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Exploring hegemonic change in China: a case of accounting evolution

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Design/methodology/approach - Using Gramsci's concept of hegemony, periods of leadership and accounting change throughout Chinese history are examined, including the Confucian tradition, the rise of the socialist system followed by the Cultural Revolution under the Maoist era, and the move towards the socialist-market system in the Dengist era.

Findings - This paper shows how political leaders in these different time periods effectively achieved leadership by destroying an existing hegemony, creating a new ideology, and implanting this into people's daily lives in order to successfully mobilise their ideological systems. Consistent with changes in leadership, Chinese accounting systems are shown to have responded to hegemonic shifts across these periods.

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Keywords

change, hegemonic, china, case, exploring, accounting, evolution

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1. Introduction

Many existing studies have reviewed Chinese accounting systems under the impact of different economic structures (Child and Lu 1990; Winkle et al. 1994; Tang 1997; Bing 1998; Chan and Rotenberg 1999; Lin et al. 2001; You and Luo 2009). Few studies, however, have looked at the impact of political and cultural ideologies on accounting systems. A notable exception is a study by Ezzamel et al. (2006), which examined accounting systems change under Maoism and Dengism in China. The ideologies put forward by Mao, such as class struggle, central planning, and public ownership were analysed and explained as the reason why the Maoist accounting systems were fundamentally different to those prevalent in capitalist societies (Ezzamel et al. 2006). However, it was shown that under Deng, new ideologies, such as economic development, marketisation, and mixed-ownership were diffused, and correspondingly new accounting systems were created to harmonise Chinese accounting with the West (Ezzamel et al. 2006).

Contributing to this field of study, this paper further explores the role of ideology in mobilising and sustaining different political hegemonies that have influenced the development of accounting at a more fundamental level. By drawing on Gramsci's theory of hegemony, this paper provides an alternative framing that explains the intrinsic link between cultural, political power and accounting systems.

Gramsci's concept of hegemony was used by Yee (2009) to examine the political circumstance leading to the re-emergence of the accounting profession at the beginning of 1980s in China. Yee (2009) explained the importance of the hierarchical relationships that define Chinese social structures, and which are reinforced by Confucianism, and provided evidence that the rise of the accounting profession in the Deng era was linked to the political and ideological values espoused under his leadership. This study provides further evidence of the impact of political and cultural ideology on accounting systems in China by examining how the Confucian ideology collapsed, how accounting systems functioned and why they were suspended during the Cultural Revolution, and how new ideologies under the Dengist period helped the re-establishment of accounting systems.

The remainder of this paper is organised as follows: the next section explains Gramsci's concept of hegemony and also reviews previous literature related to this theory. Section three presents an analysis of accounting systems change in China and how these changes have aligned with important periods in hegemonic leadership. Finally, conclusions are presented.

2. Gramsci's concept of hegemony

2.1. Gramsci and hegemony

Gramsci (1891-1937) was an Italian writer, philosopher, politician and linguist as well as the founding member and onetime leader of the Communist Party of Italy (Bates 1975). After his arrest and imprisonment at the hands of the Fascist regime in 1926, Gramsci wrote his "Prison Notebooks" which traced his views on Italian history, nationalism, Marxist theory and critical theory (Bates 1975). Gramsci attempted to identify the relationships between political control, economic crisis, and civil society in his prison books by revising the classical Marxist role of the state in society. As a critical thinker, he rejected many mainstream ideas and believed that while an economic base is essential to produce outcomes, political and ideological concepts are ultimately decisive in decision-making (Femia 1975).

A significant contribution made by Gramsci was his development of the notion of hegemonic theory. Hegemony is particularly concerned with how dominance is established and maintained (Simon 1982). According to Gramsci, the analysis of hegemony is integrated with social, political and ideological forces (Alawattage and Wickramasinghe 2004). Williams (1960, 587) defined hegemony as:

... an order in which a certain way of life and thought is dominant, in which one concept of reality is diffused throughout society, in all its institutional and private manifestations, informing with its spirit all tastes, morality, customs, religions and political principles, and all social relations, particularly in their intellectual and moral connotations.

Hegemony, therefore, describes the power or domination of a social group or ruling class over another insofar as it is exercised through ideas and values (Cooper 1995; Greaves 2008). Gramsci provided an insight into the historical events in different countries. Instead of viewing the exercise of hegemonic power as a function of violence,

and political and economic coercion, Gramsci suggested that hegemonic control could also be exercised ideologically, that is through the development of a hegemonic culture where the values of the ruling class became seen as the “common sense” values (Bates 1975; Goddard 2002, 659). This development of a ‘consensus culture’ would help in ensuring the maintenance of the status quo rather than a revolution of the working-class against the bourgeoisie (Bates 1975).

In this way, the concept of hegemony suggests that political leadership is achieved by the consent of the led, and that diffusion and popularisation of such groups’ world view is an approach to maintain the leadership (Bates 1975). The leading group obtains consensus from a majority of the population and creates conditions for the development of a strong economic base, which then provides a range of possible outcomes that can be shaped by political and ideological activity (Gramsci 1978; Goddard 2002; Lee 2009).

2.2 Hegemonic ideology, culture and crisis

Ideology appears as a core concept in hegemonic theory (Goddard 2002; Momin and Belal 2009). Simon (1982, 59), for example, provides a summary of Gramsci’s conception of ideology:

... ideologies have a material existence in that they are embodied in the social practices of individuals and in the institutions and organisations within which these social practices take place.

In this way, ideology may be seen from a constructionist perspective as a means of reality creation and re-creation that occurs as practices are formed, diffused, and (re)acted upon (Greaves 2008). Gramsci used the word “culture” to describe his understanding of ideology as a collective understanding, a shared notion of rules of conduct and behaviour (Simon 1982, 58). Yee (2009) noted that the Chinese ruling class often placed significant importance on the diffusion of its political ideologies in order that these ideologies become part of the culture of Chinese peoples’ daily life. Formal rules were not seen as a sufficient means of exercising power. Instead, the development of a shared culture was viewed as an effective way to facilitate and reinforce hegemony.

Unlike Marxist views which conceive power as held by the state, Gramsci saw power as relational and introduced the concepts of 'civil society' and 'political society' to explain his understanding of power. Political society, according to Gramsci, involves the coercive relations of the state, most often exercised through legislation, and includes public service institutions such as the armed forces, government, police and the law (Gramsci 1971; Yee 2009). Civil society comprises the 'so-called private' organisations that contribute to the formation of social and political landscape but which are distinct from the state, such as churches, trade unions, political parties, media, and cultural associations (Gramsci 1971; Yee 2009; Goddard 2002). Gramsci recognised political (state) power and civil (private) power as intertwined (Yee 2009): the hegemonic class exercises power over subordinate classes in the civil society through the process of consensus, while also exercising power through its prevalence in the political society (Yee 2009; Goddard 2002). Thus, there is a fundamental difference between hegemony and domination: once political power is achieved, the ruling class is able to exercise coercive power over subordinate groups and social forces, however to secure hegemony, the ruling class must maintain a system of alliances that will enable the continuation of their political and ideological domination (Yee 2009).

Organic processes are another concept that Gramsci introduced to denote the human relations behind the political dynamics in the construction of hegemonic power (Greaves 2008). Humans' identity and self-consciousness are not separated from their historical stories and struggles. Intellectuals are organic when they are analysed in a specific context (Greaves 2008). When a crisis occurs in a specific societal development period, the political state may consider reorganising its hegemony (Pun 1996). As Gramsci stated (cited in Simon 1982, 37-38):

A crisis occurs, sometimes lasting for decades. This exceptional duration means that incurable structural contradictions have revealed themselves (reached maturity) and that, despite this, the political process which are struggling to conserve and defend the existing structure itself are making every effort to cure them, within certain limits, and to overcome them.

Different approaches may be adopted to reorganise the hegemony. For instance, an educational system may change and provide more channels and freedom for the public to express their attitudes on public policies (Pun 1996). This serves to reinforce, rather than relinquish, the power of the hegemonic class.

Gramsci realised that an organic crisis may last for a relatively long period, which may reflect immature political leadership, in terms of both economic and social management. Hence, a deep crisis requires the reshaping of state institutional systems and the formation of new ideologies (Pun 1996).

2.3 Accounting literature: a hegemonic analysis

Some existing studies have used Gramsci's hegemonic perspective to explore accounting practices and theories from the point of view of legitimisation. Goddard (2002) explored the development of the UK accounting profession and accounting practices over a one hundred year period. This period was divided into three distinct stages and Gramsci's ideological framework was used to explain the link between economic crises, class struggles and political power. Goddard (2002) demonstrated the significant role of the public accounting profession in the adoption and diffusion of political ideologies in the UK. Similarly, in Germany, Heidhues and Patel (2011) used a hegemonic argument to explain the influence of political and cultural beliefs on professional judgement, and the implications of this for the reliability and comparability of cross-border reporting.

Other studies have argued that states and nations carry out their political control via accounting regulation. Merino et al. (2010) used corporate hegemony to explain how the Sarbanes-Oxley Act was used to promote the neoliberal agenda of deregulation and instil a market-based ideology following the US market-driven global recession. Alawattage and Wickramasinghe (2008) conducted a fieldwork in Sri Lankan tea plantations to show how political hegemony is diffused into economic enterprises. Their paper argued that accounting is used as a political tool for labour control in developing countries, instead of as a tool for calculating and recording. Jayasinghe and Matilal (2011) examined the interrelationships between accounting calculations and hegemonic struggle based on a case study of premiership football in the UK. The study showed two main findings. First, accounting is used as a tool to achieve hegemonic control and maintain autonomy by the state to regulate social clubs on a macro level. Second, accounting techniques are used as a tool to achieve state macro level political economic strategies. Cooper (1995) examined historical events of advanced capitalist states to explain the relationship between accounting and the state, and recognised that

accounting was a powerful force in maintaining the political leadership in the process of political struggle. Alawattage and Wickramasinghe (2004) offered a theoretical analysis regarding the roles of accounting, which focused on how accounting is produced by political society, civil society and the economy throughout time, and found that accounting governance is closely linked to these historical regimes. Their conclusion highlighted the need to study accounting governance in a broader historical context.

As the above discussion indicates, an important body of literature has reviewed accounting legitimacy from the perspective of hegemonic analysis by integrating the economy and the state into the theoretical framework. However, also noted is that the ideological aspects such as moral and intellectual leadership have been under-estimated in accounting research (Alawattage and Wickramasinghe 2008). To fill the gap, this paper explores Chinese traditional ideologies, the Confucian tradition, Maoist socialism, and Deng capitalist policies and their influences in the different evolution stages in Chinese accounting. More specifically, this paper will consider how political leaders have used different ideological thoughts during different periods to facilitate their hegemonies, which has led to very different accounting theories and methods being implemented in China.

3. The evolution of accounting in China

3.1.1 Traditional Confucian hegemony: reflection on accounting systems

Traditional Chinese culture has been significantly influenced by Confucianism (Yee 2009). Confucius emphasised the importance of social hierarchies and collective interest. Confucius advocated for less government influence and control, and believed that “society is not an adversary system consisting of pressure groups but a fiduciary community” (Lam 2003, 158). Confucianism was adopted as the official political ideology by a Chinese emperor, Liu Che, in the Han Dynasty (156 B.C. – 87 B.C.). Confucianism was later considered an important religion of the Han Chinese, profoundly influencing China for thousands of years (Yee 2009). In Confucianism, the ultimate function of government was to maintain stable, continuous, and harmonious relations among all social members. In addition, clearly defined social hierarchy relations, such as superiors and subordinates were required (Pye 1985). From the

perspective of Pye (1985), the Confucian cultural region of Asia can be seen as an early stage of the evolution concept of power which accommodates the requirements of state-building. The ideology of Confucius has served as slogan for the guidance of Chinese political life for centuries, and the sayings of Confucius have been held as the ultimate authority in society (Dawson 1981). In Confucian view, the best means of solving a conflict was the “middle way”, that is by understanding the uncertainty and change, then making necessary adjustments in order to maintain harmony and balance (Gao and Handley-Schachler 2003).

Accounting systems in China can also be traced back more than two thousand years, and a relatively highly developed accounting system served financial and economic activities during that time (Van Hoepan 1995; Gao and Handley-Schachler 2003). It has been suggested that a significant influence, or perhaps even the primary influence, for Chinese accounting systems was Confucianism (Gao and Handley-Schachler 2003). Confucius (551 B.C. – 479 B.C.) was a managing officer for warehouses during the Spring and Autumn period. His job was to do ‘proper’ accounting, which meant that receipts and disbursements of materials in the warehouse were correctly documented (Shanghai University of Finance and Economics and University of Texas 1987). The fundamental concept of Confucian accounting was to distinguish Yi (justice) and Li (profit); he argued that nobles were interested in Yi, whereas common people were more concerned with Li (Van Hoepan 1995).

One of Confucius’ students, Mencius, is believed to be the first person to describe the word “accounting” in a book, *The Rites of Chou* (need ref). The purpose of this book was not purely for accountants, but rather it was a handbook “describing government posts, official duties, and the structure of Chou government administration” (Fu 1971, 41). In this book, ru (receipts) and chu (disbursements) were used to describe the increase and decrease of state revenue, which were later officially adopted as bookkeeping labels (Chen 1998). This single-entry bookkeeping method was used in both government and private economic practices to record revenue and expenses. At the end of accounting periods, all entries were summarised and balanced (Chen 1998). The formula of the three-column method, “Newly received - Payment = Balance”, was used and formed the basis of accounting in China (Aiken and Lu 1993; Gao and Handley-

Schachler 2003). This cash-based bookkeeping method was dominant in Chinese accounting systems until the 1940s (Gao and Handley-Schachler 2003).

Government accounting officially emerged in China during the western Chou dynasty (1066 B.C. – 771 B.C.) (Fu 1971; Gao and Handley-Schachler 2003). The government constituted six officials, namely Heaven, Earth, Spring, Summer, Autumn, and Winter during that period. The official of Heaven was responsible for the management of government properties, financial management and government accounting (Gao and Handley-Schachler 2003). Under Heaven, the controller general was responsible for financial management, government revenue collections and control of expenditures (Aiken and Lu 1993). Heaven used a budget as a means of financial control, and this was also used to delegate authority and build responsibility and accountability (Fu 1971). Once the general decisions were made, the controller general carried out the details of the budget (Fu 1971).

Another important event in Chou dynasty was the use of financial reports. At the end of the year, each department in the government was required to prepare reports for their operating sections. Some government officers acted as travelling supervisors to monitor and evaluate the quality of financial reports. After being audited, the reports were submitted to the Prime Minister, who would draft some recommendations relating to governmental policies, which were finally submitted to the Emperor (Fu 1971).

Compared to the government accounting, private sector accounting was less advanced throughout these periods. It has been argued that the collectivist ideology from Confucianism restricted the needs of accounting in private business (Gao and Handley-Schachler 2003). Embedded with the Confucian ideology, the basic function of accounting was to record the flows of the Emperor's and the State's properties, but it also acted as a kind of government census (Gao and Handley-Schachler 2003). Under the impact of Confucianism, collectivism was a primary characteristic in a society, and the aim of accounting is to service the public, highlighting the value of "Yi" (justice as presented through collective interest), instead of calculating profits and wealth for individuals.

From the time of the First Opium War (1840), China became a semi-colonial, semi-feudal society, and western bookkeeping methods slowly emerged in public and private enterprises. The traditional Confucian accounting systems prevailed and coexisted with western accounting systems through the late nineteenth century and into the early twentieth century (Ezzamel et al. 2006; Solas and Ayhan 2007). Consistent with the Confucian way, the focus of accounting is to convey customs and traditional practices, the previous form and structure were considered sufficient and it was not deemed necessary to invent new procedures (Bloom and Solotko 2003). Following the revolution in 1911¹, western accounting and auditing theories were officially brought to China (Chan and Rotenberg 1999). In the early 1920s, an increasing number of accountants received accounting education from western countries and returned to China, introducing double-entry bookkeeping to many companies. Western accounting systems were popular among many Chinese companies until 1949, when the People's Republic of China was established (Chan and Rotenberg 1999).

3.1.2 Socialist hegemony in the People's Republic of China: a case in accounting systems

Mao Zedong initiated a completely different political regime after the Chinese Communist Party (CCP) took over the power in 1949 (Chen 20010). Maoist thought exhibited the dominant aims of new China: Marxism, anti-capitalism and anti-socialistic revisionism. Combining the dual aims of eliminating the political culture that had been dominant over thousands of years, and establishing a new culture in society, the communist leaders sought an efficient approach which has been fundamentally shaped by German Marxist philosophy.

In Mao's view, learning Marxism-Leninism was an essential basis for the spreading of communist ideas, and for the achievement of socialism in Chinese society (Mao 1940).

As explained previously, Gramsci suggested that a hegemonic class obtains significant class domination through the consent of subordinate classes, and gets the consent of minorities through armed force (Greaves 2008; Loftus and Lumsden 2008). In light of

¹ The traditional, Confucian-influenced China ended, at least officially, in 1911: the empire was demolished, along with all the traditional political principles, laws, customs, and morality (Schoppa 2011, 142).

this, Mao used various discourses to create an environment to influence people's thinking, which helped establish the ideology he wanted. For example, the famous saying, Bai hua qi fang, bai jia zheng ming (let a hundred flowers bloom, let a hundred schools of thought contend), was from Mao and was frequently used by Mao in his public speech. This type of discourse was used to encourage intellectuals to discuss the country's problems including political policies. This strategy helped diffuse political and government policies into people's everyday life, and the power of language was used to construct the process of social control (Yee 2009).

In Mao's era, accounting in China was characterised by ensuring accountability for the macro-economic control of government, which was similar to the Confucian accounting concept (Bloom and Solotko 2003). However, In Mao's speech, he advocated that Confucius represented the interests of the feudal class that exploited proletariat, and hence, the believers of Confucius were considered as capitalists. Zhang and Schwartz (1997, 195) translated Mao's "On New Democratism" in 1941, he wrote:

Those who worship Confucius and advocate reading the classic of Confucianism stand for the old ethics, old rites and old thoughts against the new culture and new thought...As imperialist culture and semi-feudal culture serve imperialism and the feudal class, they should be eliminated.

Given the influence of Confucianism, the important task was to eliminate it in the common culture of China, and then to propagate the political ideologies and agendas of Communist leaders. The previous accounting systems were suspended when the CCP was established in 1949 and discussions of how accounting should be practiced in the new Chinese economy started to emerge (Bloom and Solotko 2003). A new accounting system was expected to reflect the new political ideology of communist China (Chen 1998).

In the process of constructing a new hegemony, Gramsci proposed three steps to achieve the final hegemony: consciousness of common interest from a professional group, spreading this consciousness across all class members, and forming hegemony (Simon 1982). This process of hegemony was shown in the reform of accounting systems in China during the Mao's regime. The existence of 'evil' capitalist accounting practices were recognised by leading accounting scholars through public discourses, and

later, accounting systems that were adopted by capitalist societies during the time were rejected (Ezzamel et al. 2006).

Some scholars, such as Tao De (1951), claimed that accounting is a neutral technique and not related to class struggles, but their opinions were strongly criticised by others. For instance, Xin and Huang (1951) argued that accounting is an administrative and management tool, and it is different in different societies, meaning that capitalist techniques were not suitable for the socialist economy of China (Xin and Huang 1951). The accounting equation, $\text{Asset} - \text{Liability} = \text{Equity}$, was argued to serve capitalist producers and benefit only capitalist economies (Chen 1951 cited in Han 2009, 206). Further, the reliability of western countries' accounting systems were questioned in this debate. Xin and Huang (cited in Ezzamel et al. 2006, 678) stated that:

...in capitalist accounting theory, asset valuation principles are designed to mask facts the interest of capitalists: if a high profit is desired, assets are valued high whereas if a reduced profit is desired, assets are valued low.

Marxism profoundly influenced Chinese society during the time and it was also recognised as a significant influence on Chinese accounting, including accounting concepts and principles (Van Hoepen 1995, 363). Identical to the Soviet Union, the accounting system in China was characterised as state or fund accounting (Gao and Handley-Schachler 2003; Ezzamel et al. 2006). In this era, accounting within a socialist economy was defined as:

one of the means of dealing with economic management under a socialist system. It is an approach through recording and examining in terms of money the supervision and evaluation of units, (e.g. enterprises, non-business units, public organizations, etc.) economic activities and financial situation in the processing of socialist expanded reproduction (Tan Hui 1963 cited in Liu and Eddie 1995, 143).

Accounting was a tool for helping government economic planning and allocation of funds to different enterprises. In this new set of accounting systems, a different debt-credit bookkeeping technique was used in government accounting with an accounting equation: $\text{Fund Sources} = \text{Fund Application}$ (Aiken and Lu 1993). The main purpose of accounting was to facilitate the state control over the means of production², and this

² It should be noted that the Maoist ideology advocates a class-based collective interest, which excludes capitalism. This is different to Confucius's idea of collective interest.

Soviet Union style accounting was regarded as the best in the world by Chinese accounting academics (Zhang 2005).

3.2 Organic crisis and the impact on the accounting systems

In Gramsci's view, hegemony does not exist all of the time, and instead has to be continually sought and maintained (Simon 1982). An organic crisis may happen in a specific social development period, and reshape its hegemony. China faced a difficult situation from 1962, beginning with the end of the relationship between China and the Soviet Union. Lacking support from the Soviet Union, and suffering an economic crisis caused by the Great Leap Forward, political power was threatened during this period.

Gramsci believed that such a crisis indicates that "incurable structural contradictions have revealed themselves" which suggests that the political forces are "struggling to conserve and defend the existing structure" (Simon 1982, p.38). The Cultural Revolution began in 1966 and was followed by ten years of social chaos in China. The stated purpose of the Cultural Revolution was to eliminate traditional Chinese culture, but the real purpose appeared to be the reinforcement of Mao's political ideology (Chiapello and Ding 2004).

During the Cultural Revolution, Confucianism was categorised as a symbol of capitalism. Advocates of Confucianism, such as Lin Biao and Liu Shaoqi, were criticised by official newspapers, such as *Guang Min Daily* (on 6 December 1976), for trying to use Confucianism to restore capitalism. The ideology of Confucianism was rejected by the major Chinese newspapers, *People's Daily*, *Red Flag*, and *Liberation Army Daily*, on 1 January 1974:

The struggle between the proletariat and the bourgeoisie in political ideology is a long, complicated and sometimes acute struggle...we should continue to criticize the worship of Confucianism (cited in Yan and Gao 1996, 430).

Wide criticism of Confucius was raised at the national level, which indicated that anti-Confucian culture was being successfully established in Chinese society. At this time, it was important that a new ideology be established and diffused so that Confucianism would remain out of favour. The new ideology was to be based on a Marxism-Leninism-Maoism view of socialism (Yang 1974, 66).

In terms of accounting, Soviet Union accounting systems were sidelined in China from 1962, following China's alienation from the Soviet Union. It was proposed to set up a completely new accounting system (Ji 2001). Taking the bookkeeping method as an example, the debit-credit double entry method was rejected, because it was used by the United States and the Soviet Union.

However, during the Cultural Revolution period (1966-1976), accounting systems were completely destroyed. Accounting was considered as a symbol of capitalism, and in line with Mao's political ideology that this type of thinking should be eradicated. One group of radicals, namely the Gang of Four, aimed to set up non-monetary economic systems in China. They believed that accounting systems perpetuated the evils associated with money and needed to be eliminated from economic activities (Van Hoepen 1995). According to Van Hoepen (1995, 363):

During the ten years of the Cultural Revolution (1966-1976), accounting in all state and collective enterprises was terminated, the accounting people were dismissed, and the accounting departments in universities were closed. The Cultural Revolution was the most dangerous expression of discrimination against accountancy in Chinese modern history.

The Cultural Revolution ended in 1976 when Mao died. Deng took over the political power in 1978 and initiated a new era in Chinese history.

3.3 The re-building of capitalist hegemony: a reflection on accounting

In Gramsci's theory, during a deep or organic crisis, the efforts made by political powers cannot guard against all class struggles. Hence, a new power may arise and fight against the existing political forces, and reshape the balance of the social order as well as form new ideologies (Simon 1982). If the existing hegemony is not strong enough to maintain the current position, political forces may build a new system by shifting to a new direction. This was manifested in China during the rebuilding period following Mao's death.

Deng Xiaoping successfully took over power from Hua Guofeng – Mao's successor in 1978 and initiated major socio-economic reforms to overcome the problems caused by the Maoist era. The first change was related to cultural and educational policies.

Academic journals, and other periodicals and magazines were republished, international cultural exchanges such as translations of Western literature were encouraged, and intellectuals as released from jail and returned to cities (need ref). The second movement of changes involved bringing new technology into China from highly advanced capitalist countries. The third change was Deng's ambitious effort to achieve the Four Modernizations in the aspects of agriculture, industry, national defence, and science and technology in his Ten Year Plan (between 1976 and 1985). Thornton (1982, 391) stated Deng was clearly the most qualified leader in this movement, as he "had advocated the heavy industrialization course since the mid-1950s" and had "commanded not only the expertise in that field, but also the allegiance of many trained cadres".

In order to maintain power, it is important for the leader to be seen as compatible with the mainstream ideology. Deng carefully phrased his ideas in order to maintain the term 'socialist'. As Meisner (1999, 439) noted, if Deng simply denounced Mao as "a tyrant and usurper", he "would have cast doubt not only on the political legitimacy of the Chinese communist state but also on the moral validity of the revolution that produced it". Therefore, Deng maintained a compromise approach which emphasised both Mao's contributions and mistakes (Meisner 1999).

The new ideologies advocated by Deng were emancipating the mind, and seeking the truth (Deng 1978). A new process of establishing hegemony in this period was launched. Deng stated that in the past, people's minds were confined within ideological taboos, the framework of phony Marxism, and limited in that no one was allowed to go beyond these "forbidden zones" (Deng 1978). Consequently, many people had stopped questioning and innovating. However, Deng argued that this kind of thinking was inconsistent with the spirit and principles of the CCP that he envisaged. In Deng's (1979) perspective, although it would take considerable time to catch up with advanced capitalist countries, capitalism could nevertheless be used to develop socialist productive forces. Although capitalism was considered to be 'evil', it could still be used as a technique as long as it served for socialist China. Deng (1979a cited in Ezzamel et al. 2006, 685) argued:

Of course we do not want capitalism, but we do not want backward and poor socialism either; we want developed socialism with high productive forces to make China wealthy and strong. We believe socialism is superior to capitalism. Its superiority should be manifest in it having better conditions for developing productive forces.

Although China was still a socialist country, the definition of accounting systems was changed under the impact of Deng's ideologies. Scholars incorporated the new thinking about the Chinese economy in accounting systems:

Accounting is an information system. It provides useful information through recording, measuring, analysing and examining economic activities of an enterprise as a whole, for predicting and evaluation the performance of enterprises (Guo 1981 cited in Zhou 1988, 215).

However, Deng's ideologies were still in the early stages of diffusion. Without a clear aim for economic reform, and a systematic approach to implement policies, the accounting systems in place previously (that is, before 1966) were restored in order to initiate early economic reform. This form of accounting system still focused on meeting macro-economic targets. The accounting equation 'Fund application = Fund source' was maintained and the balance sheet was based on a principle that 'fund applications equal total fund sources'. This was considered to emphasise the socialist nature of economy, and to differentiate Chinese accounting with Western countries (Zhou 1988).

Deng and his allies believed that political reform was a necessary condition for the development of the economy (Cheng 1989). It was also accepted that decentralisation "between the Party and the state, between the National people's Congress and the government and the economic enterprises" was necessary to enhance efficiency and to establish a clear system of accountability (Cheng 1989, xiii). In light of this, proposals were made to reform the accounting system. As such, Aiken and Lu (1993, 117) identified different levels of authority and decentralisation in the accounting discipline:

- (i) Central government accounting which is conducted by the Ministry of Finance at the central level,
- (ii) Provincial government accounting (in the autonomous regions and directly controlled regions) which is conducted by the financial administrative bureaux at the provincial level,
- (iii) Municipal Accounting which is conducted by departments of finance at the municipal level, and

- (iv) Township government accounting which is conducted by finance sections at the township level.

Some leading scholars, such as Ge, advocated that a single accounting system, with Chinese characteristics, should be established to help users understand financial statements, and help regulators to enforce and monitor (Xiao et al. 2004). The Chinese Accounting Standard for Enterprise was finally promulgated by the Ministry of Finance in 1992 (Ministry of Finance 1992). In contrast to the previous Uniform Accounting Systems, this new accounting standards used accounting equation 'Asset = Liability + Owner's Equity' for the first time, instead of 'Fund Application = Fund Sources'. The debit-credit double entry bookkeeping method was required to be used in all enterprises. Consistent with this movement towards western-style accounting practice, China harmonised its accounting standards with the International Financial Reporting Standards (IFRS) in 2006. Accounting systems in China were no longer influenced by the previous Soviet Union accounting, reflecting the shift in China's political movement since 1949

4. Conclusion

Gramsci's theory of hegemony explains the role of an ideology in sustaining political controls in a society. He emphasises the power of the establishment and maintenance of certain ideas and values, rather than the violence or coercive forces, in exercising hegemony for the ruling parties. In this way, political control is achieved by establishing and diffusing a hegemonic culture, in which the values of the ruling class are perceived as 'common sense' among people. Gramsci also introduces a concept of organic crisis to reflect the dynamics of hegemonic changes. According to this notion, when an organic crisis occurs, the political state may reorganise institutional systems to form new ideologies which continues its hegemonic leadership.

By using Gramsci's hegemonic perspective the existing literature has been able to demonstrate the function of accounting in sustaining class power during this legitimisation process. This paper provides further evidence on this inter-relationship between accounting and political hegemony by exploring the accounting changes in China throughout its historical regimes. In doing so, this paper examines various accounting systems across four different periods in China: the Confucian tradition, the

socialist system and the following Cultural Revolution under the Maoist era, and the socialist market system in the Dengist era. The evolutions of accounting systems are inextricably linked to these broader social and political changes in China. During the early stage, the hegemonic leaders adopted Confucianism as the dominant ideology for thousands of years in ancient China, and the Confucian ideology formed the foundation of the culture that guided Chinese peoples' way of thinking during the time.

This paper argues that, under the significant influence of Confucianism, accounting systems closely followed Confucian principles, such as collectivism and the relative unimportance of profit, for centuries. However, while the ideologies of Confucianism were opposed under China's socialist system in the Maoist era, in the period following the Cultural Revolution, there were attempts to completely erase Confucian thought, which can be understood as a kind of organic change that requires an ideological shift for the ruling party. Consequently, a new hegemonic order was established under Mao's rule. In order to achieve a new set of common sense values, Mao sought first to align the country with Soviet allies, which saw a mirroring of accounting practices between the two communist nations. During the Cultural Revolution, Soviet accounting practices were rejected and a period followed in which the development of accounting practice completely stagnated because of its perceived association with the evils of capitalism. The consequence of this crisis was that China's economy was directed towards a market-oriented system under Deng. As such, accounting systems were firstly aligned with Western accounting systems in 1992 and later harmonised with the IFRS in 2006. Gramsci's concept of hegemony provides the theoretical basis for this paper to analysing how and why the accounting systems have developed and the reasons for one economic structure being more dominant in a specific period. It is evident that China's accounting practices have been fundamentally (re)shaped by the dynamics of political ideologies as a result of ruling class trying to maintain its hegemonic leadership.

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