Accounting Historians Notebook

Volume 29
Number 2 *October 2006*

Article 7

October 2006

Accounting historians notebook, 2006, Vol. 29, no. 2 (October) [whole issue]

The Accounting Historians Notebook

Vol. 29, No. 2 © Academy of Accounting Historians October 2006

Accounting and technological change: the changeover from wood to iron shipbuilding in Sunderland, c. 1850 - c. 1875

by

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Between c.1750 – c.1850 the world wood shipbuilding industry was marked by a series of competitive shifts, from Dutch leadership prior to 1800 (Unger, 1978) to British, French and American struggles for dominance through to the 1850s (Slaven, 1980). The British industry was cushioned by rising trade, but beset by poor ship design and heavy duties on the necessary timber imports (Jones, 1957). However, pressure from shipowners led to improvements in British ship design and Britain survived as a leading player in the world wood shipbuilding industry, albeit as a relatively high cost producer given that British ships were about 25 per cent more expensive than their American counterparts (Jones, 1957; Slaven, 1980). From the 1850s onwards, there was a technological revolution in shipbuilding as iron began to replace wood in the construction of the hulls of ships (Clarke, 1986). The current paper examines the role of accounting information in shipbuilders' decisions to replace wood by iron as the primary material of hull construction and thus bring about technological and organisational transformations of the industry.

The context

Essentially, the demand for ships is the outcome of a complex set of relationships between the volume and pattern of trade, freight rates, the size, speed and age of existing fleets and technical advances in

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construction (Jones, 1957; Pollard and Robertson, 1979; Slaven, 1980). Shipbuilding is a capital goods industry *par excellence* (Slaven, 1980), subject to violent swings in the demand for its products, and, given this, the prospect of bankruptcy always loomed large for the shipbuilder during the nineteenth century (Todd, 1985). By the mid-1850s, British shipbuilders had developed a routine process for the building of iron ships (Harley, 1973) and by the 1860s had capitalised on their cheap natural resources and pool of skilled engineers to such an extent that Great Britain was not only the world's leading shipbuilder "but for some time practically monopolized" (Pollard and Robertson, 1979, p.12) iron shipbuilding. In 1862, Britain's iron shipbuilding equaled its wooden tonnage for the first time and then moved inexorably ahead (Clarke, 1986, p.1). Nevertheless, within Britain there were regional variations in the rate of adoption of the new material and its technology. Sunderland, on the River Wear on the North East Coast of England was a centre of shipbuilding activity (Clarke, 1981;

Table 1
Iron shipbuilding output (tons) in Sunderland 1853 – 1871, by firm

Year	Laing	Oswald*	Pile	Doxford	Illiff*	Thompson	Blumer	Watson	Short
1853	479								
1854	577								
1855	939								
1856	nil								
1857	610								
1858	3,083								
1859	2,003	497							
1860	2,573	3,798							
1861	6,153	3,903	2,580						
1862	5,429	4,115	4,752						
1863	6,307	6,081	5,093						
1864	6,525	7,974	5,430	2,191					
1865	7,681	7,171	4,708	2,212					
1866	5,084	6,477	1,533	3,198	965				
1867	2,569	3,126	4,853	1,823	1,677				
1868	8,097	9,622	7,296	4,071	5,240	1,112			
1869	7,058	18,983	8,146	2,122	4,478	1,073	1,790	912	
1870	14,502	12,399	10,177	3,724	5,181	2,296	nil	3,750	
1871	15,246	15,485	12,926	7,214	6,091	4,384	533	6,118	2610

* Oswald opened a purpose-built iron shipyard; he was a nephew of James Laing and had started his career in wood shipbuilding; Illiff's was a purpose-built iron shipyard; all other shipyards were converted from wood to iron shipbuilding.

Adapted from Clarke, 1986, p. 69

Pollard and Robertson, 1979) and by the 1850s claimed to be the greatest shipbuilding town in the world (Smith and Holden, 1953). However, this claim was based on the town's wood shipbuilding industry. In the 1850s Sunderland had between sixty to seventy shipyards; the shipyards were generally very small-scale, each employing about 30 men, industry entry and exit costs were minimal, land prices were low and labour forces flexible (McLean, 1995). At a competitive advantage in terms of wood shipbuilding, Sunderland lagged behind the national average in the rate of changeover to iron shipbuilding: in Sunderland, tonnage output of iron shipbuilding did not overtake that of wood until 1868, significantly later than the national changeover date of 1862 (Clarke, 1986). Moreover, within Sunderland itself there was considerable time variation between firms in the adoption of iron shipbuilding (Table 1).

The current research analyses the roles of personality, business environment and accounting information in order to explain this variation, focusing on two particular firms, Laing and Doxford, these firms being selected for research on

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the basis of the availability of archive material (Note 1). The remainder of this paper is organised into five sections: first, wood and iron shipbuilding are compared; second, an analysis is made of the development of the Laing and Doxford shipyards; third, there is a consideration of the role of accounting information for decision-making in shipbuilding; fourth, there is a discussion of the material presented in the paper; and, fifth, conclusions are drawn.

Wood and iron ships compared

Between c.1850 – c.1875, wood ships could generally match iron ships in terms of size, quality, speed and technical specification. However "in Britain by the end of the 1850s it is probable that iron ships could generally be built more cheaply than wooden vessels" (Clarke, 1986, p.47), mainly because British iron was a cheaper raw material than imported wood. In 1861, the *Sunderland Herald* noted that "iron vessels, with a full East India outfit, can be purchased at prices varying from £15 to £l5.15s.0d per ton; while a wooden vessel of the same class could not at present be laid down in any of the (Sunderland) yards . . . at the same figure" (ibid, p.49). Although relative raw material costs did vary from time to time, it is clear that the cost advantage lay with iron shipbuilding which also benefited from increasing mechanisation and improving labour productivity, given that metal-workers were paid on piece-work while wood-workers were paid on time-rates. These cost advantages made iron rather than wood ships increasingly attractive to shipowners and iron shipyards were developed to meet the changing demand (Clarke, 1966, 1981, 1986, 1988). The application of new materials and technology changed much in the shipbuilding industry; whereas shipwrights and other wood-workers had naturally dominated the wood shipbuilding industry, "overwhelmingly, in Britain, the men who built the first iron ships were from a mechanical engineering background" (Clarke, 1986, p.47). However, in Sunderland virtually all of the men who set up the new iron shipbuilding yards during the current research period were from a background in wood shipbuilding (Table 1). The development of the Laing and Doxford shipyards, the subjects of the current research, are examined in more detail in the next section.

The Laing and Doxford shipyards

In 1792, Philip Laing abandoned the profession of medicine to become a partner in his brother's business and took over sole control in 1818. Philip's son James was born in 1823, became head of the firm in 1843 and presided over it until his death in 1901, always employing specialists to run the day-to-day operations of the shipyard.

From its beginnings Laing was a multi-activity business, involved in trading, shipowning and shipbuilding. Laing's firm was innovative and took out several shipbuilding patents (Clarke, 1981; Jeremy, 1984-86; Smith and Holden, 1953). The Laing shipyard was to the fore in Sunderland's adoption of iron shipbuilding. Apart from the isolated exception of another yard that launched the town's first iron ship, of a mere 72 tons, Laing's shipyard was well ahead of Sunderland's other shipbuilders in the adoption of the new material and technology of shipbuilding (Table 1): by 1858 four of its five ships built were made of iron and, although iron tonnage fell to only half of total output in the following year, the firm was established as an iron shipbuilder (Clarke, 1986). Although the archives of the firm and of the Wear Shipbuilders' Association reveal no direct discussion of the changeover from wood to iron, the Association's minutes do reveal that in 1859 James Laing led a campaign against the "oppressive and unjust" duties imposed on timber (TWAS/EM/WS/1/1, pp.117-127), indicating the ongoing importance of that raw material.

The available sources present rather differing views regarding the background of the Doxford family. The introduction to the Doxford archive (TWAS 1811) states,

> William Doxford senior had a small wood shipyard . . which he began in 1840. He and his partner were declared bankrupt the following year, and he returned to working as a craftsman for another firm. The partnership was re-established in 1845 and continued until 1851, when once again William senior returned to working partly as a shipwright and partly as a timber merchant.

However, Clarke (1986, p.72) states that "the family yard had almost twenty years of continuous existence before… it began (building). . . iron vessels in 1864". Furthermore, the Doxford accounting archive (TWAS 1811/12/4) indicates that William and J. Doxford were in partnership as timber merchants as early as 1833 and later moved into shipbuilding. Despite the differing views presented by these sources, they do all confirm that the background of William Doxford was in wood rather than in metals engineering or general trading business. William's son, William Theodore, 1841 – 1916, was probably responsible in 1864 for starting the family shipyard's changeover from wood to iron shipbuilding (Clarke, 1986).

Accounting information for decision-making

An analysis (McLean, 1995) of the nineteenth century Laing and Doxford accounting records indicates that each firm operated a mer-

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cantile double-entry accounting system adapted to include a form of contract accounting for shipbuilding activities, thus enabling the calculation of cost and profit or loss on each ship constructed. However, there were differences between the accounting systems. Laing included data which Doxford did not: Laing's ship accounts routinely included a note of ship tonnage, which would have facilitated a calculation per ton of selling price, cost and profit or loss, although such calculations are not extant. Neverthless, tonnage data was, of course, available in Doxford outside of the accounting system and it would have been straightforward to make the relevant calculations, although none are extant. A further difference between the systems lay in approaches to periodicity. Whereas Doxford's system was based around the half-yearly calculation of profit for the firm, Laing's system was not. Unlike Doxford, Laing was also a trading and shipowning firm and when

> Laing built and operated a ship as owners, that ship's account reflected its building cost, voyage profits and, ultimately, the selling price obtained on the eventual sale of the ship and the final overall profit made over its entire life cycle with the firm . . . Profit measurement was not periodic, but was based on ventures and on the ship as a focus of economic activity (ibid, p.124).

It is conceivable that, by focusing on profit over the life-cycle of the ship rather than the calculation of half-yearly company profit, the Laing accounting system acted as a form of social technology enabling the development of a long-term view of the business in general and the changeover from wood to iron in particular. Nevertheless it is apparent from the 1861 *Sunderland Herald* quoted above that the respective costs and profits per ton of wood and iron were common knowledge and that the relatively small and tight-knit community of Sunderland shipbuilders would have been well aware of them.

Discussion

Laing began iron shipbuilding in 1853, significantly earlier than Doxford's entry into the industry in 1864. Although Laing's accounting system provided a longer term perspective than did Doxford's it is unlikely that this explains the difference in entry dates. Both accounting systems enabled the calculation of costs and profits per ton for each ship built and this information could be viewed in the context of comparative cost and profit data for wood and iron ships which were freely available in the market place. Thus it is improbable that differences in information availability can explain the difference in timing of entry into iron shipbuilding, and answers must be sought elsewhere.

A new iron shipyard needed to be financed of course, but the available evidence suggests that this in itself need not have prevented Doxford from making the changeover earlier than it did. By the 1850s, Doxford was a well-established business, making profits of £1,872 in the 6 months to 30 December 1854, for example, (McLean, 1995) and other Sunderland shipbuilders such as Oswald and Pile were able to finance iron yards earlier from no more favourable circumstances (Clarke, 1986). It is improbable, therefore, that lack of finance explains Doxford's later entry into iron shipbuilding.

Insights into the problem of delayed entry into iron shipbuilding are provided by Harley (1973) and Clarke (1986). In the context of the North American shipbuilding industry, Harley contends that delayed entry into iron shipbuilding was not due to prejudice, ignorance and inertia, but due to factors such as the immobility of labour. However such labour problems did not arise in Sunderland where shipbuilders were able to draw on North East England's pool of skilled metal-workers as Laing in fact did do. However Harley also notes shipbuilders' willingness to accept lower but adequate returns in order to persist with wood shipbuilding. Similarly Clarke (1986, p.72) has argued that Sunderland's wood shipbuilders "continued to find enough customers and accommodating credit from timber merchants to continue in their old ways", and, moreover, continued to benefit from the repair work needed by existing wood fleets.

Nevertheless, in considering delayed entry into iron shipbuilding it is not sufficient simply to examine the technical and structural factors affecting the decision-making process. As Parker (1981, p.131) has remarked "a history of accounting . . . without some knowledge of the actors – those for whom as well as those by whom the records were kept – must be rather anaemic and thin". The "actors" relevant to the current research are James Laing, William Doxford and William Theodore Doxford. In 1853 when James Laing took his business into iron shipbuilding he was 30 years old, a successful innovator, the head of a firm that had been in continuous existence for over 60 years and a businessman rather than a wood-working shipwright and shipbuilder. In comparison, in 1853, William Doxford was 41 years old, with 20 years of experience of basing his working life around wood, as a timber merchant, a working shipwright and a shipbuilder and, possibly, as a bankrupt. The Doxford shipbuilding moved into iron shipbuilding only in 1864, probably under the direction of William's son, the 23 years old William Theodore Doxford (Clarke, 1986).

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Conclusions

In the context of freely available market information, both the Laing and Doxford accounting systems provided clear data on the costs and profitability of shipbuilding. Although there were differences in the systems, particularly in terms of reporting time-frames, it is unlikely that these are significant in explaining the different entry dates into iron shipbuilding. Working experience and skills, age, personality and business outlook are probable causal factors in James Laing's early entry into iron shipbuilding, William Doxford's commitment to wood shipbuilding and William Theodore Doxford's success in making the changeover.

Note 1: All of the archives drawn upon for this research are held by the Tyne Wear Archive Service (TWAS), Blandford Street, Newcastle Upon Tyne, Great Britain.

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Social Security: From Then to Now; 70 Years of Growth

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Today, just as in 1935, there appears to be a fundamental belief in American society that those who have worked and made contributions into a retirement system should have some assurance that they will not be left unprotected by our government once they have reached an age where they cannot work. The problem we are facing as a society is one of determining how to offer retirees income protection while not taxing our shrinking working population too heavily. There are many proposals being debated on how to "fix" the system, but before decisions are made on how to restructure our social security system we need to look at its history. Perhaps in this way we can maintain the basic principles of the social security program that our society still professes to believe in.

Background and History (Passage of the First OASI)

The idea of the U.S. Government ensuring elderly, retired citizens some financial protection in their last days was a result of massive numbers of Americans, who after devoting years of service to their employers, were left with no means of financial subsistence. During the early 1930's many companies went out of business without providing any type of old age assistance or pensions for their employees. With few jobs to be had after the 1929 stock market crash, and the ones which were available typically going to younger, stronger workers, many older hard-working Americans found themselves with no means of support.

In 1920, the Federal Government started providing retirement assistance to protect elderly Federal workers through a civil service retirement program. Retired railroad workers had also been provided retirement coverage under the 1934 Railroad Retirement Act. So in 1935 it was not too much of a leap for Congress to pass legislation mandating financial protection for all retired American workers. Congress, as well as most American, found it unthinkable that someone could work their entire adult life and then, through no fault of their own, be unable to find work and be forced to live at a substandard level. The Social Security Act of 1935 was signed into law by President Franklin Roosevelt on August 14 and provided that both employers and employees would contribute equally to a fund to provide benefits to assist retirees. The program was referred to as an old age insurance program designed only to provide "meager payments" to workers in the fields of commerce and industry.

David M. Alvin, then assistant director of the Bureau of Social Security Administration, identified several basic principles of the social security system. (David, 1960) First, and perhaps most basic, was the idea that this was not to be a welfare system but rather a way to ensure that older workers would have a continuing income guaranteed by law with the benefits received a direct result of the worker's own labor. The original Social Security Act provided that payments to

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retirees would be based on their total lifetime earnings, as well as, the contributions into the system from both workers and their employers. Therefore, since the retiree would be receiving their own contributions back these benefits should be received without a means test. (David, 1960).

Second, David (1960) stated that this was to be a supplementary income program. At no time did the Government intend for retirees to live entirely on their Social Security benefits. This intention is illustrated by the fact that social security payments have never been based on need but rather on a mathematical formula created by Congress reflecting the retiree's and employer's contribution into the system.

Third, in order for the program to protect those who would probably need it the most, the program was mandatory. No worker or employer would be allowed to opt out of the system. Congress realized that some lower paid employees (those who would need the system the most) might, if given a choice, choose not to participate and some employers might try to dissuade employees from participation (David, 1960).

A fourth principle identified by David (1960) aimed at preventing Social Security eligibility from being determined subjectively. The 1935 Act required Congress to clearly define the retiree's eligibility and benefits through legislation. Once again benefits were to be determined based on a predetermined mathematical calculation.

The final principle was that it was to be self-funded. Each employee and employer would contribute 1% on the first $3000 of each employee's earnings. As a means to ensure self-sufficiency, payroll contributions were to be withheld beginning in 1937, but the first payments to retirees were not scheduled to begin until 1942. The system was not originally intended to be a "pay-as-you-go" system. (David, 1960)

Congress Makes Changes to the Original Act

It did not take long for Congress to begin tinkering with Social Security. As planned, after passage of the 1935 Social Security Act, collection of the first payroll taxes began in 1937. The taxes began with a maximum of $300 collected from the employee matched with $300 from the employer.

The first changes occurred in 1939 with Congress broadening the program and accelerating payments to beneficiaries. These changes were accomplished through three substantial amendments to the Social Security Act. First, it was decided to accelerate the program and begin disbursements to the beneficiaries two years earlier than had been originally agreed upon. Social Security payments began being distributed in 1940 instead of waiting until 1942 thus preventing the accumulation of funds necessary to provide for self-funding.

Second, the method of calculating a retiree's benefits was changed. Originally benefits were to be based on a retiree's total earnings throughout their lifetime. The 1939 amendments changed the benefit calculation to one basing the retiree's monthly social security on their average earnings over their work life. This change allowed the system to pay out benefits immediately but in smaller amounts without violating the concept of self-funding.

The third and perhaps one of the most significant changes was that benefits would not be restricted to the retiree. The program was expanded to allow the government to make payments to other members of the retiree's family such as a wife, young children, widows, orphans, and dependent parents of deceased workers. This was a fundamental change in the concept of the social security program. The program had been changed and expanded from one based on providing benefits to an individual worker, to providing financial assistance to an entire family.

With these changes America had a social insurance program designed to provide financial protection for the retiree and their family against loss of earnings instead of a program to assist workers in saving for retirement. To reflect these changes the social security program now became known as the Old-Age and Survivors Program.

The 1950's Open the Program to Significant Changes

The next period of major changes came during the 1950's. The program was expanded in 1950 to extend coverage to public employees, farm workers, and domestic workers. This increased the social security rolls by nearly 9 million people (David, 1960). In that same year the annual benefit amounts for retirees were also increased. It was determined that the benefits as originally established were not adequate to ensure a "decent" standard of living. This marked a major shift away from the program being supplementary to one of reliance.

In an effort to maintain the concept of a self-supporting social security program while providing expanded coverage and increased benefits to retirees and their families, in 1950 Congress implemented a plan to incrementally increase the original contribution rate. The 1% rate would increase to 1.5% on the first $3,000 of earnings (for both employees and employers) in 1950 up to 2.5% of maximum earnings of $4,800 by 1959. These rate increases were scheduled to go into effect at 5 year intervals. By 1958 this 5 year phase-in had been shortened to a 3 year interval (David, 1960).

In 1954 Congress expanded coverage of the Social Security program. All self-employed individuals, other than lawyers and medical professionals, were brought into the Social Security program. The "disability freeze" provision was added to protect retiree benefits from being reduced if one was to become totally or permanently disabled before retirement.

By 1956 legislation had been passed to extend disability insurance benefits (still based on earnings) to disabled workers between the ages of 50 and 65. This created the need for a name change to the Old-Age, Survivors, and Disability Insurance program (OASDI) Not only were disabled workers to receive disability payments but now disabled children 18 or over, who had been continuously disabled since before the age of 18, would be eligible to receive social security benefits. The same year Congress added a provision that would allow women to retire early and begin receiving reduced benefits at the age of 62 versus 65.

So by 1957 the government program born out of a desire to provide "basic subsistence for individuals who had worked and paid into the system" had grown and morphed into a social insurance policy. Over one-half (55%) of elderly Americans were using Social Security as their sole means of retire-

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ment and had no other retirement income or had on average less than $75 a year per person personal retirement income (from pensions or savings). In other words, instead of being supplementary, and a means to ensure a minimum level of income in one's old age, many Americans were using social security as their only means of retirement income.

The 1960's Bring Expansion of Coverage and Benefits

The 1960's was probably the decade with the greatest number of and the most significant changes to the social security program. The changes covered everything from increasing withholding percentages to adding new entitlements and expanding coverage to more Americans. By the late 1960's the social security program became one of Congress's favorite programs to modify and enlarge.

By the end of 1960's the average monthly retirement benefit was $73 and the average disability benefit without age restrictions was $89. Congress also approved a lump-sum death benefit payable to funeral homes and monthly death benefits to be paid to widows and their children. These increased benefits were financed by increasing the payroll tax to 6% of the employee's maximum earnings of $4,800 divided equally among the employee and employer. The contribution rate was raised to 4.5% for self-employed individuals.

Five years after making women eligible for early retirement with reduced social security benefits, Congress made men equal to women in regards to social security. In 1961, Congress passed legislation allowing men to receive social security benefits at a reduced rate at the age of 62.

One of the most significant changes to the social security program occurred on July 30, 1965 with the creation of the Medicare program administered by the Health Care Financing Administration. This program was fully implemented by July, 1, 1966. From its inception the Medicare program consisted of two separate but coordinated programs - hospital insurance (Part A) and supplemental medical insurance (Part B). The Medicare program was established to provide healthcare benefits to persons 65 and over who were entitled to receive social security benefits. That year, 1965, Congress passed legislation to begin deducting $3 from monthly social security checks to cover the new Medicare hospital benefits (Part B).

By the end of 1969 the Social Security and Medicare calculation had increased in amount and complexity. The maximum earnings and self-employment income subject to OADSI in 1969 was $7,800. The tax rate for the OADSI was increased to 4.8% with 3.725% allocated to social security and .475% for the Medicare portion. Self-employed individuals were assessed a rate of 6.9%. President Nixon also signed the Tax Reform Act of 1969, providing for a 15% increase in Social Security benefit payments.

The 1970's and Cost of Living Increases

The 1970's were a time of rapidly rising prices and high rates of inflation. In an effort to ensure Social Security payments would keep pace with inflation legislation was passed in 1972 to automatically adjust Social Security benefits to reflect cost of living increases.

During the 1970's there was a rapid increase in both the maximum earnings and self-employment income subject to Social Security and Medicare taxation. The rate to be applied to earnings rose from 4.8% (4.2% for Social Security and .6% for Medicare) on maximum earnings of $7,800 in 1970 to 6.13% (5.08% for Social Security and 1.05% for Medicare) on maximum earnings of $22,900 in 1979. These rates were applied equally to both employees and employers.

The 1980's Bring About 'Age and Income-Creep"

During the 1980's measures were put in place to help ensure the viability of the OASDI program. Payroll taxes were increased from 6.13% on maximum earnings and self-employment income of $25,900 for both employees and employers to 7.51% (6.06% for Social Security and 1.45% for Medicare) on maximum earnings and self-employment income of $48,000.

In 1983 Congress again made significant changes to the Social Security and Medicare program in an effort to curb its growth and to ensure its solvency. The age at which full Social Security benefits could be received was increased from 65 to 67 to be phased in over several years. Tax reform measures were passed taxing Social Security benefits paid to higher income taxpayers. Retirees were required to start including up to 50% of their Social Security benefits in taxable income if their modified adjusted gross plus half of their Social Security Benefits exceeded $25,000 or $32,000 depending on their filing status. Congress removed the Social Security trust funds from Federal budget restrictions by converting it to "off budget" status.

The 1990's See Significant Changes and Rate Increases

Many of the changes of the 1990's focused on social security rate increases, additional taxation of Social Security benefits, and removal of certain classifications of individuals from the disability roles. By 1990 the Social Security Payroll tax had increased to 15.3% on maximum earnings of $51,300 shared equally by the employee and employer. Each party had to pay 6.2% for Social Security and 1.45% for Medicare.

1993 saw more significant changes to the OASDI program. Two major changes in the tax laws were implemented. First, Congress repealed the dollar limit on earnings subject to Medicare taxes. Second, a two tiered approach for calculating the portion of one's taxable Social Security benefits was implemented. The new rules required the inclusion of up to 50% of a retiree's Social Security benefits in taxable income once their modified adjusted gross income equaled $25,000 or $32,000 and then inclusion of up to 85% of their benefits if their modified AGI equaled or exceeded $34,000 or $44,000 depending on filing status.

By 1994 the maximum earnings subject to Social Security tax had increased to $60,600 with no cap on Medicare taxes. Legislation was passed to automatically update the ceiling for calculating taxable social security earnings based on nationwide average wage and salary earnings.

On January 1, 1997, another important change was instituted. President Clinton signed legislation that removed from the SSI program approximately 207,000 recipients whose dis-

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ability was materially the result of a drug or alcohol dependency.

By the end of 1999 the maximum earnings and self employment income subject to Social Security tax had increased to $72,600. The rates were still 15.3% split equally between employee and employer.

The New Millennium Ushers In Medicare "Modernization"

Since the turn of the century maximum earnings subject to OASDI has increased from $76,200 to $90,000 in 2005. Earnings subject to Medicare taxes are still uncapped. According to 2000 labor statistics released by the Congressional Budget Office, 41% of households pay more in payroll taxes than in income tax.

The two most significant items related to Social Security and Medicare in the new millennium have been the introduction of the new Medicare Part D drug coverage enactment and the many proposals set forth to "save" the system. The new coverage, described as "Medicare Modernization" is called Medicare Part D and is a voluntary program for seniors on Medicare. The program became operational in January 2006 and for the first time represents a partnership between the Federal Government and selected private insurance carriers to help retirees obtain drug coverage. Also, for the first time, a beneficiary's income will be considered in the calculation of cost charged with higher income beneficiaries paying higher Part B premiums beginning in 2007. The average cost is expected to be somewhere around $32 a month for Part D coverage in addition to the $78.20 per month premium charged for Medicare Part B.

Proposals to "Save or Fix" Social Security

Many pundits believe the Social Security system will be insolvent by 2042. They base this on three broad demographic and social concerns. First, current retirees are demanding increased benefits Second, a shortage of workers to provide benefits for the increased number of recipients, is expected. Unlike the early 1950's when there were 16 workers for every one Social Security recipient, by 2040 that ratio is expected to be reduced to two workers for every recipient (currently, the ratio is three workers for every retiree). Third, retiree's life expectancies are increasing dramatically (from 68 years in 1935 to an expected 85 years in 2035). Even the Social Security Administration's website provides a dismal picture for the future projecting social security collections to fall below program costs by 2017 and the trust fund's assets to be exhausted by 2040 (SSA.gov, 2006).

There is no shortage of proposals to fix the system. Some of the most frequently discussed are:

1) partial privatization plan advocated by President Bush (whitehouse.gov, 2006);
2) increasing the contribution rates; (John, 2004)
3) extending full retirement age to something beyond 70 years of age;
4) using a means test (USA Today, 2006);
5) erasing or increasing the earnings cap on Social Security payments (USA Today, 2006).

Whatever proposals are considered, they must all be viewed in the context of the history and original intent of the social security system. Perhaps a return to the fundamental principles of the system is what will save it. A return to the concept that Social Security is or should be part of a "three legged stool" approach to financing retirement is necessary. The three legged approach assumes one leg is the retiree's pension or 401(k), the second leg being personal savings, and the third leg being social security. (Jennings, 2004).

Unfortunately, many retirees consider it appropriate for Social Security to constitute a majority portion of their "nest egg" for the future. Realistically this government program has become ingrained as a basic component of our retirement planning but it can not survive without some compromises and some sound financial principles being applied by all parties involved.

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Vangermeersch Receives 2006 Burns Biographical Research Award

Edward Coffman of Virginia Commonwealth University (right) presents the 2006 Thomas J. Burns Biographical Research Award to Richard Vangermeersch, Professor Emeritus at the University of Rhode Island. The presentation was made on August 7, 2006, at the Accounting Hall of Fame Induction in Washington D.C. Professor Vanger-

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meersch is the author of *The Life and Writings of Stuart Chase (1888-1985): From an Accountant's Perspective* (Elsevier, 2006) and many other papers and monographs on historical biography.

The Thomas J. Burns Biographical Research Award was established in 2005 to recognize excellence in biographical research in the discipline of accounting and to honor Thomas J. Burns, a past president of the Academy. The award is accompanied by a cash award of $1,000. The 2005 award was presented to Dale Flesher of the University of Mississippi. The 2005-2006 selection committee was chaired by Ed Coffman and also included Ross Tondkar and Dan Jensen.

The Academy of Accounting Historians Minutes for the Meeting of the Officers, Trustees, Committee Chairs and Editors Dublin, Ireland - March 24, 2006

The Meeting was convened at 12:30 pm Friday, March 24th in the Robing Room Upper Level of OReilly Hall, University College Dublin, Stillorgan Rd, Dublin Ireland. An agenda packet was supplied by Professor Carmona.

Attending: Esteban Hernandez-Esteve, Salvador Carmona, Steve Walker, Gary Previts, Marta Macias, Luca Zan, Cheryl McWatters, Yannick Lemarchand, Miklos Vasarhelyi, Oktay Guvemli, Mine Aksu (arrived at 1 pm), Shyam Sunder (Guest). Dan Jensen arrived at the end of the meeting having been delayed by air travel issues.

Professor Shyam Sunder of Yale University, President-Elect of the American Accounting Assn. presented an outline of a project for a Global Accounting Archive which would be a cooperative venture among many organizations such as the AAA, the EAA and the Academy. He is seeking members who might be interested in the coalition to begin by defining the scope of the project, potential funding opportunities and strategies for supporting the Archive. President Carmona appointed Professor Previts as the interim liaison for the Academy.

President Carmona announced that Professor Dick Edwards of Cardiff University will chair the committee on the Vangermeersch Award.

Professor Marta Macias of Carlos III University Madrid was introduced as the new chair of the membership committee. She outlined plans to expand membership among accounting academics with particular attention to areas of the world which were known to be supportive of historical accounting research. The membership trends were reviewed and areas where action is needed were discussed.

President Carmona introduced Professor Luca Zan of Bologna who will chair the Doctoral Committee. Professor Zan noted his first steps for the committee will be to evaluate the needs and potential contributions for his committee to consider.

Professor Yannick Lemarchand, convener of the 11th Congress of Accounting Historians, provided a draft of the program copy for the July Congress in Nantes. He introduced Professor Cheryl McWatters who is serving as head of the process of reviewing papers. Notifications as to acceptances are being sent out.

Professor Oktay Guvemli reported that the dates of the 12th Congress have been advanced to 20-24 July 2008. Plans are progressing well.

Professor Previts reported for the electronic dissemination committee. The ProQuest and University of Mississippi sites when combined provide full coverage of all past issues of the AHJ. Findarticles.com also provides many of the previous issues, however this source is not officially contracted for and is being investigated as to its standing. In order to preserve the relationship with institutional members the Academy wishes to be sure that that the most recent issues of the *Journal* during a 12 month period are not put into digitized form so as to preserve the availability of hard copy versions for research and for members. Some discussion was offered as to the potential to place the *Notebook* on line in the future. The first on-line offering was done just recently, but no immediate plans for complete electronic distribution and discontinuing of hard copy were announced.

Reports were received from the Center Directors (Professors Dale and Tonya Flesher) at the University of Mississippi and were accepted.

The Trustees signed a resolution to appoint Dr. Robert Kee, a faculty member of The University of Alabama, as a Corporation Director. Dr. Kee joins Dr. Mary Stone and Dr. Jim Martin in serving in these legally established positions. Dr. Mary Stone also serves as corporate agent.

A first draft of the budget was provided in the financial information provided by Dr. Jennifer Reynolds-Moerhle, the Treasurer of the Academy. The financial statements were reviewed, and the details of the budget were discussed. The budget discussion led to specific questions about the policy of having a balanced budget based on conservative but realistic revenue projections. Concerns were expressed that the revenue projections for institutional members should be reviewed and that a revised version of the break-even budget should be provided by the administration. (Due to the absence of Dr. Jensen, the budget review was delayed until Saturday when Professors Previts and Jensen met. They have provided a proposal for revision to President Carmona, President Elect Walker and Treasurer Reynolds-Moehrle).

The Academy Administrator, Mrs. Kathy Rice has expressed an interest in resigning soon. Dr. Carmona will contact her to review the matter and to establish the outline of a succession plan. Professor Previts offered that there is a viable and available three-year bridge arrangement which would continue the administrative structure through 2009 with costs which would be slightly more but manageable in a break-even budget scenario as outlined above. However, there would also be value in establishing a working task force to consider the longer term administrative structure for the Academy assuming the bridge arrangement concluded at the end of that period. President Carmona agreed to contact Mrs. Rice to begin to work through the relevant details. Dr. Walker, President elect was asked to begin a study of the longer term administrative structure. [Relevant Facts: The Academy is incorporated in the State of Alabama and also has Tax Exempt Status with the US Internal Revenue Service as a 501(c)(3) organization.] Dr. Carmona will advise the parties involved as to the next steps. Dr. Previts is prepared to undertake the bridge administrative agreement when and if so directed so.

Accounting History

Call for Papers

Accounting and the Military

Throughout history a prominent and abiding feature of most societies, irrespective of their political form, has been the need to be able to protect themselves from outside interference by investing in military forces. Indeed, for some historians war is the natural human condition. The military may also be used to intimidate the citizens whom the military were formed to serve. Accordingly, the potent threat that the presence of a large, well armed military establishment poses to the liberty of citizens has ensured that military forces are closely monitored by their governments, most notably through financial and accounting controls. This historical, political and financial significance of the military and the contributions of accounting to both the power and oversight of military might has yet to be accorded a corresponding presence in the accounting history literature. A special edition of *Accounting History* to be published in early 2009 seeks to recognise the contributions of accounting to this enduring importance of the military throughout history and to the political legacies that this has left behind.

Interested scholars are encouraged not to interpret the term military too narrowly by restricting it to national armies or other branches of the military such as the navy. Instead, the term might also encompass the industries and political infrastructure upon which the military depend and independence movements of resistance against entrenched interests, notably colonial powers. The ubiquity of military forces across diverse geographical locations and forms of government and across great expanses of time to the present provides considerable scope for scholars to investigate the nexus between accounting and the military. Thus, submissions for this special edition might examine, amongst others:

- the instrumental intentionality of accounting, that is the way in which it is used in association with military force to advance or protect the interests of favoured minorities, most often under the guise of the national interest;
- the contributions of accounting to efforts by governments to influence public opinion and gain support for militaristic endeavours;
- accounting practices and processes used to manage efficiently and effectively vast military expenditures, both in peace and war, and the industries upon which the military depend;
- the relationship between business interests, the military and government;
- the contributions of accounting in the field of battle to military victory;
- the culpability of accounting in the suppression of political dissent by force;
- the protections that accounting might offer as a means of guaranteeing the liberty of civilians against the immanent threat posed by a large standing army;
- comparative studies, either across time or across different political systems. There is an especial weakness in the literature in comparative international military studies.

When submitting papers, authors should follow the instructions which are found at the back of all issues of *Accounting History*. Prior to submission authors are welcome to contact the editor of the special issue, Warwick Funnell. Submissions should be sent electronically as a Word document to the guest editor no later than the 30 November 2007.

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12. World Congress of Accounting Historians (WCAH)
20-24 July 2008 – Istanbul
FIRST ANNOUNCEMENT - CALL FOR PAPERS

12th World Congress of Accounting Historians will be held 20-24 July 2008 in Istanbul. The first Congress took place in 1970 in Brussels, in Europe, and the most recent Congress was held in Nantes, in Europe, in 2006.

Istanbul, a fascinating city where two continents meet and many cultures have deep roots, is honored to host individuals from all over the world who are interested in accounting history. Istanbul, which has hosted many civilisations as a capital city and is adorned with historically significant artifacts, is the largest city in Turkey with a population of 15 million. This population is divided by the Bosphorus and many thousands of commuters pass from one continent to the other every day. The delegates of the Congress will have the opportunity to experience two continents by visiting the historical sites and museums of the city.

The Congress will be held in Harbiye Military Museum and Cultural Center, which is the biggest military museum in the Middle East. This Cultural Center is located in one of the important centers of the city and is close to Taksim, the centre of the city's business, cultural and commercial life, surrounded by some of Europe's top quality hotels.

Several exhibitions are planned for the Congress. An exhibition of documents concerning Ottoman Accounting Systems, which is unique with its background of over 550 years, along with special collections of accounting history and distinctive advertisements relevant to 100th, 150th, 200th anniversaries of events that influenced Ottoman Accounting System, will be among the items on exhibit. Furthermore, 80th anniversary of Reforms of Turkish Republic will be commemorated within an exhibition of relevant documents in terms of its impacts on accounting education and application.

Marmara University, which is the co-organizer of the Congress, is one of the most prestigious universities in Turkey with 60,000 students, faculty and staff. The University offers education in four languages. Also, some hosts will be provided by the Association of Accounting and Finance Academicians (AAFA), a society representing six hundred accounting and finance academicians from Turkish universities.

The main theme of the Congress is: Accounting History and Culture: From the Past to the Present.. Papers are invited on any topic listed below:

- Accounting Methods Used Over the Centuries.
- Accounting in Ancient Empires, Civilisations and Religions
- Development of Auditing Culture
- Accounting Intellectuals and Practitioners
- Enterprise and State Governance Related to Accounting
- Financial Institutions: Banks, Stock Exchanges and Insurance Companies
- Others

Call for papers:

- All papers should be submitted in English.
- The deadline for abstract submissions is January 15, 2008.
- Authors of accepted papers will be informed before March 15, 2008.

Dr. Oktay Güvemli
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Accounting History

Call for Papers

The fifth *Accounting History* International Conference

"Accounting in other places, Accounting by other peoples"

The Banff Centre, Banff, Alberta, Canada

9-11 August 2007

Sponsored by: College of Commerce at the University of Saskatchewan
and
Accounting History Special Interest Group of the
Accounting and Finance Association of Australia and New Zealand

Conference papers will be accepted across a wide range of accounting history topics, including those on the above theme, and a variety of methodological and theoretical perspectives. However, in signifying a conference theme, authors are encouraged to think about non-traditional topic areas and explore other places and other peoples.

"Accounting in other places, Accounting by other peoples" would include such topics as:

- The professionalisation of accounting in the developing world;
- The role of imperialism in spreading accounting practice;
- Accounting history issues that interface with race, gender or culture; and
- The role of accounting and accountants in non-business settings such as art and music.

Submission and Review of Papers:

Papers written in the English language should be submitted electronically no later than **26 March 2007** to 5AHIC@muprivate.edu.au.

All papers will be subject to a double-blind refereeing process and will be published on the conference web site, as refereed conference proceedings unless otherwise advised.

Notification of Acceptance: Notification of papers accepted for inclusion in the conference program will be made by **15 May 2007.**

Conference information is available at the Conference website:
http://www.commerce.usask.ca/5AHIC

Information about The Banff Centre is available at: http://www.banffcentre.ca

Inquires may be directed to the Conference Convenor, Nola Buhr of the University of Saskatchewan, at the following e-mail address: nola.buhr@usask.ca

Accounting History

Call for Papers
Perspectives and Reflections on Accounting's Past in Europe

The world of accounting has never been monolingual. Indeed, across mainland Europe, examinations of accounting's past within specific countries or regions have most frequently been published in languages other than English. Such contributions are often not recognised when Anglo-American accounting scholars prepare guides, which are intended to be useful and authoritative, on conducting and publishing accounting history research. Sometimes the impression can be unintentionally given that the history of accounting has taken place almost exclusively in English language countries or, perhaps even more unintentionally, that work undertaken and prepared in languages other than English is not of a suitable style or of sufficient quality for "international" recognition. Such circumstances are unlikely to alter in at least the near future as the English language continues to assume ascendency as the dominant international language in this era of globalisation.

Today, within many European countries, accounting and other scholars, especially young scholars, are being encouraged to publish in international refereed journals which are highly prone to be published wholly in the English language. Such incentives are often readily visible in national research assessment regimes which are being implemented in certain countries in mainland Europe. Accounting in Europe, of course, has a long tradition, whereas accounting history studies set in the United States, the United Kingdom, Canada, Australia and New Zealand have typically focussed on developments in the nineteenth and twentieth centuries. Accordingly, this special issue of *Accounting History* provides an opportunity for accounting scholars, who are interested in accounting's past in Europe, to broaden the English language literature with studies which meet the editorial policies of the journal.

This special issue, scheduled to be published in 2008, seeks to augment the literature in various ways. Submissions of original papers for this special thematic issue may be concerned with enhancing historical knowledge through, for example, investigations on the following issues or topics:

- Traditions in accounting history research in Europe;
- European trends in accounting history research;
- Comparative international accounting history in Europe;
- Accounting institutions, accounting regulation and standard setting;
- Accounting in social institutions.

Intending contributors are encouraged to interpret this theme from diverse theoretical and methodological perspectives in studies either within or across specific countries or regions. Intending authors are strongly encouraged to contact the guest editor in advance to discuss their proposed topics. Submissions should be written in English and forwarded electronically, to the guest editor, by **31 August 2007**.

Guest editors: Angelo Riccaboni and Elena Giovannoni
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Accounting History

Call for Papers

Histories of Accounting Research

Accounting scholars, in general, tend to admire, even if unconsciously, the schools of thought and associated theoretical perspectives that have driven accounting research and structured debates in the academic community and beyond. Often, little is known about the historical development of such schools and the advent and development of key theoretical perspectives which form part of the taken-for-granted underpinnings of frames of reference.

This special issue will comprise articles that provide historical perspectives on schools of thought in accounting. Frequently, examinations of accounting research organise, synthesise and evaluate the published findings of various authors working within a specific paradigm (that is, literature reviews), or undertake a critical analysis of the assumptions and/or methods employed within particular paradigms, such as capital markets research. Accounting History has tended to ignore the research enterprise and focus on specific episodes, such as histories of standard-setting, histories of accounting and auditing techniques and practices, or histories of the profession, firms or prominent individuals. Furthermore, few historical studies in accounting examine the development of accounting research across space. To redress this omission, relevant manuscripts bringing new historical insights about accounting research are cordially invited for review.

Topics may include, but are not limited to, the following areas:

- Examination of changing conceptions of the role of the academic as research paradigms shift, and/or in response to changing constellations of users/supporters of accounting research.
- Identification and evaluation of "significant" past literature reviews.
- The translation or mutation of research issues as they move across research paradigms. That is, how have "old" research questions been transformed or resurrected through the application of different research methods?
- Tracing the trajectory of research questions as new research methods are introduced. What questions become possible, and which are abandoned, as research methods shift within a particular research stream such as auditing?
- Identification of abandoned branches of the "family" tree and identification of any research streams which have become "locked in".
- Exploration of the crucial turning points that launched a literature or changed its questions.
- Studies of the relationship(s) between the evolution of accounting research and broader social discourses and the absorption of accounting discourses within other disciplines.
- Studies which explore why certain countries appear to become home base for particular types of research, such as investigations as to why capital markets

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The contact information for each one is as follows:

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Both individuals are very capable and will serve the Academy well. I'm sure they will enjoy getting to know you all as much as I did.

Best wishes,

Kathy

Opportunity to Enhance Your Library

Members of the Academy of Accounting Historians have the opportunity to acquire a collection of U.S. Financial Accounting papers. This collection includes ARBs, APBs, FASBs, pre-1936 items, ARSs, FASB Discussion Memorandums and much more. If you are interested, for yourself or for your school's library, please contact the editor at crossj@uwosh.edu with details on your plans for the collection.

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research, for example, is more prominent in the US and accounting research within the critical paradigm is more widespread in the UK.

- Longitudinal studies of the relationship(s) between accounting, business and economic history.
- Explorations of the role played by accounting history research in broadening our understandings of contemporary accounting as a social and institutional practice.

Potential contributors are encouraged to interpret this theme using diverse theoretical and methodological perspectives and are strongly encouraged to contact the guest editors in advance to discuss their proposed topics. Submissions must be written in English and forwarded electronically, to the guest editors, by **15 February 2009.** This special issue is scheduled to be published in late 2009/early 2010.

Guest Editors:

Alan Richardson, Schulich School of Business, York University, Toronto, ON
Joni Young, Anderson School of Management, University of New Mexico, Albuquerque, NM, USA

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Kathy Rice, Long Time Academy Administrator, Retires: A Letter to The Membership

Many of you have heard by now that I have 'retired' from the position of Administrative Coordinator with the Academy. Board members were very supportive when assured that this was a firm decision. My husband will be retiring at the end of the year, and life seems to be getting so busy that I have to make a few changes.

I'd like to thank you for the opportunity to serve the Academy for almost 10 years. They have been very good years for me, and I have enjoyed meeting so many of you and being able to work with others by email or over the phone.

Naturally, there is a void in the Department of Accounting at The University of Alabama since the passing of Bill Samson. He would always come by my office when I was there to ask how things were going and to offer a word of encouragement. He is the one I would go to with questions, and if he didn't know the answer, he could tell me who to contact. Early in my association with the Academy, he pointed me to Gary Previts as a founding member. I've pestered Dr. Previts for information and advice for years, and will miss the almost constant correspondence.

Sarah Holmes served as treasurer when I was hired to help record membership payments, and she was very patient during my learning phase. Since then I've also enjoyed working with Treasurers John Rigsby and Jennifer Reynolds-Moehrle.

I am honored to have worked with each of the Presidents of the Academy as their support personnel. Tom Lee was my boss at The University of Alabama at the same time that he served as president of the Academy. This gave me the opportunity for an 'up close' look at the office of President and a deeper appreciation for the dedication of each of the officers.

There are so many others, and all of you have been kind and supportive. It has been a pleasure to work with you, and I wish you all the best for the future.

Your contact now when you have questions or need help with Academy matters will be Ms. Tiffany Welch or Ms. Becca Hayes, depending on your need. Since the back issues of the Journal are stored in the Garner Center at The University of Alabama, and we have such a good working relationship with Birmingham Printing and Publishing for printing, Ms. Hayes agreed to take over clerical responsibilities involving the journal. Ms. Welch will assume all other responsibilities of the position.

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