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American Institute of Certified Public Accountants. Long Range Objectives Committee

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P R O C E E D I N G S
of the
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Discussion on Education and
Sociology

November 7-8, 1963
Drake Hotel
Chicago

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THURSDAY MORNING SESSION

November 7, 1963

The meeting of the Committee on Long-range Objectives of the American Institute of Certified Public Accountants was convened at the Drake Hotel, Chicago, Illinois at ten o'clock a.m., Mr. Robert M. Trueblood, Chairman, presiding.

CHAIRMAN TRUEBLOOD: Gentlemen, if you will be in order, we will get started with our meeting.

I want to say that we have our three panelists with us now and, further, that we will engage in a freewheeling type of thing. We will merely talk in general. However, perhaps before we do so, each of our panelists would like to make some preliminary comments and, if that is the case, this will be perfectly fine.

Our subject this morning is the matter of education and what we can do about it and also your concept of where we are.

Herb, would you like to talk for awhile before we go into a free for all? I presume we have the entire day, is that correct?

MR. MILLER: I am perfectly willing to say a few words, Bob. However, I would like to inquire a little bit

as to the time limit you have in mind. I would not want to impose on the members of the Committee and my associates by taking five minutes beyond what you would prefer.

CHAIRMAN TRUEBLOOD: I think a very brief statement would be the procedure. I will ask each of you to, at least initially, hold yourselves down to some 15 minutes, if that is feasible.

MR. MILLER: Of course, I have a little trouble announcing the next day's assignment in 15 minutes, but I will attempt to do so. (Laughter)

I think that I could, I am sure, express the feeling of all these professors in stating that we are delighted to have an opportunity to meet with the Committee on Long-range Objectives. I was particularly delighted to be chosen and even though this is on the record, I assure you that the record is not so fine but what it would not be proper to congratulate Norton on his recent recognition by his Alma Mater. I thought that was very fine.

You know, in commenting about this, I first thought that we should start this program out on a happy thought-- just like first grade school teachers did each morning, by having their children put their heads down on the desk and

think of a happy thought.

Well, on this particular morning, the teacher did this, asking each child in the class to put its head down on its desk for a few seconds and think of a happy thought. Following this, she called upon one little girl, inquiring of her about her happy thought.

Well, the little girl thought for a moment and then, in answer to the question put to her by the teacher "What is your happy thought?", she said, "I think I am pregnant."

Well, this kind of put the school teacher back for a moment and then, after the class, she called the little girl up and said, "I am interested in where you got your idea for the happy thought you mentioned."

The little girl replied, "Well, I got it at breakfast this morning. My Mommy, after telling Daddy that she was pregnant, had him say to her, 'Well, that's a happy thought.'" (Laughter)

Now, I would first like to be permitted a few moments to kind of set my philosophy down and then also make a little more satisfying and closer remark to home.

I think that we first have to convince the members of the accounting profession that in the area of accounting

principles they must learn to operate as though the profession was one big firm. Of course, I mean by that--as I judge big firms to operate--that there is plenty of opportunity, when problems arise, for discussion, memorandum writing, argument, pros and cons and then, sooner or later, the firm takes a stand.

Of course, this does not mean that all of the partners are happy with the stand or that they are all in agreement after the discussion. However, they recognize the firm's best interests are at stake and that a stand must be taken and, that this must be done, especially if the partners involved are to look forward to working together effectively. Also, some of these so-called "losers", also feel that they can still battle one another at a later time.

I think that this is the philosophy that somehow has to be learned by the profession because if we cannot improve comparability of financial statement, narrow the distances we have been talking about, then I believe we have a limited future as a profession. Of course, we do not necessarily have a limited future as a service organization but as a profession, I think we have a limited future.

We have to do more than merely talk about narrowing

the areas of differences.

I had lunch about ten days ago with a partner whom I have great respect for, an individual connected with a firm which would be outside of the Big Eight. Of course, I know the profession does not like this connotation in particular but then this idea did happen to come to my attention in the last half dozen talks that I happened to give throughout the country. Therefore, I want to sort of paraphrase the idea of this partner who said he wanted more definiteness in the guided principles and that he was to the point now where he did not care who gave it to him.

Therefore, if this feeling exists, then why cannot we come up with authoritative mechanisms which are going to operate.

I think that the Institute, for a couple of decades or more now, has been really on an assumption or a working approach in this matter.

However, that the authority rests upon the acceptance of the bulletins, this has not produced anything significant, at least in my opinion. We have only, as a result, achieved a real controversy on the principles.

I think we have to change our way in which we operate

on this authoritative mechanism.

Also, related to this area is a fear that I have sensed particularly in the larger firms--a fear of loss of judgment--"We are going to lose our discretion,"--"We are going to lose our professional judgment".

I think we have to learn how to operate or exist and share this professional judgment collectively--that we have plenty of opportunity and that this is within the discretion of the judgment of the profession, that we are willing to operate somewhat collectively.

In this regard, I would refer to George Meade's thesis. Here is an excellent dissertation which ranges through-
out this area of collective judgment.

Now then, I also think that it would be very desirable to again urge counsel or the Executive Committee or someone that we establish what the profession means by the words "accepted accounting principles" because I have a feeling that there is some kind of relationship, perhaps nebulous, between the excellence of our sets of principles and the value of the audit opinion. In other words, incidence alone does not seem to me is going to save at the attest function. I think a workable set of accounting principles, a set that is

followed has the same kind of appeal and the same kind of assistance.

If I may make myself clear, I don't think you have to read to me any release by the Institute to convince me that the profession is independent. I am well convinced.

In this regard, I might again mention to the Committee that Ed Baumlee of Bowling Green has just finished a dissertation that I think the Chairman might want to have some member look at. It relates to the teacher scope of audits and attest function and I think some of his ideas are interesting and would be interesting to the Committee. I imagine that this will be officially accepted within ten days. I might also add that this was done at Michigan State.

MR. CAREY: How soon can we get our hands on it?

MR. MILLER: I am sure that he would be very glad to release a copy right now for any kind of purusal that you might want somebody to get. I think it has some interesting thoughts about the attest function. He has reference to this further scope--as to what may happen and what you should do. I might add he has done quite a bit of comparing of what is done in Scandanavia, etc.

I would also like to move along here to a topic on

the public relations aspects as it relates to the accounting profession.

I think the profession should continue and perhaps increase its attention as to how we get the college professor to feel a greater identification with the profession. Membership on committees is a good policy but I wonder if that is enough. There might be something that could be said for the so-called academic vice president in the institute, with more than a one-year term, but to where the professors might look and say, "Look, we really are a part of this organization, we are recognized more than a committee membership."

I believe that we ought to even, from time to time, consider a little more participation on some of the programs by the professors in order to make them kind of feel like they are really not second class citizens. Of course, I am not here griping at all. I am delighted with my membership in the AICPA, but I don't think my association with the Institute is typical. I think there is a feeling of identification with the profession and that more people ought to have this same feeling and, therefore, if this experience which has happened to me also had happened widely, I believe it would be all to the good of the profession.

I noted in your position paper the "The Lawyer" that he said it appeared to him there was a much closer relationship on the whole between teaching and practicing lawyers than between the corresponding group of accountants. I think this is an accurate observation.

I think the college professor is probably your greatest recruitment resource and warrants perhaps some investigation or investment of time and thought.

For some time now, it has been my hunch that the profession does not rate as high with the average or typical accounting professor as the profession thinks it does. Therefore, if there were some way of finding out the professor's secret feelings, this likewise would be of help.

I am sure that if he were questioned that he would not bluntly come out and say that he really was not enthusiastic about the students going into the accounting profession, etc. Yet I believe that many of these individuals are luke warm and, therefore, maybe something ought to be done here.

Moving a little closer to education, as you might expect, I favor considerable reliance on colleges and universities in all phases of education and training for the profession. I think it will generate and solidify the common

body of knowledge that we find out through the Institute's help.

I think that a large subject area, such as the facts of teaching and devoting attention to teaching, etc. provides useful ingredients in the development of the subject matter.

It seems to me that if we had never taught anything more than three credit hours of accounting in colleges, that we would not have as excellent a literature as we have; would not have stimulated as much interest in the profession. Therefore, I believe we would get a greater interest in the profession if we have a large and significant subject matter handled by colleges.

Also, I believe if we had in the future a limited amount of subject matter handled at the college level, we would have less competent professors of accounting. Many of us do not want to spend our lives working and teaching six hours of accounting. I think we would become economists or practitioners or something rather than professors of accounting.

I believe that the profession expects the colleges to do a good job and a substantive job in training for the profession; that this will give also a much greater interest

level on the part of the professors toward the profession.

I would suppose that I have no disagreements with the statement in the accounting profession here on some of the philosophical matters. For example, on page 103, it states that you should concentrate on general educational programs and professional programs--that your program should be directed to the development of critical and analytical thinking, etc.

If this refers to the conventional subject matter area of accounting, then I think this is probably all right.

I think this reflects the philosophy that I think I have read and listened to Bob Trueblood express. I don't know. I would not want to ever be in a position of saying that Herb was arguing for specialization and yet I have a feeling that some of the folks that read and think about the position feel it implies a little bit of "We want the well rounded man, we will take him on from there." I believe this is often misunderstood by faculties, schools and by deans, as well as even the profession.

Of course, unfortunately, in some schools there has been way too much specialization. Syd, Paul and I are well aware of this but, in general, the smaller the subject matter, it seems to me, to be associated with the profession, at the

college level or university level, it seems to me less important it is to the profession ultimately. In fact, the horrible thing is that it is likely to be construed as a trade, where you have to become apprenticed in very moderate sense of the word.

I think it would be perfectly possible to cut a year out of law school curriculums and let the Bar Association train the small local, individual lawyers but that the large firms, with their talents and resources, carry on with their younger men. I am sure that the law school curriculum could be cut by a year. However, I am wondering whether there is anything to be gained by that from the point of view of the stature of the profession, the appeal of the profession and the interchange of ideas between the academic world.

Maybe the fact that the large firms have to do more and more training is a reflection of the fact that we donot have the level of competence we need on the campuses to carry on this education. Maybe they are telling us this in some way but I would kind of like to see the profession take the stand that we really expect colleges to do a lot of educational preparation for the profession. This doesn't mean at all that your education stops when you leave the campus. We all know that, but then how are we going to keep a strong faculty

if really the firms are going to do this educational work.

I suppose this leads me to some concluded remarks, one of which will raise the question of professional schools, and this one, I think, is a relative one. I certainly hope that in the forthcoming work of John Carey that we get up on cloud 9 or 10 or something on this one to stimulate a lot of discussion on this.

I think that professional schools have an effect on the quality of students attracted. I honestly believe that if we had strong professional schools in the area of accounting that we would attract students away from law schools, maybe some away from the sciences, because, whether it is a proper attitude or even a well founded attitude, I think that students kind of feel that going to law school enables them to have an identification with a professional career.

I think that we would get better quality accounting professors if they were on faculties of professional schools. I think that law schools have generally, throughout the nation, been able to attract more competent teachers perhaps in a total sense of the word.

I think it would give us a better control of the curriculum. Of course, I don't mean we want to control the

curriculum in order to have specialization. I have no such thoughts. However, I am a little bit interested more now than a few years ago in favor of professional schools because of the growth of the MBA Degree and programs and emphasis on the MBA rating.

I am not sure in my own mind that what makes good sense for the MBA curriculum makes equally good sense in going into accounting. There is much in the MBA program that we are interested in, of course, and, likewise, I think that much in the area of accounting which would make sense for the fellow considering a career in accounting, would not make as much sense to the Ph.D. However, I feel we are in for more and more domination by the MBA curriculum.

I think that professional schools would have some effect on recruitment. I wonder why we have to spend so much effort and expense to recruit for the accounting profession? Is this a searching job that always needs to be done? I really cannot say whether I believe we are worse off than the other professions but my hunch is maybe we are not in as good a shape in this regard.

I am also concerned, and I am sure all of us are,

over the year with the kind of curricular effect that the textbooks and CPA exam have. I don't quite know who moves first on this.

For example, if Miller would take out these three chapters, can we be sure that the CPA exam would be glad to drop the old junk? (Laughter) Well, with the Kennedy administration, we cannot do too much visiting along these lines without getting into trouble, but I wish there were some way we could have more interchange of ideas, not on preparation of the exam but on the subject matter content to see if we could not, in a sense, privately, understand, yes, that certain areas should be taken out of the curriculum and to synchronize the thing a little bit.

I think, in conclusion, that another objective (and this is not an original one) and one that I would attach pretty high priority to in the sense of emergency is to work on some kind of laws in the key states relating to the profession, if we do believe in the broad approach. New York makes it real tough and so do some other states and this makes it, as a result, pretty hard to really make progress.

How do you drop the third portion business law if

you do not like to have your students graduate from a reputable institution go to New York and go to night school? It seems to me it would be kind of an inconsistent relationship. I think the key states are the ones I would work on.

Well, I am not sure that these comments are on target.

CHAIRMAN TRUEBLOOD: They were very helpfully proposed insofar as I have learned about them.

That was a very excellent presentation and showed carefully thought out and well planned comments.

I think that Bob mentioned that we first hear from everyone and then we will get into the roundtable topic discussion.

Paul, at this stage, may we have some comments from you?

MR. FERTIG: All right, at least partly on what we have just heard. I would like to give you a few remarks and modify a few things I had in mind at the outside. And especially in relation to Herb's comments.

There was his comment, for example, on the relationship of the profession or the professional organization, which is one that strikes home in my case very firmly.

I think the profession is going to have to learn to

put up with individuals like me in academic circles. I have become, over the last ten to twelve years, so completely dis-associated with the profession of accounting that I find, for example, that I am really not competent to speak to most of the points with which this Committee is concerned.

I have no real opinions for example, on such things as state laws regarding the practice of public accounting, CPA requirements--and I have very little to say about the relationship of the CPA to the non-CPA. Also, generally, ethical problems and professional and political problems, to me, have become so remote in the context in which I work that I just do not care to comment on them. Any professional experience I have is very limited.

I might add that I spent a year and a half in public accounting altogether. I can remember spending one week of that putting an IBM run on a payroll of 20,000 employees and, at one point, asking my instructor what I was doing this for and, of course, that was a question I should never have asked.

I have a funny view as to what the practice of accounting is.

I strongly urge increased faculty internships for

this reason and fully intend that at my first opportunity I will participate personally in any opportunity of this sort, because I think this is of critical importance.

One of the reasons for curriculum attitude that I take with regard to what I conventionally call "techniques in accounting" and my apparent scorn for techniques in the curriculum is partly as Herb has implied--partly because of my own inadequacy. I am not competent to teach things of this kind. It is not simply a matter of possible obsolescence over the curriculum of things of this sort--I am just so disassociated from the profession that the curriculum slows it up.

Therefore, what I have to say today is on perhaps cloud 39, 49 or some other figure. I find it is difficult to set 1975 as a target date for purposes of my discussion and I would prefer 1990, because the time span with which I am concerned is the time span between the fellow's college days and the time that he becomes a leader in the profession. This, therefore, is not ten or twelve years--it is more nearly thirty years.

I also have a few comments to make about the common body of knowledge and its impact on curriculum, with the idea that leaders in the profession thirty years from now will be the

product of today's curriculum.

I think we have evidence now that many people in the profession, in positions of leadership, are products of the curriculum that existed thirty years ago. This is the gist of my preliminary comments.

I think central to professional development, as well as central to a meaningful educational curriculum is the definition of the common body of knowledge. Now then, this term is misleading and I hope it might be changed. I am not sure it is a body of knowledge that we want to define. I do not want to stake out an area and say that this is the area of accounting, this is the area with which our curriculum should be concerned, or this is the area with which our opinions are concerned and all outsiders stay away and we will confine ourselves to this. I also donot even want to create an implication that we are staking out the area for ourselves.

I think, instead, that the common body of knowledge must be formulated in terms of objectives that an accountant serves in our society, objectives that he serves in our economy and in our business organizations; objectives he serves in our legal and political framework. This, to me, is not really a

body of knowledge at all except in an operational sense. However, these are the things, the problems with which an accountant is concerned.

It is not unlike, in my view, the research methodology used in Postulates Research Study No. 1. I like this and I sympathize with it.

What kind of problems are we concerned with? How do we go about solving them; what are the objectives of subjective matters of accounting? What are objectives of people who call themselves accountants? This is the way I define the body of knowledge.

Now, I would then design my curriculum. I am attempting now to design a curriculum in which we examine these objectives as thoroughly as current level of knowledge and research will permit us.

We examine accounting practice and then we decide in the curriculum the ways that the accounting practice falls short of the objectives, if, in fact, it does, and the curriculum then becomes one of criticism, of practice in the light of objectives established for. This is quite different, I think, from the kind of curriculum that we have today and I think it is the kind of thing we must have if we are to develop people who, by the time

they reach positions of leadership in the profession, will be in a position to implement objectives and have a big picture or broad view of why they do what they do.

Now, these objectives that we establish, first of all, must be the result of thorough, continuous research in depth. This will change from time to time, we know this. This will change before we ever achieve any given set of objectives and so it is a continuous affair of always being objective, always being out ahead of the practice.

First of all, we do change our minds but then it is really a matter of how we think about accounting and not a matter of so much of what practice is like.

For example, it is not enough to say, in my view, that the objective of the attest function is to let creditability to financial statements. That is, of course, an objective but it is pretty weak stuff. It is a foregone conclusion that auditing does this and there is nothing left to say. It is pretty hard to establish objectives of auditing in the current context of our practice and I would rely on such a thing as the management audit to establish, you see, an objective for auditing.

In the area of accounting principles, of income

determination and asset evaluation, we can have objectives of resource measurement. For example, performance measurement, and define these terms in such a way that we can then decide whether or not accounting practice does in fact fulfill the objectives. Of course, we can also conclude that it does not and then state this or that reason for it.

Now, what do we need to do in order to better fulfill the objectives that we have established for ourselves?

As you know, we have others--we have measurement of tangible income. There the objective is compliance with the law, as in the case of credibility. There is not much more you can say about that and I will admit that auditing and taxation both get pretty short shift in any curriculum because the objectives are institutional or not sufficiently ambitious to justify time in the curriculum.

Now, finally, where do these objectives come from? Who does the research?

I think we are sufficiently at variance, as Herb implied, that we almost have to take any help we can get. Basically, I believe that the primary responsibility for research, the long-run objective finding kind of thing, really must be in the hands of the universities and should have been

in the hands of the universities for the past forty years or so because the universities are the main beneficiaries of this kind of research.

This kind of research is necessarily just by definition in conflict with shorter range, more immediate objectives of the profession and the Institute, if it were to take responsibility for this, is automatically contradicting itself. It sponsors long-range objectives but it necessarily has its day to day problems to solve and they cannot do both.

Well, as to who does it, we can talk all week and get no where. The record of the academic profession is not good, I do not believe, in this regard. I think we have slipped up on our responsibilities--we have preoccupied, in my opinion, with preparing people to be employable and as long as we do this, this necessarily will be in conflict with the kind of responsibilities that I think we must shoulder for long-range professional development in our students.

So far, we have let the Institute do this for us. They stepped in because they knew somebody had to and, more power to them, and they are going to have to do this, I suppose, for some time to come. However, gradually, I think that the

responsibility for this must necessarily, in the long pull, rest in the hands of the universities and their faculties.

That, I believe, is about the substance of my points.

MR. LINOWES: Thank you very much, Paul, for some enlightening comments. I have about a dozen questions I want to ask you once we start the questioning period.

I believe, Mr. Davidson, we are now ready for your preliminary remarks.

MR. SIDNEY DAVIDSON: I do want to apologize for being late but I was teaching a course in law school before coming here and that course does mark the kind of a break with some older traditions that Herb was indicating Bob suggested-- that you could teach accounting in nine or ten hours of course work.

There was a time, not too many years ago, when Harvard Law School was trying to decide whether they should offer a course in accounting or not and, at that time, Mr. Frankfurter was still on the faculty. This was before he was appointed to the Supreme Court. He replied, "No, why don't the boys take an afternoon off and learn all about accounting?" (Laughter) Therefore, even the law schools do have the time it takes and are willing to offer a whole course in accounting. How much

more they should offer, however, is something that is hard to say.

Now then, I would like to confine my remarks to accounting education, although I suspect by the time I finish I will wind up talking about, and taking a few swipes at, other things as well.

In talking about accounting education, I would like to consider the accounting function broadly rather than public accounting specifically. I find it difficult to separate the two and, of course, since what we are talking about is educating people for their future role, we have to talk about the accounting function in the future.

I think that the only thing we can say with confidence about the accounting function in the future is that we do not know precisely what it will be. I believe Paul mentioned that he would like to think about 1990 or some such year with reference to this matter. However, it is even better to say that our graduates today are from twenty-two to twenty-five years of age and, as a result, they have another forty years of working life, maybe forty-five, and, therefore, this will get us up to the year 2000.

We can say we are really worried about the accounting

profession in the next millennium, starting in the year 2000 when our graduates are really going to be the people who are senior partners in the large firms and also comptrollers of large enterprises and maybe financial vice presidents and things of that sort.

Now, the one thing that we do know, or at least I feel about the accounting function, is that it is intertwined with business operation--that accounting is, as the Institute says, the language of business. It is seeking to somehow quantify business operations; that accounting in and of itself, it seems to me, has relatively little significance; it is only as it seeks to express what goes on in operating entities, usually business enterprises, that it has any special meaning.

As an aside, I would like to say in jest that in the way accounting is different from the law and from medicine, it is also different from almost all of the other professions.

Well, if we are concerned about the accounting function of the future and if it is intertwined with business operation, then I expect we want to ask as to what are some of the heightened developments in business operations for the future because these will affect what the accounting function in the future is going to be.

I think that in the last ten to twenty years we have had a revolution in business management, one which is not completely apparent to us because we always find it very difficult to adjust our thinking to newer developments. However, the techniques and technology of management are changing rapidly.

There is enormously greater emphasis on controls-- that planning is done in quantitative terms much more than previously. This whole matter of decision by the seat of one's pants is being replaced by analysis of quantitative data. Methods of amassing quantitative data for systems are in and of themselves developing enormously quickly.

I make no pretense as to what I am saying here, nor, also, is it all original on my part. This comes from attending a couple of these sessions on accounting education for the future that have been held under Institute sponsorship and from some discussions we had at a session at the International Congress and also from talking to and reading opinions of people for whom I have respect. Therefore, if this does sound familiar to you, it is not at all surprising.

A second important development is, I think, that we are seeing a continuation of the tendency or the growth of firms and of government participation in controlling the

activities of business firms and, for this reason, I think that the attest which assumes greater importance the more public the character of the business operation, the more we have Uncle Sam looking over our shoulder, the attest function is then going to, I think, continue to increase in significance.

Therefore, we have these two important notions, important to me, I seems, of emerging rapidly a switch in the techniques and technology of operation and a continuation of the tendency toward growth in the size of the enterprise.

Now, what do these mean for accounting education? Well, I think two things.

I feel, and I feel very strongly that accounting education cannot be separated from business education generally--that what we need is a breadth of background which emphasizes the relationship of accounting as a means of furnishing information about business operation.

I think that this revolution in techniques and technology suggest that our education should be less technique oriented--that it does little good to learn the techniques of today in our colleges and universities if they are not going to be applied tomorrow. Instead, the emphasis has to be placed upon the basic disciplines, upon analytic approach that enables

institutions to deal with any sort of techniques and technology as they confront it.

This is another way of saying that really the education of the leaders of the profession has to be a life-long process and that the best thing universities can do for people is to prepare them to continue their learning process. This, it seems to me, is far more important than really dealing with any one specific problem, even one as close to my heart, say, as tax allocation.

In our education process we don't really succeed in this regard and I am sure a lot of my students feel that we are studying the question of tax allocation rather than analytic processes which will enable them to deal with the questions. Therefore, I plead guilty of not living up to my own prescription.

What then should accounting education do if these are to be its general goals?

Well, I feel that if we are setting out ideals it should be gradual education--that the accountant must learn to live within a social framework which will condition his activities in very many directions and he must understand the political and social and economic environment in which he operates.

Therefore, what he then needs is the broad sort of training that a liberal arts college gives him in an understanding of the environment in which he works.

That is, accounting education with the graduate education; graduate education which would give substantial attention to accounting but attention which would be focused on really the theory of accounting, the logical framework upon which it rests.

I would have no concern at all if, say, courses in governmental accounting even in tax accounting, may be in even auditing, were to disappear from the college and university curriculum. I think these can be taught more effectively on the job and, in their stead, would come an emphasis on basic discipline that underly what the accountant has to do.

Of course, this means some substantial work in both the economics of a firm--micro-economics and in aggregative economics; that it means much more work than most colleges now give in sort of quantitative methods in the ideas of mathematics and processing of large amounts of data; that it requires training in what are the known products in the behavioral sciences--individual relations to one another and then, further,

it requires, it seems to me, some understanding of what are the underlying concepts and major problems in the sort of operational period of business--in marketing, finance, production, personnel

Therefore, really what I am suggesting is a curriculum that is sort of split in thirds--maybe one-thirds of the student's graduate program in accounting, another third in the other basic disciplines and the final third in functional fields.

In talking about functional fields, I omitted mentioning that maybe you want to call it a basic discipline of the relation of law and government to business operation. It seems to me this must be included within the curriculum.

That is why, Mr. Miller, I find myself just unalterably opposed to the idea of professional schools of accounting. It seems to me that what accounting must be doing in the future is assuming a broader sort of role, a greater interrelationship with business operations generally and it seems to me to be especially inappropriate just at this time, when the profession is seeking greater breadth, to now suggest that we narrow the training process by setting up professional schools of accounting.

Now, I know you can say that it need not necessarily

be narrowing--that you could offer economics, mathematics and the behavioral sciences within a professional school of accounting. Well, even within a broader framework, within a graduate school of business, where we do try to offer work in economics, mathematics and behavioral sciences, we have problems in attracting the outstanding men in the field, the outstanding psychologists to teach in business schools.

I think the Committee met with Alex Pavis, who is one of those happy exceptions, of where you do have an outstanding behavioral scientist who likewise has an appointment in a business school. His appointment, as I understand it, is a joint one with the Psychology Department and this is what we have had to do in Chicago. George Digler is the President-elect of the American Economics Association and has an appointment in our business school. However, this is joint with the Economics Department and we do have mathematicians on our faculty.

We try to teach quantitative methods but it is hard to get the top men, even within this broader framework of a business school.

I think that if we are to say here we have a school concerned only with accounting, that our difficulties would increase enormously. I don't want to say, however, that

accountants are taught by second-rate economists, even if it is within a professional school of accounting.

I am not even sure that we would attract more and better students to accounting by professional schools; that the one big untapped resource of top quality people for the accounting profession are the graduates of liberal arts colleges. They are turning away from law schools partially because they feel this is too narrow a training, that what they want is breadth in background, coupled with a concentration in some one area. What they want to do is to go to schools that have the top people, people they have heard of in their undergraduate courses in economics and behavioral sciences.

My feeling is that the profession has to be concerned with recruitment problems and, along this line, the accounting profession is not much different from any other area of business or of the other professions. In this connection, I might say that my neighbor teaches over in the medical school and, as a result, I listen to him regularly complain about the great difficulty of attracting top quality people to the study of medicine. He says, "You people in business and accounting are lucky to find it so easy to attract people." Therefore, I guess it sort of depends upon who is leading the elephant on this sort

of problem.

My feeling is that our emphasis has to be on offering the right kind of accounting program within a broader framework within graduate schools of business.

Now, I do think that there are these kind of peripheral problems with which we must deal. In my opinion, the CPA exam does not recognize the changes that are occurring and must occur in the accounting profession--that it tests people on what they should have known ten years ago and not on what they should know ten years from now. However, I suspect that a major part of the blame falls on the academician--that it is up to us to supply the questions which test people on the ideas which I think are going to be increasingly important.

Now, I think it is also incumbent upon the Board of Examiners to attempt to refrain from questions which are even more emphasizing the backward look and here I must confess I was absolutely appalled to find a long required question of statements of affairs in the examination of November, 1962. I think this is a terrible backward step. On the other hand, I am pleased to see questions coming in on capital equipment decision making; should we purchase some equipment or not--all this governed by certain sets of data.

Therefore, I do have concern about the CPA examination but I think it is a concern which college professors can help to meet by providing those right sort of suggested questions.

With regard to CPA laws, I am concerned by those which prescribe numbers of hours of accounting and types of courses that should be taken and all I can suggest is that we must be working away, both at the law itself and at the interpretation of the law.

I am willing to confess I bear many scars of about three years of working on the people in Albany in attempting to get our program in Chicago registered with their State Department of Education but I think even here a fresh wind is blowing and these people have said that they were really concerned with the quality of the program and that they are, therefore, willing to make reasonable suggestions and they have finally approved our program, although I am not certain if the State Board of Examiners had remained in office that our program would not have been registered. However, I believe there is even in the State law some sort of lack of ability in their administration and I think we must be working at this kind of notion.

Finally, I am just as enthusiastic as Paul about the

need for some method of drawing the college professors more closely together and I think there is nothing better than this idea of faculty internships, faculty residencies for having the college professors get a better feeling of what the firms are doing and also having the firms understand the kind of thinking that the college professors have. We have had some fairly substantial experiments at Chicago. We are a small school and have a limited size of faculty. However, of the eight people on our faculty, four of them have had, or will have had, at least one quarter, three months of residency with a public accounting firm in the last two years and we are hopeful that we will be able to have the other half do the same thing.

But, basically, we have the factor that accounting education must look to the future and recognize the changes that are likely to come in the accounting function and help prepare people to adapt to these changes by giving them the analytical tools and the kind of frame of mind that keeps education a life-long process.

CHAIRMAN TRUEBLOOD: I understand Paul spoke when I was out and since I missed his and much of Mr. Davidson's presentation, I would like to start out and get the free for all going now.

Who would like to start this general discussion?

MR. DEVORE: I would like to observe that Mr. Davidson's comments are quite like Dean Cortin Brown's.

MR. DAVIDSON: I was not aware of that.

MR. CAREY: That was perhaps not unnatural.

MR. LINOWES: With one modification. Dean Brown has the desirability of having accounting in every other graduate school largely as a mental discipline.

MR. DAVIDSON: I would not object to offering a three or six-hour course in undergraduate curriculum. I would like to see everyone have an introductory course in accounting at the undergraduate level but I would like to see the training for accounting and the profession come in a graduate school.

MR. LINOWES: Do you feel, however, that accounting itself is a mental discipline--just the study of the subject?

MR. DAVIDSON: It is the same as calculus or Latin.

I think that any college course is mental discipline. I see no special virtue of accounting in this regard except for the kind of rigor that the double entry system poses. You come to learn you cannot be too sloppy if things are going to balance out.

MR. FERTIG: This I don't think justifies mental discipline angles. Further, frankly, I think other subjects, such as calculus, would serve this much equally or better. Here of course, I have reference to the matter of logic and the symbolic future.

CHAIRMAN TRUEBLOOD: If I recall correctly, I am not so certain that Courtney's position was that it should be done for the rigor of discipline or understanding of the rigor of discipline but, rather, that business and the business world and financial institutions are a part of the larger world in which we live and everybody, including this profession, might be better oriented to that sort of thing.

MR. CAREY: He used your phrase--"the language of business". He said, "How can a liberal arts man be educated if he does not know the language of business in the business economy."

MR. BEDFORD: About why we have made this implicit assumption that accounting is inevitably tied to the business area, this, I think, would be the distinction between Herb's conceptual position as opposed to yours and Courtney's. I believe that accounting as a discipline certainly applies to government to a big degree. It is the attest function performed in

many areas and, of course, the basic concept of the double entry as originally developed by a mathematician.

We find that the greatest growth of the discipline has been in its application to business affairs. This has been its growth. It is not inconceivable to me, however, that the attest function might well be extended beyond business areas and I am not so certain that the application of many of our techniques, or, I believe, our merging, might well be used in non-profit organizations, envisioning them to be in a business area.

I could conceivably develop an area of study that would not necessarily be directed to the business area. Now, I was thinking of the year 2000.

MR. DAVIDSON: I am inclined to say that accounting is the language in which we describe financial operations and that these are carried on for the most part in the world we know by business terms. However, if we had government carrying on operations then that would be another factor. After all, the Defense Department is, in a sense, the biggest business in the country. Therefore, I think our disagreement is more over the semantics. I don't care whether we call it a school of business and public administration or just a school of business administration, leaving aside this sort of political affair.

A school of public administration teaches the same thing as a school of business administration does.

CHAIRMAN TRUEBLOOD: Are there other questions?

MR. CAREY: I have quite a few questions. I don't know whether it is better to proceed with them all or not or just take them up one at a time.

CHAIRMAN TRUEBLOOD: Use your own judgment.

MR. CAREY: Well, a couple of things that interest me greatly is this relationship between the academic and what you call the practicing profession. This is something that has been of concern to me for a great many years.

I offered myself as a sacrificial lamb somewhere back in the thirties, as the first secretary of the Institute ever to visit the American Accounting Association. I might say that the reception was not warm. It was kind of an ordeal. However, I did make some friends there and over the years I think maybe in a small way I have contributed a little bit to greater participation by teachers in the Institute's affair. This is in relation to both committees and staff.

However, I must say I have a feeling that the teachers do not take a lot of initiative in this matter. I have heard a

great many complaints about the volunteers. We invite people to come in and represent the academic fraternity in one way or another but rarely do we get any constructive suggestions along this line, as to what they might do or what they would like to do, or what coordinating committee they would like to set up and how we can improve the situation. It strikes me as just a personal impression over a long period of time that the attitude is negative on the part of the professors--that is, it is critical but not constructive.

I would be delighted--we all would be--the men here and the Executive Committee and everybody else concerned with the Institute--to have somebody say, "Why don't you put on so-and-so on your program to discuss developments in so-and-so at the annual meeting." We hunt for this kind of thing. Also, we would be delighted to have somebody offer us an article on one of the areas that you mentioned at this meeting, such as the doctoral thesis developed under Norton's supervision. Why don't some of these people become involved in this type of activity or suggest something in relation to it?

Now then, I might also say that we hope this winter the Bylaws will be changed to open up membership in the Council to non-practicing people, which I think ought to be helpful

because this will permit (which is not now permitted) academic people to sit in the governing bodies. This should help a great deal.

CHAIRMAN TRUEBLOOD: I think you can say that this is more a hope.

MR. CAREY: Well, there were at least no objections on the floor of the annual meeting in Minneapolis.

CHAIRMAN TRUEBLOOD: If the ballot is properly written, Herb, you are in.

MR. CAREY: In this connection, besides urging greater initiative in connection with getting a friendly participation in everything, we, of course, have to have academic members on everything.

Now, am I correct in my impression that the American Accounting Association is less effective than it was five to ten years ago? I kind of have a feeling that as an association it has drifted away from us a little more than it had a decade ago.

For example, we had a committee on the CPA examination. I cannot recall, however, that too much happened from the academic side. Am I being critical? I am asking for suggestions on the record as to how we can better accomplish what you have suggested.

MR. MILLER: I really cannot, I don't think, comment on the Accounting Association. However, on the preceding sentence or two, Jack, I think that we are in agreement on this concern about the attitude of the college professor, but I think the question is that this is all right but we have not been able yet to come up with the right method.

Then the further question is--is it worth while trying in more with these fellows? I don't know. I would kind of hope it was still worth another try and not to say we have gone nine-tenths of the mile--we have gone the extra mile and so on. In essence, what I am trying to say, not criticizing the Institute, is that we still have not hit on the right scheme.

MR. CAREY: I don't think the appointment of an academic vice president, although a good idea, will solve the problem. This will be one more man in the picture but it would not change the attitude of a thousand teachers very much.

MR. MILLER: No, it would not, but unless over the time they would begin to say "Well, we are more and more admitted into the door", this might spread to the younger men and, in time, if he begins to have this kind of identification with the Institute, then, the attitude gradually evolves from working with

senior men on the graduate program, etc. to an identification with the director or vice president.

MR. CAREY: How about the state society level in this connection?

In our affairs we find that the Institute headquarters in New York, as a national organization, cannot decentralize professional activities sufficiently. Isn't that a local problem here?

CHAIRMAN TRUEBLOOD: I was going to question Herb about this. There are two or three aspects of it.

First, in people like yourselves, our senior citizens in the profession, in order to grow up with this feeling of interchange, you really have to get some quite junior academic people involved and the way we work, rightly or wrongly across all committees, which I think is only natural, is that a guy has kind of established himself either at the chapter, state or both levels before he is kind of on our eligible list. This is not wrong and there are many exceptions to it. However, I wonder if in terms of activity and really getting into things we must not encourage or require, if we could, that state societies pay more attention to this kind of appointment.

I think we are quite conscious of it in Pennsylvania.

I am not aware of the circumstances in Illinois. Unfortunately, it creates a problem, Herb. Many of the state societies are of the type or kind which are not particularly interesting to the academician or the teacher and you kind of just go round and round.

Let us take a guy we all know, like Neal Churchill. I think he may not be on an Institute committee but there certainly was a time when it would have been hard to pick him out for Institute membership--don't you agree?

MR. MILLER: I agree. Of course, I think (and here I am assuming that we all should be participating) that Syd and I, in a sense, are on opposite sides. It is not, I would think, a question of whether this can be taught better on the job or not but I think that Syd and I have a definite objective in the sense that we want to do the best job we can in education. Now, you would judge, under an approach like Syd's, that you would not find much in common with the college professors relative to the profession because I think the orientation and interest is again in the big picture and, well, sure, some of our students go with Haskins and Sells and with others. We intend for this and, therefore, I think the profession finds that its influence in the business schools is significant but not too significant.

As to matters you have in common with professors, well, we do have things in common, of course. However, the real close identification again, as was commented on, between the teaching members of the law fraternity and the practicing members of the law fraternity are much more in common. This is why I wanted to react a little bit to Syd and to membership identification.

I might agree with Syd, that some of these things can be taught better on the job than in the classroom but the thing that leads me to this is a nebulous thing that I don't know frankly the answer to--as to what are the important implications as to the professional status involved in this? What are the implications as to the prestige of the profession? What are the implications of the identification of common interest with the professors in the profession? All of these things, you see, are at stake and so I keep chasing around in my little department some of these answers.

Of course, it is not that the profession can do a better job. Suppose we were to agree that the profession could do a better job in almost anything on teaching--then the character of the profession in my mind has changed. It has lost its identification with the university and it looks upon the university

only as a place to recruit generally across the board and this often is a difficult task.

As to whether or not this will be in the best interest of the profession, I do not know.

I have some concern about the chain of events that happen when we took this broader side. I have reference to the Courtney Brown point of view because somehow I like to think that somewhere I can differentiate between this and that student-- between the one who begins to look like he is headed for the profession and those that are not. Of course, initially, at least in some ways they are all alike because they are all candidates for the profession. However, I would like to see some identification at the campus level that this man is different from this man because of some kind of courses he has had. Of course, this does not mean that Syd's educational program is wrong and I hope it doesn't mean that my program is wrong.

I think the implications I am trying to work out apply to the stature of the profession--over-all recruitment--and I think that every professor thinks they do not have enough and lack quality. Of course, I don't know how you answer some of these things.

CHAIRMAN TRUEBLOOD: Can I ask you a question?

Now, you are sitting on the sidelines looking at the profession and let's say you look at some of the leaders--what kind of connotations do they have to you? What I am getting at is this--what does professional status mean to you? Is it a well-rounded, well-educated business man or is it a competent and complete technician?

MR. MILLER: I think I see your point here.

I think I see more also the implication of your question.

Within the profession we are dealing with folks who are able to judge and evaluate and you don't need any degrees or criteria as to how fast they can add up a column of figures or anything else. We can agree on fellows we think are leaders. This is the kind we like and so on.

It never occurred to me that we would be fooled or influenced much by a person's background or where he went to school, whether he was born West or East of the Mississippi, etc. However, I think that insofar as the public image is concerned that if in time an activity, which we will call professional at the moment, has no requirements in the way of special examination, then where do we get the justification, perhaps, for some of the responsibilities and things that we want.

This is the thing.

CHAIRMAN TRUEBLOOD: Now then, leaving out curricula, course credits or what have you, the bridge that I cannot cross with you and which I would like to be able to cross with you and cannot find the answer to in my mind is that in a sense you argue on the one hand that the education should be, let us say, technically oriented. I don't think you would quarrel with that. Given a broad base, there is still a good bit of technical orientation in some of your premises and yet when you look broadly across our past presidents, present leaders and past leaders, it seems to me you are identifying in them professionally a breadth and scope which is quite technically unoriented. Am I putting words in your mouth?

MR. MILLER: No. However, I am not sure. I remember one time having lunch with George Bailey. We were talking about tax allocation. We were confused as to debits and credits in reference to tax allocation.

Now then, let me ask you a question: is there no need for technical education anywhere in the profession at any level?

CHAIRMAN TRUEBLOOD: Oh, yes.

MR. MILLER: All right then, so we are in agreement

on that.

MR. DAVIDSON: Would you define "technical education"?

MR. MILLER: I would suppose it would have something to do with the familiarity of consolidated statements preparation, familiarity with mergers. I consider that to be technical and, non-technical, the reversing of entries or anything of commercial nature of this sort. I think that some familiarity with fund concepts and with government accounting is likewise a matter of technical things.

CHAIRMAN TRUEBLOOD: You are now saying "technical accounting"? I did not say that.

MR. MILLER: All right, I would express that I don't know whether tax is a technical subject.

CHAIRMAN TRUEBLOOD: Yes it is.

MR. MILLER: The thing it seems to me that the profession should decide, and I think it is an important decision and I don't know whether the educators can help you, is where do you want this done? Where do you want it done, if it has to be done?

Now, if it doesn't have to be done, then Syd and Miller are so close together that it isn't funny. However, if it has to be done, then this is another story.

Now, maybe it doesn't have to be done exclusively on

the campus.

I might say it is really a question as to whether, if all of this sort of thing is taken away from campuses or there is further pressure to diminish this kind of activity on campus, then the thing the profession somehow has to anticipate is that there may be a lot of implications about the stature of the profession relative to the public and that things of this sort may follow--what may happen to the local firm, and things of this sort. That is the point I am attempting to make.

If the decision was to take a poll as to whether you take auditing on the job better than in the classroom, I think you would do just as good a job in the firm on the job and maybe better.

CHAIRMAN TRUEBLOOD: I gather we already have consensus, if not agreement, that certainly obviously valid things such as hotel accounting or government accounting, have no place on the campus.

MR. MILLER: No. However, suppose we were to agree to this and then suppose that the change of events would happen that we have, say, fewer folks in the academic community interested in accounting because they are not glamorous and, further,

we have less interest created in the campuses for the profession because we have taken two or three courses away from them?

MR. DAVIDSON: I don't think that follows.

MR. MILLER: However, these are the questions I am raising for the committee.

CHAIRMAN TRUEBLOOD: What you are saying is that if there isn't the emphasis or emphasized concentration at the campus level, you really in effect don't know how we are going to come by our professional identification?

MR. MILLER: All of this sort of thing, yes. I don't think it is just professional identification.

MR. DAVIDSON: The thing that disturbs me when you say this, Herb, is it just runs completely counter to our own experience--that most accounting that some take at our school would be, I suppose, for twenty hours and you would have to take every course we offer in our accounting major to wind up with something like thirteen or fourteen hours of accounting. One of our troubles here is that we only count courses. He can take four or five quarter courses but the standard load is only three quarters, so that roughly between a quarter and a third of the graduate program is done in accounting. He could take more but we really don't encourage him to do that.

Now, I think that with this limited amount of training, we can do things. We certainly try to give them the background of work so that they can deal with problems of consolidations, purchases and every other such thing. We may not spend more than an hour on the application and general principles of these specific problems, more than an hour on consolidation and probably less on pooling.

My feeling is that we get as much identification with the profession as you could ever hope for. By the "profession" I mean the "accounting profession" and not necessarily the public accounting profession. We get as much here as you could hope to get from these students and it doesn't take thirty hours of accounting to get people convinced that accounting is a wonderful field. In fact, my feeling is that thirty hours is more likely to convince them it deals with trivialities.

MR. MILLER: I think we have here an honest difference of opinion. Of course, I don't like to generalize for the University of Chicago.

MR. FERTIG: This kind of discussion can center around definition of your work to such an extent that I am not sure that it is meaningful to me. I do not have time to develop

hypothetical curriculum for the matters that you talk about. I say this because I am not sure that in any curriculum I can get all the accounting as I define the word that I want in it in relation to 25 per cent of a five-year program or whatever. I might wind up with 35 per cent accounting in any program.

CHAIRMAN TRUEBLOOD: You are now talking about the five-year Master's program?

MR. FERTIG: Yes. It might also end up with less than that.

MR. DAVIDSON: Thirty-five per cent in what part?

MR. FERTIG: In accounting, but defining accounting in a much broader sense. This is the reason for my concern over this definition of the body of knowledge. I think that Syd and Herb are defining the term in different ways--that Syd at least defined accounting to include a lot of things that Herb does not include.

CHAIRMAN TRUEBLOOD: Can we have some examples?

MR. FERTIG: Such as the subject of performance measure. There is a subject which, I think, at least to me, is accounting. It has its roots quite obviously in organization theory really within a business organization--performance measure-
ment in a very narrow sense, at least for the man in charge of a

half dozen machines, is performance that needs to be measured, but definition of performance, which in my view is part of accounting curriculum, is a kind of thing that really the management professor says is a part of his curriculum. However, I am interested in measuring the performance of this individual, and, therefore, I have to define it first very carefully in terms of organization structure within which the fellow works. Now, all of this is necessarily part of the accounting curriculum or otherwise you cannot talk about performance measure. You can talk about performance measurement of entire business institutions, you see.

CHAIRMAN TRUEBLOOD: So that when you say that you have a hard time getting accounting into 35 per cent of a five-year program, you are really defining accounting not in the sense of the discipline itself, historic discipline?

MR. FERTIG: No.

CHAIRMAN TRUEBLOOD: But in the sense of measurement and communication of economic data wherever it may be found?

MR. FERTIG: I very definitely will buy this definition. It is a little bit too general to be implemented but I think we can elaborate on that definition.

MR. LINOWES: Do you limit it to the economic data?

MR. FERTIG: I am not sure I am able or prepared to answer that. However, I think so. Although, if in a corner, I may deny it. (Laughter)

CHAIRMAN TRUEBLOOD: This brings up another question which is an academic problem but I think it gets into the word problem that you suggest--how much accounting is taught in a course called "accounting" and how much accounting is taught throughout the total curriculum? Of course, this may be a matter of personal choice, psychological attitude and a lot of other things I don't know anything about. However, this is part of our definition problem.

MR. FERTIG: Very definitely.

MR. CAREY: I would like to raise a question. I do not take any position on this matter, mind you. I am sitting too close to Bob. (Laughter) However, there are practical problems in this debate.

As I mentioned to you, we have 12,500 firms represented in the Institute, probably 100 of whom (or less) are equipped to train new recruits.

In this country, as you know, the apprenticeship system has been virtually abandoned and responsibility for

training staff men has been vested in the colleges and largely in the undergraduate schools.

Now, assuming that we are all agreed that twenty years from now the educational pattern ought to be along the lines we talk about, how fast can this thing be switched over? Also, who picks up the slack for the 12,400 firms that are not equipped to train the men to go out and do their jobs? Also, what happens to all the small business that really have to have their income taxes made out and books audited for bank loans or credit ratings? How fast can the MBA program for one thing help fill these voids? Do you have any ideas on this?

MR. FERTIG: In Ohio now, with our new Board of Regents governing all state systems of education, and with the development of technical institutes, schools of various kinds at which all levels of post-high school education is being considered, all the way from car repair to isotopes, I suppose I don't know what the rates of the subject matter is. For this purpose, I believe that Syd and I seem to be in substantial agreement and are confining our remarks to the kind of education that develops leadership in a profession. However, there is plenty of room and a tremendous social and economic need for educational facilities which are not directed at leadership.

CHAIRMAN TRUEBLOOD: However, from your point of view, do we disinherit the bottom 8,000 firms? I am trying to get at one and two parts near local practice. Do we say they are grandfathered in by the status of their passing of the CPA examination and project all of our thinking to the other 4,000 firms, or do we continue projection of a dichotomous profession.

MR. DAVIDSON: How did these 8,000 get their training?

CHAIRMAN TRUEBLOOD: They passed the CPA examination.

MR. DAVIDSON: Are they the people who work for others, one or two-partner firms and who got their training that way and will their situation be any different?

I don't see that you are disenfranchising or anything else.

CHAIRMAN TRUEBLOOD: However, doesn't it make a large difference in our ultimate educational and professional objective if we admit to ourselves that by and large these 8,000 firms are doing a different kind of work from the other four and therefore, their educational requirements are not as rigorous--they are more confining in the sense of the areas in which they get into, whereas Herb is talking about, you are all three talking at the graduate level, where we are, as Paul suggested, thinking about the leaders?

MR. CAREY: What happens probably is that the great universities, the leading ones, train for leadership and the marginal colleges and vocational institutes take up the slack. I suppose you could conceive of a graduate of your program maybe who wanted to work with a little firm and had no training program, maybe a good firm but a little one, going to one of Paul's vocational institutes to learn how to audit.

MR. FERTIG: We do, and I think Michigan State must do so. We cover all the functions. We are a technical institute at the undergraduate level to a considerable extent. However, I doubt if Chicago is. It is a big one in our case.

MR. CAREY: And can you conceive of a liberal arts graduate going through your ideal graduate program in a job with a very fine local firm which has no training facilities and going back to your undergraduate business program to learn how to audit?

MR. FERTIG: I could conceive of it. However, I don't think it is necessary.

MR. DAVIDSON: He could go to an institute staff training program.

MR. MILLER: I think this is the issue.

MR. DAVIDSON: I was impressed about Stuart McMullen

leaving Illinois to go with this consortium and not one of those firms is large enough to have a training program. However, cooperatively they are. I think there is no reason when once this thing gets going, and I think it will and must, that the state societies could not have staff training programs. The Institute can staff the thing and then it will filter down to the state societies. As a result of this, this need will then be met.

I have enough confidence in the market system so that if we need somehow to train people to do write-up work and individual tax returns, that something is going to involve hopefully and cooperatively through the profession to meet the need and that the really important thing is to make sure that the leaders of the profession get the right kind of background so that the profession will develop properly.

MR. FERTIG: There is one more thing that is of concern in the long pull--the sort of society that we visualize is one which has all chiefs and no indians and I think that we are going to have to do something in this respect come 1990.

CHAIRMAN TRUEBLOOD: Maybe I am behind you but I wonder if you can so neatly compartmentalize in terms of a planning document because we have to concern ourselves about many things--

the activities of the Institute, the responsibility of the Institute, the nature of the CPA examination and also the ultimate course of the profession educationally and substantively.

Let me say that I accept Syd's point of view that the market place will find some way to educate the technician. Let us say I also accept your point of view that clearly the responsibility of the graduate school is to train adequately the leaders. All right. Now then, is the CPA common material? That makes a lot of difference, does it not?

MR. CAREY: While you are on the CPA exam, I would like to move a little to one side.

CHAIRMAN TRUEBLOOD: First of all, I thought maybe somebody might answer that question.

MR. CAREY: However, I was going to augment it a little bit.

MR. DAVIDSON: It is hard enough now.

MR. CAREY: I do not mean the examination--I mean the question.

You both mentioned it is but it is a political problem. There is a real fear that since it is administered under state law and state law generally says that it is a picket to hold

out as competent to exist the attest function and all, if you get away from the conventional purposes, you open yourself up to attack by disappointed candidates. I feel kind of locked in here. It would be easy to change the CPA examination and it would be a wonderful thing that we all thought it was worthy. However, in the first place, how many schools are there that keeps this new idea and where can the boys get prepared, and what is the law providing for that you can do? I think that two of us are driving in the direction that there may be a possibility of something other than a CPA which we can superimpose to identify this superior competence.

MR. MILLER: CPA non-leaders and CPA leaders?

MR. CAREY: That is right.

CHAIRMAN TRUEBLOOD: Or CPA the first step and something else next.

MR. DEVORE: May I explore a little different aspect of this situation?

The statement has been made by Mr. Davidson and by Mr. Brown that learning is a lifelong process and I don't think anyone here disagrees with this. It seems to me that whatever degree of training is given by the schools in relation to any of the concepts which the men enter the accounting profession

with, whatever training they receive in these firms, whether by the 100 firms, the 12,400 firms or others--whatever training is given is largely how-to-do-it training which will enable them to do the job they are supposed to do in that particular appointed time. Now, I don't think that the job is done adequately at that level. I think probably a reasonably good job is done in the so-called on-the-job training, where a man works for someone presumed to be competent forty hours a week, but the degree of training which is done beyond the on-the-job training, when it is done, is still largely addressed to the how-to-do-it of the work you have to do in order to get into the tomorrow.

Where does this leave us with reference to the whole area of learning being a life-long process? Don't we have a void in the profession on the things which we should be doing five years from now and ten years from now? That being the case, my question is--what do we do about it?

MR. DAVIDSON: I think it goes back in part to what kind of academic training do these people receive. The more general their training, the less technical the locational aspect and the more easily they are going to be able to adapt to this new development. Now, to say that they can do it on their own means a kind of effort that most of the people are unwilling

to put forth. However, it does seem to me that here again is an area where the Institute's state societies and others can perform a valuable function. This has to be in sort of exposing themembers of the profession to new and emergic developments and that if the individual has had training in which he has done nothing but prepare consolidated work sheets, he is obviously going to have great difficulty in coping with the new developments. However, if, instead, he has been learning in school about what does consolidation mean, what are its purposes, what should be accomplished, then he maybe able to deal with statistical samples or with even performance measurement problems.

MR. DEVORE: There is likewise another aspect to this. Even assuming that the man has had training which creates in him the capacity to learn, has had this analytical tool given to him, the fact still remains that in the profession, people are so busy that they do nothing to keep themselves abreast of things.

Perhaps I should give you an illustration here. I was in California for a number of years. I made a study of our Los Angeles Chapter of our CPA Society. This happens to be a pretty active society in California. We had some 2,000 members in one chapter at that particular point and time. We had an active program. We had three regional luncheon meetings which went on

for fifty-two weeks during the year to which you could get a degree of training. We had an annual tax conference which was put on. We had a state graduate study conference and also had monthly meetings. We had an active program.

However, taking our attendance at all of these meetings and dividing them by the number of members which came to them, we observed that the average member put in five hours a year in improving himself.

Now, while we are in the profession, the profession has economic overtones to it. As a result, we try to keep our people busy and I don't think we have had an effective answer in our approach, not because the men may not have wanted to go-- maybe they did recognize this concept of the life-long learning process but our vehicle for doing it needed some drastic manner of thing done to it.

I am wondering whether we don't have to come to something like a sabbatical leave for people in the profession to go back to school for awhile. I frankly don't think the profession in itself is going to get the job done; that is, speaking in terms of the 12,500 firms. I will also blanket in all of the big eight into this also. I think they have to go back to the academic field and somehow receive the learning we need.

MR. LINOWES: The type of learning that you refer to, however, is just improving technical competence, which I don't believe is what Herb primarily referred to in terms of his life-long education. That type of technical competence just as well may be given by the larger firms that have an organized program or by state societies. However, this continuous learning to broaden one's self is a different point but nevertheless it is related to what I did want to refer to--a comment that Herb made in his remarks--in which he said he felt that the university should be responsible for the education and training. In other words, the American Institute should not take that over and that other bodies should not get involved--at least if I sense what he said correctly.

MR. DEVORE: You and I do not agree to that because we are not talking on the same wave length.

MR. LINOWES: I don't think we do.

MR. DEVORE: I am not talking sabbatical for a man to go to school and have an advanced course in taxation. What I am saying is all the training under our present concept has been largely in how to do it.

MR. LINOWES: That is what the program is in California.

MR. DEVORE: All the training they have had has been

the how-to-do-it thing.

CHAIRMAN TRUEBLOOD: Gentlemen, as far as I am concerned, this will be a good point at which to break for luncheon. Perhaps you can discuss this further among yourselves. We will attempt to reconvene at 1:30 p.m.

(Whereupon, at 12:15 p.m., the session was recessed for luncheon.)

THURSDAY AFTERNOON SESSION

November 7, 1963

The session was reconvened at 1:30 o'clock p.m., Mr. Trueblood presiding.

CHAIRMAN TRUEBLOOD: Gentlemen, we will just keep going as long as we each have anything to say. Insofar as the Committee is now concerned, we will reconvene at nine o'clock tomorrow morning to wrap up any business we may have and then wait for Dr. Lazarsfeld.

Therefore, at this point I would like to have us get back to the conversation we interrupted for luncheon.

I believe that I interrupted both Mr. Davidson and Mr. Miller with regard to who educates whom at a certain point. I believe this is where we were when we recessed for lunch.

MR. DEVORE: I think that what I asked for was that if these gentlemen had any suggestions as to how we might answer this problem. This morning, if I remember correctly, all we did was to state the problem.

MR. CAREY: It seems to me, from the post-german conversation, that you were saying, Malcolm, that practitioners ought to be exposed to learning--that it is worthwhile to continue learning, not in the technical areas, in the how-to-do-it

areas, but in other areas and that they could afford it if they got the idea into their heads.

MR. DEVORE: Well, maybe the universities can help here. I find, generally speaking, that people from business and from the accounting profession are attracted by the idea of going back to the university. There is something nostalgic in their background about it. Also, it leaves them with something romantic and adds a little bit to their status, you might say. This is especially the case when they can say to somebody, "Well, I went out last week and spent the week at the University of Michigan."

Maybe our professional development ought to involve the universities more or they ought to involve us more, whichever way you want to go at it.

MR. MILLER: Are you thinking in terms of physical facilities or talent also?

MR. CAREY: Talent.

MR. MILLER: This again is one of my proud concerns-- is that I would like to be confident that we are in an environment that can generate this kind of talent on the faculty.

Now, Paul indicated a feeling of going away. I would

be equally frank and say that I would be a little reluctant to come to become confident that I could be a very good participant in this sort of thing. In time I might be but I would have to be pretty general or philosophical or, if it is really advanced knowledge, then I would say that you have better talent than we have because we have kind of started to give up on this thing.

CHAIRMAN TRUEBLOOD: I don't quite understand this. I think we are having a wonderful time today. Why don't we enjoy coming back and being with you?

MR. MILLER: The human and philosophical level and things of this sort.

MR. DAVIDSON: There is the Institute's course in budgeting which is in need of some reworking. However, it isn't a bad course. Now, when it comes to courses on administering a practice or whatever that is called, there are a whole bunch of those.

MR. CAREY: I am trying to stick with Malcolm's idea. Never mind the how-to-do-it. I am trying to think about this broader range.

MR. MILLER: I think you ought to be able to broaden the total resources of the university. It would be all right.

MR. FERTIG: Particularly the accounting factor, I would expect, to a considerable extent. You know, I don't know whether there is anything much that the accounting faculty could do that could contribute at the philosophical level, whatever that means. Of course, it would be fine around this table but then when we get into the classroom and deal with subject matter, we have another story. Of course, market research is relevant, as well as communications and a lot of other things and here we keep the accounting profession out of it altogether.

I have tried for four or five years now to get even the members of the Management Services Committee of the Ohio Society to attend the Ohio State Executive Development Program, which has been a going concern for many years and among all kinds of business executives and yet we have yet to get the first CPA to register for that course.

The purpose in asking them to register is not to say that the CPA's ought to do this but the Management Services Committee has said that we need a program for CPA's.

MR. MILLER: What does "Management Services" mean?

MR. FERTIG: Darned if we know. However, we tell them to come to our Executive Development Program and decide from this what variation they would have in a program for CPA's.

As to how this thing would differ--obviously the course in business controls would be out. This is too elementary but then a lot of other material would be good for the CPA. Some of this we could keep and change. However, as yet, the first registrant has yet to show his face on the horizon.

MR. CAREY: I would like to add in something here. That is some years ago we attempted to put on a Human Relations course for business executives. We sent literature to each member of the Institute in six states surrounding Illinois and, as a result, we received three registrations which was out of about 1,000 people.

CHAIRMAN TRUEBLOOD: I wonder if this doesn't raise a somewhat larger question about the role of the university. Take it beyond accounting, take it beyond even the business school and, I hate to be personal about this, but, for example, my wife was an artist of sorts and she simply could not take an intellectually stimulating course at, say, Carnegie Tech or Northwestern, because she was not prepared to take whatever the requirements are for a three or four full-daytime course. However, generally speaking, you see the program that is available to us practicing people is a real how-to-do-it kind of thing for the benefit or the opportunity of people who did not

have an opportunity to do the other type of things. Therefore, isn't the university at some fault here about opportunities for people who wish to intellectually be inspired and are unable to come to a full-term course? I don't care what type of activities you teach it in--whether it be economics or philosophy. However, how much of this is available to us?

MR. DAVIDSON: You have limited resources in the schools. You have vast numbers of people applying to be full-time students and the schools feel that their first obligation is to these groups.

CHAIRMAN TRUEBLOOD: To the trade groups?

MR. DAVIDSON: At the graduate level, taking the university as a whole.

Now, with regard to the college, first, here we have limited facilities and therefore it is hard to get faculties and so you say to whom is our first obligation? Is it to the undergraduate students who want to come and go full-time to get a baccalaureate degree or to people who want to come and take part-time work?

CHAIRMAN TRUEBLOOD: However, you are talking about identification. If you could get a handful of leaders in the accounting profession out of Chicago coming to Northwestern night

school, instead of the technicians who were not able to get a Bachelor's Degree, would it not be acquiring some stature in this relationship?

MR. DAVIDSON: I will go along with Paul. We have offered for twenty-one years now, something that we describe as an executive program, which does have a couple of quarters of work in accounting but gets it to all of the areas we think these people should be familiar with.

CHAIRMAN TRUEBLOOD: However, this is a full-time program?

MR. DAVIDSON: No. These courses meet two nights a week, three hours a night.

MR. DEVORE: This would not do me any good. In the last four or five months I have had my hair cut in the same city only twice. This, of course, is an unusual thing but, as you can see, I have been away from home so much that I just could not possibly participate in a program of that sort.

CHAIRMAN TRUEBLOOD: Malcolm, let's pursue that a little bit. Isn't this our own fault? I had a meeting one morning with the Chicago partners, Tuesday morning with the Chicago managers. On Wednesday morning I had a meeting with the Chicago supervisors. It so happens that Chicago, although not

the largest, leads our firm in profits for the past year.

My argument was that our utilized time was too high. Doesn't somebody have to take the bull by the horns and say there is something to this profession other than chargeable time?

MR. DEVORE: Now, I think that you are getting at something here.

MR. FERTIG: Our program is the last week in August, with the long weekend of Labor Day and the first week in September all day, every day, for ten, eleven or twelve days running. However, we have yet to get the first CPA in five years of my personal efforts.

CHAIRMAN TRUEBLOOD: Just how broad is this program now? Do you have a philosopher in the thing?

MR. FERTIG: No.

CHAIRMAN TRUEBLOOD: Do you have an English classist assigned to the program?

MR. FERTIG: This is a business program. I think that is the reason they did not come.

MR. LINOWES: I think there is something to be said for the point that Bob made. I recently moved into Scarsdale, where they have an adult education program going and which has been going for about twenty-five years and, as busy as I am, I

signed up for a course in Southeast Asian History. This is one evening a week. Of course, I have missed a few times but I was likewise amazed to see the number of adults in that high school. This is held in the high school and is merely a lecture series. You know the high school looks like a university campus.

Why doesn't the university in an area use the same kind of tactics--in general, take hold of these kinds of things? After all, these are merely a bunch of business executives attending the courses because that is the nature of the people in the area. Therefore, why cannot the university do it and do it on a self-sustaining basis--possibly ask \$25 a subject or something like that for ten weeks. Why can't the universities seize on something like that and present it in a way that would be adaptable within the terms of time and subject matter to business executives as well as the members of the professions related to business?

CHAIRMAN TRUEBLOOD: I will second that in terms of personal experience.

It has been a long time since I have looked at Northwestern's night school schedule but I will submit that the adult education program at my daughter's high school, New Trier,

is more exciting than Northwestern University's night school program. I would endorse his comments completely.

Incidentally, Scarsdale and New Trier are probably the top five high schools in public high schools in the country.

MR. LINOWES: What amazed me was the number of people attending and the high level of executives that are devoting that one night a week. Of course, very often many of them are absent mainly because they cannot keep a regular schedule. However, they still, nevertheless, attend.

It seems to me that this is where the concentration should be by the university if they want to attract people who are active in their fields.

MR. FERTIG: For all you know, we do this. However, I don't think the courses you mentioned are involved, at least I could not say.

MR. CAREY: It used to be that the "Great Book Courses" had a great drawing.

MR. DAVIDSON: They still do. There are hundreds of these meeting around the city. Of course, they are all independent and I think this is part of your New Trier and Scarsdale feature. Here they are willing to go to the high school because

it is only a little way up the road. However, I am sure that many of them would be reluctant to go into Columbia to do this sort of thing. We give courses of this sort, both for credit and non-credit. However, the main fact is that they just are not self-supporting and your primary obligation is to the academic program.

Of course, in our case, if we cannot get enough people to come and take a given course, then we just don't offer the course any more.

Of course, many of the universities have gone ahead full steam with registration, both day and night but then, by the same token, there are a great number of professors who do not want to give a course that they cannot get into depth on in relation to the topic. In relation to most of these short programs, you do not really get into the depth of them--you receive a general sort of coverage and I know, as I state, it is very hard to staff the so-called community type programs. Nobody wants to teach in them. They would sooner take something and really get into it in depth and, as I say, we do have two or three prerequisites so that a man really qualified and then they likewise cover the lesser aspects of it.

To me, it would appear that this is a more appropriate

type of program that could be given in the high school. I don't know. Maybe it is something the university should give. However, we cannot get the interest of the faculty in giving a course which is a survey type of thing.

In any case, I really do not think that either Herb, Paul or I are really competent to speak to this question. However, all of the major universities do have extension divisions or adult education divisions or what have you and the people involved therein have faced this problem.

However, I can tell you that our program, our evening program, which is a non-specialized sort of program, just loses money year after year and we are gradually cutting back on it.

CHAIRMAN TRUEBLOOD: This means we make money year after year on your date book.

MR. DAVIDSON: You see, again, you have to recognize what is the central function of the university and I think it is to educate our full-time students.

MR. LINOWES: Herb made the point earlier that he thought it was appropriate for you to take on responsibility for all education and training rather than for it to be splintered in areas such as the American Institute. Here we are addressing

ourselves to technical training. If the schools of higher learning are to assume that responsibility, they should be prepared to be flexible enough to mold their program to the convenience of those who may seek to possess those particular bodies of knowledge.

I gather from what you are saying, Syd, that the institutional people have set up certain basis and certain precedence and, therefore, you should continue in that vein rather than take a long-range objective look at yourself and relate it to our profession?

MR. DAVIDSON: Do you want me to confess to biases and prejudices? I am willing to do so.

My underlying bias is simply this--that the major functions of colleges and universities is to get full-time students out of high school and give them their college education and then go on with graduate programs, if youlike, again in terms of this education for their life-time work.

After we have satisfied that need and if there are resources and facilities and funds available, then I would be glad to take on this other material.

CHAIRMAN TRUEBLOOD: Let me ask this by twisting it a

little bit.

I think I understand the subject. However, if I recall correctly, in his preliminary remarks this morning, Herb, I believe, said, taking academia as a whole, they did not look with any great respect toward the practicing profession as a whole. Did I misquote you badly?

MR. MILLER: That is essentially correct.

CHAIRMAN TRUEBLOOD: Take the City of Chicago. I think every one of you, even though your views are slightly different, admit that we have a spectacular retreading program ahead of us.

Let us say that I accept your advice completely, Syd. We have in the City of Chicago, 230 firms and I believe that the figure is about 3,000 practicing accountants, mostly CPA's and with the exception of graduates during the past five years, they all need some considerable retreading in some of Paul's related areas if indeed not, accounting itself. Why can't we be about this? Why do you look askance? Why are we not doing this? How can we make our people feel the need for it and, therefore, create the demand that puts Syd's department on a paying basis? What is the trouble?

MR. MILLER: I don't know. It might be partly economics.

We are very busy. It might also be the matter of chargeable time.

MR. FERTIG: We get this reaction in the work with our committees. The feeling is that if we go to these types of courses that we will be in the same rooms with our clients. Of course, we advise these clients and therefore we should not sit in there with the same people to whom we give advice. We ought to be teaching those courses and maybe they are right, rather than being students.

MR. DAVIDSON: I don't think it is chiefly chargeable time--that sort of thing. A few weeks ago I talked before one group of the Illinois Society on the capital budget and was somewhat deflated when I was told, "well, this is the smallest turnout we have had." Apparently, previous people who had talked had larger turnouts.

MR. DEVORE: The direct correlation between how-to-do-it and the tenant. This is what is involved.

MR. DAVIDSON: My feeling is that capital budgeting involves how-to-do-it likewise but it is not immediately apparent.

MR. DEVORE: However, the things you do tomorrow is where you are going to get your attendance. The thing you do a year from now will not involve much attendance.

MR. DAVIDSON: However, if you cannot get a turnout for a high quality speaker on a how-to-do-it subject, then how are you going to have a guy out to listen to talks on philosophy?

CHAIRMAN TRUEBLOOD: This reflects seriously on our members but then how do we change?

MR. DEVORE: If we had some substantial number of our members in the United States--whether you desire to take five, ten or even 10,000--a substantial number who made up their minds they were going to spend one week a year to do something, then I am sure, on the market place theory, it would get done. Therefore, the problem, it seems to me, is rather practical. It is not going to get done until somehow or other we in our profession can motivate people to want to do it, not only want to do it but to do it.

MR. LINOWES: Further, that motivation has to go hand in hand in the university if the leadership of education is to be carried on by universities. We just cannot create motivation if there is no outlet to give effect to what we are motivating. I am not sure in my own mind that there is an outlet to give effect to broadening education.

MR. CAREY: How is the Michigan Graduate Study

Conference going these days?

MR. MILLER: As far as I know, very well. It has not run out of gas. Of course, there was a little sign of slow down a couple of years ago and I think last year it did lose some money because of geographical location of speakers. Yet we have developed there, as a result of our course, people who will come back year after year. Strangely enough, again, referring to large cities, we found we drew a very poor attendance from the cities of Detroit and Ann Arbor, which was a fifty-minute drive. However, we did get a carload from the Upper Peninsula and they have to take at least a day and a half to drive in. We also got a few carloads from Grand Rapids. However, where the bulk of our practitioners are in practice we found we had a very poor attendance.

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Of course, this was a very broadly based program and at times we would even run in a philosopher in order to stir up the interest.

MR. CAREY: I spoke at one of their dinners there and I remember.

MR. LINOWES: I was going to ask something that is not related to this but which deals with research and this has to do with the part the educational institution plays in that. Is it proper to ask that question now?

CHAIRMAN TRUEBLOOD: Not on research.

MR. FERTIG: I would say that one source of disillusion that I have (and I have confess to this disillusion) was the result of an experience I had in the very early stages of the professional development program with the Institute when I went over there with a few ideas of my own about what this ought to be like and I devoted six months out of a year, or something like that, in developing a course in how to administer a tax practice. Quite aside from the fact that I could not have cared less, on a philosophical level I would question whether or not that is the kind of thing that really does anything much to the professional status of the accountant. However, I believe this is necessary in order to make a dollar.

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MR. CAREY: I believe we would concede this.

MR. FERTIG: I heard so often about, "gentlemen, we have a budget of so much", and that this thing has to be in the black here pretty soon, within a year or two. I'll bet that the Institute feels the pulse of the profession correctly. I don't know whether that course made any money or not but I'll bet it had a pretty good turnout and probably broke even.

CHAIRMAN TRUEBLOOD: Of course, you have reference to the economics of the marketplace.

MR. CAREY: I might add we did not get off of the ground until we put out a course on fees and then the program began to roll.

MR. FERTIG: I taught that one once.

MR. MILLER: In the night school efforts, in broader subject matter areas rather than how to do it, of course I have taught a fair share of night school but, in my opinion, I end up pretty cynical on this activity because those that are really not highly motivated to become career accountants are there because they kind of feel like, "well, I am going to rate a little better with the personnel officer in the company-- it shows I have not gone to sleep and am willing to learn and widen my horizons." However, they do not do much work.

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I think that in every program that I have taught that the night school standards were lower than the day school standards no matter how much talk to the contrary. You know, if you fail a person who is employed by the Ford Motor Company he will come up to you and say, "Golly, I've been here every time but once. What do you mean I don't get a C? This is a black mark against me and all of my long-range plans and everything else." However, he really wasn't very much interested -- he was merely going through the motions. Also, you would have artists, members of the Young Democrats Association or other non-business folks of sorts, show up in the night accounting classes but they would have very little interest. They would come there with the feeling, "well, if it rubs off, I will have a little larger vocabulary and have a larger interest."

I might very well ask myself, would I not be better off revising Chapter 5 or reading some of Paul's, Norton's or Syd's latest articles? Would that not be better for my professional development rather than to talk to these folks who are periodically motivated in accounting because it is a kind of dog eat dog case and they have to get out sometimes and learn something. However, when it comes to them discerning

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anything in depth, they just do not have it there.

I don't know. I think the accounting profession, along this line, is really typical. It is really deplorable the interest that accountants have in anthropology, astronomy, political science. Of course, the same thing could be said for the whole of civilization over the United States. I just don't think many of us are highly motivated scholars of all kinds of knowledge. I doubt it very much.

CHAIRMAN TRUEBLOOD: Well, you people know more of the leaders in the profession than probably any other three academicians we might have been able to get. You know a lot of workaday people. You know about our problems and about motivation. Therefore, what can we do to change all of this?

MR. MILLER: Well, of course, Syd says he is willing to confess to his biases and one thing and another. I will likewise confess to mine.

I have a very high regard to your leaders. I do not think they are particularly deficient. I would like to be more like them.

I think that a person who may know a smattering of information about an awful lot of subjects, I do not go to him as a client because he may tell you that rocks in California

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are different from rocks in Alaska and other such factors. Of course, knowing this, he may make me feel kind of stupid mainly because I thought rocks were all the same. However, if I have confidence in his judgment and things of this sort and I do not get that confidence because he is a student of religion and more likely his approach on the ninth green is liable to impress me just as much. However, being very honest with you, while of course, it is a continuing education, much of this need not be formalized.

For example, attempting to make myself clear, let's suppose that John Carey's record shows that he may not have been signed up in night school for twenty years. However, by the same token, you just cannot make me believe he has not made progress in personal education in those last twenty years.

Therefore, I think maybe we are being unduly concerned about the formalized aspects of this thing. I really don't know.

CHAIRMAN TRUEBLOOD: Admitted. However, still would it not be true that generally we are not recognized as a learned profession in the sense of maybe the law or medicine?

MR. DAVIDSON: Do you think so?

CHAIRMAN TRUEBLOOD: I am asking the question.

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MR. MILLER: You mean, take all of the accounting courses away mainly because you do not think you are going to be known as a learned profession?

CHAIRMAN TRUEBLOOD: Take your choice.

MR. MILLER: Do you want a narrow specialist that has the impression of being learned as an individual or do you want the other kind?

CHAIRMAN TRUEBLOOD: I do not know.

MR. CAREY: As to this "formalized" business, how about reading lists. Now, why doesn't the American Accounting Association or some group suggest to us reading lists we should publish of things going on in related areas that practitioners ought to know about?

I just wrote about eight senior partners of eight national firms, managing partners, about a book. Not one of them had read it. It is called "Pricing Policy in the Public Interest". It was a study of the pricing policy of United States Steel. We referred to it at some of our meetings. I have received six letters back thanking me very much and indicating they are going to get hold of it. I think it has significant implications for their big clients. The government is interesting itself in administered price setups and here is

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a guide in close touch with that movement who has written a book about it and made some concrete suggestions and yet not many people know about it.

I believe this is something we should get for self-study. If we do this, and it is your opinion that we do, what should we do about it?

MR. MILLER: Of course, another point would be the factor as to what would be wrong with self-study.

CHAIRMAN TRUEBLOOD: Of course, there is nothing wrong with it. It is actually preferable in my own view.

MR. MILLER: Therefore, it is a question of whether they go to the campus at night or whether they read this stimulating and broadening work. It might actually be that the travel time to and from the campus might just as well have been in a proper environment to read.

CHAIRMAN TRUEBLOOD: I am really trying to get behind that -- of how do you motivate people to study? I could not care less as to whether it is on your campus or anybody else's or at high school campuses.

MR. CAREY: One way of doing this is to have somebody tell you that you ought to read something. I am sure that if you are left to your own devices that you do not read very much.

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Earl Newsom said that he first reads the New York Times Book Review and then, from this, decides what books he and his partners ought to have read and then they purchase them and read them. It is a self-imposed obligation and I think maybe we could do the same type of thing.

MR. LINOWES: I have here something put out by Harvard University to the Executives Association. This is something like the "Reader's Digest". How effective do you think a thing such as this is for self-education? I find it useful but then could others, namely the American Institute, put out something like this in some recognized form, an abbreviated presentation of articles in a book and everything else?

I would guess that from an educator's point of view that this is a desirable thing. However, is it desirable or something merely to be thrown away because it happens to be in the Reader's Digest vein?

MR. MILLER: I don't think I can react as an educator as to whether it is a good or bad idea. I think the test here is that you have to receive some benefit out of it.

MR. LINOWES: However, is it the right type of benefit? After all, you are going to spend your time reading it.

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CHAIRMAN TRUEBLOOD: Incidentally, the big six are doing something like that or proposed to do something like that in the accounting field among themselves.

MR. DAVIDSON: Who are the "big eight".

CHAIRMAN TRUEBLOOD: I mentioned the "big six". These are the "big eight" minus two non-cooperating firms. I think personally it is a waste of time. They read the same old accounting journal and digest it and they don't go beyond that.

MR. MILLER: The topics in there are on accounting?

CHAIRMAN TRUEBLOOD: Yes. They go through the Accounting Review. This is the Journal on Accountancy. This other is much more broader than that.

MR. MILLER: The Institute is going to try something in a new publication of covering broader areas in review form. At least that is the way I understand it.

MR. CAREY: This is just a department venture.

MR. MILLER: But they are trying to give a wider area, at least as it has been told me, through this type of activity.

CHAIRMAN TRUEBLOOD: The Journal on Accountancy tried this on a fairly broad basis under our Canon and that is kind of deteriorating and it has fallen apart.

MR. DEVORE: I tried an experiment in Los Angeles a number of years ago when I was in charge of that office. This experience was primarily directed to the technical aspects of what we were doing. However, I tried to get the agreement of each of our main people that they would spend a minimum of thirty minutes a day just attempting to keep abreast of things-- close their door, shut off the telephone and do it. Well, this sounded like a very modest approach but I don't think the thing lasted for more than two weeks before it completely disintegrated.

MR. DAVIDSON: Let me throw this out as a question here.

It seems to me that the more technical the college education, the less likely the individual is to have an interest in self-study thereafter.

Let me make that as a question.

MR. MILLER: In other words, you are being hopeful rather than as a restatement of your earlier position? (Laughter)

MR. DAVIDSON: Yes.

MR. CAREY: Could I ask another question?

CHAIRMAN TRUEBLOOD: Yes. However, I believe I cut Dave off on his entry into the research field.

MR. LINOWES: I did not consider it a cut-off. I

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merely asked whether it would be appropriate at that point to change the question.

MR. CAREY: This is a little bit away from the point and may not be very useful but it bothers me a bit. Everybody talks about liberal arts. Now, this takes in everything from oriental history to the great bibliographies and great mythology and the study of Latin and the humanities, the arts, etc.

Is it desirable to shape the preferred liberal arts program to the needs of the professor? Is it your philosophy, for example, Syd, that any liberal arts program preceding your course is as good as any other liberal arts program?

MR. DAVIDSON: Well, I would not go so far as to say "any liberal arts program is as good as any other one". The thing that would distress me is one which is one of the smorgasbord things -- where you take a little piece out of everything and never get much of anything. Therefore, I would be skeptical of this kind of a program. However, a program which does get us into some depth in any one field, whether it be music, English, history, political science, physics, would be perfectly all right.

Now, I confess that we have somewhat greater success with people whose undergraduate training has been in mathematics

and the hard sciences. However, I would not want to rule out people who had other types of liberal arts training.

MR. CAREY: To sharpen the question a little bit. If we got to the ideal point, where people thought of the accounting profession at an early stage in their careers, as people think of the law, would be wise to think about a pre-professional program, assuming that you have the professional program in your MBA or, if Herb has it in his school year regardless, at the end of the sophomore year, should he not begin to take certain subjects in the behavioral sciences, mathematics and things such as that, and equip the individual to be more readily absorbed in what you have to offer?

MR. DAVIDSON: I think there would be some advantage but I think it can be overemphasized.

For instance, if the individual has had a couple of courses in mathematics and a course in psychology and some economics, he is then pretty well prepared and I would not say that he ought to go over and take a course in public finance specifically because I do not believe that would help him.

Really, insofar as the law schools are concerned, our law school will take graduates of engineering colleges,

music majors, anything of this sort.

You know, I would be inclined to put high quality in some depth above specificity of program.

MR. MILLER: I would support that. This would be my reaction.

CHAIRMAN TRUEBLOOD: I was going to ask, as a matter of information, what is your undergraduate experience at Michigan? Do they come from anywhere and all over?

MR. MILLER: I think that is true. This is more likely at the University of Michigan than at Michigan State. However, I am convinced that we are after something that will stimulate a student to make him reach, whether it be subject X or Y. This will not make any difference. We are after him to get some stimulation, at least insofar as I am concerned.

Therefore, I would be very reluctant to draw up a rigid, recommended list of liberal arts courses because that would depend on who is teaching it, how stimulating it is, etc. These are things that interest me much more than course titles.

MR. BEDFORD: Assuming you were in an advisory capacity and a young man came into you as a freshman, was going to take a four-year liberal arts course and had already decided to go into accounting, what type of courses would you

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suggest he study? Would you tell him what type of courses were recommended or would you just say anything?

MR. MILLER: Well, I don't think I would say anything but I think I would be influenced by the resources on the campus. Now, my being on the campus at the University of Michigan for fifteen years, the things I would suggest would differ from some individual who would be on a different basis than that, say at Ohio State for fifteen years. After all, after a period of fifteen years you do become adjusted to the strengths around the campus and things of this sort.

I suppose, of course, that I would include almost some kind of exposure to quantitative concepts because I think that the student should find out whether he does well in these things and has an interest in these things. Of course, there would also be mathematics and English.

MR. DAVIDSON: That would probably be with regard for graduation of all students.

CHAIRMAN TRUEBLOOD: I was going to raise that question, being exposed to my daughter's program at New Trier and the liberal arts curriculum. As I read the catalogs, is there a chance for a major deficiency in any of the important areas left?

MR. DAVIDSON: Only in the qualitative sense. They will have had the courses but then the course may be no good and then you do not get the efficiency.

MR. FERTIG: There are some degree programs parading under the head of the A.B. that are just a particularized type of thing, oriented to a particular occupation.

CHAIRMAN TRUEBLOOD: However, I am talking about a good liberal arts course.

MR. MILLER: Even so, I would be very much surprised if this was shown. You know, if you stayed in a liberal arts school at Michigan you would have to pick a major. This is the idea of specialization. Of course, you cannot use that word any more because it is a bad word.

CHAIRMAN TRUEBLOOD: However, doesn't a major involve some depth?

MR. MILLER: Yes, that is right. However, I can also think of accounting as depth but you call it specialization. Therefore, what I am saying is that I am a little bit in trouble here on the connotations that are made these days.

MR. DAVIDSON: I think the difference lies as to how deep is the whole thing. I think it would be atrocious if liberal arts colleges were to require a student majoring in

economics to take thirty hours of economics. On the other hand, I think for a student to take only survey courses in every field would be at least as bad. But, on the other hand, I think that if concentration means that you have to have five or forty courses covering one field beyond the elementary level in that field, that is perfectly all right. Of course, I am not saying that I think accounting students should take one course in accounting and that's all.

MR. MILLER: However, my point was that even within the field of liberal arts that even the faculties associated with that educational activity require some specialization, a major and emphasis.

CHAIRMAN TRUEBLOOD: I guess my trouble there is fitting accounting into liberal arts, at least as I understand the word.

MR. BEDFORD: There is one more comment I would like to make. In this connection, you just cannot cover the waterfront because there are some needs for depth in order to get down to regular analysis in liberal arts programs of any kind and, as an advisor, you would not advise in any particular area as to where this depth would be other than the quantitative area?

MR. MILLER: Yes, I think that is true, Norton, although, for example, I might, in visiting with a young man, discover he has quite an interest in foreign assignment ultimately. Well, of course, then I am going to be interested in foreign language aspects and things of this sort. I would judge from the total exposure of what came out in the conversation. However, a person first coming into your office would indicate very little of this. At that point, then, I might advise him as to having foreign languages in his liberal arts program.

Therefore, I think you are influenced by things of this sort.

MR. BEDFORD: How do you react, Paul?

MR. FERTIG: I don't take any position different from Herb. It ought to be basic. This is a new word. We have not used that up to now. However, there are a half dozen things that we should consider here in relation to these various colleges. I think they are all about equally good. However, how good is the staff? That, to me, is of more importance than the subject matter.

MR. CAREY: You would not suggest, for example, they ignore economics in this liberal arts course because they

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happen to be very strong in oriental history?

MR. MILLER: I would not think of ignoring it although, of course, I can conceive of circumstances where I might hold the economics office is such disrepute that I might say he is better off not to take it.

There is also the statement made that if you can give a person a broad experience, he is going to end up broad. However, I don't think that follows. I really do not. I can cite myself as a horrible example.

I graduated from an arts college and took no accounting of consequence for my Master year and then took accounting in another program. You know, on the basis of my education, I felt that I would be labeled as a pretty narrow guy. I think I am. I do not have a wide range of interest in the literature or arts and if there is a chance between playing hockey or going to the Detroit Symphony, I play hockey. I will admit to it. Also, in the month of May, I would not be out gathering buds, I would be down at Indianapolis watching the race on that two and a-half mile course.

MR. FERTIG: I refuse to classify myself as to whether or not I am broad, narrow or anything else. However, my experience is one which I am likewise sure conditions my feelings on

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education. Now, I did have some thirty-six semester hours of mathematics and a course in mechanical analysis at one point. Of course, I considered myself to be pretty far along there. This was some twenty-five years ago.

Now then, the kind of mathematics I learned was highly operational. I had differential equations coming out of my ears, both of them. However, we have now come to the point, in connection with the new mathematics, that this has now turned out to be not quite useless. (Laughter) However, I have now begun to read new plans with regard to mathematics, something which is put out in about six thousand pages and, as a result, I am now beginning to get some notion of what the field of mathematics is all about. However, I did not learn this in college. I am very upset about my own arts college education in mathematics as being something which, by analogy, we can do and have done in accounting. Further, if you wanted to lay me out on the couch and find out the way I do feel about accounting because of my experience in mathematics, I would say that it is really not good.

MR. LINOWES: However, did not this program that you had, assuming it is now outmoded, discipline your mind and stir up enough interest so that you are now sitting down to read this

six-thousand-page volume?

MR. FERTIG: No, sir. I think it is the recent development in mathematics that has been quantitative in all fields and which all of a sudden some people tell me has become tremendously important. However, this did not influence me. Of course, I am very disappointed at my inability to pick it up as fast as I think I should, especially with all of the background which I am supposed to have.

CHAIRMAN TRUEBLOOD: Let me relate this to the professional problem.

I had, as you all know, an undergraduate education at Minnesota, which was presumably then one of the real leaders in the accounting field. Would that not be a fair statement?

MR. MILLER: I am sure it was.

CHAIRMAN TRUEBLOOD: However, here I am twenty-five years later, feeling hopelessly inadequate in terms of everyday problems of the firm and of the profession.

What can or should we do now so that this will not happen to the boys that are coming out now or is there nothing we can do?

MR. MILLER: I think that no matter what education you had, it is the very nature of you and many other wonderful,

honorab!e guys that you are going to feel inadequate -- you are not going to feel satisfied. This is why you have made progress and you will continue making progress to some extent. I say this only in the most friendly way. I think there is a slight bit of wishful thinking involved in the attitude you just described, to be very honest with you.

CHAIRMAN TRUEBLOOD: However, I cannot understand the things that we are doing every day for important people.

MR. MILLER: I would think that doctors feel the same way, as likewise do educators.

MR. DAVIDSON: If it is any consolation to you, Bob, I spend full time trying to keep up with what is going on and about ninety per cent of the time I am just completely dissatisfied with my own adequacy to understand all of the new developments. It is just that the world is too blame big and that you cannot keep up with everything and that even if you narrow it down to this one field, there is so much going on, that there is bound to be things you do not know.

I have no idea as to what George Mead's dissertation is.

CHAIRMAN TRUEBLOOD: I feel better. I understood that.
(Laughter)

Let me go one step further now. This gives me some heart. I suspect that Minnesota is still (and I do not like to be personal about it) a large source of recruits and I suspect that the people at Minnesota are getting damn near the same education out of the same text that I got twenty-five years ago.

MR. MILLER: Is it then considered bad to end up like you did? I am not convinced, not at all.

CHAIRMAN TRUEBLOOD: However, if I cannot cope with problems today?

MR. MILLER: It seems to me that if it is a truly professional activity you never will, especially with the standards you have, be able to say, "Boy, I really did this perfectly, I have really been in charge of the whole thing." I just think this is a characteristic of you -- that you always will feel inadequate -- you always will feel you could have done better and there is something deficient about you.

I believe that if you were to look at the man who says, "I feel I am adequately trained and well rounded and fit the ideal of the Institute," this individual is so out of date you would not even put him in the ball game.

CHAIRMAN TRUEBLOOD: Therefore, you are saying that

the problem isn't as great as I think and in essence it is insoluble anyway?

MR. MILLER: I think that is about the way I feel. It may be great but it is unsoluble.

MR. BEDFORD: Basically, I agree. However, I do not imply by this that I accept the old curriculum by any means. I don't think Herb means that.

MR. MILLER: Nor should we be satisfied with the status quo. I did not mean to say that either.

MR. BEDFORD: I think there is a great change and that even to create a man like Bob, with the same degree of frustration, we have to give him different education at the beginning level than he had. (Laughter)

CHAIRMAN TRUEBLOOD: Very well.

Now then, Dave, I believe you have some questions or comments as to research.

MR. LINOWES: I just want to question something that Paul mentioned when he made his opening remarks, which was more or less to the effect that he thought research really belonged in the purview of the university, the educational institutions.

I assumed that when he mentioned that he was aware of the fact, as a matter of fact, that the American Institute

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is keeping forward in research and yet perhaps that is more in the academic area. Now, the question I have is whether you are dealing with a subject or profession such as accounting -- how do academicians go about research unless they come out to the practitioners and consult with them? If that is so, would you still feel that you belong in the research business?

MR. FERTIG: There are all kinds of research and the kind I was talking about is this long-range objective kind of thing which, in my view, would belong in the university. As I also stated, we will take all the help we can get. However, I do think there is something which is basically contradictory or in conflict with the long range research being conducted by the Institute and the kind of day to day problems these necessarily must deal with. They are involved with political problems that have to be solved and the reason that the longer range kind of research is better in the university is that they have fewer political problems -- they are able to implement an objective viewpoint, a disinterested viewpoint that is helpful.

Further, our sources of information come from the profession, from industry, from wherever we can find it. This is the basic area in which research is conducted.

What I guess I was really saying is that I am dissatisfied with the progress that academic institutions have made in the area of long-range research. We really dropped the ball badly because our sites had been so low that the Institute had to take it up.

I'll bet if we could analyze it, we would say we probably did not want to do it but then somebody had to go in and you are still doing it.

MR. CAREY: How about Stanford Research Institute? That is not university connected?

MR. FERTIG: I guess not.

MR. CAREY: Isn't that a pretty effective operation?

MR. FERTIG: I do not know.

MR. MILLER: Isn't that on a pay-as-you-go sort of basis?

MR. CAREY: Yes.

MR. DAVIDSON: Then they are not a research institute despite their name -- they are a problem-solving group.

MR. CAREY: However, he indicated there were all kinds of research.

MR. BEDFORD: If the universities would take on the biggest problem confronting our profession today, they would

find it to be the accounting principles problem which can be only solved by research. Therefore, if we can shift from the practicing accountant to the academic field, if you are prepared to take it on, maybe we could sidestep or avoid what could be a very serious developing cleavage in our profession.

CHAIRMAN TRUEBLOOD: I disagree with the statements you made or assumed because neither the charter nor the purpose for the present operations of the APB constitute research by my definition.

MR. BEDFORD: But, basically, they are doing research to come up with that answer.

CHAIRMAN TRUEBLOOD: I don't think they are.

MR. FERTIG: The main problem that Herb spoke to, the matter of narrowing or eliminating areas of difference, this is an Institute function.

CHAIRMAN TRUEBLOOD: However, this does not necessarily involve research.

MR. FERTIG: He said it might.

MR. DAVIDSON: Research might help to narrow the difference but research is really concerned with sort of starting from bedrock and building up a logical system here.

MR. FERTIG: The Institute can do that and you should.

MR. MILLER: I think, in response to Dave's comment, I am not convinced that it is lack of research -- that this is why I am concerned about our accounting principles. It is some kind of concept as to how the profession ought to operate, etc., that is the road block and it is not the excellence or lack of excellence of any monograph or anything else.

MR. LINOWES: Even if it is not the principles, but how the profession should operate, that also constitutes basic research.

MR. MILLER: This I would agree with.

MR. LINOWES: If this is the problem in the academic field, how can the universities take on this type of work, or is it impracticable for them to take it on?

The reason why I pose this question is because it is a very important one in my mind -- that here in our planning, we can pitch for a very extensive enlargement of the research function within the American Institute or we could direct our efforts toward facing out and shifting it to another area. However, there has to be another host ready to take it on if there is going to be that shift.

I can see from a political point of view where it would be desirable to shift this research to somebody else, even

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if a separate foundation, perhaps supervised by the academic community. However, I felt that I would like to have the benefit of your thinking on this point since you are the gentlemen who would be involved in research if it were submitted to the academic family.

MR. FERTIG: I admit there is some hope over the horizon on this score. Here I can think of Syd's Chicago workshop or whatever he calls it, in accounting. This is the kind of thing that is beginning to develop in a variety of places. Further, this is the kind of thing that the University of Illinois is doing and they have an international institute. I don't know whether that is primarily research but it is partly that.

MR. BEDFORD: It has the word research in the title.
(Laughter)

MR. CAREY: Just like Stanford. (Laughter)

MR. FERTIG: I think as the number and percentage of Ph.D's on the university faculties increase, these people who, at some point or other, have been theoretically at least supposed to be trained in something that we call research and who are supposed to take the pledge that they are going to spend part of their professional careers doing this kind of thing, as

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distinguished from preparing undergraduate students to be employable, that they will do some of this and, as a result, there is hope in this area. Of course, it may be twenty or more years away. Also, some schools will be further away from it than others.

Therefore, I don't think that the Institute should drop this ball too fast or there will not be enough people to catch it.

CHAIRMAN TRUEBLOOD: In any event, you need some coordinating influence.

MR. FERTIG: That is a good question. However, I don't know how this comes about.

MR. DAVIDSON: I don't know whether you could coordinate research.

MR. FERTIG: We sure need money more than coordination. I don't know what it means.

CHAIRMAN TRUEBLOOD: Do you say this in a sense that it is perfectly all right to have institutions located in various areas all exploring the same avenues? This is good.

MR. FERTIG: I would not worry about it too much. I really don't know.

MR. DAVIDSON: We have a man who is just winding up

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a doctoral dissertation on "Auditing the Capital Budgeting Decision". He was horrified a couple of weeks ago to discover that a fellow had just finished a dissertation on the same topic at Michigan. Here was three years of his life given away. However, it turns out that these two are no more alike than anything. In fact, having two approaches to the same problem is likely to be more than doubling the value of each of these approaches but, on the other hand, you do get some wasteful duplication. There is no doubt about that.

CHAIRMAN TRUEBLOOD: Doesn't this then get around to the point that from the institutional point of view what we are really talking about is codification of a disciplinary routine? Is that your position?

MR. DAVIDSON: Yes.

MR. DEVORE: That was the basic charge -- to codify existing generally accepted accounting principles. This is something that the Accounting Research Committee should have done twenty years ago.

MR. DAVIDSON: This is the question of whether the accounting research division or whatever present title it is should be connected with the TAPB. I think this is two separate things.

CHAIRMAN TRUEBLOOD: Will you repeat that?

MR. DAVIDSON: The accounting research studies, whether the Accounting Principles Board really ought to have anything to do with that.

MR. DEVORE: They are supposed to be the arms and legs to help the TAPB.

MR. DAVIDSON: Yes. They were interested in doing some research in this area.

MR. BEDFORD: You would also say that there would be no reason that the Research Division necessarily confine its activities to accounting principles? Would the other areas of research beyond formulating principles, such as developing new techniques in management, sciences, be included?

MR. DAVIDSON: I would simply request that they all be related to accounting. I would have no concern if they were to say, "Let us do research in statistical sampling". This would be altogether appropriate but as long as it was pointed toward the TAPB, it is likely that research is going to be pointed toward accounting principles.

CHAIRMAN TRUEBLOOD: To the exclusion of auditing and everything else?

MR. DAVIDSON: Yes.

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MR. CAREY: This is just a structural setup but we are really doing a kind of research in many other areas likewise. We are sponsoring it. We have an individual in Harvard Business School on some cases in management services. He brings us these problems and other problems, using what I understand are some of the more definite approaches to these problems, which will be appearing, starting pretty soon and, in the auditing area, I don't know whether you would call it research or not but already a lot of technical people are digging in and attempting to make a philosophical approach to the subject. I would like to see all of our research activities under one direction. They do interrelate. They should not be completely isolated from one another.

CHAIRMAN TRUEBLOOD: This is a very interesting observation in the sense that I feel the same problem and the same language within our firm, that our committee structure and yours are all functionally oriented in a sense of being separate operating groups but that they do not get the integration professionally or otherwise that they should be achieving. It seems to me, Syd, we don't in the schools either. In other words, there is the feeling here you have managerial accounting and here you have financial accounting and "never the 'twain

shall meet" or this sort of thing. You have the same trouble with auditing.

MR. DAVIDSON: We ignore that altogether. (Laughter)

CHAIRMAN TRUEBLOOD: What about the management services, including the management sciences? How do you deal with students on this? Is this all a part of what you call accounting?

MR. DAVIDSON: No. This again tends to be distinct, even from the managerial accounting sort of stuff, although there is a reasonable degree of weighting. I think it is easier to get this thing together in relatively smaller institutions than, say, at Illinois, where you have a separate department of accounting, a department of management services or some such thing.

MR. BEDFORD: On that, I do visualize the time when, under the heading of "accounting department", it will continue to exist but there we will just bring in all the things that apply to accounting. As far as I can see, that is the only way we can meet the reality in terms of need of the profession in order to really provide integrated information systems.

The problem, however, if I may go back to Paul's point, the ability, Paul, of the university to do these things,

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research -- the university, in my understanding, has never been able to contribute to a research plan until there has been some preliminary work. In other words, the real developments in the university research level seem to me have been after the disciplinary areas are developed, until there are some general objectives or principles, and then they can be applied to the so-called scientific methods of development and here, in this relation, I am not certain that the accounting field or area is officially crystallized. We can do what we might call scientific research on accounting. However, my own inclination is, instead of saying that this should go to the university, that we have a common problem that we work on.

Now, Paul, did I say anything you would not say?

MR. FERTIG: I guess not. However, I implied that the establishment of objectives was that of long-range objectives, which you indicate has a prerequisite to research. That is, that they are not obtained by research methods themselves. Therefore, where do these guide lines then come from?

I think these objectives themselves are the products of research. They are sifting through -- they are nebulous -- they are unattainable. But, nevertheless, we research these just as we do the means of achieving other things.

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MR. BEDFORD: That is a possible position. However, as far as I can determine in the behavioral science area, the extent to which you have been able to crystallize and set forth the motives of man, which they never have been able to do very effectively, is that we more or less have taken a consensus point of view.

MR. DAVIDSON: Quite to the contrary. It seems to me there is much meaningful research that can be done in the behavioral science areas as to what does motivate individuals. I think the same is true of many of what are the objectives of the college.

MR. BEDFORD: I don't want to argue the point. I merely want your judgment more than my opinion on something. I will retain my opinion.

The area of behavioral science is an area wherein the universities have, since World War II, come to a point where they now feel they can do research to some degree but as yet they have never been able to provide an over-all area, have never been able to cover the full field.

I would submit, yes, we must do this, but we have to try on it and, certainly, some of the work out at Carnegie is very illuminating.

Along with this is also what you might call a more mundane type of research of a given accounting field that does now exist -- that will assume certain objectives -- what are these objectives that will come from a consensus of membership or what some of the leaders of the field can emotionally involve the entire profession in accepting -- and then we do research along those lines.

As to the entry into management services and that area, I don't know how the profession came into this but this was not certainly on the basis of research that led us into it. What are the opportunities where we could effectively use a variety? This is a thing that I believe the area of research in its broadest sense is one of the most difficult that the profession has as to what it should do -- the scope of field, if you will, the techniques and technologies it can assume, that it should include within this discipline. That is not to say that the universities should not do research. Maybe you are never going to get down to really fundamental research until you settle these on a tentative basis and then you do some experiments and find out the ones that work, just as they did in the development of medicine. At least they find out, in some way or other, by trying a lot of things, what will work.

Then, finally, they have developed what you call a scientific method. I think that is about all I can comment on this.

CHAIRMAN TRUEBLOOD: Jack, I believe you wanted to be heard awhile back.

MR. CAREY: A change of subject.

I would like to have some advice for us in the area of recruiting. It seems to me that we are scattering our feeble shot very widely.

One concept is that we ought to get to the high school level and make the high school student realize that this profession has something to offer. Why? Presumably so he will go to the undergraduate school of business and major in accounting.

At the same time, I believe it was Herb who said that the greatest pool of untapped raw material, brains, is in the liberal arts and science courses. I think there have been some studies that indicate, generally speaking, the academic ability of the liberal arts and science students is higher than that of the undergraduate school students.

I am wondering whether we shouldn't take what little money and energy we have and devote it to this area and hurl it

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at the liberal arts and science schools and possibly try to break down what is a growing aversion, at least in some of the eastern Ivy League situations, to business as a worthy career or social objective. I talked to Courtney Brown about this and they all agree. They seem to get the impression at Yale, Princeton and some of the others, that if you want to do good in society and amount to something, you become a teacher, artist, architect, musician or join the peace corps and become a minister or something but business has a certain unwholesome aspect. Consequently, none of these individuals ever think of asking about what is involved with business.

Maybe we could do some good by channeling our literature and what other vehicles of immediate communication we have to this particular group.

I have had two sons that went through this New Haven institution and I got well acquainted with some of their friends, the younger ones who just graduated last June, and was absolutely shocked. They had a little dinner for the fathers and sons of about a dozen of them and every father got up and said what he did by request and then every son got up and said what he was going to do and every father there was paying for son's education by being in business in one way or another except one

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dean, I think, and only one son was going to the Stanford Graduate School of Business Administration and the others were all going into something else. These were very bright and attractive youngsters and promising young fellows, all of them.

We are scattering five thousand dollars through this Advisory Council that the AAA is mixed up with us on. This is being scattered around among the various high schools. However, I am beginning to wonder whether this is now the proper thing to do. Also, if I remember correctly, we are spending money on three different types of booklets. None of these, I would think, would appeal to a liberal arts student of any intellectual capacity. They are all on "what does an accountant do?", "how does the salary scale go?", "what are the hours and vacation?" -- that sort of thing.

MR. DAVIDSON: I have here a large stock of these (indicating) pamphlets. I wasn't even sure they were in my brief case called "The Accountant of the Future".

MR. DEVORE: Do you think the condition you described in the high schools is representative in the nation as a whole or is it a back role sort of thing?

MR. DAVIDSON: Columbia School of Business, which draws fairly well from the country, heavily from the East, says

this is an established fact. In the liberal arts schools, business has been downgraded for about twenty years.

MR. DEVORE: Which would mean, then, relatively speaking, enrollment in business schools is down and liberal arts is up?

MR. DAVIDSON: Quality, yes.

MR. DEVORE: Not numerically.

MR. DAVIDSON: The undergraduate schools, it is my opinion, are suffering every year. There our enrollment is declining.

MR. FERTIG: That is not true at Ohio State. Ours is up but not at the rate of increase of the arts college.

MR. DAVIDSON: Michigan, it is my impression, has their student enrollment down.

MR. MILLER: We did have a decrease of students, undergraduate students, this year.

CHAIRMAN TRUEBLOOD: What are the statistics on the intellectual capacity of the graduate schools of business as compared with other professional schools? I am familiar with undergraduate statistics but what about the graduate schools of business as compared with medicine and the law?

MR. DAVIDSON: I don't think there are any statistics

available.

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MR. CAREY: It would involve a little research.

MR. BEDFORD: I have seen one of graduate record examination of how well they do and the graduate schools are not bad.

CHAIRMAN TRUEBLOOD: Do they still lag behind the other professional schools?

MR. BEDFORD: They still lag behind but then there is not as great a gap as there was in the past. I don't know anything relative to medicine.

MR. DAVIDSON: There are two kinds of problems here -- how do they rank with regard to other professional schools -- law, medicine, dentistry schools and things of this sort and then how do they rank with regard to divisions of the faculties of philosophy and science? Here I have reference to the individual who goes in for a Ph.D. in physics, he is not in a freshman school. Jack, I can only tell you a little bit about our own experience because this is just exactly the way we do at the University of Chicago. We confine ourselves to liberal arts and engineering college graduates and we have a couple of assistant deans who do nothing but go around to the liberal arts colleges and preach the virtues of graduate business training.

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Other schools are now also doing that.

MR. CAREY: But I am thinking about the Institute. In other words, would we get into trouble if we began to focus our attention heavily on liberal arts colleges -- would the AAA rise up and fight us every inch of the way?

MR. MILLER: I cannot answer that. However, Paul is closer with the AAA than I am at the moment.

MR. FERTIG: I did not understand the question.

MR. CAREY: Suppose the Institute focuses its attention heavily on the liberal arts and science undergraduates -- never mind high schools and undergraduate business schools -- and says its fields for leadership in positions in the future ought to go to good schools of business -- study accounting and get in on the ground floor on this rapidly developing opportunity. Do we get in trouble with the union, the American Accounting Association, which is largely composed of undergraduate faculties and may we get into trouble with our own members also because most of them are drawing their recruits from this channel?

MR. DAVIDSON: I think you are likely to get into the problem that we ran into. I don't know whether you remember, Bob, when you spoke before, the Illinois Instructors of

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Accounting -- there was a complaint made there. In other words, this is a graduate program and you are turning out leaders all right but where do the smaller practitioners get their junior accountants?

CHAIRMAN TRUEBLOOD: This is where we were this morning and did not resolve it. Isn't this a recruiting responsibility? After all, almost everything we do is a double barreled type of thing. The education required to pass the CPA and to enter a technician practice for life is one thing; the requirement to issue what I think of as a professional accounting certificate is quite another thing. Further, the high schools may be a very logical source for those people who work for eight thousand of our firms. I think, from everything that has been said, there is a presumption that the graduate school or some kind of other thing is the logical training ground for the professional accountant. I kind of think it is just like our own practice -- we are happy to be jacks of all trades, we forget there are differences.

Am I the only one who holds to this point of view?

MR. CAREY: I am very sensible of it. I think we are always in the Institute pulled in opposite directions. There

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is this forward movement so fast you can hardly keep up with all the things that the progressive firms have to do. Here I do not limit it to eight. There are a lot of local firms. Let's say, four thousand. It may interest you to know we have almost a hard corps of customers so that in connection with almost anything you may put out, there will be almost from four to five thousand members or member firms who will subscribe immediately. This is an indication of something, whether it be research, management services or something else.

About one-third of the practicing firms of our group at least think of themselves as professional and maybe two-thirds are just happy to be making a living. We have always found not too difficult the matter of making a living and, further, in connection with every policy question and every activity, we get a new pull. They are all dues payers and we are united -- we are one profession and we don't ever quite know how fast to go.

In other words, should we first engage in attempting to pull the two-thirds up to the higher level before we move ahead or do we leave them there and let the leaders lead?

CHAIRMAN TRUEBLOOD: This is a lead-in to one more thing I would like to get ideas from these fellows on and this

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MR. DAVIDSON: Higher accreditation of members?

CHAIRMAN TRUEBLOOD: The super degree, let's call it. Is this in the cards for us in the future or is it, as we were told, just a brownie point approach to culture or something like that? In other words, is this crazy or will we come to something like this in ten to twenty years from now, or should we try?

MR. FERTIG: In a capsule, I could tell you what you hope to accomplish by it. I have always been kind of puzzled by the objectives of this.

CHAIRMAN TRUEBLOOD: We are talking about this insipid concern of mine of the CPA thing. This is a basic degree but it means a minimal competence for all kinds of our twelve thousand firms. Is one of the approaches to this some sort of sorting out of competence, interest, attitudes, continued professional developments by means of another kind of degree, academic or otherwise, which separates the wheat from the chaff? That is the question.

MR. FERTIG: What purpose does the separation serve? Is it additional for people to be wheat instead of chaff?

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CHAIRMAN TRUEBLOOD: Let me be personal. I suppose I resent being called a CPA and being categorized at the same academic or competence level as a CPA who is a bookkeeper in Yuma, Arizona. The other side of the coin is that it seems to me that our standards for entry into the profession, our standards for professional recognition by Institute membership, are consistently held down if we must accommodate eighty thousand people under a single umbrella.

For example, suppose we had a private organization independent of the Institute, if you like, something like the Actuarial Society, which made it tougher to get in. You are a Fellow of the Society and thus your status is better. The public identifies this group as a professional and more learned group. Also, there is an incentive present for people who want to get ahead to get into the thing and study harder.

MR. FERTIG: I cannot respond. I take a kind of dim view of most formal methods of recognition of talent or prior accomplishment. You imply that the alternative would be to improve, to upgrade the CPA examination level, experience or both. Well, I don't know. I am heartily in favor of the alternative of pushing the leaders ahead and letting the rank and file follow along as they will, as distinguished from

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upgrading the bottom level. I could not care less about approaching the liberal arts colleges at the expense of the undergraduate schools of business. However, go ahead. Maybe you should. If this is the case, then I think that most of us would be happy to get out of the undergraduate business, especially if there were any way of doing it.

On the other hand, I am not convinced that this super-doooper designation is going to accomplish anything much.

MR. DAVIDSON: Except, of course, motivation. We have been exploring the fact of how do you get your partners to spend a half an hour studying. Ideally, of course, they should be motivated without any designation.

MR. LINOWES: I don't think it is comparable because you place a certain emphasis on academic degrees for status.

MR. DAVIDSON: I think accounting firms would come to do the same thing.

CHAIRMAN TRUEBLOOD: This is essentially the question -- does one rely on personal reputation alone or by measured accomplishments? This is my question.

MR. LINOWES: What do the lawyers have?

MR. CAREY: Nothing.

CHAIRMAN TRUEBLOOD: That is not quite true. Well,

47 in terms of degrees, yes, but they have the American Law Institute, which is an invitational kind of research type of thing. Here, of course, you have to get invited and thus this does indicate status.

MR. DAVIDSON: What do the doctors have?

CHAIRMAN TRUEBLOOD: Specialty boards.

MR. CAREY: They have the College of Physicians, the College of Surgeons and then they likewise have specialty boards. Therefore, you can become accredited in four or five different ways in medicine.

MR. FERTIG: The field of accounting is getting to be large enough, it seems to me, so that recognition of areas of specialty, slicing it up vertically rather than horizontally, might be possible. However, this business of a super-doooper CPA leaves me cold. Possibly further structuring it vertically is a little better proposition.

MR. DAVIDSON: Then you say that you would have to meet a general CPA requirement and then a super-doooper requirement. Wasn't your proposal one of specialty in the area?

CHAIRMAN TRUEBLOOD: Our proposal was not that specialties should be recognized in the academy but, rather, to get into the academy one could specify his area of specialty

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MR. BEDFORD: On this motivation I thoroughly agree with Sidney.

Of the students who come to Illinois, undergraduates, I should think that those that go into accounting, their objective is to get the CPA exam. As a result, they will take only the courses to do that. Their motivation is to attain that recognition of CPA and I cannot help but believe that a recognition of this will help equally in the longer run the motivation that is now evident at the other level. What is your experience on this? Isn't there interest in the CPA?

MR. FERTIG: Sure, there is.

CHAIRMAN TRUEBLOOD: The financial analysts have just gone this route.

Herb, where do you stand?

MR. MILLER: Well, it is a very complex matter, I do not know. I am a little bit in agreement, I think, with Paul, on the idea of never being too keen on formalization beyond a point.

MR. DAVIDSON: What do you mean by "beyond a point"?
On the CPA?

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MR. MILLER: Yes, because, again, I identify some kind of profession existing, some kind of public interest involved and this is responsibility to the public. This is probably a poor analogy but isn't the whole observation of economics that the best farmers land up with the least land? Therefore, I believe that the best CPA's end up recognized as the best physicians and things of this sort.

This is just the same as some of the comments I made this morning. I am interested in the public image, especially if I thought there was a reasonable chance to enhance the profession in the eyes of the public by this thing. If that is the case, then I am for it. If this demonstrates that we end up with any higher talent this way than we could have another way, I am for it, because I am for the image of the profession.

MR. FERTIG: So am I, as long as it is not phony. It has to be honest.

MR. MILLER: Again, I would almost rather decide the issues not so much as to maybe how Bob feels about personally being classified with someone in Yuma, Arizona; as to whether the banker, the merchant or the executive vice president of the company maybe will tell his son, "You know, you ought to consider the CPA because the folks that have this designation,

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I think, are very sharp". If this is done, then maybe you do not get classed in with the business school effort or things of this sort.

Things along this line, you see, Bob, I support.

MR. BEDFORD: Speaking of this higher accreditation, the type of material that a man would have to have, his knowledge would have to be much higher and more comprehensive than that in relation to the CPA requirements which, as I believe you indicated, does motivate the curriculum now at a number of universities. With this then in existence, would it be easier, do you think, to improve the accounting curriculum? The program that you would require the budding accountant to take, could you use this as a leverage if we had it formalized?

MR. MILLER: I have a feeling that programs, of course, would develop at the universities to help bring along the folks in major cities. Some of us would have to try to maybe offer textbooks that would help fellows in Kalamazoo, Michigan who wanted to do better but could not come to the University of Chicago night school, etc. This would involve the development of subject matter which would be developed, I believe, as the standards were interpreted by your academic folks. Whether this would filter back to affect the nineteen-

year-old or twenty-year-old, I do not know. I have some doubts.

CHAIRMAN TRUEBLOOD: Well, I think we have been kind of back and forth and up and around and so we will continue this way. We will first let each member of the committee pose such questions as he may wish and then we will ask each of the witnesses to get on the record anything that they feel we have missed or on which they wish to restate their point. We have until five o'clock if it should take that long. However, we will come to a natural conclusion whenever it seems natural.

Dave, would you like to start?

MR. LINOWES: There was one point that I had marked and checked off relating to something I heard and it concerns the function of the university and what it is doing. It indicated something to the effect that if the profession would expect more of the university, the university would perform more. Do I quote that type of thing right now? What should we infer from that?

MR. MILLER: I think one of the points I was trying to make is that the profession would rely on the university. I think here the talent, resources, etc., would be more likely to be marshaled to this objective than if the profession said it could do it itself. We have the resources to train the

students. We can carry on and we are happy with the liberal arts graduates.

Then I think that in time that subject matter, talent, total effort, etc., will be less significant to the total curriculum picture. This is stating my feeling on it. It may be that we would be unhappy and I would hope we would never be happy, just as I don't think Bob is ever going to be happy with his own background. We might feel we can be better in training.

Of course, if the profession did expect certain things of the colleges and really acted that way in their support, then I believe they would be more likely to be strong and democratic programs in the area than they otherwise would.

MR. LINOWES: Am I correct in assuming that the universities would be able to marshal the type of instructors that they need to carry on in a large function?

MR. MILLER: Well, of course, I don't know how this could be definitely answered but I would expect we kind of would have to put in an analogy to other professional schools by asking, do we have adequate and competent professors in law schools and do we have adequate and competent professors in medical schools and other areas, where I believe that thirty

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years ago a decision might have been made such as this committee is making -- that while we cannot carry on and teach the subject through the college graduates, which I think is a decision that could have been made in other professional areas, what is your impression of the law schools -- are they strong, do they serve the profession, is the talent good? I think your opinion would be as good as mine. Whether thirty years from now we would have a generally high regard for the entire profession and the subject matter associated therewith because of a decision made in 1963, that is an answer that I do not, of course, know.

MR. LINOWES: One more general question -- that is, in all of our discussion we just assumed, I guess, that the entire university is our appropriate sphere and if the subject came up, we assumed it fell within the area of the public accounting profession. However, I would just like to eject a question as to whether or not the management consultants, management engineers, do not have a proper prior right to some of these areas we now claim as our own in management services?

I would like to hear answers from the various witnesses.

CHAIRMAN TRUEBLOOD: Does anybody have a view on that?

MR. DAVIDSON: I do. I say that no one has a prior right to anything, either by statute or otherwise.

As individuals, we may by statute have carved out the right to render opinions on financial statements and so that does give a prior right to those who are certified. However, outside of that area it is dog eat dog and, as a result, if the accountants can render a better service than the industrial engineers, then they are going to get hired.

Let me say again that I have great confidence in the marketplace and if accountants do a good job, they are going to be in management services. If they don't, then it works the other way around. I think this is as it should be.

Of course, if the accountant says that because he is a CPA that this automatically makes him the best possible person to give management services, to render management services, then he is going to wind up not rendering any.

CHAIRMAN TRUEBLOOD: However, given competence, it is all right or would you not say it is all right for the CPA to emphasize his attitude or objectivity as a plus in the areas within the marketplace?

MR. DAVIDSON: You know, this is a very troublesome question, as to how much of the ethics of the attest function

carries over to the management services function. I don't quite know what independence means in management services functions. The whole concept leaves me sort of cold. On the other hand, if you emphasize the fact that we are accustomed to dealing with objective data, that we are able to come in and sift through a bunch of numbers and come to independent conclusions based on sound judgment in dealing with financial affairs and, therefore, we are able to render good management services, then I think that it is all right.

MR. DEVORE: However, management doesn't care whether or not you are independent in that area.

MR. DAVIDSON: How good are the services you are rendering?

MR. BEDFORD: Let me take an illustration in the area of market research, which is now, I believe, as one of our consultants told us, largely performed by advertising agencies and the fee they receive depends upon a particular new product that they might advocate and there is thus a built-in tendency for them to push a new product or not because the fee will depend upon it.

Would it not be proper for the accounting profession to endeavor to set the rules of ethics in this area of activity

such that they could hold out to them that we were following our basic rules of independence and objectivity?

I think that there are a number of management consulting fees that are sometimes attached to the ultimate results that the profession of accountancy could avoid.

Can they do this? That is really my question.

MR. DAVIDSON: I am not sure I fully understand your question.

MR. BEDFORD: As we have it now in the typical management consulting area, as I understand it, the fee that can be charged may not be determined beforehand. It may depend upon how many sales or even two per cent of the total revenues. Having done market research and suggested a plan, you go into the area and then set upon a fee which would be two percent of the revenue. Then, having an assignment, you might encourage a company to go ahead and go into a given area because you would get the fee from it. Now, for you to conclude, as the result of your market research, they should not go into that might mean a minimum amount of your fee.

Now, the thing I really have in mind here is the possibility of developing concepts of ethics that would be proper for the accounting profession to adopt and which would

enable them to hold out the facts that they were, in fact, independent and, if this is a possibility, would it not be desirable for the profession to then attempt to enumerate and set forth these rules?

I think we should play heavily on these two roles. However, I see no vehicle by which we can do it by automatically absorbing the old rules of independence that we may have for an attest function and we also have others. However, I do see an opportunity for us to make suggestions along this line.

Does any of this make sense to you?

MR. DAVIDSON: Well, if you are asking, should an accounting firm accept a management services engagement where the fee is equal to x per cent of the savings that emerge from their suggestions, that is one thing.

MR. CAREY: They do not do it now.

CHAIRMAN TRUEBLOOD: I think it is not a good example because at least implicitly this is applicable to our work at the management services right now.

MR. CAREY: It is a contingent fee.

MR. DEVORE: I would like to make another comment on this.

I think that the answer to this is somewhat academic

from this standpoint. I believe most management services are rendered in our profession to existing clients, by and large. However, your main revenue from this client comes from your basement bargain function and, therefore, you cannot do anything that is going to place you in serious jeopardy in connection with that relationship. Therefore, if you did anything in management service work which was not independent or in the client's best interest, you would stand a very real risk of losing that client. I don't think we can put ourselves in that posture.

Specifically, I don't think that you could afford to make a recommendation on a market research thing that you ought to go into this field because you would get x per cent of a rise in income. If that were the wrong answer (and your client is going to know this sooner or later) then he is liable to change that and kick you out in the process. Therefore, I don't think you are going to find that, as a practical matter, this will be a problem.

CHAIRMAN TRUEBLOOD: This, in effect, is just another one of the reasons, is it not, why so many of our experts take the position that, given standards of work and measurement, that this is just a natural area to which we can fall heir, as it were,

because of the conditions of our environment and our history and that no other group or groups are prepared to take on this kind of thing, either organizationally or in terms of the constraint that would be put upon them and which we have demonstrated our willingness to take upon ourselves.

MR. BEDFORD: Maybe I had better put the question in this form then -- can we, in the long run, go into the management services area without, in some way, itemizing our standards of independence and/or the areas of our competence? However, the concept of independence is the one I am really concerned with here because I don't think we now have any and until you have made some reservations there I don't know what we can accept.

MR. DEVORE: I don't think this means a thing and here I relate to another conversation we had. This was with Emerson Mead, in which he said that if a CPA goes into management service work, he is, as a business man, beholden, responsible to the same standards of performance as he is in auditing and accounting fields, where we do have a good reputation. Therefore, I just think that as a practical matter that you are just not going to find that you are going to get into any trouble in the management service field because of being

short-sighted.

CHAIRMAN TRUEBLOOD: I don't think it would be improper for me to relay to these of the committee who were not there that neither the chairman of the SEC nor Mr. Barr, in our meeting with them, seemed to have any concern about the extension of management services activities as such.

MR. CAREY: Not as we have now described it. Mr. Barr, however, used to be concerned because he thought it meant part-time controllership in effect. This bothered him, of course.

CHAIRMAN TRUEBLOOD: I can also illustrate Malcolm's point by our experience and, I am sure, possibly the experience of other firms, where, because of the technology involved we have had to take in, let us say, an EDP expert without CPA training, or a mathematician without CPA practice or experience, audit practice or experience, and we have had a very difficult time restraining them, if you want to use that word, for the reason that we have felt and have required that they conform to all of our ethical and practical standards whether or not it was a pre-existing client of our firm or an audit client of our firm and they, in effect, have this management consulting point of view, you see and we have this other point of view and,

as a result, it has been our position and, insofar as I know, the position of all major firms, that our constraint must carry over to this area of work.

MR. BEDFORD: Then I draw the conclusion that inevitably we must, as a profession, publicize the fact of this independence in management services work.

CHAIRMAN TRUEBLOOD: You are right to this degree -- if you go to the Management Services Committee of the American Institute, they are not willing to sign over, point by point, the carrying of a code of ethics. They would rather prefer to enjoy their freedom, such as it is.

Do you have any other questions?

MR. BEDFORD: I have two questions and I would like to render them very quickly if I may.

Sidney, you distinguish between education for leadership in the profession and education for the profession. Should we distinguish between those two?

MR. DAVIDSON: Are we back to our problem of the eight thousand practitioners as opposed to the four hundred larger firms?

MR. BEDFORD: I would submit that if I were training people who are going to be leaders of the profession, and I mean

by this, managing partners and partners operating, that I would certainly feel that they would have to have a great deal of work in the human relations field and all of this other. This, I think, would be essential.

On the other hand, there are many people, whether they are engineers or whether they are accountants, who are going to have to have a great deal of competence in such areas of operations as research, the computer, mathematics and statistics, as well as certain basic accounting competence. These people may be highly paid, shall we say as much as from \$35,000 to \$40,000.

Maybe I am stretching the point but now, for the education of them, I would not contribute at all. They would be educated for the profession but not educated to assume the position of leadership and the direction of the profession.

Now, I am not talking about technology and minor bookkeeping sense, but a higher level of technology than that which is now developed.

Therefore, my question would be -- is there any difference between education for leadership in the profession and education for the profession?

MR. DAVIDSON: Well, I refuse to accept the position

that somehow there is going to be an elite corps. What we like to say to all of the prospective employers who come around is that we think almost everyone of our graduates is partnership potential. Now, there is no way of insuring in advance which ones of these are going to be partners. If there were, it would be simple for these firms to pick whom they wanted. Therefore, I would say that I see no difference except if you are asking -- should we also train some specialists, some individuals who may be a whiz at the computer.

I don't think we are really training for the accounting profession at all -- we are training a computer specialist and, yes, there you ought to train him. However, I would not view him as a graduate of the accounting program.

Therefore, I guess my answer is that I see no distinction between training for the profession and training the leaders of the profession. The leaders of the profession will be those members of the profession who are trained and somehow emerged through their own innate characteristics as leaders.

MR. BEDFORD: As far as your school is concerned, you think of it as training for leadership?

MR. DAVIDSON: Yes.

MR. FERTIG: I think I would agree with that. I would

stress it in a little different way.

First of all, there is a definite limit in time as to what a university can do. We do not or cannot, I don't think as a practical matter, establish all kinds of gradations of different kinds of education for different groups. Ohio State University still attempts to do this but we have proved it is impossible and one of these days we are going to decide that there are certain things we cannot do.

I think that our program ought to carry with it an implicit assumption that within the limitations of our capabilities everybody is going to be a leader and, further, if we find an individual who clearly cannot cut it, then he ought to be flunked out, with the full knowledge now that only from ten to fifteen per cent of these graduates are really going to develop into leadership and, whether or not they do, is beyond the scope of the university function, at least I think so.

CHAIRMAN TRUEBLOOD: Herb, do you want to talk to this same question?

MR. MILLER: I think we are in agreement.

CHAIRMAN TRUEBLOOD: Your second question.

MR. DAVIDSON: One additional word on this.

I think that the changing technology of the accounting profession itself is going to help in the direction that we are likely to need smaller proportions of Indians to chiefs in the future than we have had in the past.

MR. BEDFORD: Now, Herb, this one is to you.

I believe you made a statement that we should have a large subject matter that should be handled by the university and I understand your reasoning for it. You also suggested that probably the conventional courses may be reduced. Now, I presume this implies that there would have to be no course material added and that we would have from Paul a suggestion that maybe some of that would be in this area of performance measurement, which might be well part of this.

Have you thought particularly about additional areas that you feel should be brought in as a part of the accounting curriculum at the university level?

MR. MILLER: I don't think there is anything different from what I have read, talked about and listened to back at the Pittsburgh meeting. Maybe there are some things, like governmental accounting, a second course in systems or the shorter semester of advanced accounting that could be considered. However, with every second course we have to figure

out an alternative with our limited time and we well may find out here that we are much better with a course in economics or even much better with a course even in data processing so that we do not obscure the total picture.

I think that with the profession expanding its scope of operations to include management services, as an example, merely than just working within the constraint of limited time, that we naturally would be pulling in our horns in certain areas and broadening out in others. Whether we will acquire this competence to teach these areas or not, I do not know. I am more interested in whether we have any control of the content of these courses because while I cannot be against the contribution of the behavioral sciences, a lot of material taught under that label I would not give a hoot for. Of course, I am prejudiced but I do think that the challenge is very substantive.

I would be very glad to control that and say that this course, while it would not be good for us, under a different man and under a different concept, would be all right. Now, as I say, I do not really have any control of this because we do not have the carefully enough defined subject matter area that supports our thesis here.

CHAIRMAN TRUEBLOOD: Malcolm, it is your turn.

MR. DEVORE: I have two questions.

First of all, getting back to this proposition that education is a life long thing and everyone should spend some time in self-development. Here my question is as to how much time. Obviously we cannot spend a hundred per cent of our time in self-development or we would starve. Further, we cannot afford to spend zero per cent of our time or we will stultify ourselves.

Now, does anyone have any suggestion or guidance as to what percentage of one's time ought to be spent in self-development? In other words, what proportion of one's time should professional men spend in self-development? Are you talking in a range of ten per cent, twenty per cent or what are we talking about?

This, I think, is a question we can ask ourselves because you have the same problem as we do. You have to spend some time preparing for your courses and you have to do something else otherwise. Do you have any suggestions? If so, I would like to know what they are.

MR. MILLER: I really could not tell about this. There isn't anything in my classroom experience or educationally

that would give me any kind of status or right to think that I had any better ideas than anyone else. Of course, I have more trouble with what self-development is because I have a feeling that some things I might consider were very useful for one person's development would not be very academic or scholarly or so on for another.

There is, of course, a certain amount of learning to live and work effectively in the best community terms. Therefore, you might learn from certain types of community activity. Also, in connection with this professional self-development, I do not mean it in chargeable time activity.

I would say, for example, in the case of the public accountant, that one who used every spare moment to read and study might find that he has lost touch with his contact -- executives, bankers and things of this sort. Now, I cannot believe he has made good professional progress, you see, in the broad sense of the term. Therefore, I have trouble not only on the percentages but I also have trouble with whether some member of the profession might be thinking in terms of professional development a lot more narrowly than I would be able to embrace it in the same terms.

MR. DEVORE: This is one reason why I thought, in

considering this, that we should get into the area as to whether it might be narrow or broad. I might spend more time working in the local Boy Scout movement than on books. Nonetheless, if there is some general guidance that would be useful, then I think we should know about it.

MR. MILLER: I am more interested in chargeable time concepts maybe than I am going the other way.

If firms would say that they believe that no one should have more than x per cent a year or hours chargeable time, if the man is far enough along to where he feels he is identified with the firm, then I am pretty much inclined to let him follow his own instincts and I will bet he would use his time pretty satisfactorily on the whole. I doubt if he really would go far off if he had identification with a firm.

Now, how this works in the fee structure and economics of the firm, I do not know. However, you might be doing the firm and the man a great favor if, at a certain stage in his life, you would say, "You cannot charge that many hours next year". Now, at the moment, he might feel frustrated. He would say, "I am a work horse, let me go." However, if you force him to be oriented to chargeable time, he may, in ten years, end up to be an executive partner rather than a partner in

charge of ten clients and this, of course, varies by individual.

MR. FERTIG: Our regular contract provides for three quarters out of four. Our guys run off as visiting professors and all that sort of thing.

MR. MILLER: It is hard sometimes for the professor to use his time wisely. We have to generally arrive at this pretty independently. I think a firm is in a position to give some guidance and the business schools rather generally had rather rigid policies on this to where they would say to a thirty-two year old man, "You don't do anything this summer -- you maximize the long pull." I think that if this were done on a large scale, that we would have even more attractive college professors as a group than we have now.

CHAIRMAN TRUEBLOOD: Is that enough, Malcolm?

MR. DEVORE: I would like to get something a little more specific if any of the rest of them are willing to tackle it.

MR. DAVIDSON: I would set the percentage high because you are never going to attain it. You can say that you ought to devote twenty or twenty-five per cent of your time to self-development but inevitably you are going to come across events that will cause you to have difficulty getting this much time.

MR. CAREY: When you say "your time", we have a lack of definition here. After all, some people only need six hours sleep but I need eight. This is the trap you get into when you talk about something like this.

MR. LINOWES: It also depends upon the objectives of the person and it is a personal thing. Therefore, I don't think that we can, even if we want to, set up an arbitrary percentage of time. You have the physical aspects. Also, a person's health has to be taken into consideration and also what is a person's philosophy of life.

I think that in a democracy such as we have here, with education available to us, as long as we are exposed to enough background during our formal education years of the appropriate kind, this is the key to it -- to create the motivation and background to continued study for those who want it. I do not think we can set up a procedure or even a time to improve ourselves. I think this is not realistic.

MR. MILLER: While I agree with all of that, I would like to make one small comment on it that I think is relevant.

There is a young man in a firm. I think that he is influenced by the philosophy of the firm and the policies of

the firm as he reads them so, if I were in a firm where I thought the way to get to the top is to have x-plus chargeable hours, I will then attempt to get those and then, in fifteen years, I will reflect that in my own personality and attitude and everything else.

Now, the same man in another firm, who was told that he did not need x-plus chargeable hours, that x was reasonable and the firm encouraged this kind of development and you backed this up with not just talk but with salary increases, then I think that Herb Miller and firm X by age 50 is going to be different than Herb Miller and firm Y by age 50 because he will have adjusted to a different set of standards which the firm has accomplished for what they want him to do with his time and development.

Therefore, I don't think you can generalize for the profession but I think that firms ought to recognize this -- that there is here involved as important a policy decision for the firm as it may be for the individual or any of its other decisions. I think all of this essentially depends on where you want to be five or ten years from now.

I think that if I were a member of a policy committee of a firm that I would be real interested in presenting this

type of arrangement. However, as to the time element involved, I would not know about that. I would have to leave that up to you.

MR. DEVORE: Of course, I will admit that it is difficult to do this sort of thing. However, my experience in life has been that you always get something more done if you reduce the generalities to specifics. I would like to give you a personal illustration.

When I was preparing for my CPA examination years ago I did it on the basis of allotting one hour of study per night five days a week. This seems like a relatively modest approach to the problem but if you follow this out for fifty weeks, then you have the equivalent of fifty man days. However, I likewise determined that if I wanted to spend full time in something that all my brain could absorb was about five hours. Therefore, 250 hours of work, being one hour a night, five days a week per year is the equivalent of taking two months of doing nothing but studying. Further, after I passed my CPA examination, I likewise resolved that I was going to spend one hour a night in self-development. This worked fine until I got married and started having a family and, as a result, you know what happened. However, I don't have any question but that this

personal development made me better for having set a specific time for myself than if I had just said that I would do so without any plans and going into specifics.

MR. MILLER: Do you think the firm could have helped you if they had a personnel policy that would have recognized you and seen you often enough -- not to have seen the personnel man five minutes twice a year -- but to where you could have found that out and with the firm's cooperation continued in your self-development, etc.?

MR. DEVORE: Yes. Yet, on the other hand, what is the difference between trying to say that you spent an hour a day studying and saying that you have too much charge time? You are dealing with 100 per cent in either case.

MR. MILLER: That is true. However, I am inquiring about whether the firm could not have helped you on your personnel policy if they really had believed in you and carried through on your wishes. I don't say that this is the fault of the profession or anything but I do believe that any firm could do it right now, especially if they so desired and believed in it and, further, I also believe that what we have to sell is our resources and that is all we have to sell, our talents, and we believe in the long pull this is the best way of developing

our talents, just as the firm's belief is that through research is the way to develop new products. I think that you can do this at almost any time and that it does not need to be a formalized procedure.

MR. DEVORE: You mentioned research. Certainly business firms will say we are going to budget x per cent for research. Difficult or not, they are setting percentage.

MR. MILLER: I think this is up to the firm but, for example, Haskins and Sells might arrive at a different percentage than would someone else.

MR. DEVORE: It would also be different by men within the firm.

MR. MILLER: So then the firm's character begins to develop accordingly.

MR. CAREY: One individual gave a percentage, stating that they invest ten per cent of their gross fees in professional development activity. I suppose this is, in a sense, a measurement of time. I am not sure how you qualify it. It would not be reasonable to assume that if one of the managers takes a junior and gives him a week's course that they would charge it to this kind of thing.

MR. DEVORE: That is what I am thinking. That isn't

a big figure either.

Now, the second question has to do with liberal arts. I don't have any question but that the people in the liberal arts program are really intelligent. They may be more intelligent than those in business schools or maybe the same but they are intelligent.

I do have a question, however, as to our ability to interest them in the profession on a long-term basis. You might be able to interest them in getting into the profession but I wonder if they would stay and whether the drop-out rate would be abnormally high. In other words, I wonder if they go there merely because they do not like the business aspect of things?

MR. CAREY: No, I don't think so.

MR. LINOWES: I don't think so either.

MR. CAREY: I speak from personal experience only but my own recollection of my classmates and my two sons' classmates is they went to liberal arts colleges because their parents thought it was a status thing to do or somebody had given them an idea that you must have a broad liberal arts education and then go on and learn your vocational training. Most of those boys had not the foggiest idea as to what they

wanted to do. This was even up until their junior or senior year in the case of many of them.

MR. DEVORE: Are you saying that you would have just as much chance for holding their interest in connection with the long-term profession as would someone out of business school?

MR. CAREY: Well, I am not sure I could make that comparison but what I am saying is I believe that there is a pool of good training involved there and that probably among those brains there are certain types of people with aptitudes, interests and inclinations that would fit our work just as well as something else. Therefore, if we made a real effort to familiarize them with what the profession has to offer we might get a percentage of them to come into our profession.

MR. DEVORE: I think that what I am suggesting is that maybe if you went to a business school that one out of five might meet this test whereas, if you go to a liberal arts school, it might be one out of fifteen or twenty. You would not have as much staying power in the liberal arts plan.

MR. CAREY: Not on a percentage basis but the one whom you might meet you would find was superior.

MR. DAVIDSON: I don't understand. Are you talking about your firm going to a liberal arts college or talking about

the American Institute going to the liberal arts college and asking these people, attempting to encourage them to go into the public accounting profession after going into a business school?

MR. DEVORE: Either way.

MR. DAVIDSON: You see, I think there is a difference because the Institute may be trying to increase the pool of people upon whom public accounting firms may draw and, as such, we at the moment are talking to high school seniors. This is where the Institute's money is going. How many of them are likely to go into accounting? Actually the percentage may be somewhat higher in liberal arts colleges.

I can only pass on to you a personal experience -- that after some checking with the Ethics Committees, Baldwin, who is a partner in Arthur Young, and I, went out and did some talking and we actually got into a couple of classes and then spoke to some clubs at Harvard, MIT and Yale. We were attempting to give them the facts of life in relation to public accounting and also what sort of education was appropriate for this. I must confess that the other gentleman was more ethical than I in that he scarcely mentioned the firm of Arthur Young, whereas, somehow the name of the University of Chicago did creep into the

discussion. However, in this case we got more applications from Yale than we ever had before in history. This, despite the fact that one of the assistant deans goes off and visits Yale on a kind of generalized basis. We were not quite as successful at Harvard although I am still convinced that if we keep after them we are going to get some more applications from Harvard College.

My only suggestion is that an individual who was good enough to be admitted to Harvard College or to Yale and has fought his way through there, then, if he goes to business school and winds up with a Master's Degree and then goes into public accounting, the chances are that he will stick. Further, the guy who sticks is likely to become a leader in the profession.

MR. MILLER: That is a good point.

Perhaps I should mention a little experiment that we attempted at Michigan State, relating a little bit to this matter of recruiting.

We are attempting to preregister during the summer as many of the freshmen as we can and, because of the twenty-seven thousand students on campus, this is a problem.

We had a senior man in accounting, not a teaching

Fellow, go over and talk to the freshmen, as many of them that he could meet under the banner of the business area or accounting area and these were freshmen that he presumed had no preference. I also went over and met with several groups and explained the profession, the excitement, potential, etc. Well, we had a noticeable job on getting the groups, at least some of them, into accounting because we found that they generally talked to somebody during one of several decision times in their life.

For instance, they had the thought -- "I am now here, I am going to register tomorrow. All through high school I have been talking about this but I don't know." Now, maybe this is a decision point, maybe this is the time, Jack, for action on our part. It may be more effective here than at the high school level.

What I thought I would like to be able to do would be to get to the whole non-preference group at this decision point.

MR. DAVIDSON: We had the same problem. However, we would have liked to have gotten to a larger number but then the problem is as to how to get them to come in.

MR. MILLER: Personally, I am not too sure that

high school is the right level for this type of procedure.

MR. CAREY: Is your attempt there to get an expression for a major?

MR. MILLER: This is one of the times that we find they make an expression.

For example, when they first come to Michigan State, they may, at that time, state a preference. However, it is not mandatory. They do still have a couple of years to drag on their decision but, for quite a few of them, the time of going to college is getting shorter and shorter and so they are in a given category and, if our story is presented to them in an adequate and interesting way, then I do think you will have an influence on them at this time.

Now, I am likewise sure that we can do the same thing at the end of the second year in college, which is another time. However, by then, they have picked up a lot of biases and things of this sort. Maybe you cannot be as effective and then you would also have to have more help.

Also, there may be one or two other points during their college training that they reach a decision point on, which we might be able to use to our advantage.

CHAIRMAN TRUEBLOOD: Jack, do you have any questions?

MR. CAREY: I do have a couple of scattered questions. I certainly am not passing.

I believe there was an individual who indicated that the behavioral sciences were pretty skeptical about existing course materials for accountants. It was indicated that actually this area had not been thoroughly structured and a lot of people had different ideas about what it should be. It was further indicated that this nevertheless was important and that it involved communication and human relations and things like that.

Perhaps this is something that we should peruse a bit, go to some leading institution where they have the strongest faculties in this area and develop a course for accountants or a series of them. We could give them the material that would be most applicable to the future career in accounting. This has come up in other conversations and this, I guess, is an old problem -- what courses are taught if you move over into the economics area. If you will remember, Earl McGrath has written a lot about this -- that courses ought to be structured for the people who are trying to get this broad background and then specialize in something independent.

Is there anything in this? Is it something we should consider investigating?

As time goes on (maybe not immediately) if we are going to ask our future candidates to get some familiarity with a much broader subject matter than they have been lately required to do, and if they had to do it within a reasonable length of time and at some reasonable cost, it could perhaps be very helpful to attempt to design your courses accordingly. For instance, if there is a common core or common body of knowledge that everybody agrees on, maybe it can be encompassed with the reasonable realities of life.

Is there anything to this type of thing?

MR. DAVIDSON: Well, is this course for accountants likely to differ from the behavioral sciences for business school students generally?

MR. CAREY: Probably not.

MR. DAVIDSON: I would say there would be a difference.

CHAIRMAN TRUEBLOOD: We are, at the moment, engaged in some extensive and frustrating study as there can be about our behavioral science courses should be. I suspect we have established a reputation of having as great a commitment to the behavioral sciences as any graduate business school going along but we are still far from satisfied with this sort of thing.

Now, why the Institute should invest its resources in attempting to solve this more general problem is a question that I don't know the answer to but I think the American Association of Collegiate Schools of Business, if that is its name, might very well get all of the schools or any other citizens like the Institute and the Chartered Life Underwriters, as well as large numbers of other groups to attempt to pool their resources and see if we cannot structure this highly important area in a way that will be more meaningful for the business school students.

MR. FERTIG: We have a devil of a time with this same problem. If by this proposal you have also in the back of your mind the question of money, then I am convinced that there are shortages other than financial that stand in the way of good development in the behavioral sciences.

We have had similar experience. We have the Department of Sociology, as well as the Department of Economics right in our college and we know these individuals. We have Ph.D. students who minor in the behavioral sciences, four or five of them but then, in connection with the professional curriculum, what do you do? Here is a smorgasbord of material they have gotten and over in "industrial sociology" (whatever

that means) it is very, very difficult. However, I don't think it is a shortage of resources -- it is a shortage of brain power. I believe that is the problem.

CHAIRMAN TRUEBLOOD: Interpret for me this kind of thing if you will -- where you take Jerry Thompson out of Illinois, a pure mathematician, and put him with Neal Churchill, a pure accountant and just hope that out of cross-breeding Jerry finds out what to teach business people at Carnegie Tech and Neal finds out what should be taught in mathematics.

MR. CAREY: I think it is something like that.

CHAIRMAN TRUEBLOOD: Is this what we are attempting to be told?

MR. DAVIDSON: I don't think so.

MR. FERTIG: I did not interpret it in quite that fashion but then I think it would be an interesting development.

I think what we ought to do is to go around to the various schools and find out what is being done. For instance, Chicago may have done one thing right, something which might not do at Illinois. Is this a thing that makes sense? Then you likewise go somewhere else and do the same thing and finally, you find the best teachers of the whole approach.

MR. MILLER: I would echo Syd and Paul one hundred

per cent. We have struggled a lot. Michigan State has some outstanding sociologists from the Chicago faculty, and so on. Therefore, we come to the problem of whether or not this is some kind of significant step for the sociologists to become identified with the business school area. We had a historian join the business school faculty and the history professor would no longer associate with him, would not even eat lunch with him. This exists, you see. Therefore, if there is some way that the image of professional recognition can be altered to where this individual has this opportunity and then other sociologists recognize that this is a significant contribution, we may have something. However, I don't know how you are going to get them to change.

We found another problem at Michigan State -- that no matter how good the sociologists or psychologists are, that there is something missing in the language, in the vocabulary and so on. For instance, the sociologist will use as examples the Seminole Indians but then, on the other hand, how about the case of DuPont, where this management group or something or other can be found to be just as interesting an illustration. However, these people do not find time to look up most of these.

MR. DAVIDSON: However, the literature is building up.

You find these instances where these individuals are studying productivity in a factory run under one set of conditions, under a tightly run budget and then, on the other hand, doing the same thing in relation with a loose kind of budget.

MR. MILLER: I believe this kind of interchange has to be done. However, I don't know quite how.

I would say that if you could get a pure mathematician to sit down with Churchill that you will come out with the best mathematics course possible for business schools but then, on the other hand, he may go back to Illinois and say that he does not want to teach it. Therefore, in that case, has he lost stature as a mathematician? Of course, I would not really know.

MR. CAREY: I have one more question, which is a kind of hard one to get out. However, we are working on this so-called common body of knowledge, common core might be a better term.

Anyhow, presumably at the end of another year and a-half or two years something will come out that says this is what a CPA ought to know, both for now and for the future, twenty years from now and all of that. Where he gets it is another problem and that will be a step that still remains to

be taken. What I am attempting to get the answer to is what are the channels through which we can communicate with deans, faculties -- what are the media, not only with respect to this but I can think of using this as a vehicle, something that is interesting, something they ought to know about before they are finished. However, going back to Herb's earlier remarks, people don't think we pay much attention to accounting faculties, we do not rate as high in the academic world as we might think we do. We appoint a committee on relations with universities but they do not communicate very effectively, at least so far as I can see. However, once in awhile they do meet with some professors or some letters are exchanged. However, as you know, this really isn't communicating.

Therefore, should we try awfully hard to get people to work with the deans? Can you go to the deans' meetings? Are they open? Can you mix freely with them? I am merely throwing all of this out for your thought.

MR. MILLER: I have some reactions but I don't think they will be very scholarly and I probably ought to wait and react last. However, I have not been smart enough to do that all day.

In connection with association with the deans, representatives of publishing companies have never been, as far as

I know, invited to their meetings. However, they are always at the same hotel and they see a lot of them at bars and at the swimming pool side and so on. They do want to create an image of company with the deans and so on. Of course, I do not know whether I would advise this sort of thing but, on the other hand, to make the deans aware of what you are doing, I think you should invite them to come to wherever you think is a suitable place for the partners to deliberate seriously. Some of these places where you hold your meetings sound pretty exotic to me. If you were to invite certain deans for, let us say, a two-day session, pay all their expenses, and if you had a good presentation, then I am sure they would come. Of course, you do not have to give them anything ahead of time to read but then, after they are there, they begin associating with their friends and, as a result, they will go back to the campuses and talk about it for some time. However, the point is that they are talking about it. This would be one possible way.

Another thing that occurred to me over the years is the annual meetings of the Institute, where you really draw some big names and you have well known speakers, etc. I am sure if, in this area, you were to make a real effort to invite three or four deans of business schools, have them come and

sit at the head table, wherein they would also get to know other people, this would likewise help.

Of course, this does take effort and it is likely also to take some budget in order to pay travel expenses because these deans do not really have a budget for that type of thing.

It would seem to me that when you do have an outstanding program, containing some big names, that you could follow somewhat along these lines. Further, deans are likewise subject to flattery, because, after all, they are human in spite of all the evidence to the contrary.

CHAIRMAN TRUEBLOOD: I would now like to ask our witnesses to make any closing statements they desire.

Syd, do you have anything?

MR. DAVIDSON: Nothing for now.

MR. FERTIG: Nothing particularly hanging fire.

MR. MILLER: Well, I would like to say that I have benefitted of much from this meeting and provided the Institute is willing to pay my expenses, I will come later and meet with this group. I enjoyed this very much and I think we ought to start a little club and meet once a month. (Laughter)

CHAIRMAN TRUEBLOOD: It has likewise been very fine

for us and I think all of you have been very, very helpful today.

If there is nothing further, I will adjourn this meeting.

(Whereupon, at four-thirty o'clock p.m., the meeting adjourned.)

FRIDAY AFTERNOON SESSION

November 8, 1963

The meeting of the Committee on Long-range Objectives of the American Institute of Certified Public Accounts with Dr. Paul Lazarsfeld was held in Suite 754, Drake Hotel, Chicago, Illinois, commencing at 1:20 o'clock p.m., Mr. Robert M. Trueblood, Chairman of the Committee, presiding.

CHAIRMAN TRUEBLOOD: Perhaps, in opening this discussion, we might let Dr. Lazarsfeld merely start out and talk for a few moments and then, at a later time, interrupt with questions if that is necessary. Therefore, Dr. Lazarsfeld, we welcome you here. We realize the ordeal you have gone through with your plane connections. Therefore, at this time, would you merely like to start out and make such comments as you desire?

DR. PAUL LAZARSELD: Well, because of the confusion that came, I thought I would at least have time to do three things that would permit me to prepare for this other meeting at New York, which I will be very glad to participate in. Therefore, I would like to talk for a short time relative to first identifying myself as a witness so you would know from what point of view I am bound to look at these problems and

then, following this, just to read off a brief outline of some six or seven points, calling to your attention what they are and then, following this, possibly pick up only or maybe even a part of it for detailed discussion because I do happen to have some material in connection with it which I wanted to distribute.

Therefore, as an introduction for the record, I first want to say I don't know why you invited me here but I know why I accepted your invitation and why I was interested.

There are three aspects involved in my work. I don't know whether you will be able to use these but I would like to enumerate them for you.

First of all, I have been very closely connected with the Ford Foundation Program on the relation between business schools and the social sciences. Again, not giving any details apart from the fact that they started five or six years ago, the idea here is that of connecting general business school education and liberal arts, social sciences. Something which is worth mentioning here is that the Ford Foundation, about four years ago, appointed a committee of three people to write a kind of pragmatic statement on social science and business education. You probably have all seen it. The three authors

were Lair, psychologist, Dahl, political scientist, and myself. We wrote a statement consisting of about 200 pages which was terribly widely distributed. Looking it over for this purpose, I found out that none of us ever mentioned accounting--that is to say, in a broad statement of social science and business, the program of accounting was never mentioned.

I might add to that that as a part of the program I went for a year to the Harvard Business School as a Ford professor of social sciences, mainly to find out what is going on. I sat in on pretty nearly every course at Harvard Business School except that I never met or never sat in on the accounting course; however, in some way that must have completely escaped us.

Also, I don't remember that in this Ford program this was ever mentioned anywhere, but I don't go into detail here because that was quite an important history.

Therefore, my first source of interest is, of course, that I have always been interested in the relationship between the social sciences and business. My personal and main field has been in the market research area, from a social science point of view.

Secondly, within the social sciences (and here it

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becomes more meaningful) my main field has always been measurement. I would say two-thirds of my publications have always had to do with measurement. I am known as the measurement man in our business.

Therefore, when I turn to this problem and read the papers I can say they interested me very much because the point is made that there is a link between you and the rest of the world which, of course, is a measurement problem. Therefore, I felt I had a connection there. We will come back to this in detail later on.

Then, I don't know whether you know or not that Columbia has a very large Bureau of Applied Social Research. There are now seventy universities who have such a Bureau but Columbia was first and still has by far the largest. That is to say, an official university bureau, part of a great university, which does applied work for government, business and other mobile forces. There is not a major corporation in the country for which we have not done contract work.

There is a University Bureau which does applied research, where the contracts are signed by a university officer and the Bureau has now existed for twenty-three years. I was originally Director of the Bureau but now I am Chairman of the

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Board. The President appoints a special board to supervise it.

Therefore, through this Columbia Bureau I am, of course, interested in this whole area.

However, what is important is that in spite of all this contact with the business world, the accounting profession has never occurred. However, in regard to the Bureau, I would like to answer to this third point and that is we have always been very much interested in our Bureau as to the large number of studies on professions; such as the question of the problem of developing professions or changing professions and there again I will not talk about these today. For instance, our Bureau does the bulk of the work for the medical profession. There are, for instance, terrible conflicts between practitioners and specialists in the medical profession. There is the whole question that medical students, at this moment, and in this country, are too much trained in the physical sciences and not enough in the human sciences. Therefore, our Bureau has a large division devoted to the study of medical schools, the role of medical men in the American community and all of that. Therefore, as you can see, the study of professions is a very important part of our work.

I, myself, have done studies on the changing role of

the American university professor and one other large section in our Bureau is doing a study of lawyers. This will probably be closer to your problem.

We have likewise done endless studies and published them relative to the difference between small firm lawyers, large firm lawyers, relations between lawyers, courts, judges and so on. Of course, we have not done any studies as to the relations between lawyers and accountants.

The study of the professions is a very important part and almost dominant part of our Bureau.

Now, to come back to my second point--the study of measurement is a main part of my own work.

Another part is my measurement interest in the professional studies of the Bureau kind of predisposes us. As to how you ever got the idea to write me, I do not know. However, that is your privilege.

In these few words, I have attempted to give you a kind of introduction so that you will now know from which point of view I read your material.

Now, what I would like to do now is to give you an outline of what I have prepared and then just talk briefly about one thing.

Now, first I wanted to pick up two of the points which reappear in the literature.

The first point I had in mind was that I wanted to talk about the attesting function and I wanted to make you aware that in the social sciences new areas of testing come up and if I have more time, for instance, I would tell you a little more about the bit of discussion of television ratings. I am sure you all know what television ratings are. You know, further, there was a Congressional Committee appointed two years ago to investigate these services. Their function was to investigate the matter of whether or not these rating services do any cheating. However, they do play a tremendous role.

The people who formed this committee, the technical committee of the Congress, included thereon statisticians, sociologists, as well as some others but they never thought about calling in an account on this. I don't know whether you have any idea what role those rating services play for the industry and how they are contested.

I don't know if, in this ten-year discussion on ratings, competing rating services, ever anyone thought of accountants.

There is also the matter of the 1948 election, when

all polls predicted wrongly with regard to the election of Truman. As a result, the Social Science Research Council appointed the huge committee to check the data and as to what was wrong with these public opinion polls because, as I say, they all mispredicted. When you look at this committee, there likewise was not any accountant on it.

Therefore, the first point I wanted to make is that in the social sciences, in connection with a lot of these investigative activities which deal with a lot of these different categories, never has an accountant been on there. That is the first point. Of course, I will not go into further detail at this point.

Secondly, I would mention your budgetary function. I wanted to make you aware that science has become a business and that the budgetary problem of the business of science is nowhere mentioned in all your literature. The Government spends millions and millions on grants. I, myself, have, in one way or another, in one university, in one bureau, administered millions and millions of dollars of Government grants. Therefore, there is a big budgeting problem and, further, the auditing problem of scientific work gives completely new problems.

Further, we are struggling because we cannot anticipate

what things will cost because we do not have the training. Further, the Government applies completely mechanical standards in auditing.

Really, the problem of budgeting, especially scientific activities, brings up accounting problems of which I am terribly aware. I have collected a lot of problems. They are intangible aspects, such as how do you know what the relation between Federal work and coding or statistics is? What happens if you suddenly have electronic computers?

There is this one man who wrote a paper on that. It appeared in the Public Opinion Quarterly called "Dollars and Sense", pointing out that the budgeting of scientific projects and the auditing of scientific projects is a completely new problem. Again here I will put into the record later on a lot of examples.

In my opinion, the same is true for the physical sciences. If you look at just a space program, at how they always misbudget, you will see what I mean.

Also, in connection with the social sciences, I can likewise give you examples.

However, I claim, in relation to my second major point,

that the budgeting and auditing function of science is a business and I include of course the social sciences as something which no one here mentions and which looks itself small compared with the billions which go into production but even large enough to be taken seriously.

Now, my third point was to be the problem of measurement--that if you really say that accounting is a special aspect of measurement, then we are very much in the same business and that I will skip for the moment because that is the only thing I will have time to talk about. However, someone did mention it and I think you are not actually aware as to how much we are in the same business. I would also mention--as to how much we are competitors--that is to say, if I were to give you very plain advice, I would say that you are really entering into competition with my kind of people. I can give you one very extreme particular commitment. For example, there are large new areas of measurement of performance, of measurement of existing activities which you could so to say, invade if you even knew about it and you could be very seriously in danger from me and my tribe. (Laughter) Therefore, as Item 3, there is this possibility of extending the accounting idea to this tremendous new area of measurement, of course, which is my main field and

to which I will come back at least with one example.

This was then meant to bring me to my fourth point-- that, like every profession, you always have the problem of conflict and collaboration. For instance, are you in conflict with the tax law or can you collaborate with it; are you in conflict with the bookkeeper or are you collaborating? I am just repeating here.

At this juncture I do want to make a point in that there are really two areas in my field where you either can be in conflict or develop collaboration in.

One of these is in relation to which very many of your contributors mentioned--the whole are of what we call in our trade the measurement of social organizations. For example, here you study the enterprise in order to find out whether or not it is making a profit. However, how about studying the enterprise in development of measurements as to whether the workers are happy, whether the customers are happy--that is to say, in the field of straight business enterprise, I will make the point that very new types of measurement are coming up. I will say that I will give you, when we meet in New York, one nice example which, to say, affects you doubly.

I have been, for many, many years, the main advisor

for Broadcast Music--BMI. This is a big organization which has one of the most unbelievable accounting problems in the country. They have to tell every month the statistics with regard to every song that has been published. I don't know how much you know about that. There was a tremendous court fight between ASCAP and BMI. They have a great accounting problem with regard to the recording of popularity of songs and yet I can tell you in an amusing way that in spite of all the attention given to this that no accountant has appeared there. The only accountants I know in BMI are those who account for salary checks. However, the accounting of songs has been, for the last fifteen years, left to me and my colleagues.

Now, another point here is that we are now having the computer come in and, of course, the computer completely destroys authority structure of BMI. BMI has some very nice divisions, such as the Statistical Division, Contract Division, etc. However, now the computer has come in and it has destroyed all that statistical work into two hours a day. However, by the same token, it is terribly expensive. You have to use these machines for something else in order to get your money out of them. Therefore, as a result, the computer is also beginning to invade the Comptroller's Division--the Lawyers Division and, as a result, is now engaged in the process of completely

destroying the traditional divisions of this company.

This, in turn, leads to unbelievable power fights because the one who controls the computer is in complete control. The computer breaks down the tradition of the organization and, as a result, a power fight begins because the division which can control the computer, at least in a hidden way, also controls the investments of the company.

Therefore, in connection with this whole theory of organization and enterprise, there are very new measurements of accounting problems and so it is not only you as a tax lawyer, but it is you in what is called the management concern that are involved. This, as I say, is not something new. You have it. However, as I say, what has not much been noticed, at least to this point, is that really you and me and are in competition and here I come back to a brief point in connection with which I will give you at least one example today.

Now, another point that I would like to make is that you talk a great deal about training in this (indicating) general document which consists of about 87 pages. I think, Mr. Carey, that you wrote this.

MR. CAREY: That was written by Mr. Trueblood, actually.

DR. LAZARFELD: However, there is, of course, the question of training in relation to undergraduates. There is a tremendous amount to be said here because the problems that you bring up there are much more general than you assume. I would like to give you some examples.

As you all know, there is a tremendous increase in market research and you need much professional personnel in market research. Now, this personnel is not trained anywhere. If a man applies as a psychologist, then he has to learn much more than his basic education and so, as a result, he isn't initially well trained.

Now, if you employ a sociologist, then he has to learn much about history and here again he isn't well equipped. Therefore, at the business schools, nobody is well trained because the business school in principle does not train specialists.

Therefore, in market research, for instance, there is no place where you can train people. Here is another point at which I will give examples next time.

Now, in many universities a new profession has developed. Generalizing a little bit, they are the social research men.

Now, in relation to other areas, the Government has

projects on relocation of West Virginia miners to other parts of the country.

Likewise, the Government is terribly concerned about the effect of the Voice of America in the Middle East.

The Government has elaborate research projects, both political and social, where they have to employ psychologists or sociologists but, in reality, there is a new world which combines measurement and the social sciences, public opinion research, market research, government research which has exactly the same problems you have.

Also, what you describe is very correct--that this humanistically trained accountant, who knows something about the world, you see, is really only a special case and, further, that the knowledge of human values, of social trends, is taught nowhere.

I will make the point next time that I completely agree with what you say. However, I have some other suggestions on manypoints but it is important you do not believe it is mainly your problem--that it is a general problem of applied human sciences for which at the moment you see involved only an old American development. For example, we now have journalism schools. Nobody any more believes that journalism can be given in the English Departments. As a result, we have professional

schools. We have also schools of social work but no one believes any more that social workers can be trained in psychology. Therefore, what you have in the history of American education is all of those new combinations confined in professional schools--the journalism school, the social work schools, etc. However, in relation to these applied social research factors, of which I think you are just a specialty, we do not yet have professional schools. There are not yet professional schools for the new combination, which would be market research and new type of accounting men and the new type of social research men whose badge is psychology.

Now, as a fifth point, I wanted to talk in great detail about training. I am in complete agreement with this document. However, I would like to show you that historically, as well as in the contemporary theme, you have the same problem.

MR. BEDFORD: Do I interpret your statement to be that we might think in terms of the developing of a professional school for accountants as opposed to recruiting from the business schools as we have in the past?

DR. LAZARFELD: I have only to say half "yes" because there would not be enough personnel and money for that. I think you should combine with other groups who have the same

market research people. The business school does not train specialists--it trains business leaders who know a little bit about everything and then, just as an aside, there are occasionally two or three MA's or Doctors.

My answer to you is "yes", but you would not have enough market so to speak except, of course, if you are fabulously rich. So my answer is not a special professional school for accountants but a special professional school for all sorts of business research and business activities which trains professionals.

Columbia doesn't just train sociologists. It has a graduate school. The graduate school trains historians in the History Department, psychologists, etc. Therefore, this idea of the professional school would have a department of accounting, a department of market research, a department of anything, of organizational measurement, but I would hasten to say--a professional school which combines measurement with other aspects of human life and life of the society.

Now, I have no objection, if you had fabulous funds, that you create a professional school for accountants but in my opinion you just cannot do that.

MR. BEDFORD: But the thing you conceive is something

different from a school of business?

DR. LAZARSELD: Completely different. It is different from the Harvard Division of Administrative Practices. In other words, I would take the Division of Administrative Practices research out of Harvard and put it into a professional school. I would then have a new type of professional school, something which trains experts, you see, which Harvard by principle refuses to do. I would then have a Division of Accounting, a Division of Market Research, because it is always again a combination of measurement--philosophy, social sciences and humanities.

MR. BEDFORD: I will look forward to the December meeting, at which time I presume you will talk more in detail about this.

DR. LAZARSELD: As a matter of fact, I have elaborated on that in a memorandum.

Now, another point I wanted to make is in relation to a series of studies. Repeatedly you mention the kind of research you should do, etc. Therefore, my next point I wanted to emphasize had to do with a few suggestions on concrete studies you might subsidize and then my last point was supposed to be a kind of sermon type of thing because, even if you have developed all these things, all these suggestions, they will be a little

bit marginal for your profession. After all, I don't know anything about accounting. I am not an economist. Therefore, I will always be talking about additional things to which you can turn and only a very, very small part of your 7,000 public CPA's and only a small part of your 40,000 members will ever have time or inclination to do some of these things.

Therefore, I had to ask myself--why do you waste your time on something which is obviously marginal but then that again goes back to Tuttleman's speech, that it will change the public image of accounting. Now, I will not claim at this point that anything I have to say will have bearing on more than 10 or 15 per cent of your members or your activities.

However, you were quite right, there is a kind of drabness to the public image of accounting. Let me repeat that in years and years of work with the Ford Foundation on business and social science, no one ever mentioned the accountant. However, if some of your members or some committees of your organization engage in the type of activities I hope to elaborate on, it will have an effect on the public image, even if it will not have an effect on the life of 90 per cent of your members.

Therefore, this is in essence an outline of a speech

I hope to give one day.

MR. CAREY: Excuse me, could you just mention a few of the research areas you had in mind?

DR. LAZARSELD: I will do that in a few moments. I thought one thing that would help you would be if I gave one concrete example of this overlapping of your field and, of course, I will manage time so that I can at least give you a few examples of the other.

Look, I picked up one of your studies in order to show you that there isn't any justification in the world as to why that isn't done by a firm of accountants or by a committee rather than by Columbia University.

(At this point the speaker passed out copies of a study.)

Of course, I am very sorry because I really had wanted to build this up and then make a few remarks. However, we do not have time to do that.

The National Science Foundation has a big division of science information and it put out a few years ago a tremendous directory. As you can see there, it includes a list of select specialized information services in the physical and biological sciences, a typical bookkeeping test in the modern bookkeeping sense, etc.

Now, this type of thing was a big success and so we commented upon it and wondered whether or not we should now do that for the social sciences.

I would like to call your attention to page 1. It is exactly like Eaton's speech or anyone of your speakers. On page 1 we tried to define what was an information service and our best bet at the moment is that there are about 4,000 minimum. However, that includes, of course, 50 state departments of labor statistics.

This is broken down into three steps, as you can see, the first of which is just an inventory, just a printed catalog. However, we really then try to find out what these people are doing and it took us, I would say four months to develop this questionnaire. I would likewise have you look at that because I sometimes myself do not understand it. Here we have an example of the overlapping between our kinds of described organizations here.

Well, as you can see, we asked them to describe their collection, give the size of their collection. Then we likewise go a little further and ask them about the public services they take. Of course, this gets a little more tricky. This, of course, is not so easy because we had to do a great deal of

preliminary work to find out the questions to ask--as to whether they do this type of thing on request or they do it periodically and, also, do they provide tabulations on request, etc.

Then, continuing on the next page, this is likewise very difficult--as to how their services are used.

We then come to the next page and here it gets very interesting. Here we ask them as to where they belong. Are they sub-divisions of a government department; are they a sub-division of a university?

Then, following this, we asked them what kind of difficulties they have, and so on. Well, as you can see, you begin to get measurements of rather a more subtle nature. We will not have time to go into much more detail here.

Now then, on the next page you have the kind of personnel they have, etc.

As a result, in the end, you endeavor to give a description of a very complex organization. This is something that is not easy to get and also to figure out how it can be used.

Now, we have put all of this information on a computer at Columbia and so what we develop appears on a straight registry. There will come out of this a catalog and yet, on the

other hand, there will be a statistical summary and measurement. Also, from this we attempt to develop merits of these various organizations. What we are now working on is an evaluation sheet in connection with which we will try to find out whether or not, for instance, one organization publishes better material than others. Therefore, we hope that this will begin with a mere, almost telephone directory type of thing and then get into this much more complex idea which we are trying to develop here and finally it gets into something like generalization. In other words, that one organization gives a better type of service than another, which, as you realize, immediately requires two variables--how do you classify organizations and how do you rate their merits?

I brought this pamphlet along because this is the nearest thing to bookkeeping we have. It is even what you might call something that is below accounting but, on the other hand, it plays a tremendous role.

Then, I would like to call to your attention one other example. We just had a 14-day conference at Yale sponsored by UNESCO and partly paid for by the Ford Foundation, taking under consideration a problem in connection with which, again, nobody thought to have an accountant involved in. You know, there are

so many public opinion polls being made in all countries that the problem of comparative research becomes very important. For instance, how do you compare attitude to, let us say, social prodding in France and in America? This does raise a problem. Do the French have any studies on attitude toward social problems? Does Europe have any? Therefore, the problem now arises to create a system for retrieval. How do you develop one?

Look, there are every day dozens of public opinion polls published all over the world. You can see, if you take all the countries together that there are probably a dozen a day published somewhere. Therefore, how do you organize a central coding system where you can, for instance, if you want to know who has studied, over the last ten years, attitudes of people toward labor unions, or toward accountants, find such information. Of course, this is something that can be put on the computer, from which you can then get it in five minutes. However, before it can be put on the computer you have to know something about French or English in order to put it into logical terms. Also, it has to be cataloged under "attitudes", as well as many other steps taken before you can make this type of information readily available.

We are now working in many countries on a mixture of a

local cataloging system, of opinion questions which can be put on electric computers and can be, and is, an independent thing from language, is independent of detail.

Therefore, we are now faced with the whole obsession now of information retrieval. This is something you have in your field as well as in many other fields.

For example, how does a doctor or a research chemist know what has been published in his field? Well, as a result of all these factors, this whole information retrieval factor has become a major industry. I am wondering how many of your accountants are involved in that. As I have tried to indicate, this begins with a bookkeeping function and then later evolves into an accounting function.

I would like to, next time, go through very many examples of this kind of thing, where I feel that you, in relation to us, can have the same competing or collaborating consideration. I am sure many of you are not aware that the social bookkeeping and social accounting factors are now playing a tremendous role in business development. Yes, you know about economic data and some kind of thing such as that from at least what you read. However, I have the feeling that nobody told you about the tremendous type of material of this kind and if only a

very small number of your profession became interested in it, you can see how it would ultimately affect the public image.

Therefore, what I am attempting to convey here is that the new world of measurement, of social measurement has developed, in connection with which I at least have the feeling, from your documents, that you do not have enough stories and I would later like to give many more examples of that.

Now, possibly, I should stop here for any questions you may have in relation to what I have commented on. Do you have any questions?

MR. CAREY: I have a few.

DR. LAZARSELD: Before you proceed, let me just, for the moment, bring out one other thing I wanted to show you. However, I would first like to make a general point that the study of professions has been developing rapidly.

I am sure you are all familiar with the Academy of Arts and Sciences, which, to say, is a top organization. Well, two days ago, their main magazine called AEDALUS, their fall 1963 issue came out. This whole volume is devoted to the professions. It contains such subjects as: "What is a profession?" "Some problems of the profession"; "The clergy in the United States"; "What is the teacher aspect of the Professionalization

of science", as well as many others.

This also deals with various factors pertaining to accounting. I merely brought this along in order to give you a look at it.

Of course, the difference between your description of the profession and what is here called "The study of the profession" would involve conflicting contradiction. Now, you also have some of that. You are conflicting as accountants in connection with tax cases. You also have the whole problem of comparability. I was quite impressed with the fact that Eaton brought out the problem of comparability.

Our biggest concern is how do you divide economic groups here in the United States and in Peru and, in this connection, the answer is, if you divide them into two halves, that you ask them, insofar as this country is concerned, whether they have one or two cars in their garage. However, in Peru, the dividing measurement lies between whether they have shoes or do not have shoes. There, of course, the possession of a pair of shoes indicates status and divides those people like the possession of one or two cars does here.

There is also the factor as to how you compare the accounting sheet of one company from another. Therefore,

comparability here is likewise an important factor.

Also, commenting on the study of professions, there are typical studies done in all professions and, if I am not mistaken, you do not have them in yours as yet. For instance, I would like to talk a little bit about the studies you have much of in other professions--who goes into the profession, etc. Let me give you at least some studies of this kind that are mentioned in the literature and also let me tell you what a typical research formula would be.

Let us take this problem of who goes into the profession, which was mentioned repeatedly. Well, first I do not want to talk about technical detail. However, there are many studies of who goes into law or medicine but then these likewise raise a few problems. There are, for instance, certain transition occupations, such as the ministry.

Now, the ministry or the occupation of an elementary school teacher is a typical occupation where low income people make a transition to the middle classes. For instance, the son of a Protestant laborer may go into the Protestant ministry or into elementary teaching. This is about what the family can afford. Then, following this, his son may in turn go to Yale. This is true for the ministry and for elementary school teaching.

Further, the accounting profession also has a little bit of this type of thing to it--that possibly the poor family, in the case of the man going into accounting, may be just able to afford the finances necessary to make him a CPA. However, he has a son who will eventually become a professor of mathematics. This is one interesting aspect.

Of course, this might also be one way of getting into big business. Sometimes, if you do not have any family connections, you are frozen at the bottom. Therefore, we do have this question as to what is the motivation of going into the profession, especially a profession which would not be well known.

However, there is also the interesting problem as to at which point does a boy begin to notice something like the CPA? Does he go to business school and there learn about it? Well, it isn't quite obvious. Every body in his early years knows about the astronaut, but then how many boys at the age of twelve know there is something like the accounting profession.

Then, of course, psychologists would likewise ask--to what extent do personality factors become involved in this? Also, if they do go into the profession, how many of your members even think that they could do anything else than accounting?

How many members, if you made a sample of them, would have the slightest interest in what you are doing in connection with this long-range committee? I am sure you do not know. However, taking my own profession, I would think that you are likely to be over-optimistic--that you are so engaged in your work that just to know how many members gave a damn would be interesting.

MR. CAREY: We are over-pessimistic. (Laughter)

DR. LAZARFELD: Now then, this even raises a further question. It was mentioned in one of the documents that there are approximately 70,000 accountants but only 40,000 belong to your association. Now then, this is quite strange. In connection with the medical doctors it is probably 95 per cent.

MR. CAREY: Of course, they cannot get hospital privileges without belonging. We have no economic clique.

DR. LAZARFELD: However, even in my profession, the teaching profession, it is hardly conceivable that a professor doesn't belong to his professional organization. Therefore, it would be interesting to find out who are the people who don't belong. Also, are they too snooty or too rich so that they do not want to bother or are they likewise the poor fellows?

MR. CAREY: In our case, they just do not want to pay the dues. We have 8,000 firms who have one member and yet

there are several CPA's in each firm.

DR. LAZARSELD: Therefore, in a way, you know.

MR. CAREY: They get their literature that way.

CHAIRMAN TRUEBLOOD: There is another interesting characteristic. In terms of the 70,000 versus the 40,000 who are members, a large part of those are people who have gone out of the practicing profession into industry.

DR. LAZARSELD: Then this topic of conflicts seems to me quite interesting.

We made a study (and by "we" I mean our Bureau) which is to be published on lawyers--the ethical attitudes of lawyers. We developed a very complicated test--a check test on what would lawyers consider ethical or unethical. Obviously, I did not ask them, "Are you unethical", but I gave them special cases and then asked them what was obviously wrong with them and, on that basis, we got the answers we desired.

For instance, out of this we found two things. The first is that the larger the law firm, the more rigorous the ethical standards. It is the isolated small lawyers who give shady things and are involved in unethical practice. Further, it is quite surprising how open they are.

I am sure that all of you are familiar with the old

legend to the effect that everyone claims they read the New York Times. This, of course, is quite wrong because the majority of people don't even know they should read the New York Times and, as a result, you do get an amazing correlation. Therefore, as I say, in the case of the lawyers and their practice of unethical procedures, this is conceded to be much more done by the isolated lawyers, a small group.

Secondly, it is tremendously related to the law school. That is to say, the standards of people coming from Yale, Vanderbilt or Harvard are sharply different from the small law colleges. Therefore, those are the two main factors and, of course, they are correlated.

MR. DEVORE: You will probably find the same thing in accounting.

MR. CAREY: I think you would find the same pattern in accounting.

DR. LAZARFELD: It is the school and the size of firm which is involved here.

Then, following this, there is the whole question of whether they have the desire to broaden out or not, you see. There you have interesting possibilities to slip in with typical leisure time studies. What do they read? How do they spend

their private time? Again, of course, you cannot ask them, "Are you interested in broadening your knowledge?" However, you can find this out in other ways.

For instance, we have found out in connection with some of our studies the tremendous differences between doctors who mainly associate with other doctors socially and those who mainly associate privately outside of their profession. I believe one of your papers even mentioned that.

Somebody mentioned that he believed accountants just like to talk with accountants and that is bad. However, is this typical as a public relations statement? Well, it really is interesting.

We have found, for instance that doctors who mainly associate with doctors have a very different attitude toward medicine. We asked some of them with whom they played golf and bridge in connection with their leisure time activities.

Of course, from this, a number of so-called "generation" studies can likewise be followed up. For instance, is the younger generation different from the older generation in terms of their attitudes and their ambitions?

We have likewise just finished a study of admissions officers in the colleges. You see, admissions officers in

colleges, at least at this moment, are terribly important because getting into college is terribly important and, therefore, the admissions officer who was very often only a registrar some ten to fifteen years ago, today becomes a socially terribly important person and those of you who have children of perhaps college age know how important this is. He is no longer a so-called gate keeper but certainly plays an important role in the lives of young college students.

Well, we just finished a very big study and there, strangely enough, we do not find any generational differences. The young admissions officer today looks very much like that of twenty or thirty years ago and acts in the same manner.

MR. CAREY: However, the young CPA looks very much different.

DR. LAZARFELD: However, again, is it your impression or is it worth a study?

MR. CAREY: Of course, it is only impression and it would be worth a study.

MR. DEVORE: Do you recall any particular observations with regard to the use of leisure time by doctors in relation to their professional competence?

DR. LAZARFELD: Very much so. We did an elaborate

study on how they introduced new drugs, say a new antibiotic.

With the doctors it was really a study as to how innovations get into the profession and this, of course, is quite easy because you can get prescriptions from the druggist in connection with checking your study.

We picked six middle-sized or middle Western towns and here we did find a few interesting things.

Dividing the doctors into three groups, in connection with the first group, the doctor who still keeps in touch with his medical school, etc., we found that he read all of the journals and that he was the one who got his information from the medical school, from the medical journals and was really the professional.

Now, there is then the doctor who is kind of a general practitioner, who does not know any more what is going on and just lives in the neighborhood. He is the one who does not hesitate at all to go to the top doctor and ask his advice.

Then, there is the third level of doctors, the so-called middle level doctor who, when he is faced with the question as to whether he should use a particular drug or not, because of having too much vanity to ask information at the first level, he thus automatically becomes the real victim of the pharmaceutical firms.

He gets all the information from their so-called middle man and from their house organs. He, of course, does not have enough humility to ask information of the experts. Further, he is not expert enough to make up his own mind and, as a result, he becomes the ideal victim of the commercial propaganda of the drug houses.

Now, this becomes a nice measurement problem--how do you classify doctors into those three levels.

MR. DEVORE: Again, that has a parallel in the accounting profession?

DR. LAZARSFELD: In what way?

MR. DEVORE: For example, a small practitioner might get a problem on some complicated tax work and they call Mr. Trueblood and ask his advice. However, your second level man will not do that.

DR. LAZARSFELD: Then he is really the worse off because, you see, I don't know whether you have middle men in commercial firms. However, he is worse off than the lower man.

CHAIRMAN TRUEBLOOD: I suppose it would also be true among the doctors that the first level people, the really good people, will go to another first level doctor.

DR. LAZARSFELD: Absolutely. This is what I mean.

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CHAIRMAN TRUEBLOOD: How about the leisure time?

Does this follow by class? Is there a correlation?

DR. LAZARSFELD: Yes.

You will find, of course, at the top level that doctors spend a great deal of time at conventions and so on. However, the low level doctor in the neighborhood, he is mainly concerned with the activities in whatever neighborhood his may be in. Further, the middle level is then a mixture of the two.

MR. DEVORE: In other words, the middle level man has more time to play golf or bridge?

DR. LAZARSFELD: Yes, and he is a kind of half creature. For instance, he may be a member of the Book of the Month Club, you see.

MR. BEDFORD: I was wondering about the reading habits. Is there excessive reading in the middle class as opposed to the top and low class?

DR. LAZARSFELD: Yes, but more reading so that you have read a lot of the latest information. This is what we call the Book of the Month Club type of thing.

MR. DEVORE: It is not then professional reading?

DR. LAZARSFELD: No.

MR. DEVORE: It is cultural and amusement reading?

DR. LAZARSELD: You might say so.

Also, with regard to the matter of doctors keeping informed, I am sure you know that they become greatly involved in the so-called closed circuit television programs, such as the kinds of things which the county society puts out. There is a great deal of closed circuit television being presented to doctors as a means of them keeping up with their specialty.

CHAIRMAN TRUEBLOOD: Who has taken the responsibility for this--the medical association, the medical schools or the commercial facilities?

DR. LAZARSELD: It is not the commercial people.

If it interests you, I might say that there are several studies on that which we have done. There are certain medical schools who do it very vigorously. For instance, there is Kansas and then, likewise, there is the new medical school at Lexington, Kentucky. Also, in other places it may be done by the county society. It varies greatly.

MR. BEDFORD: I would like to ask some questions. We all know about the famous JAMA Journal--the Journal of the American Medical Association, which, last week, highlighted a report on all of these activities.

In this connection, I would merely like to ask you if

we, in our case, could raise the general stature of our profession, its competence and interest, by perhaps a suggested reading type of program? I have reference to such things as a Book of the Month Club approach. I believe you referred to such things in one of your former comments.

You know, we are taught to be familiar with a variety of topics and, as a result, the word "reading" is misinterpreted. We just read anything.

Therefore, I was wondering if there could be some contribution toward the development of the profession by a suggested type of reading that would be available. Is there any evidence as to this in relation to your doctors? You mentioned the influence of the universities and I submit maybe it does give them a basic value pattern that will cause them to read a certain thing which, in turn, causes them to become good, as opposed to something they might develop after they have attained it.

DR. LAZARSELD: I don't know whether this has been evaluated. However, especially in the middle west, some of the major and newer medical schools do have a tremendous amount of extra curricular activity along this line. I don't know whether they have ever been evaluated in this sense but the doctors

certainly come there. They sit there. Of course, whether a reading list would help is more difficult to see but then there is certainly some value to it.

Of course, the French are very much concerned with this because, after all, everybody is much poorer there. The French have the difficulty in that the local doctor does not want to go to his university courses for two weeks because he is afraid he will lose his patients. Therefore, the French Government is playing with the idea of providing them with a substitute government doctor. He would then be able to leave for two weeks and, likewise, be sure that his practice would remain in tact. However, in France it is still difficult to get them to come.

CHAIRMAN TRUEBLOOD: You talk about conflict, as I recall, most directly between ourselves and other groups such as the tax lawyers and such as the management consultants. However, as was indicated, there are some 12,000 firms in our profession and 8,000 of those have only one or two members in our Institute and 4,000 have more than two. Now, relating this information back to your classification of doctors--high level, medium and low--this I gathered was in large part a subjective qualification in terms of quality of practice?

DR. LAZARSELD: No, this was particularly an index

problem. Let me tell you what we had there. We had involved subscriptions to medical journals, whether in the last year he had been back at his medical school, how many conferences he had attended and a kind of relatively simple information test. In other words, it was a typical measurement.

CHAIRMAN TRUEBLOOD: However, amongst our, let us say, top 4,000 and bottom 8,000, we have a distinct difference in activity. That is, the bottom 8,000 (and I don't include all of them) but the bottom 8,000 might generally be characterized as technicians and some of them even bookkeepers. The top 4,000 or some substantial portion of them in these firms do a broad spectrum of truly professional work in the sense of the attest function--high level consultation and all this sort of thing. However, basically, their training is substantially alike--they have all passed the CPA examination. Now, what I am continuously worried about is whether this great big umbrella that we have of 40,000 people is a realistic kind of thing, not because there are different kinds or qualities of people or not because there are different kinds of qualities of education, but because they are doing essentially completely different kinds of things.

DR. LAZARFELD: You know, that is interesting. Of

course, my first guess here would be that it would have a lot to do with their own social background. For instance, you would find that the top people come from much higher family classes just in economic terms--also, where the family has many more connections, where they have gone to better schools, etc.

Look, not having done this study, my first question would be that there is a tremendous social background factor here.

CHAIRMAN TRUEBLOOD: What I am saying I guess is this-- that most of the medical profession--well, it is kind of like if you had in the American Medical Association all the doctors, all the dentists, all the nurses, all the laboratory technicians and all the practicing nurses. Do you see the analogy I am attempting to make?

DR. LAZARSELD: I don't exactly. However, you don't need to go that far.

The general practitioner (who is becoming a diminishing breed) is already very much like your technician. On the other hand, you have those specialists, the top people. Don't forget you have some thing which I don't think plays such a role in your field--of the tremendous role and all the conflicts around the university professors. For example, the professor of medicine

is one of the most renowned of all but I don't think that a professor of accounting is a very important man.

MR. BEDFORD: I would go along with that. (Laughter)

DR. LAZARFELD: It is like a professor of sociology. For instance, I suppose that my equivalent in medical school makes \$10,000 more just in plain salary than I get.

CHAIRMAN TRUEBLOOD: They have that worked out pretty well in the medical profession.

DR. LAZARFELD: That is right. On the other hand, there is a study on the fight between the medical professors and the county societies, which represent the general profession, which is quite fantastic.

CHAIRMAN TRUEBLOOD: Is it not generally true that the medical professor keeps his finger in practice however, either through the university hospital or some hospital or in direct personal practice?

DR. LAZARFELD: Very much. This is one of the main controversies.

Now then, in some universities, he cannot keep any fee for service. For instance, at Cornell, the medical professor cannot take any fee. He has only the hospital practice. However, in other universities there are certain compromises--he can

keep a part of it, etc.

This might interest you. One of the great conflicts is this--that the medical doctor, the practitioner, is not permitted to advertise, as you know. However, the professor at the university gets continuously into the newspapers because it is done by his school--for instance, "Professor so-and-so was at Lexington participating in this conference". The school puts this information out. Therefore, in reality, the medical professor is permitted to advertise and the medical practitioner is not. This is one of the cruel things. However, I believe you can advertise.

CHAIRMAN TRUEBLOOD: No, we cannot. I should say that the rule is you may not. However, there are many who have found certain ways of doing it.

DR. LAZARSELD: However, a professor, by definition if he does attend a little convention or something, may put that into the school or community newspaper.

CHAIRMAN TRUEBLOOD: You mentioned some study with the lawyers that had to do with ethics. Now then, extrapolating this to ourselves and to the business world with which we deal, are you able to make any statement or is it in your area of interest relative to anything you may see to be a changing morality

in the business world? Here, of course, I am talking about business employees, corporate employees and corporate executives.

DR. LAZARSELD: I have only been in this for one year but I think I can certainly make a kind of inference in this way--though there are not figures, nevertheless, more and more graduates of business schools get into executive positions, you see and, further, the business schools stress very much this morality aspect. My guess is that the business school aspect gets more and more into the business world.

CHAIRMAN TRUEBLOOD: This will come?

DR. LAZARSELD: Yes. Already now, from year to year, the proportion of business school graduates going into executive positions is increasing.

MR. CAREY: Of course, there are more sanctions on business executives; more publicity is given to conflicts of interest and things of this sort than there used to be.

DR. LAZARSELD: Yes, I would guess so but I donot have any evidence.

Look, if this is of interest to you, I could, when we meet in December, bring you some evidence of those studies in relation to other professions--like the study of ethics of

lawyers, etc.

MR. BEDFORD: Would it be possible to mail them out in advance so that we will have an opportunity to look at them?

DR. LAZARFELD: I think so.

MR. BEDFORD: It would be a great help if we could read them and become familiar with them. I think this would likewise sharpen our questions considerably.

DR. LAZARFELD: Usually I can at least get mimeographed copies which were earlier versions before they were published.

MR. CAREY: Suppose I call your secretary and see if we cannot arrange this.

DR. LAZARFELD: Yes, there will be no difficulty.

CHAIRMAN TRUEBLOOD: Was there any evidence in your study of ethics among the lawyers that the attitude of the profession today about ethics and morality is any different than ten or twenty-five years ago, or did you attempt to measure that?

DR. LAZARFELD: That might come up in terms of age differences. However, I don't know. I am sure that there are comparative tables on thirty years old and sixty years old.

MR. CAREY: Do you have any figures with reference to the population explosion and the world's resources--in this

area? Have you concerned yourselves much with this?

DR. LAZARFELD: I believe one of the papers deals with it. I am not quite clear on it and it did not become quite clear to me as to what sense that would affect your profession.

MR. CAREY: Only as it affects everybody. Apparently the Ford Foundation put out some kind of estimate that the world's population would be double between now and the year 2000.

DR. LAZARFELD: That is an interesting thing. However, you are asking me as to what affect it would have on your business?

MR. CAREY: On us in particular. Is it worth planning twenty years ahead? Does the level of civilization begin to decline after 1980?

DR. LAZARFELD: No. Of course, there will be self-corrective factors.

Look, the increase in population is very clear. We keep people from dying but we do not keep people from being born. With all of the medical help, etc., the death rate declines rapidly and the birth rate goes on. Further, the poorer people have more children but then, in this connection, it is my feeling

that there will be evolved a variety of self-corrections.

Let us take this whole population council which is doing nothing else than running around in India and keeping people from having children. Our Government still has difficulty giving foreign aid with regard to contraceptive practices. However, this will soon disappear. Even the Catholic Church will in some way solve this problem in connection with their people. Further, the colleges have been working on that. Of course, at the moment we do not have a reliable pill, not merely one that you can swallow and use instead of our rather complicated contraceptive devices in use thus far. However, this will eventually come to pass and will likewise penetrate into the underdeveloped and uneducated peoples of the world. Therefore, I think that in some way the more research, money and effort which is put into that, the more it will change. However, it will still remain a big problem for, let us say, at least the next twenty years.

MR. DEVORE: Then too, we will have advances in the technology of food production in order to keep these things in balance.

DR. LAZARFELD: That will not be a help because it isn't any more a food problem. It is a conglomeration of things.

MR. BEDFORD: Of course, this growth of population, as it continues, is going to mean we are going to have to communicate more and more--that there is going to have to be more information to be collected and communicated. Therefore would not just the growth in population have an impact upon a profession that was engaged in the measurement function? In other words, we could expect more of an increase in this activity relative to the growth in population.

DR. LAZARFELD: That was mentioned but that goes only so far in connection with an advantage to my tribe rather than yours. Of course, as I indicated, there are many things that your profession could take over which we now do.

CHAIRMAN TRUEBLOOD: One more question and then I think we will have to get you into a cab.

When you, your colleagues or associates in the social studies field are involved in one of these complicated things which involve you dealing with a measurement problem, whom do you regard as your measurement experts outside of yourselves presently--a mathematician?

DR. LAZARFELD: Well, look, I intend to talk about that quite seriously. You have to realize, for instance, that every summer the Social Science Research Council has four or five

seminars on giving mathematical training to social scientists. I myself have a Doctor of Mathematics. For instance, every second summer I direct a UNESCO Seminar on mathematical social sciences. We have in our department mathematicians who teach mathematics for social scientists and graduate students get credit for it. This is still in the minority but it is becoming a very extensive field.

I have written much about that. I could send you easily, circulate a few reprints on that.

Of course, we claim there is a great difference between statistics and the theory of measurement.

As a matter of fact, one of the things I have noticed in reading some of the studies here is that it would be very interesting to get a dissertation subsidized on how do we measure socio-economic status; how do we measure happiness; how do we measure whether it is an authoritarian management; how our notion of measurement compares with whatever measurement problems you have.

UNESCO is just publishing a whole reader on mathematics. This is a large list.

CHAIRMAN TRUEBLOOD: Gentlemen, I think we must let Dr. Lazarsfeld leave now. In closing, may I say that we are

sorry that you have had to take such physical punishment in connection with arriving here and presenting your views to us. However, we thank you very much for them.

(Whereupon, at 2:50 o'clock p.m., the session was adjourned.)
