

1994

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Recommended Citation

Craig, R. J. and Greinke, A. J. (1994) "Accounting history and governmental inquiries: An experiment in adversarial roleplay," *Accounting Historians Journal*: Vol. 21 : Iss. 2 , Article 5.

Available at: https://egrove.olemiss.edu/aah_journal/vol21/iss2/5

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ACCOUNTING HISTORY AND GOVERNMENTAL INQUIRIES: AN EXPERIMENT IN ADVERSARIAL ROLEPLAY

Abstract: Governmental inquiries where accounting is a central focus are a rich resource for injecting much needed historical content into accounting courses in higher education. An adversarial roleplay recreated a Wage Stabilization Board hearing in Washington, D.C. which, in 1952, led to President Truman's seizure of the American steel industry and ultimately to a constitutional crisis. The roleplay centered on the accounting issues debated by that Board in response to a highly provocative submission by W. A. Paton on behalf of the steel industry. The roleplay revealed strong support for recourse to such historical materials in providing an enjoyable, stimulating and effective way of learning accounting theory. Ancillary benefits were that students gained a better understanding of some important economic, political and constitutional issues in American history.

INTRODUCTION

There are clear pedagogical benefits in developing students' understanding of accounting history. Study of history engenders critical appreciation of contemporary accounting practice and of contextual settings in which accounting policy debates have taken place. Not surprisingly, considerable interest has been shown recently in the variety of media and the range of resource materials available to facilitate introduction of accounting history into accounting courses. Coffman, Tondkar and Previts [1993] have provided a treasury of historical articles, biographies, and videotapes which instructors in financial accounting courses might adopt to enhance course material. Their work elaborates on a general theme which had been addressed previously by several authors. For example, Bloom and Collins [1988] advocated experimentation by incorporation of historical "nug-

gets" in financial accounting courses. Koeppen [1990] emphasised the need to encourage accounting students' awareness of "events" that had influenced the development of accounting, and Beauby and Bradford [1992] advocated an "interdisciplinary historical" approach to teaching accounting. Although Coffman *et al.* [1993] cite many useful teaching resources, they do not cover the entire array of media available to instructors wishing to incorporate accounting history into existing courses. Furthermore, they emphasise *what* should be incorporated, but do not discuss creative strategies regarding *how* historical materials might be used effectively.

This paper reports an Australian roleplay in which an exemplar of a particular type of accounting historical material — proceedings of governmental and quasi-governmental boards of inquiry — was incorporated into an existing course in financial accounting theory through the device of an adversarial roleplay. The reconstruction of a "real" adversarial inquiry hearing was designed to heighten students' awareness of the historical pedigree of much contemporary debate on accounting theory.

The following section outlines the reasons for incorporation of historical materials in the fashion described. Thereafter we introduce the proposition that governmental inquiries, in particular, are a useful historical resource. Emphasis is given to the contribution of W. A. Paton [1949, 1952] to two such inquiries. Paton's later [1952] contribution forms the core of the Australian experiment, reported below. We found the teaching strategy to be effective in promoting a better understanding by students of theoretical issues in accounting.

HISTORY AND ACCOUNTING EDUCATION

Accounting educators throughout the world have been criticised for producing "narrow" graduates who have little understanding of history, politics, philosophy and the liberal arts in general. In Australia, for example, the *Report of the Review of the Accounting Discipline in Higher Education* [Mathews, 1990] recommended that Universities and Colleges make substantial changes to their undergraduate accounting degrees. In particular, accounting degrees should become broad-based degrees with a choice of majors, and should focus on a range of related disciplines, including the humanities. Accounting education should "foster diversity" and "provide a broad general education" [Mathews, 1990, Vol. 1, p. xxiv]. The former Vice-Chancellor of the Australian National University, Professor Karmel, a

respected figure in Australian education, has called for degree courses to be dealt with in an historical and global context:

By this I mean that courses should *include the historical context* relevant to their subject matter, that values should be laid bare and that applications should not be seen narrowly in Australian terms. We need to look back, deep and across. [Trinca, 1992, p. 6, emphasis added]

Australian newspaper editorials too have criticised tertiary educators for producing vocationally trained graduates who are "too specialized" and who have not absorbed the basics of a liberal education. One such editorial laments modern universities for producing "a generation of narrow economists and accountants" and advocates a model of education which promotes "generalists, taught in classics and mathematics, with history, jurisprudence, political economy, modern languages, political and physical geography, or some science" [Canberra Times, 1992, p. 8, emphasis added].

We concur fully with such sentiments. Substantial pedagogical benefits resulted from incorporation of Paton's inquiry submissions in the manner described. Our experimental initiative was prompted, in part, by the recommendations of the Accounting Education Change Commission [1990, p. 307], which emphasised the need to integrate accounting history into the classroom in order to make accounting education "more broad-based" and to lend it "a real-world perspective". The historical material prescribed in the roleplay addresses these educational needs. It provides a relevant historical context and insight to American social and political values. We recommend the re-creation of historical settings as an appropriate mechanism to stimulate students to argue the merits of the competing viewpoints which emerged from government inquiry submissions made on accounting matters. Experience with the use of an adversarial roleplay case in accounting theory classes has been a positive one, as Craig and Amernic's experience [1994, p. 28] led them to note:

Accounting education can be enhanced by the adoption of context-rich conflict resolution roleplay case study methods. Roleplay learning in accounting offers potential to contribute to desirable teaching outcomes, specifically the enhancement of a variety of sought-after competencies.

Past debate in governmental inquiries about accounting-related matters offers much scope to attain both the "context-richness" and the prospect of "conflict resolution" to which Craig and Amernic refer [1994, p. 28].

GOVERNMENTAL INQUIRIES

Our argument extends and reinforces a general theme enunciated by Koeppen [1990] and Rayburn and Powers [1991]. To stimulate student interest in accounting history, instructors should consider drawing upon drama-charged settings of government inquiries in which competing economic, political or ideological views are advocated. In doing so, they seem likely to promote historical appreciation of events [Koppen, 1990] and engender a broader understanding of historical contexts [Rayburn and Powers, 1991] in which accounting is used or abused. Politically-charged and ideologically-heated settings provide a vibrant context from which to draw historical precedents. Submissions to governmental or quasi-governmental inquiries, concerning issues of accounting measurement and reporting provide a rich source of historical vignette to promote student discussion of contentious accounting issues. The inquiries we have in mind are those instituted frequently by governments in many countries to enquire into economic, political and social policies. A fruitful source of submission material is contained in inquiries in which competing theoretical perspectives in accounting strongly influence the interpretation of critical financial data. These include inquiries into wage determination, price setting, trade protection policy, foreign investment guidelines, undesirable trade practices, creative accounting and financial chicanery.

There appear to be several strong pedagogical reasons for instructors to draw upon the actual texts of inquiry submissions and to emphasise the ambient historical settings. Amernic and Elitzur [1992, p. 40], for example, found that the introduction of original, "real" historical documents (such as annual reports from previous decades) as teaching materials, was likely to enhance student commitment and learning in accounting. Recourse to "primary" source material, such as inquiry submissions, has many advantages over traditional reliance on the sometimes sterile and jaundiced "secondary" analyses of others. Original sources, when used in a way which encourages the marshalling of the historical, political and social settings, should

enhance student interest and directly affect the process of understanding. The resources cited by Coffman *et al.* [1993], whilst very useful, rely largely upon "secondary" analyses. There are likely to be many benefits from exposing students to the actual text of submissions in preference to such analyses which are often sanitised or distorted. The accuracy of writers of "review" articles on selected topics, and of biographers and interviewers is often questionable. There is nothing unusual about focusing on the actual context, whether that be by reference to the text of a submission before a government inquiry or the actual physical setting in which an historical event took place.

Drawing upon the actual context or setting is an educational practice adopted widely. Understanding of military history and tactics is often enhanced by visiting or reconstructing a battleground (for example, Iwo Jima, Gallipoli or Dien Bien Phu) to appreciate the context of battle and geographical and climatic constraints which influenced (or in some cases, failed to influence) tactics adopted by military commanders. However, because a danger lies in the sometimes limited capacity of students to juxtapose ideas and thereby develop insights or critiques, accounting instructors, whenever historical material such as that suggested here is used, have a critical role in assisting students to discover these insights and formulate critiques.

In most developed countries there appear to be many governmental and quasi-governmental inquiries from which submissions on accounting issues can be drawn upon for teaching purposes. Early regulation of accounting in the United Kingdom was driven by inquiries over public utilities. For example, financial difficulties experienced by railway companies in the late 1840's and reports from investigating accountants prompted an 1849 Parliamentary Select Committee. Later, a Royal Commission, instituted after the financial collapse of 1866, recommended more effective audit procedures and the adoption of a uniform system of accounts. Double entry bookkeeping was imposed upon electricity, gas, and water companies as a result of similar investigations, which arose from official enquiries. Other inquiries were driven by the collapse of large financial institutions, such as the City of Glasgow Bank in 1868. An excellent digest of materials on these issues can be found in Edwards [1986]. This roleplay, in contrast, used a wage board inquiry which was central to a major crisis in American political history.

CONTRIBUTIONS OF W. A. PATON

A rich source of unexploited teaching material resides unheralded in the considerable contributions made by W. A. Paton to the development of accounting thought. Our attention was drawn to the written submissions Paton made to two governmental boards of inquiry in the USA in 1949 and 1952 by Zeff, Demski and Dopuch [1979, p. 127]. Both submissions are suitable prescribed reading for senior undergraduate students of financial accounting theory. An ancillary benefit is that students will be exposed to the original writings of one of the 'great thinkers' in the accounting discipline. The reluctance of accounting educators to prescribe more extensive reading of the original works of eminent accounting scholars, such as W. A. Paton, remains disturbing.

The first of the Paton submissions was admitted as testimony to a hearing of the Presidential Steel Board on August 19, 1949 in the matter of "United Steelworkers of America-CIO and the Republic Steel Corporation". This hearing addressed the issue of whether rates of pay should vary with the earning power and financial position of particular employers. Paton's submission was titled "Statement of W. A. Paton Regarding the Overstatement and Misinterpretation of Corporate Earnings Under Current Conditions". The second submission, which was used in the roleplay reported in this paper, was admitted as testimony to a hearing of the Wage Stabilization Board — Steel Panel (Case No. D-18-C) on 14 February 1952 in the matter of "United Steelworkers of America-CIO and Various Steel and Iron Ore Companies". Paton's submission was titled "Statement of W. A. Paton Regarding the Interpretation of Corporate Earnings and the Position of Stockholders Under Current Conditions".¹ To facilitate easy understanding of the content and themes pursued by Paton in this submission, Appendix A reproduces an abridged version of his ten summary points.

Both of Paton's submissions are exceptionally lucid and readable, unlike much of the turgid prose which characterises publications by academics. His submissions invoke homely, simple illustrative examples, draw upon vernacular expressions

¹ Copies of the submissions were obtained, with the kind assistance of Paul Danos, from the Paton Accounting Centre, School of Business Administration, The University of Michigan. Copies of these submissions are available from either author.

for emphatic effect, and avoid the jargon-ridden, woolly bureaucratese which is a feature of many inquiry submissions. Paton's prose is a pleasure to read — an assessment corroborated by the unsolicited comments of students from several universities, known to the authors, where his submissions have been set as essential reading. For those conditioned to the rather bland style of most academic papers, the submissions are disarmingly thought-provoking and consequentially, are an ideal teaching resource for priming student discussion on contentious accounting issues.

Paton's unremitting attention to the flawed basis from which conventional financial accounting provides data for use in many decision-related contexts is profound. His submissions provide a "real-life" contextual vein of teaching material from which to analyse two broad matters: first, Paton's general preference for a current replacement cost system of accounting; and second, his more particular views on associated matters of asset valuation, depreciation and income measurement in periods of changing prices. The submissions can serve as focus for debate upon the merits of alternative systems of price-level accounting, for example, "current replacement cost" versus "historic cost" versus Chambers' [1966] "continuously contemporary accounting" (CoCoA). They seem likely to be helpful in developing students' conceptual understanding of the varieties and vagaries of capital maintenance, to which articles such as Gellein [1987] are likely to be suitable complements. The fact that US inflation is now low should not be seized upon to argue that the thrust of the Paton submission is of dubious relevance. To the contrary, analysis of "the effects of changing prices on accounting", as Zeff [1989, p. 208] argued, is "perennially important in our field". Additionally, Paton's submissions could be used to enhance student understanding of the nature of the corporate entity, the accountability debate (shareholders versus stakeholders), the "matching principle", and the nature of "retained earnings".

We found Paton's 1952 submission to be particularly useful in helping students to deeper understanding of the issues surrounding the concept of "depreciation". An ideal complement would be Reed's [1989] award-winning paper, "A Historical Analysis of Depreciation Accounting — the United States Steel Experience". She, like Paton, analyses the financial reporting of the United States Steel Company, reputedly, "an acknowledged leader in the development of financial reporting" [Reed, 1989, p.

124].² Both can be useful case study material for students to draw upon in discussion of several other important issues: first, the magnitude of the reporting bias inherent in accounting for a firm's physical capital using historical cost methods; second, whether financial statements provide adequate numerical signals of the extent to which obsolescence is eroding physical capital bases; and third, the extent to which economic factors not related to matching revenues with expenses have a significant impact on depreciation charges [Reed, 1989, pp. 119, 132, 146]. Analysis of these issues seems likely to have the desirable outcome of drawing attention to the influence which broader political, social, legal and environmental contexts have on the practice of accounting.

THE ROLEPLAY

The roleplay focussed on Paton's 1952 submission to the Wage Stabilization Board. This submission contains relevant material for accounting students, but can be used also to test students' understanding of American history, constitutional law and political institutions. It is hoped that our experience will inspire other instructors to experiment successfully by prescribing similarly apt textual submissions to past accounting-related governmental inquiries.

Historical Context

Corporate America had been booming during the war years of 1940-1945, based on profit guaranteeing cost-plus contracts, and over five years of spending a total of \$245 billion, which had been increasingly directed to larger companies. By 1943, corporate profits in America exceeded the affluence of the pre-Depression peak of 1929 [McQuaid, 1994, pp. 14-15]. In contrast, USA in the 1950's was in the throes of a difficult period of post-World War II (WWII) economic reconstruction. President Truman attempted to resolve the problem by means of economic controls on wages, prices, rent and credit [Donovan, 1982, p. 320]. As part of his economic reconstruction strategy, Truman appointed a Director of Price Stabilization and a Wage

²Reed analysed the period between 1939 and 1987; Paton's analysis was for the period between 1939 and 1951. Other analyses of the financial performance of US Steel prior to 1952 have been provided by Younkins, Flesher and Flesher [1984] and Vangermeersch [1986, 1988].

Stabilization Board (WSB). The WSB was modelled after the War Labor Board of WWII and was composed of nine (later 18) members: one-third representing business, one-third representing labor, and one-third representing "the public", including a chairman chosen by the President. In 1951, following calls from organised labor, the President expanded the Board's jurisdiction to deal with industrial disputes. But there were disputes of other types which were exercising the mind of the President and galvanising the attention of the American nation. The same year witnessed a successful communist offensive in Korea, culminating in the invasion of South Korea and the capture of Seoul and Inchon. In addition, President Truman's administration was beginning to be affected by Senator Joseph McCarthy's "charges of communist infiltration of government" [Marcus, 1977, p. 34].

In later 1951, American steelworkers were threatening to embark on a major strike in support of claims for an 18.5 cents per hour wage rise, plus fringe benefits, to be included in their forthcoming employment contract which was to commence on January 1, 1952. The President was unable to persuade companies in the steel industry to make any offer on wages or working conditions. The steel companies were steadfast in their attitude, claiming that they needed a price increase to \$6 to \$9 per ton [Marcus, 1977, p. 63] to be able to afford the wage rises sought by the unions. Truman refused their application for a price rise, influenced by the view of the Council of Economic Advisers that a reasonable wage increase of 15 cents an hour could be absorbed by steel companies without any adjustment to the price of steel. The dispute was referred to the WSB in December 1951. The union postponed a strike to allow the WSB to come to a decision. Paton's submission was made on February 14, 1952. The WSB's recommendation for the phased implementation of a 15 cents per hour wage increase without any associated increase in the price of steel, was made public on March 20, 1952.

In reaching its decision, a principal matter addressed in the WSB hearing was whether the steel industry had the financial capacity to meet the union wage claim. In a submission by the President of the United Steelworkers of America, Philip Murray [1952], the WSB heard argument based upon conclusions drawn from analysis of the steel companies' publicly reported historic cost-based financial data. The steel companies relied, *inter alia*, upon Paton's submission to argue that their publicly reported historic cost-based financial data were unreliable as a basis for

resolution of the claim because such data provide inflated indications of earnings. The roleplay simulates the WSB hearing of Paton's rebuttal of the submission made by Murray on behalf of the Untied Steelworkers of America.

Students of American history and constitutional law are likely to benefit also from study of the WSB case, for it led directly to a major constitutional crisis after Democrat President Truman seized 86 companies comprising the steel industry on April 8, 1952. Subsequently, 14 separate resolutions were introduced for the impeachment of the President and four separate Congressional investigations were launched [Donovan, 1982, p. 383, 387]. The substantial political issues centred on the question of whether Truman had the constitutional authority to seize control of the steel companies. On June 2, 1952 the Supreme Court, by a majority of 6 to 3, declared Truman's seizure unconstitutional. In analysing Truman's motives, an intriguing constitutional question arose, which, we suspect, many educated Americans will struggle to answer correctly and unequivocally. Truman had acceded to the presidency upon the death of Roosevelt in 1945 and was elected to a four-year presidential term beginning in 1949. Was Truman constitutionally able to stand for re-election as President for the term beginning in 1953?³

The roleplay was set in an adversarial environment. It provided students with a taste of the different perspectives of the historical participants. From one point of view, Truman was denounced as a "dictator" and was censured widely for "his arbitrary exercise of executive authority" [Marcus, 1977, pp. 83, 89]. He was claimed to be

a Caesar, an American Hitler or Mussolini, an author of evil, a bully, a usurper, a lawbreaker, an architect of a labor dictatorship [Donovan, 1982, p. 387].

On the other hand, Truman could be viewed as a President confronted with a very difficult situation, extending beyond merely economic factors. The steel companies' failure to negotiate over wages was also linked to efforts to introduce incentive-pay wages and to undermine collective bargaining processes. The front in Korea was at risk from lack of ammunition supplies. In addition to military equipment and atomic energy con-

³Yes. The relevant amendment to the United States Constitution was at the time still to be ratified by the States. Truman decided, however, to follow "convention" and not stand again for the Presidency.

struction, power plants, railroad construction, shipbuilding, machine tools and the like would all come to a halt if the steel mills closed down. He firmly believed he was safeguarding the nation in taking the actions he did [Truman, 1956, Ch. 29].

The other major feature was the attitude of the accounting profession to the stabilization programme, and to labor disputes generally. The interest of labor in financial statements had been promoted by unions such as the Textile Workers of America [*Journal of Accountancy*, 1952]. That union's director of research, Solomon Barkin, had raised accountancy related issues in a number of papers in the 1940's and 1950's [Barkin, 1947, 1951a, 1951b, 1953; see also Brubaker, 1947; Brubaker et al., 1949]. Barkin, particular, had been disillusioned by his experiences within the American Institute of Accountants' Business Income Group in 1950, and argued that prevailing principles and practices "stem primarily from the needs of management, equity owners, and creditors" and that the accountants reviewed the accounts invariably "in accordance with management's dictates and policies" [1951b, p. 405]. The mainstream accounting profession's response labelled such arguments as "partisan" [*Journal of Accountancy*, 1951a]. While concerned about lack of consultation over implementation of accounting-based regulations [*Journal of Accountancy*, 1951b], the profession appeared to be more concerned with exempting itself from wage controls and in assisting management to avoid violation of WSB regulations [Griswold and King, 1951].

First Round

Our roleplay was conducted at The Australian National University (ANU), where five out of fourteen final year baccalaureate tutorial classes in "Financial Accounting Theory" were selected to simulate the Wage Stabilization Board's debate about Paton's submission. The remaining ten classes completed an orthodox tutorial program, involving discussion of prescribed textbook questions on price level accounting issues. Both classes were prescribed extracts from Sweeney [1964], Barton [1984], Edwards and Bell [1973], and Chambers [1966], in addition to the prescribed textbook Godfrey, Hodgson, Holmes and Kam [1994].

The adversarial roleplay tutorials were conducted in a special mock courtroom (or "moot court") in the Faculty of Law at the ANU. In the week prior to the conduct of the roleplay, the

group was briefed on three major matters: the mechanics of roleplay, the Truman administration, and the background of the steel dispute. The experimental group were issued with an additional set of materials, comprising extracts from Donovan [1982], Marcus [1977], an article by Chambers [1991], and Paton's submission to the WSB. It was intended that this material would help students, inter alia, to better understand the American social, political and economic scene in the early 1950's; to appreciate the critical nature of the steel industry dispute, and to understand the parameters of the ensuring constitutional crisis. Students were allocated one of the following roles:

- the presiding member of the Wage Stabilization Board;
- a representative of industry on the WSB;
- a representative of organised labor on the WSB;
- an advocate (one of two) for the United Steel Workers of America;
- an advocate (one of two) for the Steel and Iron Ore Companies;
- the Australian accounting academic, Professor R. J. Chambers,⁴ assumed to be on study leave in the USA; or
- a member of the 'press gallery'.

Advocates for the companies were instructed to draw strongly on Paton's submission. The union advocates were instructed to provide strong rebuttals thereto. The WSB members were required to deliver judgments on the merits of the cases presented by the company and union representatives. Members of the press gallery were required to prepare newspaper articles commenting upon the proceedings and outcomes. To discover whether such a teaching approach was worthwhile within the time limitations of a normal tutorial, the entire proceedings in each case was limited to one hour's duration.

Second Round

The initial tutorial round of roleplays was followed by a second roleplay. The better students, as identified in the tutorials, performed a "model" roleplay to those students who had not

⁴We added this anachronism to the roleplay in order to provide a third perspective on the price level theory issues. The works of Chambers are of particular importance to Australian students. In retrospect, however, we would have preferred to recreate a historically "pure" environment and Chambers' presence did detract from the historical drama.

participated at all in the roleplay process, and for the benefit of other Faculty staff. This took place in the Senate Chamber, Old Parliament House, Canberra. Drawing upon the experience of the first round, the active participants were reduced to the following roles:

- the presiding member of the WSB;
- a representative of industry on the WSB;
- a representative of organised labour on the WSB;
- an advocate (one of two) for the United Steel Workers of America; and
- an advocate (one of two) for the Steel and Iron Ore companies.

An additional historical document, not in our possession for the initial round of roleplays, had been obtained and was issued to the participants. This was the principal submission to the WSB by Philip Murray, President of the United Steelworkers of America [Murray, 1952]. The theme of his submission was that the 1951 negotiations had failed due to the "flat refusal" of US Steel to bargain both on economic and non-economic issues. It drew upon statements by President Truman endorsing this position, and argued that price increases had not been driven by wage increases but by "big business profiteering". In terms of accounting issues, it compared the significant increases in company profits after taxes, and dividend payments, with the rises in wage costs over 1945-1950. It concluded on a note of concern for the uncompensated increases in the cost of living suffered by steelworkers and their families. In our opinion, this submission is an essential document to issue to students to provide a balance to the more capital-sympathetic submission by Patton.

STUDENT RESPONSE

In written responses to an open-ended question, roleplay students elaborated their opinions and provided suggestions for future exercises. Several themes emerged. There was universal agreement that use of adversarial roleplay involving recourse to historical inquiry submissions should be continued in future offerings of the subject. The effectiveness of the historical materials and the roleplay in terms of achieving pedagogical aims appeared to be supported by the students' written comments, particularly in respect to the benefits which accrued in developing their analytical and oral communication skills. One typical comment was:

It's amazing how much clearer ideas are when you actually have to present them in a logical argument, rather than simply read the theories and try to absorb the material.

Whereas some students were concerned with the significant time spent in preparation in comparison to "normal" class exercises, many of them also described the benefits they had obtained as a result. Some who had been involved in advocacy roles perceived greater benefits accruing to them from the exercise when compared with their fellow students in more passive roles. This sentiment was exemplified by the following student comment:

The roleplay helped me understand price level accounting because I had an active involvement in the arguments (being a union advocate). However, I feel that if I was merely an observer, the issues and arguments may not have been as clear and as memorable.

Several avenues were identified for improvement in future exercises. Students, generally, would have preferred a structure whereby the instructor acted as the President of the Board. In varying degrees there was a lack of direction from the President both in terms of control over the proceedings and in the evaluation of the arguments. Ensuring strict adherence to the one-hour time limit was a problem for some groups. Students should be briefed not only on the historical and accounting theoretical material, but also upon presentation skills. More emphasis should be placed on advocacy rather than allow students to read prepared pieces. Improvement can be made to increase the reality of the roleplay, through use of props (such as a gavel), appropriate language and adoption of the procedural protocols normally a part of inquiry hearings.

CONCLUSIONS

The text of submissions to past governmental inquiries on accounting-related matters offers considerable scope for effective incorporation of accounting historical context into undergraduate accounting courses. A roleplay, which drew upon Paton's 1952 submission to the WSB, was exploited to contextualise the historical setting and was very effective in achieving pedagogical benefits. Student response was very encouraging, and the exercise carried ancillary benefits beyond accounting theory. Students' understanding of several facets of

America in the early 1950's was expanded. Hitherto, few of our students had been aware of the economic controls on wages and prices in place at the time, the high level of inflation, the "undeclared" Korean War, and McCarthy's anti-communist tirades. Indeed, even the name of the incumbent American President in 1952, was previously a mystery to many.

We commend the setting of inquiry submission material of the type exemplified by Paton [1952]. Adoption of the adversarial roleplay mode of instruction has the added benefits of "bringing accounting to life" and infusing students with enthusiasm for the richness of accounting history.

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APPENDIX A

A SUMMARY OF PATON'S
WAGE STABILIZATION BOARD SUBMISSION
FEBRUARY 14, 1952.

1. It is necessary to look through the corporate entity to the flesh-and-blood investors, and particularly the stock-holders, to see clearly the basic economic significance of corporate financial data.
2. Corporate net earnings as computed in recent years by ordinary accounting procedures have been materially in excess of actual, disposable income, particularly because of the severe and sustained advance in the price level. A major change in the value of the measuring unit (the dollar), has not been fully taken into account in absorbing costs expressed in earlier and more valuable dollars.
3. The LIFO inventory procedure accommodates the problem for the costs of materials consumed, but no similar procedure has been generally adopted in corporate accounting in this country to provide a proper adjustment in determining the cost of plant capacity consumed in current dollars.
4. Recorded pre-1941 plant costs do not reflect the *actual costs* of plant in current dollars unless converted into an equivalent number of such current dollars. Revenue dollars required to replace plant capacity consumed are not true net earnings in any reasonable sense of the term.
5. When all the dollars which reflect the financial position of a corporate entity are properly converted to the common base of current dollars, the so-called "retained earnings" may be largely or entirely absorbed in this conversion process.
6. Corporate earning rates computed by applying unadjusted and *overstated* net earnings to an unadjusted and *understated* stockholders' entity are arithmetic distortions and have no validity as a measure of corporate earning power. When such computations are made, the claim that earning rates in the postwar years have been high, is without any foundation.
7. So-called "profits before taxes" are a gross illusion and when brought forward as having a bearing on corporate and investor earning power, are downright misleading.
8. The suggestion that wages can properly be increased at the expense of taxes otherwise payable to the Federal Government is entirely improper and accordingly should be disregarded.
9. Careful examination of financial markets data in common dollars, including the course of security prices, dividends paid, and new financing, shows beyond question that stockholders in American corporations generally have not been holding their own, and that there is an acute dearth of new capital.
10. Careful scrutiny of the position of stockholders in the steel industry for the period 1940 to date demonstrates decisively that far from indulging in a feast, stockholders have had a very meagre fare indeed, taking into account the dividends received, market evaluation of investment in the steel industry and earnings retained in steel corporations.