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Qiang CHENG

Singapore Management University, qcheng@smu.edu.sg

Luzi HAIL

University of Pennsylvania

Gwen YU

University of Michigan-Ann Arbor

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Citation

CHENG, Qiang; HAIL, Luzi; and YU, Gwen. The past, present, and future of China-related accounting research. (2022). *Journal of Accounting and Economics*. 74, (2-3), 1-15.

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Contents lists available at [ScienceDirect](https://www.sciencedirect.com)

Journal of Accounting and Economics

journal homepage: www.journals.elsevier.com/journal-of-accounting-and-economics



The past, present, and future of China-related accounting research



Qiang Cheng ^a, Luzi Hail ^{b,*}, Gwen Yu ^c

^a School of Accountancy, Singapore Management University, Singapore

^b The Wharton School, University of Pennsylvania, USA

^c Ross School of Business, University of Michigan, USA

ARTICLE INFO

Article history:

Received 17 August 2022

Accepted 18 August 2022

Available online 28 August 2022

JEL classification:

F15

F21

F30

G15

G30

H70

Keywords:

China

Emerging markets

State-owned enterprises

Archival accounting research

International accounting

Institutional factors

ABSTRACT

This discussion makes several observations regarding the past 25 years of China-related accounting research reviewed in Lennox and Wu (2022). First, we discuss factors of supply and demand that led to the rise of China-related studies and how this growth has contributed to the internationalization of accounting research. We note that the taxonomy of the literature by geographic region rather than topic or methodology is unusual and makes it difficult to formulate a common framework that would help organize the many contributions. Next, we distill distinct patterns in authorship, choice of topics, and asserted contributions of China-related studies. Studies are increasingly shaped by the availability of new data and regulatory reforms. These features should be interpreted carefully, as most reforms are interconnected and reflect the purposeful outcome of a tightly controlled economy. As a result, issues of generalizability arise. Alternatively, researchers could embrace the China setting and strive to identify the local institutional forces that make it special. We see such a more institutional, context-specific view of China-related—or better—international research as an opportunity for the field. We close by presenting five broad themes we view as promising areas for future China-related research.

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1. Introduction

Over the last 25 years, the rapid economic development of the People's Republic of China has attracted scholarly work in many fields. Economists and other researchers have often seen the swift and fundamental changes in GDP growth and structure, technology, society, or political and regulatory institutions as an ideal laboratory for their research and to conduct “quasi-natural” experiments. The sheer size and growing global stature of China's economy have further reinforced the trend. Accounting scholars have vividly contributed to this stream of literature. For the years from 2000 to 2021 alone, we counted 88 China-related studies that were published in top-tier accounting outlets (see Section 2.1 for details).¹ About a quarter of all international accounting studies (i.e., studies that do not have a solely U.S. focus) published in recent years use China as their setting and source of data. Thus, China-related research could establish itself as an attractive and independent field of study in accounting.

* Corresponding author.

E-mail addresses: qcheng@smu.edu.sg (Q. Cheng), lhail@wharton.upenn.edu (L. Hail), gwyu@umich.edu (G. Yu).

¹ In line with Lennox and Wu (2022), we focus on publications in the Top 5 accounting journals in our discussion. However, we are quick to acknowledge that many interesting China-related studies have appeared in other outlets.

Against this backdrop, [Lennox and Wu \(2022\)](#) provide a comprehensive review of the China-related accounting research over the past 25 years. They start by highlighting key features of the China setting, namely the role of formal and informal institutions such as targeted regulatory reforms of financial markets and the salience of personal connections (*guanxi*), which are deeply embedded in Chinese culture. They also point out the influence of China's government, which reaches many aspects of the economy and, hence, contributes to how financial information is generated, distributed, and used. They posit that the common denominator for their survey is the use of China as a setting or source of data. [Lennox and Wu \(2022\)](#) group prior work along three themes: (i) China's political and regulatory institutions, (ii) China's relationships with foreign investors, and (iii) China's novel data and unique regulatory shocks.

This categorization is intuitive and helps generate novel insights. For instance, it illustrates the tensions between far-reaching government intervention into the functioning of capital markets on the one side and market-driven forces on the other. As a result, China-related accounting studies provide a mix of evidence that ranges from effective regulatory intervention into the functioning of public markets (e.g., [Chen et al., 2013](#)) to unintended consequences of regulation in the form of expropriation of minority shareholders through political ties, cronyism, and corruption (e.g., [Calomiris et al., 2010](#)). [Lennox and Wu \(2022\)](#) aptly call this conundrum the struggle between the “helping hand” and “grabbing hand” views of government involvement. China-related research, in that sense, provides a juxtaposition to the findings derived from more developed markets with strong private litigation such as the U.S. At the same time, a focus on China—by definition—suggests that the results might not generalize to other settings and circumstances.

The different types of shares that are used to segment access to Chinese listed firms (A-shares for domestic investors and B- or H-shares for foreign investors) offer a nice case in point for the uniqueness of the China setting. Even though the various share classes, in principle, carry the same cash flow and voting rights, they often trade at vastly different prices. Institutional features like these make comparisons to (price-based) accounting studies from other settings difficult, even more so when one considers China's generally opaque information environment and weak investor protection. The use of novel data and the fast-paced sequence of regulatory shocks are other advantages of the China setting. Many China-related studies exploit new regulations and sometimes proprietary data to provide insights and get closer to causal identification. Yet, as [Lennox and Wu \(2022\)](#) point out, these research opportunities in the China setting can also pose challenges. Regulatory reforms typically do not occur in a vacuum; we may lack suitable control groups because the treatment often applies to every listed firm; political—not economic—considerations may play the dominant role in the design, implementation, and enforcement of new rules. Overall, the survey by [Lennox and Wu \(2022\)](#) provides an excellent overview of many of the issues that are central to the China-related accounting literature and offers compelling insights and suggestions for further work.

Instead of compiling a detailed review of their paper (most of which we agree with), we take a big-picture view of the literature in this discussion, offer a select few additional observations on China-related accounting research, and comment on what we see as the key achievements and challenges of this literature. Specifically, in Section 2, we examine fundamental factors of supply and demand that contributed to the rise and success of China-related accounting research over the past 25 years. We also position this literature relative to a broader notion of “international” accounting research. In Section 3, we offer our view on the current state of China-related research and analyze distinct patterns in terms of authorship, choice of topics, and asserted contributions. We then point out the special challenges that the use of regulatory shocks and unique data poses for this literature. In Section 4, we describe two stylized types of studies that accounting scholars should consider when striving for impactful China-related research. We also discuss opportunities for future inquiry and identify five broad themes for which we see the use of China as a setting or source of data particularly fruitful. Section 5 concludes.

We summarize the main insights from our discussion as follows. First, China-related studies could establish themselves as an independent area of research. The region offers rich, unique variations in institutional backgrounds and regulatory experimentation, which have been explored by many scholars. China-related studies now take up a large portion of international studies in accounting, and their growth has allowed the field to become more international and to diversify a mainly U.S.-centric research paradigm, which was built on developed capital markets and the U.S. legal and institutional system—a trend that we welcome and believe will continue. Yet, the growth in China-related studies shows signs of a self-reinforcing process. Mere demographics and the forces of supply and demand of academic publishing—which, in the case of China, are further reinforced by targeted governmental initiatives to foster scientific research and local universities' ambition to increase their international reputation—have fueled the increase in the article count and have likely led to an imbalance in topics and asserted contributions. In addition, the taxonomy of the literature by geography rather than by topic or methodology is atypical for a survey. This geographic grouping renders it difficult to formulate an overarching framework that would help the reader organize the many contributions that China-related studies have made.

Second, as pointed out in [Lennox and Wu \(2022\)](#), a growing number of China-related studies are being motivated by the availability of new data and regulatory reforms. Researchers typically try to exploit these features to speak to research questions of general interest and to broaden their studies' impact. We welcome this trend and expect it to continue in the future. However, there are challenges to using regulatory reforms in China as quasi-exogenous shocks in archival research. Many of these reforms are highly interconnected and reflect the purposeful outcome of government control in a tightly guarded economy. At the minimum, researchers should explore these settings with a good understanding of the political incentives at work and avoid the temptation to prematurely generalize their findings to other settings.

Third, [Lennox and Wu \(2022\)](#) argue that as China economically converges with Western economies, the findings of China-related studies will become more generalizable, leading the way to more general-interest type studies. We, on the other hand, believe that the socio-economic and institutional differences—many of which have been deeply rooted in

Chinese culture for centuries—are likely to persist and will continue to shape the behavior of economic agents in China. Thus, we propose that scholars should embrace the China setting and strive to identify the local institutional forces that make it special. We consider such a more institutional, context-specific view of China-related research an opportunity for the field, as it can generate valuable insights on its own. Under this view, generalizability to other economies or time periods should be a second-order concern, as researchers' primary goal is to exploit and explain the uniqueness of the China setting. In many aspects, China's institutional setting is at the opposite end of the spectrum relative to more developed economies such as the U.S. It therefore offers a nice contrast to existing accounting research, which has been dominated by a U.S. perspective.

Fourth, we believe that such a context-specific approach in the China setting offers ample ground for future research. Specifically, we see China's rich cultural background and informal structure in society and business, strong government influence in the working of capital markets, rapidly expanding digital economy, intensifying politicization of (securities) regulation, and new rules on social and environmental reporting as promising areas for future work. Although some of the topics may appear highly specific to the China setting, we are convinced that carefully uncovering the economic forces at play in these contexts can speak to an audience beyond China-interested authors and readers.

Finally, despite all of China's advantages and unique characteristics, China-related studies share many similarities with accounting research in general. To have an impact, one needs to tackle research questions of broad appeal and do so with a convincing empirical strategy. Only a few studies—China-related or not—achieve this goal. Moreover, many countries or economic regions other than China offer ample variety in institutional settings, regulatory change, and access to data. Our call for more institutional, context-specific China-related studies is therefore equally a call for more institutional, context-specific international accounting research.

2. Rise and success of China-related accounting research

We attribute the rise and success of China-related accounting research over the past 25 years to several factors: (i) the increasing supply of and demand for China-related accounting studies; (ii) a gradual shift in paradigm of what constitutes international accounting research; and (iii) China's unique features in terms of economic importance, data availability, regulatory changes, and formal and informal institutional setups. The first two factors reflect how the accounting literature in general has evolved over time, and we discuss them in this section. The third factor is specific to the China setting, and we discuss it in Section 3.1. One main takeaway in both Sections 2 and 3 is that China-related research shares many characteristics—in one form or the other—with international accounting research more broadly.

2.1. Supply of and demand for China-related accounting research

In publishing scientific research, some of the basic principles of market-driven economics apply (e.g., Schweser, 1983; Heckman and Moktan, 2020). Top-tier research outlets essentially function as certification mechanisms for the quality and influence of newly generated research. In doing so, they shape authors' academic reputation, career prospects, and compensation.² These market-based publication incentives likely have contributed to the rise of China-related accounting research. Simply put, where there is demand, there is supply. Publications in top-tier accounting outlets play an important role in promotion and tenure decisions at many U.S. and, increasingly, international schools (see, e.g., Moon et al., 2021). In China, beginning around 2007, the market-based incentives have been further reinforced by government initiatives to reform the higher education system (e.g., Zhang, 2014; Li and Li, 2019). Since then, many Chinese flagship universities have revamped their tenure, promotion, recruiting, and compensation practices to make them comparable to their international peers, often with support from government subsidies and grants. The emphasis on the international ranking of MBA programs and AACSB accreditation of business schools in China further increases the pressure on faculty to publish in top-tier journals.

As a result of the above forces, authorship and readers of the leading accounting journals have become more globally diversified. For instance, according to the website of the *Journal of Accounting and Economics* as of May 2022, 19% of the corresponding authors of the articles published in the last five years reside at an international institution (with 5% in mainland China, Hong Kong, Singapore, or Taiwan), and 74% of the article downloads over the last five years were from outside the U.S. (with mainland China, Hong Kong, Singapore, and Taiwan making up 28% of the total downloads). If these statistics reflect personal interests and local expertise, it follows that a substantial portion of international scholars have been working on China-related projects and will likely continue to do so, and that many readers are interested in their studies. Thus, mere demographics, combined with targeted incentives, favor an increase in the supply and demand of China-related accounting studies.

One way of observing supply and demand is to count past publications on a topic. In Fig. 1, we plot the number of China-related studies published in *The Accounting Review*, *Journal of Accounting Research*, *Journal of Accounting and Economics*,

² We are not advocating that the academic publication process in accounting produces the “best” possible outcome—as, for instance, Hopwood (2007), Basu (2012), or Kaplan (2019) argue, it does not (see also Heckman and Moktan, 2020, for similar criticisms for the field of economics)—but we use it to highlight the basic incentives at play.

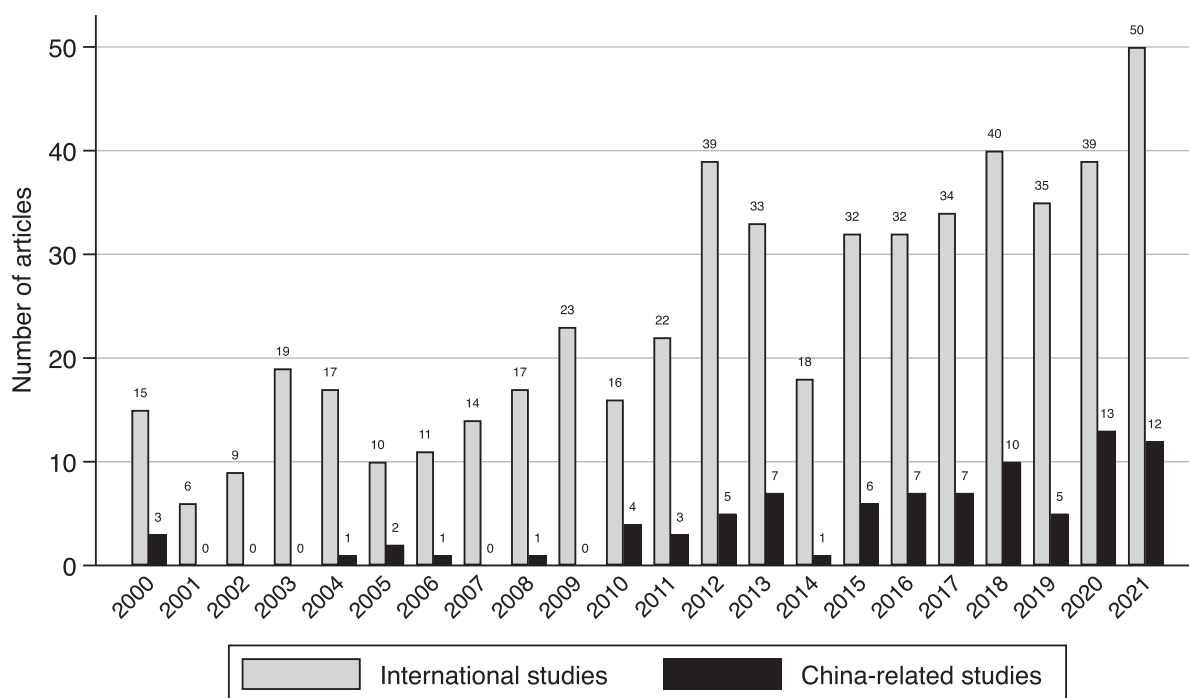


Fig. 1. Number of China-related studies published in top-tier accounting outlets from 2000 to 2021. Notes: The figure plots the number of China-related accounting studies published in *The Accounting Review* (TAR), *Journal of Accounting Research* (JAR), *Journal of Accounting and Economics* (JAE), *Contemporary Accounting Research* (CAR), and *Review of Accounting Studies* (RAST) over the period 2000 to 2021 (N = 88). We identify China-related studies through a keyword search of the paper titles, abstracts, and designated keywords. Specifically, we search for the occurrence of the following terms: “China,” “Chinese,” “Shanghai,” “Shenzhen,” or “Hong Kong.” For comparison, we also plot the number of international (i.e., non-U.S.-related) studies, including China-related studies, published in the same outlets over time (N = 531). We identify international studies using a similar keyword search but with a much broader list of search terms (e.g., “country,” “IFRS,” “multinational study,” “international,” “foreign,” lists of individual country names such as “Switzerland” or “Swiss,” or names of global financial centers and exchanges such as “London,” or “Euronext”). In a second step, we manually confirm that the identified articles belong to the respective categories. All the journal and article data are from Scopus (as of September 2021).

Contemporary Accounting Research, and *Review of Accounting Studies* over the period 2000 to 2021. See the figure notes for details on how we identified these articles. We count 88 China-related studies and observe a clear upward trend in the data. For benchmarking purposes, we also plot the total number of international (i.e., non-U.S.-related) studies published in the same Top 5 outlets (N = 531). If these data are suggestive of the future, we expect a growing supply of and demand for international and—more specifically—China-related studies in accounting in the years to come.

However, we must interpret these raw counts with caution, as the overall number of published articles in the Top 5 accounting outlets has equally gone up over time. We therefore scale the figures by the total number of publications in a year. In total, international studies account for only 11% of published articles over the years 2000–2021, but their share grew from 8% in the first half to 13% in the second half of the sample period. In Fig. 2, we plot the composition of international accounting studies published in the Top 5 journals and distinguish between (i) cross-country studies, (ii) IFRS studies, (iii) European studies, (iv) China-related studies, and (v) studies using data from any other individual country (see figure notes for details).

Fig. 2 provides several insights. First, cross-country studies that cover two or more countries have been and still are the largest fraction of international accounting studies. They represent the archetype of this literature. Second, China-related studies comprise a substantial and growing proportion of international accounting research. In recent years, they make up about a fourth of the international studies published, which is comparable to the percentages for European studies and—at its peak—IFRS research.³ Third, China-related research could establish itself as an independent area of study that is defined by geographic area rather than accounting topics such as “financial analysts,” “voluntary disclosure,” or “IFRS adoption.” This perspective is unique, as we typically do not refer to U.S., Australian, or European studies when surveying the accounting

³ Notably, the rise in the share of China-related studies overlaps with the beginning of China’s education reform. During this reform, the government has substantially increased its investments in universities, and these institutions, in turn, have taken steps to strengthen their research productivity (e.g., Zhang, 2014).

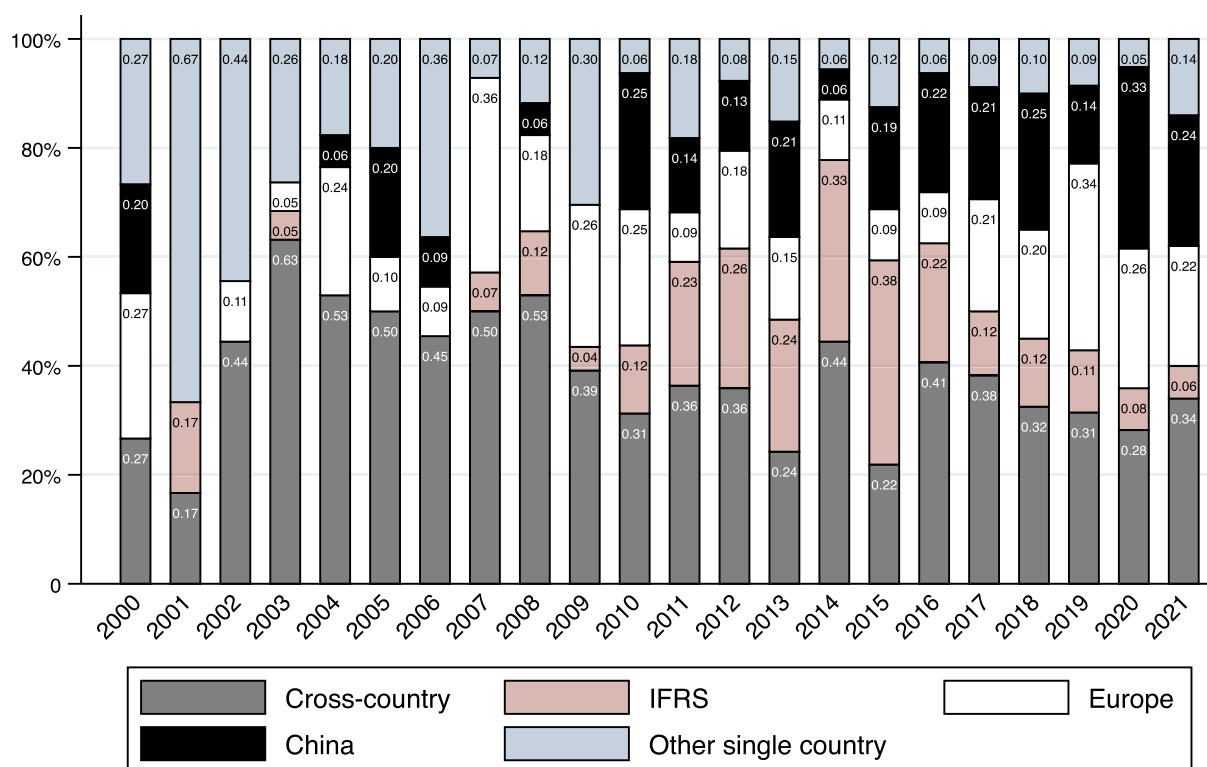


Fig. 2. Regional focus of international studies published in top-tier accounting outlets from 2000 to 2021. Notes: The figure plots the composition of international accounting studies published in TAR, JAR, JAE, CAR, and RAST over the period 2000 to 2021 ($N = 531$). We assign each international study to one of the following categories based on its regional or thematic focus: (1) cross-country studies comprise articles that span data from multiple countries (e.g., USA and Canada, or global samples); (2) IFRS studies examine the introduction or use of International Financial Reporting Standards (IFRS) or its predecessors International Accounting Standards (IAS); (3) Europe-related studies use data from one or multiple European countries (note that multi-country European studies are not included in cross-country studies above); (4) China-related studies; and (5) studies using data from any other individual country not yet classified (e.g., Canada, Australia, Japan). For details on the search algorithms that we use to identify international studies and the respective subcategories see the notes to Fig. 1.

literature in the Top 5 journals.^{4,5} Yet, a taxonomy of the accounting literature by geography implies that it is difficult, if not impossible, to formulate a unifying framework that would allow readers to organize the collective insights from China-related research and apply them to other areas in accounting. Such groupings by theoretical concepts, topics, or methods need to be applied to individual articles or subsets of studies but do not pertain to the entire body of China-related research.

Another way of quantifying the demand for China-related studies is by means of citation counts. Citations are a way of measuring the relative importance of an author, article, or body of literature.⁶ Lennox and Wu (2022) note that the mean (median) annual citation count of China-related studies is 9.00 (7.33) relative to 5.86 (3.00) for non-China articles. These average numbers, however, obscure the large variation in the underlying data. As is typical for scientific research, the 20% most-cited accounting papers garner about 70% of cumulative citations (60% of mean annual citations); the remaining 80% of articles account for only 30% of total citations (40% of mean annual citations). Similar, albeit slightly less extreme proportions apply to China-related studies. It follows that only a small fraction of China-related papers receives most of the attention.

To illustrate this point, we sort the 4846 articles published in Top 5 accounting journals from 2000 to 2021 by mean yearly citations and plot the numbers for the 500 most cited studies in Fig. 3. Even among this select set, the average annual citation

⁴ The European studies are a case in point. The region of the European Union (EU) is comparable to China in economic importance and in the extent of regulatory changes, data availability, formal and informal institutions, and article output. However, European studies are usually not perceived as their own area of study.

⁵ We focus here on literature reviews in the Top 5 journals, which are typically organized by topic (e.g., tax research) or methodology (e.g., value relevance studies). Of course, there are many accounting journals with a geographic focus such as the *European Accounting Review*, the *British Accounting Review*, and the *China Journal of Accounting Research*. These journals have published literature reviews with a geographic theme.

⁶ We note that citation counts are argued to reflect aspects of scientific impact and relevance but ignore other key dimensions of research quality, such as plausibility, originality, and societal value (see, e.g., Aksnes et al., 2019). Moreover, citation counts, even when computed on an annual basis, may provide a biased view of China-related studies as many of them were only published recently and had little time to accumulate citations.

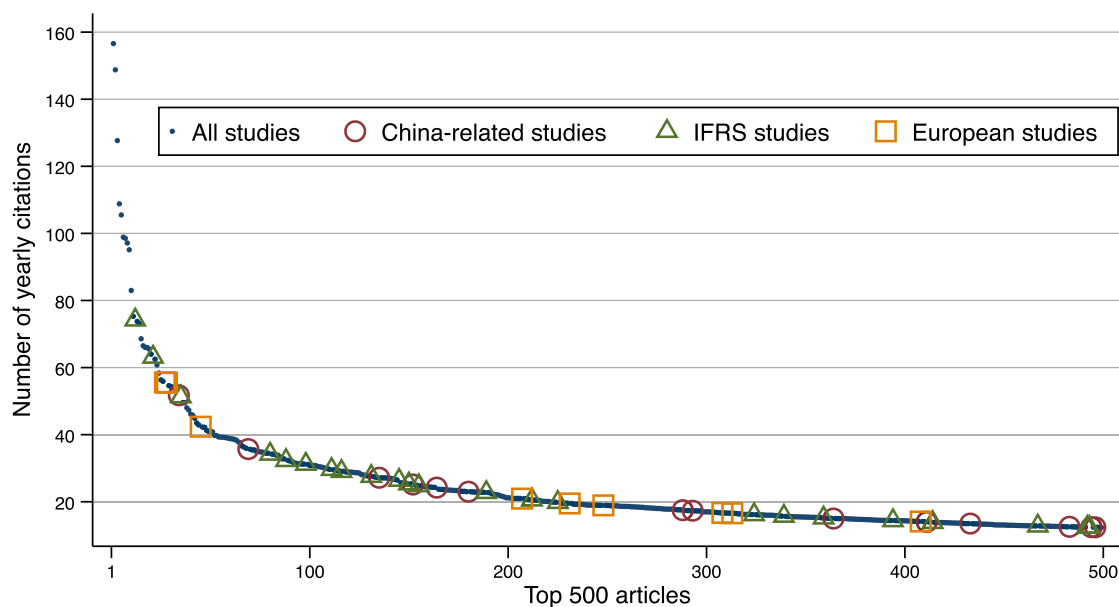


Fig. 3. High impact papers published in top-tier accounting outlets from 2000 to 2021. Notes: The figure plots the mean numbers of yearly citations (sorted from highest to lowest) of the top 500 accounting studies published in TAR, JAR, JAE, CAR, and RAST over the period 2000 to 2021 (out of a total of 4846 studies). We separately indicate (1) China-related studies, (2) IFRS studies, and (3) Europe-related studies among the highly cited accounting articles. For details on how we define these three categories see the notes to Fig. 2. The citation data are from Scopus (as of September 2021).

count quickly drops. We then mark individual China (14), IFRS (23), and European (9) articles in the graph. There are indeed several China-related studies that have become highly impactful (see also Section 4.1), but the numbers are comparable to those for other subfields of international accounting research. Thus, the old researcher's dilemma also applies to China studies: if we only knew what projects and papers were to make an impact, we would allocate our time and resources accordingly. In that sense, China-related research is very similar to any other topic in accounting.

2.2. China-related accounting research as part of “international” accounting research

Traditionally, accounting research—particularly in the Top 5 journals—has been very U.S. centric (e.g., Jones and Roberts, 2005). Close to 90% of published articles use the U.S. as a setting or source of data. From this perspective, we can define international accounting research as studies that use data from outside the U.S. (see, e.g., Leuz and Wysocki, 2016).⁷ Anyone who has contributed to international research is probably familiar with the following questions: Why not use U.S. data? How do your findings apply to U.S. markets? And is the evidence relevant for a U.S. audience? The same issues apply to China-related studies. Editors and reviewers will often ask authors to make a case for why Chinese data are appropriate to test generic accounting questions or how the results from China generalize to a U.S. setting (see also Section 4.1). Yet, there are good reasons why international settings can provide valuable insights such as more heterogeneity in regulations, availability of and access to (proprietary) data, and the study of phenomena that do not exist in the U.S.

We can distinguish between two stylized types of international research: (i) cross-country studies that vary the institutional environment across countries and over time, and (ii) single country studies that hold the institutional environment constant and focus on within-country variation. China-related studies squarely fit into the second category. China offers several advantages compared to other single-country settings such as the sheer size of its economy, the number of regulatory changes that took place over the last two decades, and the availability of and access to data (see also Section 3.1). In many ways, China research occupies the opposite end of the spectrum from U.S. research, for instance, when it comes to state ownership of private firms, litigation environment, and government intervention in capital markets. Thus, evidence from China provides a nice juxtaposition and is valuable by itself. With its rise to prominence, China-related research has contributed to the internationalization of accounting research—a trend that we welcome and believe is far from over. As a result, we see the paradigm of what constitutes accounting research slowly shifting from a mainly U.S.-centric view to a more contextual, international perspective. Under this notion, readers and, implicitly, editors and reviewers would judge China-

⁷ We do not argue that defining international accounting research as non-U.S. research is sensible. However, based on casual observations and anecdotal evidence, such a U.S.-centric definition seems to reflect the prevalent notion that authors of “international” accounting studies have been confronted with, at least among the top outlets of the field in the past.

specific—or international—studies on their own merits without questioning where the setting, data, or research question come from.

3. Current state of China-related accounting research

In this section, we discuss how the economic, institutional, and cultural environment in China has shaped China-related accounting research. We first highlight a few patterns that are apparent in published China studies in terms of authorship, choice of topics, and asserted contributions. Many of these patterns can be traced to the specific features of using China as a setting or source of data. We then point out the challenges that using regulatory shocks and unique data pose for China-related studies. Many of the regulatory shocks that appear to be natural experiments may actually follow a process that is tightly controlled by the government.

3.1. Authorship, topics, and contributions of China-related accounting research

The use of China as a setting and source of data offers several advantages. First and foremost, the growing importance and prominence of China's economy make evidence from the region valuable in and of itself. There is no doubt that China plays an increasingly significant role in the world economy. Its GDP is the second largest behind the U.S. and twice the size of the next largest emerging economy (India). Yet, it is worth noting that China's economic growth was achieved under a legal system in which formal governance mechanisms were almost non-existent. China's growth challenges the conventional view that having high-quality institutions is an important impetus for economic growth (La Porta et al., 1998), and has led scholars to deem China an outlier. One explanation for China's special status is that alternative, informal channels such as reputation and social connections function as a substitute for formal governance mechanisms. These informal institutions, which have been part of the Chinese culture for centuries, have been shown to be remarkably effective (Allen et al., 2005). An additional advantage of the China setting is the many regulatory initiatives and governmental interventions that were introduced to liberalize capital markets over the last two decades. The regulations often deal with new ideas in terms of corporate governance, access to capital, investor protection, and societal objectives (such as fighting corruption or pollution). They provide fertile ground (and data) for scientific observation.

The above economic, institutional, and cultural features of the China setting have attracted ample scholarly work and affect who writes China-related studies, what topics they choose, and to which areas of the literature they aspire to contribute. An analysis of published China-related papers in accounting yields the following insights, which often extend beyond China-related research and apply to international research more broadly.

First, the increase in China-related studies shows signs of a self-reinforcing process. Scholars with a deep understanding of the China setting are more likely to produce China-related studies, which are then built upon by scholars with a similar background. Combined with sheer demographics, these forces strengthen the steady growth in China research (see also Section 2.1). To illustrate this point, we plot the composition of authors (Panel A) and, for a subset of 15 randomly selected articles, citations (Panel B) of China-related studies in Fig. 4. Almost 70% of China-related studies are written by authors located in mainland China, Hong Kong, or Singapore. This pattern is not surprising as the scholars in these regions, many of whom have Chinese roots, are likely to have the institutional knowledge. However, close embeddedness in the region can also limit one's ability to observe the broader environment (Granovetter, 1985) and, in turn, speak to a wider audience. In terms of citations, we find that China research is cited mostly by other China-related studies (54.8%), followed by international studies (27.7%). Only a small fraction of citations occurs in U.S. studies (17.5%). This pattern points to the difficulty of China-related studies in reaching mainstream accounting research.⁸

Second, the topics being studied in China-related papers are heavily shaped by the availability of (sometimes proprietary) data and regulatory changes. In Panel A of Fig. 5, we categorize China-related studies published in the Top 5 outlets based on their topics. The picture that arises suggests an imbalance, as certain topics have been studied extensively whereas others are featured less prominently. For example, auditing accounts for 34.9% of China-related studies because researchers can observe many constructs such as signatory auditors or end-of-year audit adjustments, which are (or were) largely unavailable in other settings. Studies in the second largest category, capital markets and earnings management, are often built around regulatory changes or particularities of the China setting, such as certain (profitability) requirements that were put in place for listed firms or the effects of state-ownership on incentives to manage earnings. Topics like managerial accounting (3.6%) and corporate governance (7.2%) have received less attention, which is very similar to what we observe in other areas of the accounting literature.

The distribution of topics reflects the literature's evolution. Initially, studies used the China setting mainly because it was different. But over time, more and more researchers sought to exploit China-specific features so as to incrementally contribute to a U.S.-centric research paradigm. Recent studies often explore topics for which incremental contributions are possible due to new data or regulatory changes. While this approach may appeal to a broader audience and increase the studies' impact, it

⁸ The phenomenon of citation clustering within each special area is not specific to China research but exists in accounting research in general. It perhaps reflects the highly specialized nature of our field and the difficulty in broadening the impact of our work to related areas such as finance, economics, and management.

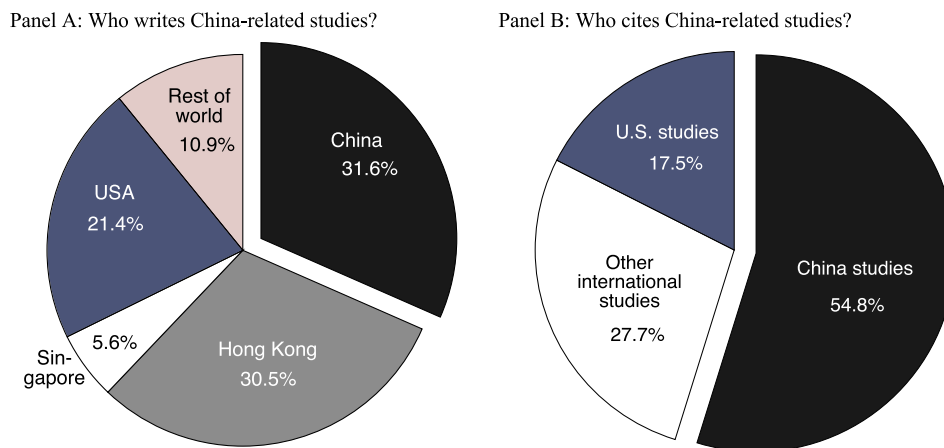


Fig. 4. Composition of authors and citations of China-related accounting studies. Notes: In Panel A, we plot the regional distribution of authors' home affiliations for China-related accounting studies published in TAR, JAR, JAE, CAR, and RAST over the period 2000 to 2021 ($N = 88$). We distinguish between authors domiciled in (1) mainland China, (2) Hong Kong, (3) Singapore, (4) USA, and (5) the rest of the world. In Panel B, we plot the geographical distribution of articles citing a randomly selected sample of 15 of these China-related accounting studies. We distinguish between citations by (1) China-related studies, (2) other international studies, and (3) U.S. studies. The author and citation data are from Scopus (as of September 2021).

can also have unintended consequences. For instance, rather than starting their explorations from a China perspective and trying to understand the nation's institutions, scholars that cater to a U.S. audience tend to focus on elements of the setting that are similar to but unobservable in the U.S. At best, this path leads to studies on topics that are less pertinent in China; at worst, it may lead readers to misinterpret the local setting.

Third, many China-related studies motivate their research with the unique position that China occupies in the global economy. In Panel B of Fig. 5, we plot the asserted contributions of 15 randomly selected China studies. We allow individual studies to fall into multiple categories. In about 32% of the cases, the authors argue that their study contributes to the literature because China is important or different. As long as the studies examine important phenomena that are unique to China, such as China's political institutions or the role of informal relationships, this focus is justified. If the studies merely replicate prior findings using the China setting, the question of incremental contribution arises. Other frequent motivations are the use of unique data (29.0%) and regulatory shocks (22.6%). The geopolitical region is less important for these asserted contributions, which begs the question of why the studies were conducted in China and whether other settings are equally suited. Only 16.1% of asserted contributions in China-related studies refer to an explicit attempt to derive novel and unique economic insights.

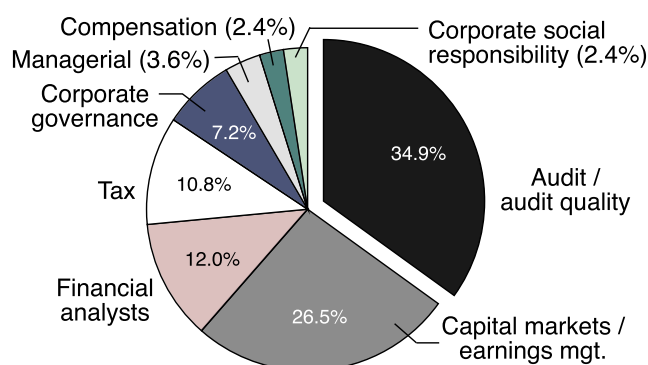
Fourth, the dichotomy of China-specific versus general-insight studies is paramount, stressing the tension around generalizability. The more a study tries to extend its contribution beyond China, the higher the bar is for generalizing the study's findings. China-specific studies face a different challenge: how to appeal to a broader audience that might not be interested in this geopolitical region. In Fig. 6, we plot the time trends in the number of published China studies based on this distinction. Specifically, we distinguish between studies with a China focus (i.e., articles that mention the term "China" in the title) and studies that focus more on general insights (i.e., articles that mention the term "China" only in the abstract or paper).⁹ Earlier China studies were mostly China specific, tackling issues such as government influence and state-owned enterprises (SOEs). Since 2010, however, less than half of China-related studies fall into this category. The recent trend is to exploit the China setting to answer questions of more general interest using unique data or regulatory shocks. We believe that this trend will continue, as researchers strive to broaden their impact beyond China. Yet, focusing on China solely as a setting to answer more general questions could soon face a stalemate, as researchers may increasingly find it challenging to find new data and shocks that allow for generalization.

3.2. Use of regulatory shocks and unique data for China-related accounting research

The fact that we observe so many unique regulatory shocks and obtain so much new data from China is worth thinking about. Why does the Chinese government experiment so heavily with its capital markets? What incentives does the Chinese government have for making new data available to the public and for research? Before exploring regulatory shocks from

⁹ We acknowledge that this classification is coarse as authors might arbitrarily decide whether to include "China" in the title. The graph looks very similar if instead we use the classification by [Lennox and Wu \(2022\)](#) and categorize the studies they discuss in Sections 2 and 3 of their survey as "China-specific," and the studies from their Section 4 as "general-insight" studies.

Panel A: What are the topics of China-related studies?



Panel B: How do China-related studies motivate their contributions?

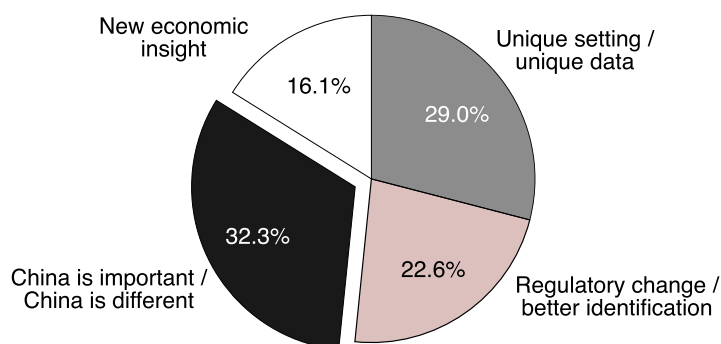


Fig. 5. Topical areas and asserted contributions of China-related accounting studies. Notes: In Panel A, we plot the distribution of topical areas for China-related accounting studies published in TAR, JAR, JAE, CAR, and RAST over the period 2000 to 2021 ($N = 88$). In Panel B, we plot the distribution of asserted contributions for a randomly selected sample of 15 of these studies. We manually assign each article to one topical area (Panel A) and one or multiple contribution categories (Panel B) based on its title, abstract, and introduction.

China, it is helpful to understand the process through which the Chinese government initiates regulatory change. New policies in China emerge typically through a process known as “policy experimentations.” The idea dates back to the days of Deng Xiaoping, when China was exploring ways to introduce a market-based system into its controlled economy. Before deciding whether to implement a new policy, the central government first experimented with it in selected regions. Successful experiments then led to policy implementation at the national level. This process of policy experimentation, which, in recent year, has often been complemented with a top-down approach to impose new regulations, has long been regarded an important factor in the ongoing development of China’s economic reform (Xu, 2011).

Wang and Yang (2022) document a large increase in policy experimentation by the central government in recent years. This increase parallels the increase in the number of China-related studies that use regulatory shocks for better identification (see also Fig. 6, in which many of these studies fall into the category of general-insight studies). Wang and Yang (2022) call attention to the political economy behind the central government’s behavior: only successful experiments lead to policy implementation at the national level. Also, the choice of which regions are used for experiments is driven by political incentives that tend to favor the more developed areas (e.g., the province of Guangdong, home to the commercial center Shenzhen). As a result, the policies that succeed—and are later implemented—are often tailored to richer regions.

This selective implementation of new regulations, combined with the selective access to data, has implications for China-related studies. Researchers who use the regulatory experimentations as random shocks must be cautious for several reasons. First and foremost, the observed policies at the national level are a product of a careful selection process that is tightly controlled by the government. The policy rollouts are seldom random, and seemingly independent regulations are likely to be highly interconnected. Even when a staggered adoption occurs at the regional level, which are settings researchers like to design difference-in-differences tests around, it is hard to argue that these adoptions are quasi-exogenous. And, due to

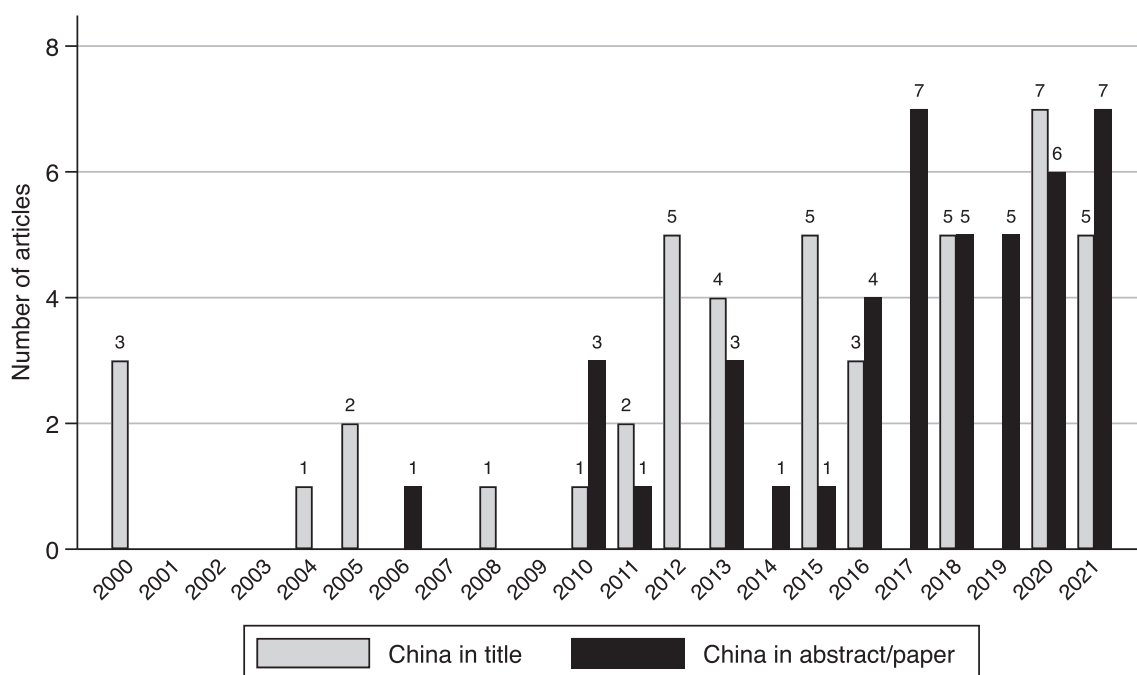


Fig. 6. Trends in focus on China versus on general insights of China-related accounting studies. Notes: The figure plots the number of China-related accounting studies published in TAR, JAR, JAE, CAR, and RAST over the period 2000 to 2021 ($N = 88$). We distinguish between studies with a China focus (proxied by whether they contain the terms “China,” “Chinese,” “Shanghai,” “Shenzhen,” or “Hong Kong” in the title) and studies with a focus on more general insights (proxied by whether they contain these terms only in the abstract or paper).

political incentives, the data that is made available following regulatory changes may have been released to promote the effectiveness of the regulation.

Despite numerous regulatory initiatives to modernize markets, studies show that China’s political control over its economy remains powerful. The slow progress in China’s economic reforms suggests that many of its regulatory changes are not efficacious, highly interconnected, and deeply rooted in the institutional environment.¹⁰ These are all issues that raise questions about the suitability of these shocks as “natural experiments” in empirical research. Thus, before exploiting these reforms, authors should consider how political influence has likely affected them.

In sum, researchers need to be mindful of the potential endogeneity of regulatory shocks in China and articulate its impact on their tests and the interpretation of the results. The true value of the reforms may lie in their unique features rather than in their usefulness for empirical identification or for deriving generalizable insights.

4. Outlook for China-related accounting research

Going forward, we think there are ample opportunities for China-related research to contribute to the accounting literature. In this section, we first describe two generic types of China-related studies that should help authors to reach a wider audience for their work. We then discuss opportunities for future research and identify five broad themes for how the use of China as a setting and source of data can generate novel insights.

4.1. Attributes of impactful China-related accounting research

To identify attributes of success, we look at the most impactful China-related studies in the past. In Fig. 7, we present the citation counts, sorted from highest to lowest, of the 88 China-related studies published in Top 5 accounting outlets from

¹⁰ For example, Calomiris et al. (2010) illustrate the importance of understanding the institutional context behind regulatory shocks in China. The study examines the market response to an unexpected announcement of proposed sales of government-owned shares. In contrast to the “privatization premium” found in non-China settings, the authors find negative returns. They argue that in the absence of political reforms to accompany economic reforms, the expected efficiency gains from privatization are not realized.

2000 to 2021 and separately list the ten most cited articles together with a categorization of their topics.¹¹ A key factor appears to be the ability to reach an audience beyond the limited group of China-interested scholars, who likely already know the setting and may have conducted China-related studies themselves.

We propose two stylized types of China-related studies to reach such a broader audience, namely “general interest” studies and “institutional, context-specific” studies. For general interest studies, the targeted readers are not necessarily interested in China as a region but hope to improve their own research based on the insights from China-related studies. They tend to have high expectations about the generalizability of the findings and, hence, the “Why China?” question becomes relevant when targeting this group.¹² Authors of this type of study need to consider the relevance of their research question for other areas of accounting. Thus, they should strive to not only provide insights about the role of accounting information in the context of capital markets in China, but also discuss broader economic inferences one can draw from the findings. Ideally, the research question is stated in general terms; and the unique features of the China setting only serve as conduit that allows the authors to speak to these questions of general interest.

A good example of a study with such a broad appeal is [Chen et al. \(2018\)](#), ranked 8th in [Fig. 7](#). It examines how mandatory corporate social responsibility (CSR) disclosures affect firms’ operating performance and pollution levels. Even though CSR regulation and practices in China differ from those in other parts of the world and the study is China-specific in that sense, the subject area is highly topical, and the implications of the study are of interest to a wide audience. Another example is [Gul et al. \(2013\)](#), ranked 6th in [Fig. 7](#). This study examines the role of individual engagement partners on audit quality, a question that is highly relevant for audit research. Until recently, it was difficult to study this question in the U.S. because partner names were not publicly disclosed and had either to be inferred from other sources (e.g., SEC comment letters) or researchers needed access to proprietary data.

The second type of study is more institutional, context-specific and squarely focuses on the particularities of the China setting. What makes China special and how can we exploit these features to generate interesting insights? This approach requires a deep understanding of the institutions and the identification of a suitable setting. The authors then have to frame their analyses and findings in a way that speaks to readers beyond those who are just interested in the geographic region. [Wang et al. \(2008\)](#), ranked 1st in [Fig. 7](#), is a good example. The authors examine auditor choice by Chinese SOEs and non-SOEs and show that government power as well as the development of local markets and legal institutions affect this choice. Even though the question is highly specific and tied to the China setting, the topic itself is of broad interest because the forces of local institutions and government control are at play in many economies around the globe. Of course, such a China-centric approach comes at the cost of the findings being less generalizable to other economies. However, generalizability is not the point of conducting such more institutional, context-specific studies. Rather, the goal is to exploit and explain economic phenomena that are of broad interest by themselves even though they might only apply in specific settings, such as in Chinese SOEs, firms with A-, B-, or H-shares, or in the political context of China.

In sum, we believe there is no single “right” way to conduct impactful China-related research. Yet, thinking in terms of the two categories—general interest versus context-specific—should help authors to structure their work and, by doing so, broaden its appeal to a wider audience. That being said, in practice the boundaries between the two types of studies are likely blurred.

4.2. Opportunities for future China-related accounting research

Moving forward, where are the key opportunities in China research? How can China-related studies appeal to a broad audience, including scholars skeptical about their generalizability? [Lennox and Wu \(2022\)](#) argue that as China economically converges with the rest of the world, the findings of China studies will become more generalizable. In that sense, they foresee more general-interest studies in the future (see [Section 4.1](#)). We are less certain about the continued convergence between the Chinese and Western economies, and believe that the socio-economic and institutional differences are likely to persist and will continue to shape the behavior of economic agents in China. Moreover, as researchers, we rather benefit from differences and variation—not their elimination. If China indeed becomes more similar to the rest of the world, we do not think that the rapid growth in China-related studies will continue.

We see more opportunities for the literature in embracing the fact that China is different. That is, we favor the institutional, context-specific approach. China may seem like an odd or extreme observation because so much of the existing theory is based on a U.S.-centric research paradigm. But this “oddness” makes China a fascinating setting in which to test the

¹¹ We plot the total number of citations on the y-axis. While this scale underrepresents more recently published articles that have not had enough time to amass more citations, when we repeat the analysis with the mean number of yearly citations on the y-axis, the picture that emerges is very similar to that in [Fig. 7](#). Eight out of the ten most cited studies are the same, and only [Bradshaw et al. \(2019\)](#) and [Guan et al. \(2016\)](#) enter the list in rank 9 and 10, respectively (at the expense of [Aharony et al., 2000](#), and [Haw et al., 2005](#)). Notably, the most impactful paper based on yearly citations is the relatively recent study by [Chen et al. \(2018\)](#).

¹² We note that generalizability is a relative concept and often interpreted from a U.S. perspective. The issue then becomes whether the findings from China-related or, more generally, international studies generalize to a U.S. setting. Yet, U.S.-based research does not face the same hurdles. For instance, studies of the effects of the U.S. litigation environment on firm disclosure are highly interesting, but unlikely to generalize to other economies. Thus, we encourage reviewers and editors to adopt a more liberal notion of generalizability, in the sense that findings should provide insights of general interest to a wide audience (and not be tied to U.S. institutions).

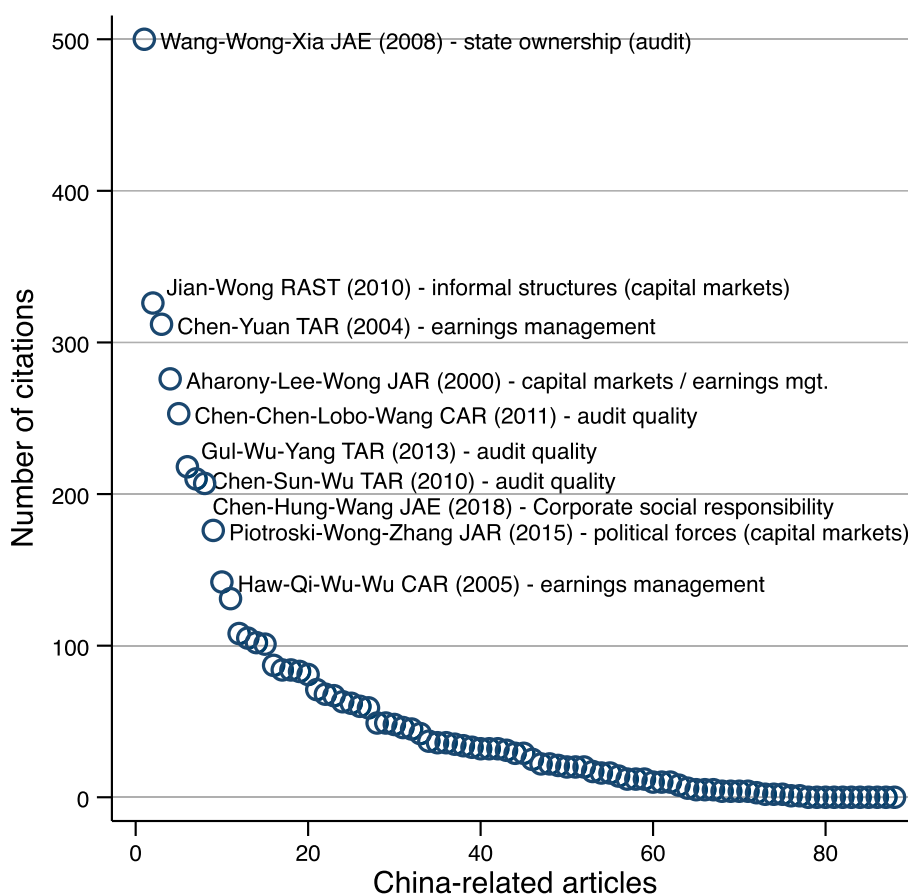


Fig. 7. High impact China-related accounting studies. Notes: The figure plots the total citations (sorted from highest to lowest) of the China-related accounting studies published in TAR, JAR, JAE, CAR, and RAST over the period 2000 to 2021 ($N = 88$). We separately indicate the top ten articles based on accumulated citations together with a categorization of their topics. The citation data are from Scopus (as of September 2021).

boundaries of existing theories. The legal literature makes a similar argument about the U.S., claiming that the country is an outlier in terms of its enforcement activities (Coffee, 2007). There are ample opportunities to use China as an extreme observation. For instance, when testing theories about the role of private and public enforcement and their embeddedness in a country's institutions (e.g., Djankov et al., 2003; Shleifer, 2005), the U.S. and China could serve as opposites. Or, in China, the structure of capital markets is dominated by retail investors, and one could test the effects of public disclosure geared towards this type of investor. Also, many of the economic transactions in China are based on informal contracts. One could explore how different parties enforce contracts when most of the underlying information is unverifiable. In sum, China's uniqueness offers researchers opportunities to calibrate existing theories and generate novel insights.

Based on the above discussion, we identify five broad themes—all closely tied to the China setting—as particularly suited for future research: (i) political forces and government intervention in markets, (ii) informal institutions, (iii) the role of the digital economy, (iv) politicization of (securities) regulation, and (v) new regulation on environmental and social disclosures. In what follows, we briefly discuss each of these themes.

First, political forces and the government strongly influence economic outcomes. In China, SOEs behave very differently from non-SOEs, and even non-SOEs tend to adapt their behaviors to appease the central government. Government control over the economy remains widespread and continues to shape the effectiveness of economic reforms. The tight grip of the government has shaped China's economic development process, which can be characterized as an ongoing struggle to balance government intervention and market forces. Regulatory reforms vacillate between market-based and control-based regimes. We do not know whether China will shift to a more market-based regime eventually, but recent high-profile cases (such as Didi and Evergrande) suggest that, despite numerous reforms, firms in China will not soon be free of political pressures. How do investors react to pending government interventions? Are there differences between local and foreign investors in how they deal with the government's role? How does the presence of SOEs affect the other players in public capital markets? Can Chinese firms effectively bond to other legal environments via listing outside China to mitigate government influence? These are just a few of the questions we see as relevant in this area.

Second, informal institutions matter. Social embeddedness is shaped by an amalgamation of norms, customs, traditions, and language. In China, these factors are especially important as relationships form a basis for contracting, and social ties impact and channel economic activity. The informal institutions change very slowly—on the order of centuries or millennia (Williamson, 2010)—and have a lasting effect on individual conduct. It is thus not surprising that Lennox and Wu (2022) identify the existence of individual effects for auditors as one of the key insights from the China literature. These informal institutions have profound implications on economic outcomes. On the one hand, relationships can foster favoritism and become a channel of collusion and corruption (Gao et al., 2021). On the other hand, informal institutions, through common social norms and customs, can allow better enforcement of relational contracts and serve as an alternative governance mechanism (Allen et al., 2005; Li et al., 2020). Future research can delve into the conditions under which the governance role of informal institutions will prevail over the favoritism channel. The clash of formal governance principles that are common for U.S. firms versus informal monitoring and oversight may also be of interest. So are informal contracts between corporations and their customers and suppliers or when it comes to executive compensation. These are all areas in which the informal structure of the China setting promises unique and interesting insights.

Third, China plays an important role for the development and growth of the digital economy. While there is no well-accepted definition for “digital economy,” the term generally refers to an economy that is built on online connections among people, businesses, devices and data, such as e-commerce and e-business.¹³ In terms of size, the U.S. and China are the two largest digital economies (United Nations, 2021). There is an emerging stream of studies in this area. For example, the development of the blockchain technology has generated much excitement about its potential use in governments and corporations. At the same time, scholars and practitioners have questioned whether blockchain applications in financial markets and businesses, including cryptocurrencies and non-fungible tokens, generate real value. For instance, Chen et al. (2022) tackle this issue by exploiting the use of blockchain in the context of asset-backed securities. China offers early insights on this issue, as data from other countries are still rare. Another area is machine learning. Whether machines will replace labor and how they can complement the human factor are important questions for companies and governments. For instance, Liu (2022) examines how machine learning facilitates business lending as he observes loan officers’ decision-making in a Chinese lender. Finally, understanding the value of big data is important both for businesses that intend to commercialize the data and for researchers who want to use the data. One example of a study in this area is Chang and Cong (2022). They find that the data in firm-level transaction records stored on the blockchain contains value-relevant information and can be used to predict firms’ future growth and profitability. These are just a few examples in this new and exciting area of the digital economy. China offers many opportunities for future research because of its size and widespread use of digital technologies in commerce as well as firms’ (and regulators’) willingness to experiment with these technologies and provide data access to researchers.

Fourth, securities regulation has become increasingly politicized. The relationship between the U.S. and China has deteriorated since the Trump presidency, and there are no signs of improvements in the near term. This change in the U.S.-China relationship provides an interesting laboratory to study the politicization of regulation. For example, the Holding Foreign Companies Accountable Act (HFCAA) was signed into law on December 18, 2020. Under the HFCAA, the Securities and Exchange Commission (SEC) is required to identify public foreign companies that the Public Company Accounting Oversight Board (PCAOB) is unable to (fully) inspect because of a position taken by an authority in the foreign jurisdiction (<https://www.sec.gov/hfcaa>). The SEC published the first list of such companies in March 2022. These foreign companies, most of which are from mainland China or Hong Kong, will be delisted if the PCAOB is unable to inspect their audit work for three consecutive years. The HFCAA will have a profound impact on Chinese firms listed in the U.S. and likely also impact U.S. capital markets.¹⁴ The changes in the global political environment, particularly the tensions between China and other economic regions, are bound to continue in the foreseeable future. They will provide interesting settings to examine questions such as the impact of cross-listing on foreign firms, the role of governmental influence on bilateral trade, capital raising, M&A activity, access to investors, and reporting behavior, etc.

Fifth, the proliferation of sustainability disclosure regulations worldwide, and in China, offers new opportunities. Prior research shows that mandatory environmental and social disclosures alter firms’ behavior, but most research is conducted in regions where economic transactions are carried out at arm’s length. A natural question is how the adoption of sustainability reporting will affect firms in relationship-based economies such as China. Chinese firms are typically controlled by a dominant shareholder who maintains close relationships with key stakeholders. As such, the role of disclosure in China can go beyond informing external capital providers. Disclosure serves also to satisfy the demand of a broader set of key stakeholders (Lu et al., 2021). Such a stakeholder-focused approach may make China more aligned with the objectives of sustainability reporting relative to a market-based economy. Yet, conflicting incentives among key stakeholders (e.g., government vs. customers) could lead to unique conflicts for Chinese firms. Chen et al. (2018) is an example of an analysis of the role of environmental and social disclosures in China. Using an expanded CSR disclosure requirement that was enacted in 2008, the authors show an improvement in environmental performance following the regulation—but at the expense of shareholders. Another interesting issue is how the effects of sustainability disclosure regulation vary across institutional environments.

¹³ Companies in the digital economy include e-commerce firms such as Amazon in the U.S. and Alibaba in China, social media firms such as Meta in the U.S. and Tencent in China, fintech firms such as PayPal in the U.S. and Ant Financial in China, and gig economy firms such as Uber in the U.S. and Didi in China.

¹⁴ See e.g., <https://www.uscc.gov/research/chinese-companies-listed-major-us-stock-exchanges>.

Findings coming out of China will not only enhance our understanding of sustainability disclosures for the local region but will also have important implications for the current debate on the global convergence of CSR reporting. China's unique institutional environment will allow scholars to add an important data point to this discussion.

5. Conclusion

We have seen an increasing number of China-related studies published in top-tier accounting outlets over the past 25 years. Mere demographics and the supply-and-demand forces of scientific publishing suggest that this growth will continue in the years to come. China offers rich variations in institutional backgrounds and regulatory experimentations that have attracted many scholars to work in this area. With its rise in prominence, China-related research could establish itself as an independent area of study that is defined by geographic region rather than by accounting topic, theoretical construct, or methodological approach. Such a taxonomy of the literature by geography is unusual for top-tier outlets in our field. It also implies that it is difficult to formulate a unifying framework that would allow readers to organize the collective insights from this large body of work and apply them to other areas in accounting.

There are many aspects of China-related research that make it special. To a large extent, China's institutional setting is at the opposite end of the spectrum from the U.S. For instance, the two are opposite in terms of the government's control and intervention in capital markets, the contracting and litigation environment, and informal institutions. Therefore, evidence from China provides a nice contrast to existing studies, which have traditionally taken a more U.S.-centric view—particularly as published in the top journals in our profession. The growth of China-related studies has brought a more institutional, context-specific view to accounting research. To this end, China-related studies have contributed to the internationalization of accounting research and led to a gradual shift in the research paradigm—a trend that we welcome and believe will continue.

Despite its uniqueness, China-related research in many aspects shares the same characteristics of other academic papers in our field (e.g., in terms of getting published, citations, and asserted contributions). Increasingly, China-related papers are shaped by the availability of new data and regulatory reforms. Yet, the focus on China as a mere source of data and of better empirical identification poses challenges and likely hinders the application of the insights from this literature to other research areas. In China, many regulatory reforms are purposeful outcomes of government control in a tightly guarded economy. The ensuing interconnectedness of regulatory changes limits their usefulness as quasi-exogenous shocks in archival research. Quickly, issues of generalizability arise. That being said, documenting interesting yet unique economic phenomena and behaviors could equally provide valuable insights. Ultimately, it is the research question of a paper that determines its contribution, and the generalizability of results is a second-order concern. We therefore believe that it is important for the authors of China-related studies to explore their settings and data with a good understanding of the political incentives and avoid the temptation to prematurely generalize their findings to other settings.

Ideally, scholars should strive to identify the institutional forces that make the China setting special and fully explore them to further advance the literature. We see China's rich cultural background and informal structures in society and business, strong government influence in the functioning of capital markets, rapidly expanding digital economy, increasingly politicized (securities) regulation, and new rules on social and environmental reporting as potential pathways to achieving these goals. Focusing on topics like these should allow the literature to establish standalone contributions that go beyond a China-interested audience as it informs the readers of forces that may matter outside of their own institutional environments. Doing so will further strengthen the already prominent position of China-related accounting studies in the field.

In conclusion, we would like to point out that China as a setting is by no means unique in its variation in regulatory changes and (informal) institutions or its availability of data. Many other economies around the world also offer heterogeneity in the institutional setup. Thus, the inferences we draw from the discussion of the [Lennox and Wu \(2022\)](#) survey are more general and apply, in one way or the other, to the whole body of international accounting research. In that sense, when we call for more institutional, context-specific China-related studies, we equally call for more institutional, context-specific research from all over the world.

Acknowledgements

We appreciate the helpful comments from Michelle Hanlon and Wayne Guay (editors), Mingyi Hung, Bin Ke, Laurence van Lent, Clare Wang, and TJ Wong. We thank Alexandra Coble and Shubo Zhang for their excellent research assistance.

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