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REVIEWS

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REVIEWS OF BOOKS AND OTHER PUBLICATIONS

Edward J. Kane, *The S & L Insurance Mess: How Did It Happen?* (Washington, D.C.: The Urban Institute Press, 1989, 180 pp., $29.95 [orig.]; $10.95 [paper text edition]).

Lawrence J. White, *The S & L Debacle. Public Policy Lessons for Bank and Thrift Regulation* (New York: Oxford University Press, 1991, 224 pp., $24.95).

Martin Mayer, *The Greatest-Ever Bank Robbery. The Collapse of the Savings and Loan Industry* (New York: Charles Scribner's Sons, 1990, 352 pp., $24.95).

Continuing Research on the Savings and Loan Crisis: A Review Essay

by James Schaefer
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The Savings and Loan crisis has been in the news since 1989. Apparently the seriousness of the situation cannot be overstated, as many have suggested that the thrift industry has been destroyed. The magnitude of the crisis has resulted in numerous articles and books. The topics of these writings have ranged from detailed chronologies of the entire industry (from its inception to the present) to abuses by specific people at individual thrifts.

Vol. 18, No. 1 of *The Accounting Historians Journal* included a review essay of three books on the crisis. *Thrifts Under Siege*, by R. Dan Brumbaugh [1988], analyzed the economic forces battering thrift institutions and suggested the need for dramatic reform of thrift and commercial banking. Brumbaugh was one of the first writers to devote significant attention to RAP, or regulatory accounting principles. *Other People's Money* [1989], by Paul Zane Pilzer, provided a discussion of the history of the industry and insight into the regulatory problems in-

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volved. *Inside Job* [1989], by Stephen Pizzo *et al.*, investigated dozens of failed thrifts and suggests the involvement of organized crime.

This review examines three more books, two of which are written by economists. Edward J. Kane occupies the Everett D. Reese Chair of Banking and Monetary Economics at Ohio State University. Kane has researched and taught the subject of deposit insurance for over ten years. His work was sponsored in part by the Urban Institute. Lawrence J. White is Professor of Economics at New York University and has served as one of the three Board Members of the Federal Home Loan Bank Board, the regulator of and provider of depositor insurance (through the FSLIC) to the thrift industry. The third author is Martin Mayer, who has written over ten books on business and finance, as well as numerous other works of fiction and nonfiction. He once served as a commissioner on the President's Commission on Housing and was also assigned to the Commission's finance committee.

AN ECONOMIC PERSPECTIVE

Economists tend to view transactions differently than accountants. For example, most economists would use market value instead of historical cost as a basis for measuring assets. Economists also would include all sources of positive and negative future cash flows as assets and liabilities and not omit certain "off-balance sheet" items from the net worth equation. When economists speak of "costs," they are normally referring to opportunity costs instead of the direct monetary expenses involved in any activity. Hence economists and accountants who decide to measure the same phenomenon may arrive at very different results.

One of the common denominators of Kane and White is their dissatisfaction with the accounting principles used by thrifts. While neither author holds accountants responsible for the crisis, throughout their books both are critical of accounting. A recurring theme in Kane is that federal authorities have systematically used accounting discretion to understate the depth and breadth of industry problems. Kane states, "federal regulators and federal politicians let accounting gimmicks" hide the massive red ink generated by the thrift industry [p. 1]. White also says the economic insolvency of the FSLIC and certain thrifts was systematically covered-up by "smoke-and-mirrors" accounting [p. 92]. White repeatedly refers to accounting as a "backward-looking" framework [e.g., pp. 41, 113, 225, 226] and stresses the importance of net worth based on market values instead of historical cost. Both authors believe that accounting should be changed to a market basis, with White stating that this is the most important reform needed [p. 225].

Kane and White are in the mainstream of current economic literature in their call for market value accounting [*e.g.*, see Mishkin, 1992]. Both believe the use of historical cost is indefensible and see no major problems in implementing market-value accounting. While both acknowledge how RAP replaced GAAP for thrifts, they apparently miss the significance of RAP being developed outside of the formal accounting standard-setting process. They do not recognize the accounting profession's previous attempts to deal with inflation (*e.g., SFAS No. 33*). They also do not mention the exceptions to valuing an asset at historical cost under GAAP, such as the LCM rule for inventories, short-term investments in marketable equity securities, etc.

However, both books offer thoughtful, well-reasoned information useful to accounting historians interested in learning more about the crisis. They both explain:

1) the process by which individual thrifts became insolvent due to a combination of external forces beyond the control of management.
2) the incentive for federal regulators and politicians to procrastinate in dealing with the problem.
3) the inherent problems with federal deposit insurance as it has been structured, especially level-based premiums.
4) their conclusions (reached individually) that fraud was not a major factor in the crisis.

Both Kane and White offer a wealth of tables relevant to the crisis. For example, Kane's Table 2-3 [pp. 34-37] chronicles the major federal laws affecting savings institutions from 1932-1987. White, in Table 3-1 [pp. 26-32], details the various depository institutions and their regulators.

MAYER'S PERSPECTIVE

Mayer's book is an attempt to explain how the S & L situation developed, what is likely to happen next, and what should be done. While it should be of interest to accounting historians, often it reads like a popular account of the crisis. The author relies heavily on stories, some old and some new, as well as anecdotes. For example, by page nine he is already repeating the oft-told episode of Don Dixon's abuses while in control of Vernon Savings and Loan. However, beginning on page 13, he presents a story new to the literature as he recounts his witnessing of an attempt by former Democratic party chair Robert Strauss to change a *Wall Street Journal* story. The story was critical of the Bank Board's decision to allow the withdrawal of $268 million from First Gibraltar Savings by its owners. At the time, the thrift reportedly was paying more on deposits than it was earning on loans and was undercapitalized. Mayer claims that Strauss urged the Bank Board to approve the withdrawal while at the same time hiding the transaction from the public. Mayer is bipartisan in his criticism of public officials, as he also discusses actions of Reagan Administration officials such as Donald Regan and other politicians including Senator Edward Kennedy, Representative Joseph Kennedy, and Governor Michael Dukakis.

Accounting historians' primary interest in Mayer will be his stories and views of the accounting profession's involvement in the crisis. Implicit in his writing is the profession's vulnerability on both the accounting principles used by thrifts and the audit failures. He gives examples of both and frequently names CPA firms who were involved. His significant views include:

1) the accounting profession could have stopped "the atrocious theft from the government's insurance funds . . . " [p. 19].
2) "CPAs who took big fees to certify the books (for thrifts guilty of abusive practices) were really co-conspirators" [p. 13].
3) "if a client paid an auditor enough money, the auditor was quite willing to do lots of things the FSAB condemned" [p. 73].

Compared to Kane and White, Mayer's reasoning is elementary if not flawed. Mayer states that deposit insurance is "the crack cocaine of American finance" without a satisfactory development of this analogy. Similarly he suggests that deposit insurance "draws remarkably unattractive characters to the operation of banks and thrifts" [p. 20], again without a satisfactory development. His understanding of how accounting functions also is questionable, as he states "in double-entry bookkeeping, every asset must be matched with a liability" [p. 67].

To Mayer's credit, however, he understands the development of RAP better than most, if not all, writers of the crisis. While not presenting a thorough discussion of how RAP were developed largely outside of the FASB, in passing he describes how the Bank Board developed accounting principles which "virtually guaranteed a profit" [p. 69] while being inconsistent with GAAP in material aspects. Moreover, he is the only one of these authors to devote attention in any detail to the role of the independent auditors in the crisis.

CONCLUSION

Market-based accounting may soon replace the historical cost model for all public accounting. In January 1992, the FASB issued Statement No. 107, "Disclosures about Fair Value of Financial Instruments," which will require all companies to disclose in footnotes the estimated current value of their financial instruments, both assets and liabilities. The rule applies to all publicly owned entities, including banks, thrifts, and other financial institutions. The move to market-based accounting may not stop at disclosure, as SEC Chairman Breeden has previously admonished FASB Chairman Beresford for a disclosure solution, stating that the SEC believes that the "profession must begin a serious and sustained review of the prospects for market-based accounting applied more broadly in the financial statements of reporting companies" [Muth, 1991, p. 12].

The issue of whether or not management is to blame for the thrift crisis is important to the accounting profession. If the crisis is indeed a result of fraudulent and dishonest management practices, the profession is vulnerable to criticisms such as Mayer's that it could have stopped the crisis. However, students of the crisis may not be convinced that management fraud and dishonesty are responsible, although a government report suggests that criminal activity was a central factor in many thrift insolvencies [General Accounting Office, 1989]. While a deposit guarantee system may invite abusive practices, studies have not shown such practices to be widespread. Moreover, the occurrence of thrift failures in clusters (*e.g.*, Texas) and the finding of the incompetent or dishonest management among failed thrifts does not mean the entire industry is afflicted with such management. It is not surprising to find a high incidence of bad real estate loans in economically depressed areas. Also thrifts which have survived the crisis due to adequate capital levels and sound management policies tend not to call attention to themselves.

Neither thrift management nor the accounting profession was responsible for: 1) implementing more favorable accounting treatment of items such as loan loss deferrals for thrifts; 2) increasing the ceilings on deposit insurance while reducing regulatory supervision; 3) raising interest rates to record levels in the 1980s, creating unfavorable interest rate spreads; or 4) causing the high levels of inflation during this period.

The accounting profession is vulnerable on two fronts, audit failures and a lack of action. Kane, White, and Mayer all mention the problems regulators had in monitoring the thrift industry in the 1980s. This placed even more responsibility on the thrifts' independent auditors, whose function is to attest to the fairness of financial statement presentation. Unfortunately, little progress has been made in determining what caused these audit failures and what corrective action is necessary. As Denzil Causey stated in a recent editorial:

> The year 1991 was a milestone marking the first public recognition of the declining fortunes of accounting firms, continuing loss of credibility for CPAs, and no action by the AICPA or regulatory authorities such as the SEC and State Boards of Accountancy to address the real problems of the profession . . . Perhaps 1991 is most surprising for remedial actions that never took place. Banks continued to fail and some failures continued to be surprises. People continued to ask where were the auditors [1992, p. 4].

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H. S. Cobb, Ed., *The Overseas Trade of London Exchequer Customs Accounts 1480-1* (London: London Record Society, 1990, 220 pp., $38).

Reviewed by
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The London Record Society was founded in 1964 for the purpose of publishing "transcripts, abstracts, and lists of primary sources for the history of London, and generally to stimulate interest in archives relating to London [p . 219]. This book, which is the 27th volume published by the Society, contains an extensive introduction that familiarizes the reader with the London custom, practices and the types of custom officials during the fifteenth century.

The main part of the book carefully chronicles the foreign trade that took place in the port of London between September 29, 1480 and September 29, 1481. The imports and exports are listed in chronological order and any custom duties levied are cited. For example, Entry 7 for October 2 states: "From the ship of John Pache called *Anne* of Colchester: William Grenewolt, H 2 lasts soap, 12 pounds. Arnold van Stalle, H 1 roll Herford linen cloth, 12 pounds.

The book lists 224 ships entering and 215 ships leaving the port of London during the one year time period covered. The reason why fewer ships were recorded leaving the port than entering is explained by being "partly due to the omission from the Petty Custom account of the wool fleets which sailed in December 1480 and July and September 1481 with over 7000 sacks of wool" [p. xxxviii]. It is interesting to note that customs were levied not only on imported goods but also goods exported by alien merchants. The main purpose of levying custom duties was to collect funds for the Crown rather than to achieve some economic goals.

An extensive *Glossary and Index of Commodities* is included which defines the terms used in the listing and deciphers the English language in use in the fifteenth century. Without the glossary, the book would be of very limited use. Few readers would know that "gipsers" are purses, pouches or wallets suspended from a belt, or that a "last" is a type of measure equal to 12 barrels.

This book will be of primary interest to historians of the London trade during the fifteenth century. Accounting historians will benefit mostly from the *Glossary* if used as a reference when researching English accounting records of this period.

The *Overseas Trade of London Exchequer Customs Accounts 1480-1* appears to be a fine addition to the collection of volumes published by the London Record Society. Although H. S. Cobb is listed as the "editor" of this volume, Cobb contributed a great deal more considering the meticulous work done in the *Introduction* and the *Glossary and Index of Commodities*.

M. J. R. Gaffikin, *Accounting Methodology and the Work of R. J. Chambers* (New York, Garland Publishing, Inc., 1989, 236 pp., $53)

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Professor Gaffikin is worried about the intellectual status of the accounting discipline. He fears that it lacks a sound theoretical base and that its practitioners have paid insufficient attention to fundamental issues, especially methodological ones. He agrees with Sterling that accountants have recycled rather than resolved issues and fears that "accounting, as a separate intellectual discipline, is in danger of losing its identity" [p. 5]. Having been persuaded by Kuhn, Lakatos, Feyerabend and others that methodological issues are to be addressed philosophically and historically, through the study of the work of actual theorists, Gaffikin focuses on the work of R. J. Chambers, whose concerns parallel and pre-date his own. He "sets out to determine the basis of sound methodology espoused in the philosophical, economic and accounting literatures, and [his study] is especially [directed to Chambers' work]. Conclusions [concerning *what Chambers saw* as the basis of sound methodology and *how this matches current opinions* in the general methodological debate] . . . are provided" [p. 4, original emphasis]. Chambers is of interest as a seminal figure, "who has attempted to add substance to accounting theory" [p. 5]. Nevertheless, Chambers has failed (so far) to persuade academics or practitioners to accept his solution to the lack of rigor in the development of accounting theories and practices. Gaffikin is interested in this response and seeks, through an historically-based methodological critique of Chambers' work, to explore whether its non-acceptance can be explained on methodological grounds.

Like Chambers, Gaffikin takes seriously the view that the epistemological claims of accounting theoreticians can (should?) be assessed by reference to philosophy in general and the philosophy of science in particular. Accordingly, chapter 2 provides a historical review of twentieth-century philosophy of science. It traces the rise and fall of *The Received View* (the incorporation of logical positivism and logical empiricism into the hypothetico-deductive model of scientific explanation). The work of "post-empiricist" philosophers (Kuhn, Lakatos, *etc.*) is also reviewed. Gaffikin uses it to illuminate the difficulties of the Received View and of re-constructing a response to "Cartesian anxiety". That is: where can we find "an Archimedean point upon which we can ground our knowledge" [Bernstein, 1983, cited on p. 32]. Gaffikin (ostensibly quite deliberately) leaves the reader wondering whether such a project is still possible.

In chapter 3, Gaffikin selectively reviews the disparate methodological themes incorporated into economics "in the last two centuries". He traces the impact (and non-impact) of philosophy on economics and identifies methodological positions which have influenced Chambers and the accounting literature generally. For Gaffikin, economics is a discipline in crisis. Positive economics in particular has not come to grips with philosophical critique of the Received View, while both accounting and economics are at risk because of the crisis in philosophy. "If there is no scientific method — or no *one* scientific method — what does it mean for disciplines such as economics and accounting?" [p. 67, original emphasis].

Chapter 4 describes "the development of Chambers's main theses ... [in particular "his notions of methodology"] ... by describing his environment and then determining how it became reflected in his writing" [pp. 69, 115]. It identifies personal, professional and intellectual influences on Chambers' career and traces the gradual emergence of Chambers' theory of continuously contemporary accounting over a period of twenty years. Gaffikin makes the point that Chambers consciously sought to clarify and rigorously pursue a methodological position, utilizing the economics and the philosophy of science available to him. As to the latter, Chambers' turned to (what was later called) the Received View.

In chapter 5, Gaffikin present a critique of Chambers' methodology, based partly upon his earlier review of the philosophy of science. Gaffikin briefly acknowledges that Chambers' work suffers from the limitations of the Received View [p. 144]. However, this point is not pursued (possibly to avoid repetition). He focuses instead on the deficiencies of philosophical theories as bases for evaluating Chambers' work [see pp. 132-144]. One result is that is the reader is left (deliberately?) in doubt as to whether continuously contemporary accounting has been [or should have been, or could have been] rejected on 'sound' methodological grounds. Chapter 5 also identifies the influence of particular economists on Chambers [pp. 144-150]. However, Gaffikin's critical remarks are mostly reserved for the proponents of positive accounting theory who have taken on board, more or less, the same methodological limitations as the proponents of positive economics [pp. 152-159]. Nevertheless, Gaffikin makes the point that Chambers shares a great deal of common methodological ground with the positive accountants. Thus, readers *might* be prompted to reflect upon the present dominance of 'positivist' methodologies in accounting — if they can be persuaded to take an interest in 'methodology' rather than 'method'. (In this context, it is ironic that the *Accounting Review*'s reviewer has claimed that Gaffikin's book "will not appeal to a large number of readers of this journal" [Anthony, 1991, p. 660]).

In chapter 6, the stakes are raised still higher. By now the crises in the philosophy of science and economics (and thus in accounting) are taken for granted. Gaffikin is already persuaded of the demise of the *possibility* of discovering "the quintessence" of a "scientific method" which might rescue the accounting discipline. He is an opponent of methodological monism and considers that development of "objective, value-free theories" is "merely an empty dream" [p. 163]. He now pays more attention to the argument that the epistemological and ontological bases, and possibly the aims of the "social sciences" are quite different from those of the "natural sciences". Fleeting references are made to critical theory, hermeneutics, phenomemology, ethnomethodolgy and the emerging 'radical' accounting literature. As well as generating some further criticisms of Chambers' work [see pp, 187-200], Gaffikin highlights the possibility of 'post-Cartesian anxiety' in accounting and other disciplines. How are we to avoid the pitfalls of relativism and pluralism — or just plain sloppiness — in the absence of definitive standards of intellectual achievement? Is this our worst nightmare or our best opportunity?

Gaffikin succeeds in raising issues relevant to contemporary accounting academicians by means of an historical analysis of the work of one theorist. He also succeeds in identifying problems that a neo-Chamberian theory of accounting will need to overcome; and he points towards some possible solutions. Some reservations are in order. Gaffikin denies that rejection of continuously contemporary accounting can be explained on methodological grounds. He claims that it has been rejected for "political, historical, institutional, psychological and sociological" reasons [p. 200]. These reasons are not spelled out. While pursuit of those reasons may reasonably be regarded as a separate project, Gaffikin at times gives the impression that he intends to account more fully for the non-acceptance of CoCoA (*e.g.*, see the synopsis). Second, Gaffikin claims to have "demonstrated that Chambers has presented the most ambitious revision of accounting" [p. 200]. While Chambers may indeed have done so, Gaffikin has not analyzed the work of other writers (*e.g.*, Sterling) in sufficient depth to clinch his point. Third, some readers will probably quibble about the choice of "alternative" theories highlighted in the final chapter. Why, for example, is there not more mention of Foucault's critique of the "will to knowledge" and of the darker side of the "human sciences"? On a more prosaic level: the book would have benefited from another round of proof-reading and an index would have been useful.

Notwithstanding these reservations, this book is recommended to those interested in the work of R. J. Chambers, and is of more general interest as an attempt to grapple with the philosophy of science, economics and "alternative" theories so as to illuminate both the past and present state of discipline of accounting.

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Richard Mattessich, Ed., *Accounting Research in the 1980s and its Future Relevance*, (The Canadian Certified General Accountants' Research Foundation, 1991, 277 pp., $30 Can.).

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This book constitutes an anthology of research in accounting in the 1980s. It includes six reprinted articles together with a comprehensive Commentary by the editor on research in the 1980s and an Index of names.

The Commentary is well written and represents a very valuable overview of the areas of research in accounting. Mattessich divides his Commentary into eleven sections complemented by an extensive Bibliography. Generally, in these sections, he adequately presents the main issues related to a particular research theme, indicating authors that made important contributions to the area during the decade. In each appropriate section, Mattessich also describes the general content of the paper(s) chosen for reprint, and the main arguments of the author(s).

In the Commentary's first section, Mattessich highlights financial, economic and social problems of the 1980s in the United States and Canada, together with the shortcomings of accounting in helping to prevent or solve these problems.

In the second section, Mattessich stresses the need for having an historical perspective on accounting to have some knowledge of the history of ideas. He mentions a number of books, monographs and articles that have such a perspective, including publication and citation analysis. He emphasizes the research of Denise Schmandt-Besserat which offers evidence that "it was accounting which gave rise to writing as well as abstract counting, and not the other way around" [p. 4].

In section three, Mattessich comments on the controversy between basic analytical research in managerial accounting and the practice oriented approach with its case methodology, field studies and field experiments. An article by Kaplan, published in *Accounting, Organizations and Society* in 1986, "The Role for Empirical Research in Management Accounting", was chosen to support this area of research.

In section four, Mattessich deals with organizational and behavioral accounting which he divides in three areas supported by tables presenting dominant assumptions (reprinted from Chua [1986]), *The Accounting Review*). The first area, behavioral accounting, is complemented by a review article, "Behavioral Research on the Production and Use of Financial Information", from Richardson and Gibbins, published in Ferris, ed., *Accounting Research: A Critical Analysis* in 1988. The other two areas discussed by Mattessich are the Interpretative perspective and the Critical-Radical perspective in organizational accounting.

The area of positive theory and financial accounting is dealt with in the fifth section. Mattessich refers to Watts and Zimmerman's book *Positive Accounting Theory* and to numerous authors who have criticized that approach. He then contrasts the two perspectives in research related to security prices: the older standard returns model and the newer cross-sectional valuation perspective. A table of "Sample Research [1980-1988] on the Relationship Between Earnings and Stock Returns" from Lev's [*Journal of Accounting Research*, 1990] paper "On the Usefulness of Earnings and Earnings Research: Lessons and Directions from Two Decades of Empirical Research" is included in this section. The new perspective is surveyed in the reprinted article of Atiase and Tse, "Stock Valuation Models and Accounting Information: A Review and Synthesis" [*Journal of Accounting Literature*, 1986]. Mattessich concludes this section by commenting on Ohlson's reprint-paper "A Synthesis of Security Valuation Theory and the Role of Dividends, Cash Flows, and Earnings" [*Contemporary Accounting Research*, 1990].

In section six, Mattessich puts in evidence the importance of inflation accounting in the academic community by listing a number of the many books that were written on current value accounting. He also gives potential reasons for the failure of the implementation of accounting for changing prices and comments on the results obtained by some researchers which seem to indicate that no inflation accounting model supplies information superior to the historical cost model. The reprint-article, selected for its excellence, is Thornton's "Current Cost Disclosers and Nondisclosers: Theory and Canadian Evidence" [*Contemporary Accounting Research*, 1986].

Agency-Contract theory is dealt with in the seventh section. Mattessich cites numerous authors of surveys of agency theory and details the content of the article by Baiman chosen for reprint: "Agency Research in Managerial Accounting: A Second Look" [*Accounting, Organizations and Society*, 1990]. Mattessich discusses the paper by Morris [*Accounting and Business Research*, 1987], "Signalling, Agency Theory and Accounting Policy

Choice", which compares the axiomatic basis of signalling theory and agency theory. A table from Eisenhardt's article "Agency Theory: An Assessment and Review" [*The Academy of Management Review*, 1989] summarizes empirical agency-contract studies. Finally, Mattessich concludes this part with a discussion of an article by Noreen, "The Economics of Ethics" [*Accounting, Organizations and Society*, 1988].

In the eighth section of the Commentary, Mattessich reviews the different areas in the field of auditing research based on a paper written by Scott, "The State of the Art of Academic Research in Auditing" [*Journal of Accounting Literature*, 1984] and some recent publications. Citing a number of authors, he discusses topics such as statistical sampling theory, decision theory, auditor independence, the conflict arising from management advisory services, application of agency theory to auditing.

The ninth section is devoted to international accounting research. Although no reprint-paper from this area appears in the anthology, Mattessich refers to a review article by Bindon and Gernon, "International Accounting Research" that was published in *Advances in Accounting* in 1987. Further, a number of noteworthy books are signaled.

In section ten, other areas of research in accounting which deal with the reality behind accounting variables, axiomatic foundations or models, analytical framework for accounting theory, matrix accounting and its relationship to expert systems in accountancy are discussed. The contribution of Ijiri's work on triple-entry bookkeeping is also commented upon.

In the epilogue, Mattessich says that the course of accounting research during the 1980s was "predominantly consolidating and puzzle-solving" [p. 36]. He criticizes the neglect of foundational and normative issues in the decade for the emergence of fads, and finds the research too fragmented and lacking a holistic approach.

Overall, for a reader interested in knowing what was written in the various areas of accounting research in the 1980s and by whom, this book is an invaluable reference. It constitutes a good organizer of the accounting literature. An impressive number of papers and books are mentioned and put in a well developed perspective. The review articles chosen for reprint are appropriate. However, two articles were selected in financial accounting while none represented areas such as auditing or international accounting. Ohlson's reprint-paper was probably chosen for its relevance to the future in that it provides a synthesis of the theory of security valuation for multiple-date settings with uncertainty and offers interesting results following the development of an appropriate model framework.

For the interested reader, a few noteworthy articles were not mentioned: in the financial area, two papers by Ou and Penman [1989] deal with accounting measurements and their ability to predict future earnings and stock returns; in the auditing area, an article by Bédard [1989] provides a critical review of the research related to expertise in auditing. Finally, since research in accounting education is only briefly mentioned in the preface to the volume, a reader interested in this developing area of research could refer to the extensive reviews by Rebele and Tiller [1986] and by Rebele, Stout and Hassell [1991], the latter having been published after Mattessich's book.

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Maurice Moonitz, *Selected Writings* (New York: Garland Publishing, Inc., 1990, 608 pp., 2 volumes, $170)

Reviewed by
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In this age of accounting specialization, it is easy to forget that until the 1950s financial accounting periodicals were dominated by the writings of a few individuals. Those few were prolific: Paton, Kohler, Littleton, May and a dozen or so others contributed hundreds of articles to the leading accounting periodicals.

These authors recognized few subject limitations. Just as they might be asked to teach any course in the accounting curriculum, they considered themselves qualified to express judgments on a wide range of accounting issues. However, the evidential content of their articles was typically weak; and, though they were often persuasive, they settled few accounting controversies. Anthologies of their writings are of interest mainly as period pieces which show the state of accounting thought at various times in the past.

This collection includes about fifty short works written by Maurice Moonitz between 1939 and 1987, including nearly all his published articles and a monograph on changing prices and financial reporting. The original magazine pages were photocopied, resulting in a variety of page formats and type styles, but the text is easily readable. Preceding the reprinted articles are a current bio-bibliography and Moonitz's "Guided Tour Through the Contents" which explains the background of many of his writings.

Like his predecessors, Moonitz published on a wide variety of topics. Included in this collection are articles on LIFO, depreciation, economics, fund flows, pension accounting, auditing standards, curriculum choices, and of course postulates and principles.

But two differences are evident between Moonitz's writings and those of earlier "Accounting Pioneers". First, Moonitz wrote repeatedly about certain areas of general interest as problems in those areas became acute. Second, he returned to those seminal topics again and again, even after many years, to update his thinking in light of new developments. This is true of consolidated financial statements, his dissertation topic at UC Berkeley (first article 1939, last in 1983); of financial reporting, where the articles also span 40 years; of price level accounting, on which articles appear between 1948 and 1974; and on accounting principles, on which eight articles lead up to and follow from the publication of *Accounting Research Studies 1 and 3*.

Most of the problems Moonitz attacked are of perennial concern to accountants. None has been resolved; probably they never will be. However, one result of Moonitz continually updating his ideas is a series of direct connections between his articles and the current literature on those topics. The AICPA's view on accounting principles traces directly back to *ARS 3*. *FAS 33* has been allowed to lapse, but inflation continues, and Moonitz posed the revaluation alteratives still being considered, as he posed the essential problems of formulating and enforcing audit standards.

This collection is recommended to *AHJ* readers for its contemporary, not its historical interest.

Richard Vangermeersch, Ed., *Relevance Rediscovered, Volume II* (Montvale, New Jersey: Institute of Management Accountants, 1991, 448 pp., $39.95).

Reviewed by
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The second volume of *Relevance Rediscovered*, an ongoing anthology published by the Institute of Management Accountants (IMA), was eagerly anticipated. An earlier review of the initial volume termed it a success in meeting its stated goal of providing exposure to great ideas of the past as a means of solving today's management accounting problems. [Steedle, p. 98]. After finishing Volume II, perhaps with heightened expectations resulting from satisfaction with the initial volume, this reader was a bit disappointed.

Relevance Rediscovered is published by the IMA (formerly the National Association of Accountants) to commemorate the organization's 75th anniversary in 1994. In its early years the group, then known as the National Association of Cost Accountants (NACA), published both a semi-monthly bulletin of journal articles and a yearbook of papers and presentations from the annual conference. Each volume in the anthology comprises a decade's worth of these works; 25 are chosen to represent a sampling of the period. Therefore, the organization and content of Volume II is virtually identical to the first volume, except that these articles were written from 1929 to 1939.

The most noteworthy aspect of the volumes continues to be the introductory comments written by the series editor, Richard Vangermeersch. He provides an introduction to both topic and author and piques the reader's interest with some attention-getting questions. Vangermeersch also again includes in the introduction his ten reasons why the past literature should be studied, with updated examples relevant to the works included in Volume II. Reading the introduction and reviewing its pertinent parts prior to reading each of the individual articles is highly recommended.

It is in measuring the collective contribution of the 25 individual works that Volume II falls a bit short. While six of the 25 articles in Volume I met this reviewer's subjective criterion of having practical applicability to current management accounting problems, only three such articles were found in Volume II: (30) "Inter-Departmental and Inter-Branch Transfers of Products — At Cost or Market Price?" by B. A. Brady, V. W. Collins and J. B. Heckert, which includes three related presentations (with audience comments) on existing transfer pricing practices; (35) "A Cost Accountant Reduces Cost and Improves Quality in a Hosiery Mill" by Dwight M. Allgood, a detailed case study of a cost and quality control program; and, (47) "Practice in Applying Overhead and Calculating Normal Capacity" by the NACA Research and Technical Service Department, a survey of existing practices in the application of overhead.

Readers should not, however, pass up Volume II. The anthology continues to be a useful resource in providing a perspective of the times and the existing thoughts and concerns of leading accounting theorists and management accounting practitioners. In fact, one speculates that perhaps the economic climate and government regulatory activity of the 1929-1939 period influenced what was studied and published, thus making the overall contribution of the collected works a little less relevant to the problems of today than the writings of the preceding volume. Perhaps the major contribution of the complete series will be derived from comparing the individual volumes (and ten-year periods) to one another rather than from comparing the individual works to the problems of today.

REFERENCE

Steedle, Lamont F., Review of *Relevance Rediscovered, The Accounting Historians Journal* (June 1991): 98-99.