

1998

Book reviews [1998, Vol. 25, no. 1]

Academy of Accounting Historians

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Recommended Citation

Accounting Historians, Academy of (1998) "Book reviews [1998, Vol. 25, no. 1]," *Accounting Historians Journal*: Vol. 25 : Iss. 1 , Article 13.

Available at: https://egrove.olemiss.edu/aah_journal/vol25/iss1/13

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Accounting Historians Journal
Vol. 25, No. 1
June 1998

BOOK REVIEWS

Rafael Donoso-Anes, *Una Contribución a la Historia de la Contabilidad. Análisis de las Prácticas Contables Desarrolladas por la Tesorería de la Casa de la Contratación de las Indias en Sevilla, 1503-1717* (Seville: Universidad de Sevilla, 1996, 491 pp., \$?)

Reviewed by
Esteban Hernández-Esteve
Presidente de la Comisión de Historia de la
Contabilidad de AECA

This book is an abridged version of research presented by Professor Donoso-Anes prerequisite to obtaining the chair of Financial Economics and Accounting at the University of Seville. It constitutes an important work; the product of a patient, thorough, and effective trawling through the files. The facts discovered have been submitted to a rigorous analysis, interpretation, and contextualization. In sum, this investigation represents a good example of how modern research in accounting history should be conducted. The author has taken into account the most relevant bibliography both on the *Casa de la Contratación* (Trade House) and on accounting practices and thought of that time in order to contextualize the research properly. The investigation is basically supported by manuscripts personally found by the author at the General Archive of Indies in Seville. These documentary foundations, formed by new sources which had not been studied until now, are precisely what gives the investigation its true rank and importance.

The *Casa de la Contratación* was the official body established by Ferdinand and Isabella in Seville in 1503 to centralize trade between Spain and the newly discovered West Indies. No harbor other than Seville was allowed to ship or receive goods to or from the Indies, and no vessels from nations other than Castile were allowed in the Spanish New World. All persons and goods going to or coming from the Indies had to be registered in the books of the *Casa de la Contratación*. Although national and foreign merchants evaded these strict monopolistic measures in many ways and on frequent occasions, the extensive apparatus

set up to control trade with the Indies was both impressive and formidable. The great amount of wealth involved in this trade was not comparable to any previous period in history. An institution such as the *Casa de la Contratación*, able to organize, control, and channel this trade, inevitably required an unprecedented organizational and bureaucratic apparatus. Within this administrative and bureaucratic complex, the accounting organization had necessarily to play a fundamental role.

In the first part of the book, the historical context is established. The first chapter deals with the *Casa de la Contratación* in Seville, its structure and administrative organization. The second chapter is devoted to the study of then current accounting theory and practice.

The second part of the book also contains two chapters. The first explains broadly the accounting systems and practices followed by the treasurer of the *Casa de la Contratación*. This explanation is illustrated by examples corresponding to different periods and centuries. Taking into account that the recorded transactions had mainly to do with collections and payments, it is not surprising that bookkeeping was entrusted to the treasurer. From the moment the Council of Indies was created in 1524, the treasurer of the *Casa de la Contratación* had to report to the Account Office of this Council. Before 1524, he had to settle the accounts with specific commissions appointed by the king himself for this purpose.

The books were kept by the charge and discharge method (*cargo y data*); i.e., by the system traditionally used in public administration not only in Spain but in practically all European countries at that time. The charge and discharge method was also commonly known in Spain by its alternative name *libro de pliego horadado* (perforated-leaf book) because the accounts were commonly kept in loose leaves with a hole through which a sufficiently long ribbon or string was passed and tied at the ends. As Donoso-Anes remarks, a distinctive feature of the charge and discharge accounting at the *Casa de la Contratación* was precisely that, against the common rule, account books were to be bound because of the need to guarantee the authenticity and inviolability of public accounting records.

The charge and discharge accounting method had very limited possibilities because it was primarily directed at recording the financial position of a person (a factor or agent) with regard to his principal. At the *Casa de la Contratación*, these limitations led to the use of double-entry bookkeeping as an auxiliary

method so that some aspects of its activity could be recorded in a more complete and integrated way. Of course, the use of double-entry was favored by the private merchants who had to work with the *Casa de la Contratación* because of its suitability for the type of operations performed.

The final chapter is wholly devoted to the study of the accounting records developed to administer and control the goods and properties left by deceased and missing people; that is to say, people who had travelled to the Indies and had disappeared or died during the journey. Properly speaking, this task had little to do with the original functions of the *Casa de la Contratación*, but taking into account that the people involved were registered at the Trade House and had in some way started their adventure under its auspices, the administration and control of properties and goods of deceased and missing people were formally entrusted to it. Originally, a special administrator and accountant were appointed to perform this task, but, after some vicissitudes, the duty fell to the treasurer.

The accounting applied to record and control the goods and properties of deceased and missing persons constitutes a paradigmatic example of the mixed and complementary use of charge and discharge and double-entry methods in order to obtain more complete information of recorded facts and relations. In this respect, the author analyzes the composition and structure of the different systems and sets of books used to fulfill this accounting purpose and identifies the several stages of their evolution. At the same time, he studies the audit processes performed in different periods and their influence on the evolution and development of the accounting procedures and rationale of the *Casa de la Contratación*.

In conclusion, Donoso-Anes' book constitutes a worthy contribution to Spanish accounting history and especially to the history of public accounting. He describes and analyzes in a clear, meticulous, and accurate way the accounting systems and books used in one of the most important and representative public bodies in Spanish economic history in the 16th and 17th centuries. Donoso makes a serious effort to clarify the meaning, reasons, and effects of the changes, inserting all of them into the pertinent context; i.e., trying to establish the relationships among them and their social and cultural setting. The accounting systems and practices studied served to administer and control no less than all the trade and traffic of precious metals between Spain and its overseas possessions.

Far beyond its utility and significance for the knowledge of accounting history, Donoso's book is a most valuable contribution for all those who are interested in the domestic history of the *Casa de la Contratación*, the functioning of its administrative and organizational mechanisms and the real contents of its operations.

New York State Society of CPAs: Celebrating a Century of Integrity
(New York: New York State Society of CPAs, 1997, 135 pp., \$25)

Reviewed by

Julia Grant

Case Western Reserve University

This volume commemorates the centennial celebration of the New York State Society of CPAs, an appropriate celebration since this state's society has been so historically influential in the profession of accountancy. The work provides descriptive summaries of the Society and the profession. While brief, these writings will likely be useful in future attempts to place the late 20th century New York State Society into historical perspective.

The primary historical work consists of four essays. The first (by Edward Mendlowitz) provides a concise, entertaining summary of the profession from the earliest record keeping to today. This essay condenses a great deal of historical information into a narrative format, including examples of the practice of accounting from cuneiform to 20th century standard setting, and examples of the roles played by the profession over the years, from the first American accountant arriving on the ships with Christopher Columbus to the contemporary auditing of Academy Award votes.

A second essay (by Gary J. Previts, Dale L. Flesher, and Tonya K. Flesher) relates the accomplishments of Charles Waldo Haskins, the founding president of the New York State Society, the first president of the Board of Examiners in New York State, and the first dean of the New York University School of Commerce, Accounts, and Finance (these three positions are just the most readily listed among his many achievements). The essay elaborates on Haskins' biography and his contributions to the early stature of the profession. The authors present a convincing argument for his induction into the Accounting Hall of Fame by describing his accomplishments (despite early death curtailing

his contributions), contrasting them to those of others previously inducted. Given Haskins' prominent positions in the accountancy profession in New York, this book provides an appropriate forum for this detailed essay in commemoration of the contributions of Charles Waldo Haskins.

The history of the New York State Society itself is presented in the third essay (by James L. Craig, Jr.). He recounts the formation of the Society, its contributions, and those of its members throughout the last 100 years. For example, the Society assisted with the preparation of New York's income tax regulations, and several of its prominent members had already assisted in similar tasks at the national level. A brief discussion of diversity in the organization and a summary of the Society's advancement into the information age provide a snapshot of where the Society finds itself with respect to these very current concerns. Also covered are brief summaries of the Society's publications, its involvement in continuing professional education, and its concern for professional self-regulation.

The fourth essay is a note (by Frank Pagani) to the members of the NYSSCPA at the bicentennial celebration in 2007. This missive provides many interesting statistics about the Society in 1997, so that its late 21st century members will have a convenient basis for comparison. A breakdown of the membership composition, dues charged, and benefits and services offered are some of the facts presented. This summary will surely serve the future purpose that its writer envisions because it provides a succinct picture of the basic organizational structure and its functions in 1997.

This volume will be useful for historians interested in the profession and its state at the end of the 20th century. In addition to the essays, at the bottom of 100 pages of the volume runs a chronology, with each year of the Society's existence and a mention of important financial and/or accountancy events of that year on each page. For example, the year 1914 features the following item: "The NYS Education Department suggests that it might be appropriate to require professional training before being able to sit for the CPA exam" [p. 30]; and it is noted for 1942, "Alimony concept introduced" [p. 58]. Also pictured throughout the pages are all the past presidents of the Society. The book contains a number of pages of ads, but even these provide a snapshot of various professional firms and other state societies currently active in 1997. An additional tabulation that may be of future interest is a listing of Society award winners. The volume

is introduced by letters from the 1996-1997 and 1997-1998 presidents of the New York State Society, Francis T. Nusspickel and Barry B. Seidel, and from Robert L. Gray, the Society's longtime Executive Director.

This book lacks an index, an unfortunate situation for the future researcher who may be interested in whether Chaucer's *Canterbury Tales* deserved a mention in a history of accountancy (it did, page 13), or who may want to learn more detail about some person who contributed to the profession (many are mentioned herein). Nevertheless, the brief histories included provide an appropriate and potentially useful commemoration of this noteworthy centennial.

Michael Power, (ed.), *Accounting and Science: Natural Inquiry and Commercial Reason* (Cambridge: Cambridge University Press, 1996, 288 pp., \$54.95 hardback, \$19.95 paper)

Reviewed by
Paul F. Williams
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Ten — the number of digits on our hands and feet; ten — the basis of our number system, which forms the metric system of the scientific laboratory and also the way most of us count money; ten — the number of commandments that order many of us about what is right and wrong; ten — the perfect Olympian score. Ten papers, originally published in 1994 as a special issue of *Science in Context*, comprise this superb book which explores the relationships between accounting and science. Michael Power has brought together a multidisciplinary group consisting of persons from the fields of sociology, anthropology, history, law, philosophy, economics, and accounting to produce an excellent prepositional treatment of accounting and science. The book contains essays about accounting as science, science as accounting, accounting by science, accounting for science, etc. These essays explore the richness that results from the intermingling of accounting and science both as practices and as metaphors. Regardless of your particular interest in how science and accounting may appear in the same sentence, this collection of essays will contain something of special interest to you.

The essays in the book are all excellent, each worthy of extensive discussion. Obviously, in the short space of a

book review I cannot do them justice. I can provide only a sketch that I hope will inform just a bit while avoiding any injustice.

Michael Power provides the introductory essay ("Introduction: From the Science of Accounts to the Financial Accountability of Science") in which he provides "... a schematic guide to an emergent field of inquiry: science and accounting" [p. 3]. All of us domiciled at universities with significant research missions are well aware of the changes that are occurring in how science is funded, what it is expected to do, and how its success is determined. "Science" is undergoing reconstruction through economic calculation just as economic calculation is reconstructed via "science." The first essay provides the historical context of the emergence of the new relationships between science and accounting and reviews the varied issues pertaining to it that are the themes of the remaining papers in the book.

"Making Things Quantitative," essay two by Theodore M. Porter, provides a brief history of quantification, followed by a discussion of the relationship between power and quantification. Porter notes that quantification can destroy meanings but also plays a constructive role because of its transformative possibilities. Our practical quantifying impulses have "... contributed in several important ways to the pervasiveness of numerical reasoning even in physics. Everywhere it assists the enforcement of a certain discipline and hence is active on the level of power as well as knowledge" [p. 51].

The next two essays are historical examinations of specific episodes in the relationship between accounting and science. Myles W. Jackson ("Natural and Artificial Budgets: Accounting for Goethe's Economy of Nature") recounts Johann Goethe's attempts to utilize his concept of "budgets of nature" as a guide to developing budgets of administration. For Goethe, the concept of the budget represented the unifying link between nature and culture — a story which is unfamiliar to many accountants, ably told by Jackson.

Timothy L. Alborn ("A Calculating Profession: Victorian Actuaries among the Statisticians") applies Andrew Abbott's [1988] thesis to chronicle the development of the actuarial profession. The tale focuses on the uneasy relationship between statistical science and insurance statisticians, and how exploitation of that relationship over time produced a group that, by the end of the 19th century, had produced its own realm of knowledge over which it exercised jurisdiction.

Peter Miller and Ted O'Leary ("The Factory as Laboratory") bring us to the mid-point of the book with their case study of how Caterpillar, Inc. redesigned the floor of one of its manufacturing plants. They provide an analysis of how, in this one factory, the grander transformations embedded in Deming's idea of worker as scientist were effectuated. Through particular "regimes of practices," Caterpillar made the Japanese "threat" visible and, thus, was able to construct new forms of discipline (the Assembly Highway) in the plant.

The next three papers deal explicitly with the changes in science occurring as a result of mainly political attempts to make science more economically accountable. Keith Robson ("Connecting Science to the Economic: Accounting Calculation and the Visibility of Research and Development") describes the shift in the U.K. during the 1980s to connect university research more closely to commercial applications (paralleling developments in the U.S.). Robson analyzes how accounting for R&D became a mechanism through which agencies promoting R&D "acted at a distance" to guide corporate managers into undertaking R&D activities.

Brad Sherman ("Governing Science: Patents and Public Sector Research") discusses another aspect of the increasing pressure for the economic accountability of public-sector science. Patents are becoming an increasingly more significant means through which science is governed. Sherman notes a significant ramification of this growing juridification of science is the shifting of its direction from asserting knowledge claims to developing property claims. John Law and Madeleine Akrich ("On Customers and Costs: A Story from Public Sector Science") complete the triad with a case study of Daresbury Science and Engineering Research Council Laboratory and how it was altered in response to the marketplace rhetoric of the 1980s. This story will resonate with accountants; it is the tale of restructuring through redefining mission in terms of developing "good customers" and reconfiguring through the creation of "cost centers." This paper would make an excellent reading for any advanced cost/managerial accounting class, particularly for disabusing accounting students of the notion that accounting is a neutral, calculative technology.

The penultimate essay is by Philip Mirowski ("A Visible Hand in the Marketplace of Ideas: Precision Measurement as Arbitrage"). Noting the increasing fascination of sociologists of science with economic analogies, Mirowski treats the basic issue

of measurement of physical constants with the analogy of price inconsistencies and their stabilization through the action of arbitrage. Mirowski takes issue with the methodological individualism of both the Neyman-Pearson and Bayesian accounts of the treatment of measurement error. He recounts the history of quantitative error up to the work of Raymond Birge, who made explicit "the ineluctable social character of error and thus precision" [p. 233].

The final word goes to Steve Fuller ("Toward a Philosophy of Science Accounting: A Critical Rendering of Instrumental Rationality"), whose essay is devoted to the issue of giving accounts of science. He notes that "deconstructive" and "constructive" are the two kinds of science accounting. He develops a case for and provides a historical illustration of a kind of constructive science accounting he labels critico-instrumental rationality. This is defined in terms of four accountability conditions — discernibility, transcendence, responsibility, and revisability. Sorry, but you will have to read the paper to find out what each of these conditions means.

REFERENCE

Abbott, A. (1988), *The System of Professions* (Chicago: University of Chicago Press).

George J. Staubus, *Economic Influences on the Development of Accounting in Firms* (New York: Garland Publishing, Inc., 1996, 176 pp., \$40)

Reviewed by
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Case Western Reserve University

In this book, George Staubus (Professor Emeritus, University of California at Berkeley) sets out to explore the influences of firm characteristics and economic environments on the development of the firm's accounting and financial reporting. The book is written as an essay that logically attempts to link theoretical concepts with firm accounting. It is, by the author's admission, "soft" in the sense that it relies neither on a structured, empirical set of data or results nor on a single, unified model or theory. Instead, the author describes 18 theoretical concepts, narratively discusses the influences that these concepts could be

expected to have on a firm's accounting and financial reporting, and derives a set of 72 propositions.

Economic Influences is reminiscent of classical, income theorist literature. Typical of that literature, it uses a rich set of basic concepts, narrative and classically deductive arguments relating these concepts to accounting, and a set of derived propositions. Chapter 7, which returns the reader to the perennial issue of cost versus market valuation of assets and liabilities, reinforces this impression.

Staubus' general approach is to identify an "influence" in the form of a concept or idea. He then discusses related literature broadening and defining the scope of the concept. In doing so, he is quite eclectic in drawing from the literatures of other fields. Despite the title, this book actually recognizes influences derived from a variety of disciplines other than economics. In this regard, Staubus is noticeably influenced by the works of Chandler and Williamson. Despite numerous references to Chandler, Staubus' arguments are more logical than historical. Surprisingly, there are few references to agency literature (either in economics or accounting) and particularly to positive accounting literature or modern organizational theory. Following discussion of the literature related to each concept, Staubus discusses its application to the development of accounting in firms. He concludes each section with a set of propositions about each concept/influence.

Chapter 1 consists of a review of "The Nature of The Firm" in which Staubus summarizes several pertinent theories and models, including most of the classic ones (Coase, Jensen and Meckling, Williamson, and Alchian and Demsetz, among others), followed by his own synthesized view of the nature of the firm. This is followed by a set of nine propositions of the influences of firm characteristics on the development of firm accounting that Staubus argues emerges from his synthesis.

Chapter 2 lists and discusses the "Tier I Influences," six concepts that are "psychological and economic." He argues that these tier-one influences underlie other influences on firm accounting, which he discusses in later chapters. They are bounded rationality, self-interested behavior, firm uniqueness, externalities, information losses, and economies of scale. Staubus considers each one in turn and the influence of each on firm accounting. Additional propositions are identified for each concept. For example, two propositions related to bounded rationality are developed: "Bounded rationality has led to the

development of accounting systems that augment the limited capacity of the human mind. . . . [and] Bounded rationality has led to the use of a materiality screen to keep the quantity of financial data reported to users within bounds" [p. 25].

Chapter 3 contains a discussion of "Tier II Influences" which are derived from the first two chapters. The three tier-two influences are cost of information (accounting is not costless), asset uniqueness (each firm has a unique set of assets), and performance evaluation and incentive plans. A fourth tier-two influence, conflicts of interests, is addressed in Chapter 4. Again, in Chapter 3, each concept is discussed and a set of 39 propositions is developed related to these concepts.

Chapter 4, conflicts of interests, points out that the phenomenon of opportunistic behavior by firm constituents is not a 20th century discovery by one individual, but was generally recognized by owners, managers, lenders, and lawmakers over a long period of accounting history. Twenty propositions related to conflicts of interests are presented. Staubus links the issue of conflicts of interests to the earlier concept of self-interested behavior and to basic contractual relationships involving labor, management, and owners. He argues for a tendency towards biased financial reporting based upon "the general desire of individuals to make a favorable impression on others" and identifies ego and self-interest as the bases for this desire [p. 69]. Staubus explains management of earnings from the perspectives of "liberal reporting" and "smoothing" [p. 70]. This chapter also discusses conservatism, about which Staubus writes "the motivations for conservative financial reporting are complex and extend beyond self-bias by reporters. Perhaps conservatism is an innate human tendency that is not always offset by the bias towards reporting one's own performance in a favorable light" [p. 73]. Staubus concludes the chapter with the assertion that "the prevalence of conflicts of interests among firm constituents has been a major influence shaping the development of accounting in firms. The view here is that insufficient attention has been paid in the accounting literature . . ." [p. 77].

Chapters 5 and 6 address four "Tier III" influences — firm size, vertical integration, diversification, and form of organization. Firm size focuses on economics and diseconomies of scale, about which Staubus writes, "To the extent that developments in accounting have mitigated such general constraints as bounded rationality, opportunism, information losses, control loss, and incentive dilution, it may have pushed out the upper bound on

firm size, and thus brought economics of scale within reach" [p. 90].

Chapter 7 stands apart from the remainder of the book and gives away the author's interest in income theory. Staubus writes, "[The previous chapters] have not, however, specifically addressed the most persistent controversy in that accounting: Should the originally recorded, transaction-based prices of assets and liabilities be updated for reporting in a set of financial statements" [p. 119]?

In the concluding chapter, Staubus turns back to his original theme to bring closure to the relationships between firm characteristics and economic conditions on the development of accounting within firms. Staubus summarizes the points of earlier chapters, identifies some matters not addressed, but chooses not to attempt to provide some overarching perspective of the influences on the development of firm accounting.

This book makes worthwhile reading for those tolerant of the richness and breadth of its themes. It is not tightly organized around any central theories or models, and Staubus is quite willing to draw in materials from a variety of sources and fields. The overall effect is rather like a lecture that covers much ground, with no one particular theme and with numerous digressions, but nevertheless has interesting insights and ideas. In the final reckoning then, what Staubus has provided is an essay of his thoughts on how accounting develops in firms. These thoughts raise some interesting questions for the reader. While this may not be quite what Staubus intended, all in all it is a pretty good thing to accomplish.

Donald E. Tidrick, (ed.), *Leonard M. Savoie: Words from the Past, Thoughts for Today* (New York: Garland Publishing, Inc., 1995, 288 pp., \$55)

Reviewed by
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This collection of 26 previously unpublished speeches by Leonard M. Savoie gives a clear picture of the issues confronting the accounting profession during the 1960s and 1970s from the perspective of a thoughtful and principled accounting professional. A 1946 graduate of the University of Illinois, Leonard

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Savoie became a partner in Price Waterhouse in 1960. He was partner-in-charge of accounting research and education when, in 1967, he left the firm to become the executive vice-president of the American Institute of CPAs, succeeding John L. Carey in a position later retitled president. In 1972, Savoie left the Institute to become controller and vice-president of Clark Equipment Company, a position he held until 1980. In that year, he became a professor of accountancy at Notre Dame University where, from 1983 to 1990, he served as chair of the Department of Accountancy. He died in 1991.

Leonard Savoie was a widely respected and most effective spokesperson on accounting issues. He delivered over 160 speeches and published approximately 50 articles during a career that spanned accounting practice, accounting regulation, and accounting academe. A career of such breadth and visibility was rare for its time and is even rarer today, a fact that is documented by testimonials from several of his well-known associates which are published with these speeches. This collection is divided into three sections — Reports to the Council of the AICPA, General Professional Issues, and Accounting Standard Setting. In addition, the appendices present lists of his speeches and publications.

Savoie spoke his mind on general professional issues, including the value of auditors as “hard-nosed,” third-party observers and “whistle-blowers,” the importance of auditor independence, and the compatibility of auditing with other forms of service to clients. He was also a staunch advocate of tough-minded financial reporting standards, and his addresses to the AICPA Council present thoughtful analyses of the political process surrounding the development of reporting standards. Several of his papers address issues of accounting education. He supported professional schools of accounting and believed in curricula that emphasize a common body of accounting knowledge as the basis for entry into all aspects of the accounting profession, leaving specialized training for continuing education programs or on-the-job experience: “The real education we are seeking is more a way of thinking which will enable us to solve problems, to learn new techniques and practices, and to approach future problems with creativity and imagination” [p. 88].

The editor should be complimented for bringing together this set of unpublished manuscripts. Taken as a whole, the speeches chronicle and clarify the issues confronted and choices made during an important era in the development of account-

ing, an era in which many present-day developments have their roots. They deserve a careful reading by anyone interested in building a perspective on the development of accounting in recent decades.