were rendered equal in accessing the two professions and the (A-level) diploma requirement, still mandated for *ragionieri* under the reform of article 31 of the professional organisation, was abolished.

In September 2002, *ragionieri* and *dottori commercialisti* signed a new agreement that, in effect, would lead to merger. First, the title of the profession would become *dottore commercialista ed esperto*

¹² The two Councils agreed upon a new register formed by two “sections”, A and B. Section A of the new professional Register of “*commercialisti* and auditors” would include *ragionieri* and *dottori commercialisti*. Then, for the first six years following the enrolment to the Register of the first three-year graduates, a limited number of *ragionieri* would be included in the register’s A section. This transition phase would last for a total of nine years. In contrast, the *ragionieri*, who needed to complete only the three-year undergraduate programme, would be included in section B of the Register (with the additional two year cycle been required to access section A). It is important to note that, against all logic, the old *ragionieri* were registered in section A, not B, even though a simple three-year undergraduate cycle or even just a high school diploma had been sufficient until then to be included on the Register.

contabile. Second, there would be no distinction between *ragionieri* and *dottori commercialisti* included in section A of the register.

The approval of the law establishing the single profession was obtained two years later. Between October and November 2002, a proposal for the professional body of *dottori commercialisti and accounting experts*¹³ was approved by the government. This law gave the government the task of unifying the two professions, including their respective pension funds. When announcing the creation of the new economic-juridical-accounting profession, the Council of Ministers declared:

“... a segregation [of the professions] is now coming to a halt; this segregation is now unjustified in view of the European Union context, the academic reform of universities and the identity of the two professions. We will now complete the reform of the access to professions for which a State exam is required” (Council of Ministers’ press release, 14 February 2003).”

The parliamentary process was much laboured, because of the opposition of several groups of *dottori commercialisti*. However, in 2005, the government issued three legal decrees determining: the educational requirements for three-year and five-year degree courses; the professional titles (*dottori commercialisti, ragionieri, esperti contabili*); the subjects included in the state exam; the rules for the establishment of the new professional Order at national and local level; scope of the professional activities and the rules concerning the enrolment of professionals; competences of both *dottori commercialisti* and *ragionieri* for the public auditors’ register; and how the pension funds of *dottori commercialisti* and *ragionieri* should be unified.

To much criticism, on 28 June 2005, the Italian government approved the law decree n 139, which included the “Norms for the Unification of the Order of *dottori commercialisti* and the Order of *ragionieri* in the Order of *dottori commercialisti ed esperti contabili*.” In this way, the new profession of *commercialisti* and accounting experts was born on 1 January 2008 and included both *dottori commercialisti* and *ragionieri*.¹⁴

¹³ *Progetto di Legge Delega per l’Istituzione dell’Ordine dei Dottori Commercialisti e degli Esperti Contabili.*

¹⁴ Only the two pension funds have not yet been unified, due to the strong opposition of those *Dottori commercialisti*, who have been consistently trying to block the unification project. In fact, the chartered accountant’s fund has witnessed a strong shortfall due to the lack of enrolments over the past ten years. Such an imbalance is likely to grow even larger and *Dottori commercialisti* are unwilling to make up this deficit with their own fund, which has a surplus due to the increase in enrolments over the last few years. Nevertheless, it is foreseeable that, in the end, even this unification will be completed.

4. Discussion and conclusions

The history of the Italian accountancy profession can broadly be categorised into five stages. These can be seen as a convenient classification, but do broadly reflect the major aspects of its professional development. In the first stage, two distinct accounting professions emerged within Italy. Jurisdictional disputes between the two bodies then arose. The *ragionieri* emerged first at about the end of the sixteenth century. They remained the sole professional source of accounting expertise until the emergence of their antagonists, *dottori commercialisti*, at the beginning of the twentieth century and their formal establishment in 1929. In the second stage, the two established professional accountancy bodies carried out their professional duties in competition with each other, often doing similar types of work. During the third stage, after the Second World War, the *ragionieri* attempted to defend their professional position by proposing merger within the *dottori commercialisti*. However, the latter, believing themselves to be a superior professional body, resisted the *ragionieri* overtures. In the fourth stage, seeing the failure of the two private sector accountancy bodies to merge, the Italian governments sought to intervene and to facilitate a merger. However, its attempts were resisted by the *dottori commercialisti* and did not succeed. In these four stages, therefore, all efforts within Italy, either by the Italian professions themselves or the Italian government, to unify the professional bodies failed. Finally, in the fifth stage, it was only with the intervention of an external body, the EU, that the two bodies were eventually merged. This demonstrates the power of the *deus ex machina* in accounting history, as it is extremely unlikely that, without the Eight EC Directive, the two accountancy bodies would have voluntarily merged (Jones, 1992).

INSERT FIGURE 1 ABOUT HERE

As it can be seen from Figure 1, the story of the accountancy profession in Italy can be evaluated in the style of Abbott's (1988) work, *The System of Professions*. However, the two professional bodies developed differently. In particular, the development of *ragionieri* follows most of Abbott's eight-milestones in sequence,¹⁵ while the *dottori commercialisti* do not. A possible reason of these different paths is that the two professions have developed by acting and reacting to each other. In particular, *dottori commercialisti* have tried to impose themselves as a profession based on educational qualifications rather than functions. This might explain why the first stage of their development is represented by the first professional school, rather than the first national

¹⁵ It is worth noticing that, in Italy, the eighth milestone could not apply as accreditation/certification is unknown in its national legislation.

professional association. Moreover, it seems that they have had to play 'catch up' with the *ragionieri* and, for this reason, have not followed Abbott's model.

Arguably, if the two professions are considered together, the Abbott's model does apply because the more (historically) dominant *ragionieri* have followed six of those eight steps. We show that the development of the *ragionieri* and *dottori commercialisti* professions only partly fit into Abbott's professionalisation theory. There are two accounting professional bodies competing for the same jurisdictional territory, rather than the emergence of a para-professional body. In the case of the earlier body, the *ragionieri*, there is a reasonable fit. This suggests that Abbott's theory might hold for the first national body, but not for successive bodies. By its very nature, the *dottori commercialisti* needed to adopt a faster developmental path, which involved not following a more conventional path of professional development, as suggested by Abbott.

The professionalisation of accounting has received growing attention from historians in recent decades. However, the history of the accountancy profession in Italy appears to have been neglected, apart from a few important studies. This is somewhat surprising, as it is in Italy that we find the earliest development of accounting and bookkeeping. And, it is in Italy where we come across the origins of professional bodies. Indeed, these are arguably the first accountancy professional bodies in the world. In fact, the history of accounting and accountants in Italy has long been of interest, mainly because of the origins and complexity of the accountancy profession itself.

This paper has three main objectives. Firstly, we outline the development of the Italian *ragionieri* and *dottori commercialisti* over their whole history, culminating in their 'enforced' merger in 2005. To our knowledge, this is the first paper that has ever looked at the whole history of the Italian accountancy profession.

Secondly, we add to the theory of professionalism in two ways: (1) for the first time, we investigate the jurisdictional disputes between two internal professional bodies, and (2) we chart the professional bodies' progress against Abbott's milestones. Moreover, we show that it was international rather than national influence that eventually brought about unification. This factor is not considered by Abbott.

Thirdly, we add to historical accounting theory by considering whether accounting change is more likely to be a consequence of external, rather than internal, pressures. In this case, the eventual unification was, in fact, determined by external rather than internal factors. Therefore, future

research could usefully investigate why Abbott's model worked for the *ragionieri* and not for the *dottori commercialisti*.

In Italy, the emergence of *dottori commercialisti* appears to deviate from Abbott's model for the generation of new professions, because they were not offering different functions to those of the *ragionieri*, but rather were competing for the same jurisdiction. Unlike external sources, they did not create or abolish whole jurisdictions. Rather, they weakened their own current jurisdictions, because, by the end of the process, *ragionieri* and *dottori commercialisti* now have very few exclusive functions, as almost anybody in Italy can carry out their traditional functions (e.g. lawyers, para-professionals and other competing professionals).

Overall, therefore, we provide new information on the development of the Italian accounting profession, particularly in the light of Abbott's theoretical framework. We have shown that there is mixed support for Abbott. Abbott's theory of jurisdictional disputes appears to work very well in explaining the actions and interactions of the *ragionieri* and *dottori commercialisti*. However, while Abbott's 'milestones' work well for the *ragionieri*, they do not work so well for the *dottori commercialisti*. We also show that external rather than internal forces are important and that the implementation of the EC Directive is an example of the supranational influence on national professional practice, which Abbott's theory sometimes neglects (Evans and Honold, 2007; Jeppesen and Loft, 2011).

It follows that it would be useful to use Abbott's model to demonstrate the development of other competing professional bodies in other countries. Moreover, the application of Abbott's milestones of development in other contexts would also be a useful and interesting exercise.

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FIGURE 1 – Abbott’s milestones and the development of Italian accountancy profession

