

Accounting Historians Journal

Volume 24
Issue 2 December 1997

Article 9

1997

Book reviews [1997, Vol. 24, no. 2]

Academy of Accounting Historians

Follow this and additional works at: https://egrove.olemiss.edu/aah_journal



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

Accounting Historians, Academy of (1997) "Book reviews [1997, Vol. 24, no. 2]," *Accounting Historians Journal*: Vol. 24 : Iss. 2 , Article 9.

Available at: https://egrove.olemiss.edu/aah_journal/vol24/iss2/9

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Accounting Historians Journal by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

BOOK REVIEWS

Jonathan Barron Baskin and Paul J. Miranti, *A History of Corporate Finance* (New York: Cambridge University Press, 1997, 350 pp., \$29.95).

Reviewed by

Raj Aggarwal

John Carroll University

This book is a study of the role of institutions and organizations in the historical development of corporate finance in Western Europe and North America. A major goal of this book is to "demonstrate the need for greater recognition of path dependence and historical evolution in the modern theory of finance" [p. 3]. In addition, a number of writers have argued that the study of economic and financial history can be useful in understanding contemporary developments [North, 1978; Braudel, 1982]. However, there are relatively few books on the history of corporate finance and, thus, this book is a particularly welcome addition.

This book consists of a preface and an introduction, seven chapters organized into three parts, and an epilogue and two appendices. The introduction notes that business institutions represent constraints that "are, in effect, the rules of the game for pursuing opportunity...and their value lies largely in their ability to reduce uncertainty" [p.4]. It is also noted that "firms bolstered efficiency through financial innovation" [p. 5].

The introduction goes on to explain how finance contributed to business efficiency and growth. First, finance allowed firms the time and stable funding to exploit economies of scale and scope. Second, financial innovation often helped firms cope with and even take advantage of external economic shocks. Financial innovations also lowered perceived risks faced by investors and allowed better monitoring of managers. Finally, financial innovation also allowed better management of corporate resources and gave firms the ability to overcome market imperfections by internalizing high-cost market transactions. The rest of the introduction describes the development of the modern theories of asset pricing, agency costs, asymmetric information, and corporate debt policies. Curiously, in discussing the random behavior of market determined asset prices, this book cites the

1953 study by M.G. Kendall as the beginning of this recognition, ignoring the well-known and much earlier (19th century) work of Louis Bachelier and others (e.g., Bernstein, 1996).

Part I consists of three chapters that review finance in the pre-industrial world (actually just Europe). The two chapters in Part II cover the development of European finance during the era of industrialization. Part III traces the evolution of finance in Western Europe and North America into the modern era.

Chapter one describes the development of finance in Italy in the late middle ages and the early Renaissance period. This chapter has some excellent descriptions of international banking and how business financial structures in Florence and Venice of the thirteenth and fourteenth centuries were used to diversify risk and leverage returns on equity. However, it has very little about business financial arrangements prior to that period.

Chapter two covers the fifteenth through the eighteenth centuries and traces the rise, along with international trade, of the Joint Stock Companies, like the East India Company, as precursors to modern limited liability corporations. Chapter three covers the early development of public securities markets in England and western Europe in the eighteenth century.

Part II consists of two chapters and covers the development of corporate finance in the age of industrialization (late eighteenth to the mid twentieth centuries). Chapter four covers the financing of canals and railroads especially in the United States and chapter five describes the rise of equity markets and managerial capitalism in the first half of the twentieth century.

Part III also consists of two chapters and traces the evolution of corporate finance into the modern era. Chapter six focuses on the financing of large US companies in the post-war era until the oil shock of 1973, while chapter seven covers the rise of the conglomerate firm and the leveraged buy-out phenomenon in recent years. The epilogue is an essay on the relationships between environmental and firm-specific factors in explaining the evolution of corporate finance.

While this book does not break much fresh ground, it is a fairly comprehensive review of the history of Anglo-Saxon corporate finance. It is well written and seems reasonably well researched. In fact, as is the case with any other good book, it leaves us wanting more. For example, the focus on post-Renaissance Anglo-Saxon corporate finance in this book means that there are at least two important areas that are omitted.

First, there is relatively little on finance in times before the Renaissance. This is unfortunate especially since many aspects of modern finance were developed in the so-called Dark Ages (see for example Braudel, 1982; or the footnotes in Tuchman, 1978). Second, while even the English language literature has many excellent sources (e.g., Banerji, 1995; Chandler, 1990; Cizacka, 1996; Hirschmeier, 1964), there is practically nothing in this book on the development of Indian, Islamic, Ottoman, or Asian corporate finance. This latter omission is particularly unfortunate given that it is widely contended that even the non-Japanese Asian economy is on track to be larger than the North American or European economies in the next few years (e.g., Aggarwal, 1991; Kennedy, 1993). While North American hearts and minds are likely to remain largely in Europe, its wallets are increasingly in Asia, and it is necessary that American books and other publications include Pacific Asian perspectives.

On balance, these limitations are relatively minor quibbles, and this book is recommended for scholars and others interested in the historical development of modern corporate finance. In addition, this book would also be useful reading for any student of corporate finance. It could be, and perhaps should be, required reading for advanced undergraduate and graduate students in finance and accounting. In conclusion, this book is recommended reading as it is an excellent and very readable review of the extensive scholarly literature on the historical antecedents of modern North American corporate finance.

REFERENCES

- Aggarwal, Raj. "Technology Transfer and Economic Growth: A Historical Perspective" in T. Agmon and M. Von Glinow, (eds.), *Technology Transfer in International Business*. New York: Oxford University Press, 1991, 56-76.
- Bachelier, L. *Théorie de la Spéculation*. Paris: Gauthier-Villars, 1900. Reprinted in English in P. H. Cootner (ed.), *The Random Character of Stock Market Prices*, Cambridge, MA: MIT Press, 1964: 17-78.
- Banerji, Arun K. *Finances in the Early Raj*. Newbury Park, CA: Sage, 1995.
- Bernstein, Peter L. *Against the Gods: The Remarkable Story of Risk*. New York: John Wiley, 1996.
- Braudel, Fernand. *The Wheels of Commerce*. New York: Harper and Row, 1982.
- Chandler, Alfred D. *Scale and Scope*. Cambridge, MA: Harvard University Press, 1990.

- Islamic World and Europe*. Kinderhook, NY: E.J. Brill, 1996.
- Hirschmeier, Johannes. *The Origins of Entrepreneurship in Meiji Japan*. Cambridge, MA: Harvard University Press, 1964.
- Kennedy, Paul. *Preparing for the Twenty-First Century*. New York: Random House, 1993.
- North, Douglas C. "Structure and Performance: The Task of Economic History" *Journal of Economic Literature* 16, No. 3 (September, 1978): 963-978.
- Tuchman, Barbara. *A Distant Mirror*. New York: Ballantine Books, 1978.
- Garry D. Carnegie and Peter W. Wolnizer, Eds., *Accounting History Newsletter 1980-1989 and Accounting History 1989-1994* (New York: Garland Publishing, Inc., 1996, 416 pp., \$80).

Reviewed by

Michael E. Scorgie

La Trobe University and Nilai College, Malaysia

This anthology is a tribute to Robert Gibson, a foundation editor of the antipodean newsletter from which the 25 articles were drawn. Gibson retired from Deakin University in 1993 where he had encouraged others to conduct accounting history research. Noteworthy amongst those at Deakin were the joint-editors of the anthology, Garry Carnegie, the present editor of the new series of *Accounting History*, and Peter Wolnizer. Gibson's interest in accounting history was undoubtedly stimulated during the 1960s when he worked with Lou Goldberg at the University of Melbourne.

The compilation of a worthwhile anthology is not an easy task particularly if the source(s) from which articles may be drawn is limited. Such was the case in this instance. Yet, Carnegie and Wolnizer succeeded because their anthology demonstrates that humble beginnings combined with Gibson's dedication provided stimulation not only to established scholars but also to those who sought to enter the field of accounting history. Carnegie and Wolnizer classified the articles selected into five sets, each comprising four, five or six items. The sets are: Early Accounting Systems; Twentieth Century Accounting Thinkers; Professional Associations; Accounting and Auditing Standards; and Accounting Education. The names of some of the authors, Willard Stone, Ray Chambers and Lou Goldberg are well-known. Others such as Warwick Funnell, Dale Flesher and Garry Carnegie may yet reach the same heights.

The first set classified as Early Accounting Systems comprises four items that might be summarized by key words: Werner Sombart; medieval estate management and accounting; charge and discharge; and mining cost accounts. Similarly the second set of six items grouped under the heading Twentieth Century Accounting Thinkers can be reduced to: Stephen Gilman; Ray Chambers; G.E. and A.A. Fitzgerald; Henry Sweeney; Paton and Littleton; and Kenneth MacNeal. In contrast to the somewhat international flavour of the second set the last three sets that deal with professional associations, standards and education are devoted to the Australian experience. Yet, the form and content of the items will be useful guides to those elsewhere who seek to document, describe and interpret the history of the accountancy profession in other countries.

In conclusion, anthologies were designed for browsers long before surfing the internet became a popular pastime. In this regard Garland's contribution has been outstanding. Their catalogs list a number of anthologies such as *Accounting in France*, *Accounting Research 1948-1958* and *Milestones in the British Accounting Literature* that in effect are companion volumes to Carnegie and Wolnizer. Volumes that ought to be acquired by every university, college and professional library that aspires to be known for its research collection.

Alfred W. Crosby, *The Measure of Reality: Quantification in Western Europe, 1250-1600* (New York: Cambridge University Press, 1997, 245 pp., \$24.95).

Reviewed by
Richard K. Fleischman
John Carroll University

The title of the book, coupled with the vivid reproduction of Barbari's famous portrait of Pacioli on its jacket, conveys the impression that the reader will be treated to a monograph on the European origins of accounting. That expectation is not realized, however, as only the last chapter before the conclusion ["Bookkeeping," pp. 199-233] is dedicated to accounting history topics. Furthermore, that single chapter deals only with the famous friar (at considerable length) and Datini (more briefly). Although the dates provided suggest an inclusion of the exploits of the Medicis, Plantin, the Bracci, Francisco del Bene, the Fuggers, and others, these early pioneers are scarcely mentioned. Moreover, this chapter suffers a

diminution of the high research standard that characterizes the remainder of the volume. As the author himself admits, the analysis of the *Summa* is based almost entirely on the work of Taylor [1980] and Brown & Johnston [1984]. Consequently, Crosby's interpretation lacks the breadth and cogency of other recent work of this genre, as, for example, Macve's chapter on Pacioli in Lee, Bishop, & Parker [1996].

It is unfortunate that the book's weakest chapter would be the very one of greatest interest to accounting historians. Indeed, the background Crosby provides through the remainder of the book describing the intellectual climate within which Pacioli wrote is of great value. The author demonstrates convincingly the remarkable transition in Europe from a society almost without hope to one that based its emerging culture, culminating in the Renaissance, on the calculation and quantification of its reality. This transition is richly illustrated in chapters dedicated to changing European perceptions of time and space, accompanied by resultant achievements in mathematics, music, painting, and, last but not least, bookkeeping.

Crosby writes with a vibrant style that has earned him high honors for previous books and perhaps for this offering as well. His research for the chapters other than the one on bookkeeping is impressive and reflective of his pedigree as a history professor at the University of Texas, Austin (visiting at Yale). The number of historical actors that appear on his stage is staggering. Though having myself instructed medieval history for many years, I confess to knowledge of only about half of the figures encountered in this historical panorama. The book was a humbling but valuable learning experience for me. I marvel at its flowing style and erudition.

In conclusion, I accord the book my highest recommendation for readers with considerable background in medieval studies who wish to grapple with a thought-provoking, yet highly entertaining masterpiece of historical narrative. However, within the more limited confines of pure accounting history, aficionados will find less of value.

REFERENCES

- Brown, R. G. and Johnston, K. S. (trans., eds.). *Pacioli on Accounting*. New York: Garland Publishing, 1984.
- Macve, R. H. "Pacioli's Legacy" in Lee, T. A., Bishop, A., and Parker, R. H., *Accounting History from the Renaissance to the Present: A Remembrance of Luca Pacioli*. New York: Garland Publishing, 1996: 3-30.
- Taylor, R. E. *No Royal Road: Luca Pacioli and His Time*. New York:

Arno Press, 1980.

Alan J. Richardson, Ed., *Disorder and Harmony: 20th Century Perspectives on Accounting History*, Selected Papers from the Seventh World Congress of Accounting Historians, CGA-Canada Research Foundation Research Monograph Number 23 (Vancouver: CGA-Canada Research Foundation, 1996, 356 pp., \$30 Canadian).

Reviewed by
Vaughan Radcliffe
Case Western Reserve University

For evidence of the vibrancy and potential of historical research in accounting, colleagues need only turn to Richardson's impressive collection of papers from the recent 7th World Congress of Accounting Historians, held in Kingston, Ontario, Canada. The breadth and vigor of current historical research is well represented in a collection which brings together a range of topics and national perspectives. As Richardson observes in the introduction to this volume, "the papers published here and presented at the Congress provide a fascinating snapshot of the current state of the global economy and the range of issues which are in the collective conscious" [p. 2]. Given this diversity of work, it is impossible to do fully address the range of topics covered in the collection. Instead, I provide a broad overview of what is available here, and of the body of work represented.

The papers are organized into six sections: Cost and Management Accounting; Education; Financial Accounting and Auditing; Professional Organizations; Taxation and Texts. A variety of approaches are represented, including the more traditional scholarship as well as emerging research paradigms inspired by work in other disciplines.

In the Cost and Management Accounting section De Beelde explores aspects of the Belgian experience, while Okano revisits Emerson's work on cost accounting. McNair and Vangermeersch provide a stimulating and thoughtful analysis of the US National Industrial Recovery Act (NIRA) and its influence on management accounting concerns. Their discussion of the "blue eagle" symbol used to mark the goods of those supporting the NIRA provides fascinating insights into the broader socio-political frameworks within which accountancy operates. Their overall argument that full cost pricing was fostered by the NIRA at the expense of more economically inspired approaches was, for me at least, a real eye opener.

The occasion of the centennial of the US CPA exam motivates the two education papers represented here. Flesher et al. review the accounting education movement and provide brief biographies of relevant characters. Oliverio and Newman focus more on the first CPA examination, its format and nature. The Financial Accounting and Auditing section includes a variety of work, dealing with American, Spanish and Portuguese experiences: a refreshing breadth of national experience, given the more limited empirical domains associated with financial reporting work in the bulk of the accounting literature.

In the Professional Organizations section of the monograph, two authors discuss differing aspects of professionalisation projects in Australasia. Anderson analyses the integration of cost accounting bodies within the national societies of accountants in Australia and New Zealand, arguing that this was to the detriment of cost accounting as a profession. Kathie Cooper casts a critical eye on the legitimization of Australian accountancy, suggesting that broad alliances among those interested in accounting associations, (such as the business press, financial interests, government bodies, and the then colonial British government) were an intrinsic part of the professionalisation project in Australia. I am unsure that these alliances really are as “non-traditional” as Cooper characterizes them; surely such networks have been recognized in the literature as being integral to the production and reproduction of professional claims. But this argument stands as a counterpoint to a more traditional (and often functionalist) view of the pre-eminence of education, examination and training in procuring professional status.

Several papers comprise the Taxation section of the monograph, with work from Samson, Smith and Yelvington *et al.* These papers deal with the progressivity of the US and Canadian income tax, the historical development of the lower of cost or market rule in the UK, and an examination of “sin” taxes in the US and Canada respectively. In reading these papers shortly before dealing with my own US taxes I must admit that Yelvington et al. approach taxation with more good humor than I have so far been able to manage—one reason for their paper being an entertaining as well as informative read. Their analysis of the political promotion of “sin” taxes has special resonance to me as I write in Cleveland, a city that has chosen to raise regressive sin taxes so as to erect the palatial facilities demanded by the monied elite of professional sport. Though not centrally a part of their analysis, Yelvington et al.’s work serves to highlight issues of social justice.

Clarke and Lanero round out the monograph with two papers

examining original texts, their focus being Ireland's Ammonet, and Mellis' English treatise. Both approach their subject with sensitivity to detail, and to the context in which the work was written.

The monograph includes a listing of papers presented at the 7th World Congress, and a review of this work and the contents of this volume suggests two clear themes. Firstly, historical work seems poised to explore a variety of national experiences, including those influenced by former colonial rule. The breadth of contexts explored within the monograph itself provides evidence of the variety of venues in which accounting history is being explored. The analytical significance of the nation state could well be questioned, but the differing cultural experiences and traditions that are pointed to in this body of work suggests a broadening of historical discourse.

The second theme can be discerned in certain of the papers, but especially in the work presented at the Congress. Although more traditional historical work still appears to dominate historical effort, it is clear that theoretically informed critical (or, as Richardson terms it, "emancipatory" [p. 1]) work is on the rise. Kathie Cooper's work in the monograph provides one example; more are found in remaining papers which depart from what Neu and Richardson describe as a more conventional narrative concerned largely with the details of practice rather than the context in which practices evolved [p. 339]. The relevance that the U.S. Accounting Education Change Commission finds in history as a means to understand practice seems likely to be met by a more theoretically informed literature more directly concerned with producing a "history of the present." In this, the monograph reminds us that accounting history is a discipline in flux.

Kyojiro Someya, *Japanese Accounting: A Historical Approach* (Oxford: Clarendon Press, 1996, 241 pp., \$70).

Reviewed by
Robert Bloom
John Carroll University

An anthology of essays on Japanese accounting since World War II written by Kyojiro Someya, a retired professor, this book deals with the history of accounting in Japan. Outside of Japan, not much is known about academic studies in accounting in that country since such research is usually published in Japanese. In the preface, the author contends that the application of this research served to enhance economic recovery and growth in Japan following the war.

Someya's own research is historical for the most part. In particular, his interest in cash flow theory was an attempt on his part to comprehend post-war inflation in Japan. His study of financial statement analysis began as a need to understand business productivity. In addition, his work on financial accounting theory was intended to shed light on securities exchange, focusing on the process of raising capital in Japan. As international business expanded in Japan starting in the 1960s, his research shifted to that area.

The book is divided into three parts. Part I covers Japanese accounting history, the most useful piece being "Accounting 'Revolutions' in Japan," originally published in *The Accounting Historians Journal* in 1989 [Vol. 16, No. 1, pp. 75-86]. Part II is concerned with issues in financial accounting, the best piece of which is "Accounting Standard Selection and Its Socio-economic Consequences," originally published in the *International Journal of Accounting* in 1993 [Vol. 28, No. 2, pp. 93-103]. Part III focuses on the cash flow statement, the most informative section being "The Use of Funds Statements in Japan," originally published in the *Accounting Review* in 1964 [Vol. 39, No. 4, pp. 983-989].

In the 20 articles republished in the book (13 having been first published in Japan), Someya accentuates the role of accounting in providing accountability and information for decision making. He asserts that accounting is dynamically a function of the environment in which it prevails, and therefore should be compatible with that environment.

Someya is critical of Japanese accounting, and for good reason. In view of the emphasis that taxation exerts on accounting standards, which is typically the case in code law countries like Japan, the accounting profession appears to be weak. The Minister of Finance is responsible for setting accounting standards. Additionally, while the author does not say so, there is no fundamental conceptual framework of financial reporting in Japan. Conservatism appears to be one, if not the, basic accounting standard, and present value, lease capitalization, and inflation standards are non-existent. Furthermore, a cash flow statement is not required for external reporting, which the author does acknowledge. Someya wishes to see considerably more emphasis on economic substance rather than legal form in Japanese accounting. Moreover, he observes a need in Japan to limit the flexibility companies have in selecting alternative accounting standards in light of their social and economic consequences. Paradoxically, Japan has prospered economically despite its inadequate system of financial reporting.

For those who have no previous knowledge of Japanese accounting history, this book may be of interest. However, considerable overlap exists in topics covered among the articles in the book.

Atsuo Tsuji and Paul Garner, Eds., *Studies in Accounting History: Tradition and Innovation for the Twenty-First Century* (Westport: Greenwood Press, 1995, 280 pp., \$75).

Reviewed by
Thomas N. Tyson
St. John Fisher College

Tradition and Innovation for the Twenty-First Century brings together 13 of the 50 papers presented in August, 1992, at the Sixth World Congress of Accounting Historians in Kyoto, Japan and may represent Paul Garner's final contribution to accounting literature. I was privileged to know Paul Garner personally and to receive two wonderful letters encouraging me to continue research in accounting history. Notwithstanding my respect for Paul and his dedication to accounting history, I am unable to recommend unequivocally this collection which is co-edited by Atsuo Tsuji and Paul Garner.

In their prefaces, Tsuji states that the selection criteria for inclusion were "regional factors and treated themes" [p. vii], while Garner notes similarly that these essays "show an unusually wide range of research and investigation" [p. x]. Thus, readers are forewarned that the collection is wide ranging and will include essays on disparate topics. In addition to thematic variation, however, essays by practitioners and new scholars contrast markedly from those by more renowned historians, especially in terms of organization structure and the extent of literature reviewed. Consequently, active and seasoned scholars, those most likely to acquire the collection, may be discomforted by these multiple dimensions of diversity. Readers who prefer more critical perspectives of accounting history will also be disappointed by the paucity of essays written in this venue.

The collection does contain a number of interesting and well-written pieces. For example, in a smoothly flowing introductory essay entitled "Accounting History and Public Policy," Gary Previts provides an overview of accounting history in the context of a constantly changing and politicized world. Tsunehiro Tsumori crafts another strong entry entitled "Development of a 'Philosophy of Disclosure' in Accounting Institutions of Japan." Tsumori describes thoughtfully the

impact of the Anglo-American and Franco-German accounting traditions on the historical development of accounting disclosure in Japan. Christopher Napier sustains his excellent scholarship with an essay on secret reserves in New Zealand. Unlike many accounting historians, Napier explains clearly the business environment to which the accounting issues he explores relate. Napier's attention to the background story and historical context makes the essay much more intriguing and accessible.

The subtitle of the collection, "tradition and innovation for the twenty-first century," intimated to me that a number of essays would address current historical debates or long-standing controversies in accounting history. Papers by Gormly and Wells, "Costing Activities: Alternative Views of History," and Kataoka, "The Relationship between the Bookkeeping Systems of Pacioli and Schweicker," fulfilled this expectation. However, most essays focus on disparate and regional issues. Once again, certain readers might be displeased in this regard.

Perhaps the collection's most noticeable shortcoming is the absence of active editorial involvement. Given its diversity, readers would have benefited greatly from an introductory essay which summarized each paper and indicated the rationale for its inclusion. Alternatively, each essay could have been preceded by a short synopsis, or authors could have been asked to provide an abstract describing their essay's scope and purpose. Unfortunately, because these aides are not furnished, readers must rely on an essay's title or its author's repute for guidance about content and perspective. In the case of unknown authors, readers must venture forth and hope the experience is worth the effort. A related concern is that biographical information about contributors lacks consistency and omits important details. In several cases the editors provide only the name and affiliation of an author while in others, they identify an author's academic department but fail to mention their terminal degree, research interests, publication record, or teaching or practice specialty.

In summary, while there are a number of well-written essays that will interest new and seasoned accounting historians alike, the collection is too diverse, the quality of essays too variable, and the absence of editorial assistance too salient to produce a monograph which can be regarded as a notable contribution to accounting history literature.