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BOOK REVIEWS

Stephen A. Zeff, Editor

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CHRISTOPHER S. CHAPMAN, DAVID J. COOPER, and PETER B. MILLER (editors), *Accounting, Organizations, and Institutions: Essays in Honour of Anthony Hopwood* (Oxford, U.K.: Oxford University Press, 2009, ISBN 978-0-19-954635-0, pp. xi, 441).

This collection of essays memorializes the life and work of Anthony Hopwood, a thought leader in management accounting research who was renowned for developing communities of accounting scholars. These essays, written by his students, co-authors, and colleagues, were presented to Anthony in a conference of international researchers. Thus, they have benefited from the counsel of the editors, from vigorous discussion among conference participants, and from reactions by Anthony himself. Consistent with Anthony's distinguished career, in what may be his final research endeavor he contributed to the creation of a collection of serious scholarly works, worthy of consideration by all accounting researchers.

The volume is comprised of 18 chapters that collectively cover themes that animated Anthony's work. Chief among these is the importance of studying accounting in the organizational and social contexts in which it operates, with an aim of understanding how accounting shapes and is shaped by its environment. In the introductory chapter, the editors delineate a tripartite schema of accounting, organizations, and institutions that guided their commissioning of pieces for the volume. Given the title of the journal that Anthony founded and edited for decades, Accounting, Organizations and Society (AOS), I wondered why the authors chose "institutions" over "societies" as the third element of the framework. In particular, I was curious about whether Anthony might in hindsight have preferred this, acknowledging the growing importance and use of institutional theory in accounting research. While the authors acknowledge the limitations of adhering too literally to the framework in light of indistinct conceptual boundaries (i.e., "to what extent is accounting itself an 'institution'?", p. 2), they nonetheless argue convincingly for the usefulness of the framework in understanding a significant body of research that has been published in journals such as: AOS, Critical Perspectives on Accounting, and Accounting, Auditing and Accountability Journal. In Chapter 1, the editors provide a nice history and synthesis of these works. Although Anthony clearly played a major part in the genesis and intellectual development of the literature, the chapter is not a biographical sketch. It locates Anthony's contributions in relation to other management scholars and in the context of current events and influential practitioner-led studies.

The editors conclude their history by reiterating Anthony's concern: that much of the current-day neglect of accounting by social scientists stems from new modes of accountability in higher education that have been made operational through simplified, standardized performance metrics. Their hope is that these essays from "within and beyond" the discipline of accounting will reinvigorate research on accounting in its social context, and thereby address Anthony's apprehension that "the only consumers of accounting research are other accounting researchers" (p. 22). Opting for a mix of "depth" strategy and "breadth" strategy for this review, I have selected one of the 17 contributed chapters for extensive comment and two others for brief summary.

Birnberg and Shields' Chapter 6, entitled "Organizationally Oriented Management Accounting Research in the United States: A Case Study of the Diffusion of a Radical Research Innovation," is the only chapter that

I read in early draft form. Interesting on its first read, the essay is even better after revision following the conference. The authors' novel approach to presenting Anthony as an innovator and examining his life's work through an academic lens of innovation diffusion is fascinating. Like Chapter 1, this is not a simple biographical sketch. The authors collect data from primary sources: Anthony, his co-authors, colleagues, and students. However, rather than simply assemble and present "the story," the authors turn a critical eye on Anthony as innovator—one who sought "a change in the orientation and location of management accounting research" (p. 112). They argue that focusing on the constrained setting of North America provides a strong test of their hypotheses, because the entrenched orientation of North American management accounting research in the 1960s (i.e., analytical and experimental methods) was a formidable barrier to innovation.

According to this framing, Anthony confronted five challenges in bridging the "gaps" that separate the audience of potential "adopters" from the innovation: an engagement gap, a help gap, an openness gap, a results gap, and a time gap (p. 116). These "gaps" reflect risks of adopting a new mode of scholarship—threats to diffusion—that are particularly acute against the backdrop of the typical career progression of a successful North American scholar. After briefly recounting how Anthony came to be an "innovator" through his studies at the University of Chicago, Birnberg and Shields analyze Anthony's four-part approach to diffusing his innovation through his own research: his continued ties with U.S. researchers, founding and editing AOS, and the AOS-sponsored topical research conferences that he convened.

Anthony's published research raised two related points: first, that accounting and its social context are interdependent and, second, that interdependence implies studying accounting *in situ*. The authors discuss papers that cite Anthony's work as well as indirect evidence of influence—the increased use of field-based research methods. The published research reached a broad audience; however, Anthony also maintained close ties with faculty members in the U.S. and cultivated new associations as a regular participant in U.S. conferences and visitor at U.S. universities. Personal engagement provided Anthony a platform for articulating, advocating, and defending the merits of the innovation. Finally, the authors identify the founding of *AOS* and the focused research conferences that the journal sponsored as the most effective diffusion vehicle. Not simply a mouthpiece for Anthony's ideas, the journal provided "a forum for sharing new ideas about accounting from a *variety* of theoretical and research-method perspectives across national boundaries" (p. 126). Importantly, the journal enlisted a world-class editorial board that included scholars in sociology, psychology, and political science as a means of establishing the journal's validity among non-accounting scholars.

After reviewing evidence on the results of Anthony's diffusion efforts, the authors conclude by noting that, in spite of some success, the dominant forms of management accounting research remain analytical and experimental research. Within the U.S., Anthony's research, his personal ties, and the availability of AOS as a respected publication outlet influenced a set of scholars (so-called "early adopters" and "opinion leaders") who were successful in establishing a "beachhead" in mainstream North American journals. However, the breadth of adoption did not rival that of Europe. Returning to the threats to diffusion of innovation, the authors argue that all five "gaps" are evident in the accounts of history offered by early adopters. Young scholars feared that field-based research that used novel theory would not meet with senior faculty support, would be more time-consuming than traditional modes of research, would lead to experiences of disparagement or isolation by peers, and would face diminished publication prospects.

Reflecting on the authors' analysis and respecting their decision to limit the study to North American research, two opportunities occurred to me for extending the analysis. The authors apply the "gap" analysis to the overall diffusion of Anthony's proposed approach to research. However, it seems that the communication vehicles that were employed differ in the potential to address each of these gaps. For example, the launch of AOS seems particularly suited to remedying a "results" gap, because it provides a new outlet that is hospitable to the types of research in question. Similarly, Anthony's personal relationship with U.S. scholars seems to address quite directly the "engagement" and "help" gaps. However, neither of these communication vehicles addresses the "time" gap caused by increased demands of field-based research. In that four vehicles for diffusion are presented, it might have been useful to consider how each vehicle addresses one or more "gaps" and to seek evidence supporting or refuting the efficacy of each tool in relation to the gaps that it is best suited to address.

In a related vein, although the study is limited to North America, an obvious question when the authors contrast the modest diffusion of Anthony's research approach in North America with more robust adoption in Europe is whether the "gaps" were smaller, the diffusion tools more effective, or whether additional/different



tools were employed. With a tighter framework linking the "gaps" to the four communications devices, it may have been possible to include a comparative analysis of North America and Europe without conducting a parallel review of the literature (which is understandably too great a scope for an essay). Specifically, it may have been possible to compare the two scholarly communities in terms of extant gaps at the time of Anthony's work. This might shed light on alternative explanations for differences in the rate of diffusion.

Overall, I found the Birnberg and Shields essay both informative and provocative. We are regularly exhorted to push the frontiers of accounting knowledge. The unstated presumption is that good ideas "rise to the top" and gain a following by virtue of their innate excellence. It was fascinating to read about someone who challenged the *status quo* and to consider the authors' premise that the success of Anthony's efforts is derived in equal parts from compelling ideas and from having a purposeful strategy for disseminating them.

I turn now from a close look at a single essay to a broad-brush commentary on two essays that expanded my thinking about accounting research and enriched my understanding of Anthony's contributions. Samuel, Covaleski, and Dirsmith's essay, "On the Eclipse of Professionalism in Accounting: An Essay," provides a fascinating history of the "professions" and "professionalism." The authors hypothesize that we are entering a new (seventh) moment in the history of the accounting profession in which "The spreading regime of numerical governance then appears as a correlate to the eclipse of professionalism. Accordingly, the continued spread of accounting and audit techniques could well reflect that moment in which the professions are once again identified with occupations" (p. 387). The authors posit that "the professions serve as a ballast that keeps liberal-democratic ideology afloat" (p. 389) and conclude with provocative questions for future researchers to consider: "What will be the source of political legitimacy for expert rule should professionalism be permanently eclipsed? What legitimizes the accountants once accounting becomes an industry?" (p. 389).

The essays in this volume were written against the backdrop of the collapse of world markets. The questions posed in Samuel et al.'s essay are particularly salient as governments turn from "stimulus" to "austerity" programs to regain a sound economic footing. Reading this essay with an updated perspective, it certainly seems likely that, with politicians' increased reliance on accountants to summarize the effects of various policy options, a shift from "professionalism" to "numerical governance" could polarize debate.

A second essay is equally timely in its consideration of the recent interest in the "convergence" and harmonization of differing national accounting standards in international financial accounting standards. Power's essay, "Financial Accounting without a State," takes up Hopwood's skepticism that nations are the primary units of analysis for evaluating systems of financial accounting and that research aimed at uncovering national barriers to "convergence" is productive. Power argues that "The key conceptual structures of financial accounting (income, expenses, assets, and liabilities) circulated, evolved, and became more highly rationalized at a non-state and transnational level *before* they were ever an object of explicit 'national' interest" (p. 325). Following Teubner (1997), he surmises that "nationality" is an artificial classification of accounting systems that are connected to one another through history and the development of regulatory practices (p. 328). The rise of "national" accounting and the conflict portrayed between these standards and "international" standards is traced to accounting standard setters and other policy actors who sought to validate and establish authority over the accounting rules. The arguments revolved around differing expertise rather than national interests (p. 326).

With this revision of viewpoint, Power argues that researchers should give less attention to differing standards of accounting and more to the systematic processes that support standard setting; specifically, "researchers need to explore how and why accounting in different places ever looked similar in the first place" (p. 337). Echoing the themes of the first chapter of the volume, Power concludes that examining processes of institutional transfer and diffusion should guide future research.

Although I have no great familiarity with the history of accounting standard setting and Power's arguments are new to me, I find the arguments interesting. Reflecting on my own field of management accounting and control, I am reminded of a sophisticated cost accounting system that dated from the late 1800s in a shoe manufacturer in what is now the Czech Republic. Following Power's reasoning, we should focus on the circumstances of the Czech firm in the late 1800s and firms in North America in the late 1900s that adopted activity-based costing, to understand the genesis of their similar approaches to costing. However, rather than treat these in geographical isolation, we would consider the dynamics of diffusion that may have occurred when the original Czech firm relocated to Canada during World War II and subsequently shifted to its current headquarters in Switzerland. In sum, I find Power's new perspective both interesting and potentially useful in a broader sense than the financial accounting standards that he discusses.



There are several audiences for this collection of articles. Perhaps the audience that will take the most pleasure from the collected works is that with personal ties to Anthony: the many students, co-authors, and colleagues whose lives were touched by him and his work. The contributors are a wonderfully representative sample of this group, but there are many others who will enjoy reflecting on Anthony's accomplishments. I count myself in this group. In reading the collection, I gained a greater appreciation for Anthony's reach and influence on accounting research in its varied forms; the volume is indeed a "gestalt" of Anthony's work.

Another audience for this collection is the modern accounting scholar who, by virtue of the organizational systems and institutions of academia that are well chronicled in Anthony's recent writings, specializes in some small corner of the field. By bringing together authors from inside and outside of accounting, from different methodological and disciplinary traditions, and who consider different features of accounting, this volume offers readers an efficient means of becoming informed about contemporary developments in areas different from their own field of specialty. Gathering a distinguished set of authors and focusing them on the task of reflecting on their areas of specialty in the context of Anthony's life work provides readers with an unparalleled opportunity to "sit at the feet of the masters."

Finally, an obvious audience for this collection is doctoral students and others who seek a comprehensive overview and sampling of contemporary research on the interface between institutions, organizations, and accounting. This audience will, however, face considerable challenges in deriving maximum benefit from the collection. If I would offer one criticism of the volume, it is that the editors have provided little structure to the collection. The preface makes clear that the intent of the volume is to serve as "testimony to [Anthony's] intellectual influence and widespread respect throughout the social sciences" (p. xi), and it has successfully discharged this mission. Those who knew Anthony will recognize that the commissioning of authors reflects superb editorial discretion in fully representing an astounding breadth of accounting issues, disciplinary and methodological diversity, associations with Anthony, and "periods" within Anthony's own progression as a scholar. However, I fear that those who did not know Anthony will not appreciate each chapter's contribution to the broader frame of the volume. In their defense, the editors may have been reluctant to impose any structural lens on the collection, preferring to allow the reader (or a faculty member who might guide doctoral students through the volume as part of a structured course) to infer these connections. For my tastes, I would have preferred the editors, all highly esteemed scholars in their own right, to share their views on how the pieces collectively present a modern "take" on the issues that animated Anthony's work. The first chapter of the volume, which is contributed by the editors, provides a wonderful overview of that work and hints strongly at the logic behind the selection of commissioned authors, but it leaves the interpretation and synthesis of the collected works to the reader.

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DALE L. FLESHER, *Gerhard G. Mueller: Father of International Accounting Education* (Bingley, U.K.: Emerald Group Publishing Limited, 2010, ISBN 978-0-85724-333-1, pp. x, 222).

A biography, the title of which anoints its subject as the "Father of International Accounting Education," raises two immediate questions. First, what exactly is international accounting and, second, what does it mean to be a "father" of an educational discipline?



The first question arises because it is not obvious as to what is international about international accounting. After all, the underlying concepts of accounting, like those of physics, are universal. The principles of accounting articulated by Fr. Luca Pacioli (often referred to as the "father of accounting") are no more confined to the boundaries of Italy than are the principles of physics described by Galileo. Yet it is doubtful that any academic physicists consider themselves specialists in "international physics." "International accounting" is, at best, an ill-defined sub-discipline of accounting. To many—and probably to most U.S. accountants—international accounting is mainly a description of accounting practices in countries other than the United States. Needless to say, that definition would be unlikely to be embraced by our colleagues in those "other" countries. To others, international accounting deals primarily with measurement and reporting issues involving currency translation and related issues of consolidation. To still others, it pertains to the unique problems of controlling and auditing the accounting systems of multinational enterprises.

In his biography of Gerhard G. Mueller, Professor Dale L. Flesher never explicitly answers that first question. Yet it is apparent from the extraordinary length and breadth of Mueller's publications that international accounting incorporated almost anything that involved entities outside of the United States. Indeed, he himself defined international accounting as "the producing, exchanging, using, and interpreting of accounting data across national borders" (p. 45).

As for the second question, what it means to be the "father" of international accounting education, Flesher concedes that Mueller was certainly not its biological father; others both wrote about and taught international accounting prior to him. But he leaves no doubt that Mueller adopted the discipline and can take credit for nurturing it up to adulthood.

Writing a biography of an academic accountant is no easy task. Few academic accountants live the types of lives about which exciting or titillating stories can be told. They typically grow up in a middle-class environment, go to college, go to graduate school, perhaps work for a corporation or CPA firm, and accept an academic appointment in a college of business. They tend not to have sordid affairs with celebrities; they neither lead troops into battle nor engage in dramatic undercover operations. Rather, their eminence rests mainly on what non-accountants would consider esoteric tomes and articles in academic and professional journals.

Fortunately for Flesher, Mueller's life, or at least his youth, was not only unconventional, but also ready-made for dramatic story-telling. Mueller was born in 1930 in the rural village of Eineborn, Germany, and his early years were quite pleasant. He grew up on a family farm and was a conscientious student. The outbreak of war in 1939 ended his idyllic childhood. Owing to economic difficulties, his family was forced to relocate to a different town, and at the behest of his parents Gerhard moved in with his grandmother so as to attend a select secondary school. The war years proved difficult, and Gera, the town in which he now lived, was a significant target of Allied bombings. As Flesher relates, at first residents would head for air raid bunkers as soon as warning sirens sounded. Then, however, as the raids became more routine, they would wait in bed until the first bombs exploded, go to a building cellar, and hope for the best. "Class time in school also dwindled. After each air raid, schoolboys were detailed the next morning to help clear streets, dig for survivors, and assist victims. Several classmates suffered injuries doing this, and one died when a damaged building wall collapsed" pp. 22–23).

Despite the difficulties of war and the Allied occupation of the East German area in which he lived, Gerhard graduated from high school in the summer of 1947. Along with two classmates, he decided to flee through the Iron Curtain into the western zone. This would be no easy task. The occupying Red Army would shoot anyone making an escape, and the Americans returned to their place of origin anyone they caught crossing the border. To get to the west, the three youths did the sorts of things of which movies are made. They bought train tickets for a circuitous route to the border so as not to arouse suspicion, hid in an "evil smelling" cow barn, hiked in the middle of the night through forests, carefully skirted Soviet searchlights, and made the types of navigational errors that could have proved deadly.

Young Gerhard took refuge with an uncle who lived in the British occupied zone. His uncle arranged for him to start a formal farm management training program, and eventually he qualified as a certified agricultural journeyman. Soon thereafter, he got a major break. He was accepted in a program that sent 18-year-olds to the United States to expose them to the American way of life. Once in the United States he was placed with a family in Bakersfield, California. He quickly became its adopted son and remained so for



the rest of his life. Upon the termination of the program, Gerhard returned to Germany but decided that his future lay in America. He promptly applied for an immigration visa, and in less than two years was back in the States.

Upon his return to the U.S., Mueller found employment with a California chemical supply company and enrolled in a local community college. From there it was undergraduate, M.B.A., and Ph.D. programs at Berkeley. Not surprisingly, his dissertation was internationally oriented, entitled, "Accounting Practices in Six European Countries." In 1960, before he had completed his dissertation, he accepted a teaching position at the University of Washington. Other than leaves at other universities (several overseas) or with CPA firms, he remained at Washington until 1996, when he left to become a member of the Financial Accounting Standards Board.

Flesher's idiosyncratic manuscript (Volume 13 in the series, "Studies in the Development of Accounting Thought") is part biography (and, more specifically, a hagiography), part anthology of previously unpublished articles and personal papers, and part lists of publications and other accomplishments.

Flesher provides persuasive evidence that Mueller has had a major influence on both the teaching and practice of international accounting and is worthy of a biography. Whereas in today's academic environment 14 multiple-authored journal articles would generally be considered sufficient to earn promotion to full professor, Flesher's appendix lists 14 pages of articles and books. Although there may previously have been a smattering of international-oriented topics incorporated in a typical accounting program, Mueller in 1964 was the first professor to offer a graduate level course devoted exclusively to international accounting. More importantly, he influenced international accounting education through his books and his advocacy efforts. His books include 19 titles in at least 25 editions, several of which have been translated into multiple languages. His textbooks include International Accounting (first published in 1967), Readings in International Accounting (1969), and Accounting: An International Perspective (first published in 1987).

Mueller promoted international accounting in two related ways. First, he wrote extensively about the significance of international differences, stressing their importance to both the CPA profession and corporations that engage in international trade. Second, he wrote and lectured about why accounting programs need to incorporate international topics in their curriculum. "I strongly feel that graduate accounting education is remiss when it confines itself to the limited scope of the single-country situation" (p. 46), he wrote in a 1965 *Accounting Review* article—a sentiment that today seems almost trite, as schools are falling over themselves to determine how best to integrate IFRS into their courses, but this was certainly uncommon in the mid-1960s.

Mueller was the exemplar of the successful, well-rounded academic of his generation. Active in the American Accounting Association, he was its president in 1988–1989. Astoundingly, he served concurrently as the president of the Washington State Society of CPAs. At the University of Washington he served as acting dean, as senior associate dean, and as department chair. Perhaps more notably, he was also a mentor to untold students and faculty alike (a fact that can readily be verified by discussions with his faculty colleagues at the University of Washington).

Upon retirement from the University of Washington in 1996, Mueller began a new career as a member of the Financial Accounting Standards Board (FASB). Although initially warned by the board chairman to stay away from international topics because that was the province of another member, he nevertheless played a key role in encouraging cooperation with the standard-setting boards of other countries and in promoting research into international issues.

Gerhard G. Mueller: Father of International Accounting Education has its bizarre features. Chapter 1 provides an overview of Mueller's career. But paragraph after paragraph appears word for word in later chapters. As the famous Yankee catcher Yogi Berra has remarked, it was "déjà vu all over again."

Flesher obviously likes lists. In addition to the list of publications, there are lists of Mueller's doctoral students, of invited papers, of seminars and university addresses, of every FASB pronouncement issued during his term on the board, of every speech and paper while at the FASB. Moreover, there are reprints of such trivia as the appointment schedule for his visit at the University of Lagos and the announcements of his lectures at various other African universities. Also, Flesher has a predilection for lacing his manuscript with numerous quotations from friends and colleagues congratulating Mueller on one accomplishment or another.

Flesher also likes (quite understandably) his subject. Thus he writes unabashedly, "He had no idea, however, that the career he was preparing for would someday take him to the heights of the accounting



profession and make him a legend in accounting education circles" (p. 40). And when he finally became a standard setter, "he had reached 'rock-star' status in the world of accounting" (p. 155). Where is an editor when needed?

A random sample of three assistant professors in the accounting department of a major university indicated that none of the three had ever heard of Gerhard Mueller. Perhaps that is because Mueller was not, by his own admission, an "empirical" researcher. Accounting fame, this indicates, is fleeting. That, of course, is precisely why volumes of the type produced by Flesher are needed and why the academic community owes him a debt of gratitude. Our discipline has a rich intellectual tradition, unbounded by any single style of research. If for no other reason than that many of the issues addressed by Mueller and his contemporaries will be as relevant in the future as they were in the past, we suffer a profound loss when we permit it to lapse into the oubliettes of history.

Flesher's treatise leaves one significant question unanswered: Why has Gerhard Mueller not yet been elected to the Accounting Hall of Fame?

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JOHN FLOWER, *Accounting and Distributive Justice* (New York, NY: Routledge, 2010, ISBN 978-0-415-87177-8, pp. 201).

Already, in the first sentences, the reader gets a taste of the scope of the book:

In this book, I challenge the current paradigm of accounting—more precisely the paradigm that underlies the financial reporting of firms. I reject the current paradigm and propose a radical alternative. (p. 1; footnotes omitted)

Arguably, such a start of a book increases the reader's curiosity. The book joins the (ever) ongoing debate of the role of accounting in society and reminds us that accounting is no innocent device merely to mirror the firm's performance. Accounting problems are not only of a technical nature. Rather, accounting standards and accounting practice are set within a dominating ideological logic that guides what we consider "correct accounting." This book suggests that all (financial) accounts build on a neoliberal ethos that can (and should) be questioned and changed. The means by which this book problematizes, as well as suggests solutions, is by investigating the societal problems through some grand ideologies (like Marxism and Libertarianism). These are used to highlight how reporting interplays with ideas of, e.g., liberty and equality. This ambition, to use theoretical resources from "far away places" and "distant times," should be commended, not least since it is in line with the author's ambition: "My sincerest wish is that it [the book] makes them [my fellow accountants] think more profoundly about their discipline" (Preface).

John Flower is a former accounting professor at the University of Bristol, and former Director of the Centre for Research in European Accounting in Brussels.

The book is divided into eight chapters. The first chapter revisits some of the earlier arguments of current societal problems. Two themes are presented. First, the author takes the stand that there is no need for more output (if we want to achieve a better world) and, second, the author suggests that a striving for economic growth risks exhausting the world's resources and degrading the world's environment. This, in turn, the author argues, is an accounting challenge because accounting is a means to report the output.

The present regimes, the book reports, have framed financial reporting in a neoliberal paradigm in which there is no reference to any other motivation than to maximizing profits. The question posed in Chapter 1 is whether there is another ethos that may be applied to go beyond the single-minded focus on financial reporting for profit maximizing. The ambition of the book is presented: To develop financial reporting so that it assures a just and fair distribution of output.

Chapter 2 provides the reader with a definition of distributive justice, i.e., the core idea of this book. This definition is then discussed through a short, but highly informative, description of some prevailing theories:



Egalitarianism, Libertarianism, Marxism, Utilitarianism, and "Justice as Fairness" (i.e., building on John Rawls). Chapter 2 concludes that, with reference to philosophers discussing liberty and equality, the ambition to achieve distributive justice is appropriate: that society's aim should be to achieve a just and fair distribution of wealth and output.

In Chapter 3, the idea of distributive justice is juxtaposed with the idea of the firm. In essence, the chapter develops an argument that the firm has a moral obligation to strive for distributive justice. This, in turn, leads to a discussion of to whom this moral obligation is directed, and by returning to philosophy and, in this case, Immanuel Kant's categorical imperative, the author holds that the firm's obligation is to all stakeholders. Accounting, or rather reporting, returns to focus in Chapter 4. The main message in this chapter is that reporting is linked to the way in which the firm can support the distributive justice: "[Financial] reporting can and should make a significant contribution towards the achievement of distributive justice by the firm" (p. 72).

In Chapters 5, 6, and 7, the focus is on reporting. In sequence, the three chapters relate to: (1) The reporting function of accounting, (2) the distribution function of accounting, and (3) the information function of accounting.

The reporting function relates to the possibility that accounting would report on more than one issue and to move the issue of transparency beyond the narrow view of the current accounting regime. The reporting function is presented in Chapter 5, which is the most developed chapter in the book. The chapter is followed by 28 pages of appendices, including a presentation of GRI (Global Reporting Initiative) reporting, a practical example from a sustainability report (published by the Co-operative Group in Great Britain), as well as a presentation of the current regulations of social and environmental reporting in France ("Bilan Social" and "Les Nouvelles Régulations Économiques").

In Chapter 6, the discussion revolves around the distribution of the output of the firm. This part is similar to the social accounting discourse of the 1970s (see, e.g., Gröjer and Stark 1977). The social accounting agenda, at that time, had an ambition to make visible how the firm's added value was distributed among the different stakeholders (such as tax to the government, salary to the employees, interest to the lenders, etc.). Chapter 6 sharpens the critique against the International Accounting Standards Board's (IASB) definition of the singular objective of financial reporting.

Chapter 7 takes a different stance, and presents reporting as an enabler for a forward-looking dialogue between stakeholders. This function, the information function of accounting, is inspired by Rawls' ideas of truthfulness, objectivity, equality, just exchange, and prevention of harm. The main idea is that reports may serve as the basis for a different sort of accountability (the reporting function) and as an illustration of how output is distributed to the stakeholder, as well as being an instrument for dialogues between stakeholders as a means to achieve more just decisions.

The book concludes with Chapter 8, in which the author gives some final comments on why accountants should make an effort to achieve a more just and fair distribution.

The merits of this book are also its weaknesses. On the one hand, we are introduced to a number of authors that have influenced the social sciences. This makes the book an interesting introduction for accounting scholars who want to broaden their perspectives on how reporting interplays with society. On the other hand, the book sometimes takes on issues that, to do them justice (sic!), would need to be developed much further as well as include contributions from other accounting scholars who have discussed them (e.g., truthful representation). All in all, however, this book provides an interesting read, because it adds to our knowledge of how we can view reporting in the light of different philosophical perspectives and, not least, because it sets out an interesting personal perspective of distributive justice.

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JAMES D. ROSENFELD (editor), *The Selected Works of George J. Benston: Volume 2, Accounting and Finance* (New York, NY: Oxford University Press, 2010, ISBN: 978-0-19-538902-9, Vol. 2, pp. xviii, 426).

This volume, which is edited by James D. Rosenfeld, the late George Benston's friend and colleague at Emory University, consists of 16 articles arranged consecutively in two parts: nine accounting articles and seven finance articles. I will discuss all nine accounting articles in chronological order. I will then discuss two accounting articles that were omitted from the volume that were more highly cited than eight of the nine accounting articles included in the volume (source of citations: scholar.google.com as of February 10, 2011). Before beginning my discussion of the 11 articles, I opine that George Benston (hereafter, George) was one of the few and last Renaissance men of our profession, making numerous contributions to the accounting, finance, economics, and banking literatures. Indeed, while I focus on his contributions to accounting, George was best known for his expertise in banking, an area in which he was often cited by *The Economist*. As additional evidence of his expertise in banking, George was an Associate Editor of *The Journal of Money, Credit, and Banking*.

Volume 1 of this two-volume collection covers George's contributions to banking and financial services.

INCLUDED ARTICLES

Benston (1966) was an early contribution to the budding empirical managerial accounting literature.³ George discusses the applications, uses, and limitations of multiple regression analysis. One needs to keep in mind that 45 years ago empirical studies in the accounting literature were few and far between, as a perusal of *The Accounting Review* in the early and mid-1960s will attest.⁴ Even today, researchers fail to recognize the technical requirements and limitations of the statistical techniques they use.

Benston (1967) was the first article published in an accounting journal documenting a significant relationship between rates of change of financial statement data (i.e., sales and net income) and rates of change in stock prices. However, while George shows that the relation was statistically significant but not economically significant, the seminal study by Ball and Brown (1968) provided economically significant results one year hence. While all accounting academics are aware of the latter study, Benston (1967) has rarely been cited in recent years, so many accounting academics are unaware of George's key contributions in this area.⁵

Benston (1969) was an early contribution to the accounting and public policy literature. It examines whether or not the Securities Act of 1933 and the Securities Exchange Act of 1934 were cost-beneficial. It finds little evidence of fraud related to financial statements and little evidence of lack of disclosure before the Securities Acts (i.e., many firms traded on the New York Stock Exchange disclosed at least sales, gross profit, and depreciation, and nearly all reported net income and detailed balance sheets with current assets and liabilities).

Benston (1973a) also made important contributions to the early public policy research.⁶ Prior to this study, it was commonly alleged that the disclosure requirements of the Securities Exchange Act of 1934 positively impacted the securities traded on the New York Stock Exchange (NYSE). George examines changes in riskiness and returns in the stock prices on the NYSE before, after, and as a result of the Securities Exchange Act of 1934. He finds that neither the residual riskiness of securities nor the percentage of large stock

⁶ This article, which was not published in an accounting journal, was the most highly cited of any of George's articles. According to scholar google.com, it was cited 415 times as of February 10, 2011. Unless stated otherwise, all the citations included herein are based on scholar google.com as of February 10, 2011.



¹ I am not the first person to consider George Benston a Renaissance man. See the remarks by George G. Kaufman at http://www.bus.emory.edu/georgebenston/Kaufman.html

² George was the recipient of the Adam Smith Award of the National Association of Business Economists (awarded jointly to Henry Kaufman and Edward J. Kane). He was Associate Editor of many high-quality journals, including *The Accounting Review, Journal of Accounting and Economics, Journal of Finance, Contemporary Accounting Research*, and *Journal of Accounting and Public Policy*, and he was the American Accounting Association's Distinguished International Lecturer in Latin America in 1980.

³ This article was the recipient of the American Accounting Association's Competitive Manuscript Award.

⁴ The first volume of *Journal of Accounting Research* did not appear until 1963.

⁵ Ball and Brown (1968) adopted the more powerful methodology introduced by Fama et al. (1969).

movements was lower after the Securities Exchange Act than before it. George concludes that the disclosure requirements had no measurable positive impact on the securities traded on NYSE; there was little basis for the legislation, there was no evidence that it was needed or desirable, and it raised doubt that more required disclosure was warranted. The message in Benston (1969) and Benston (1973a) is still timely today, as the debate over the type and amount of disclosure that is cost-beneficial continues.

Benston (1973b) discusses the costs, benefits, and differences of two systems of financial disclosure: (1) the United States' reliance on public regulation (Securities and Exchange Commission [SEC]), and (2) the United Kingdom's reliance on private regulation (The Stock Exchange). George concludes that, in many important respects, private regulation is preferable. As examples, unlike a private agency, a public agency cannot benefit from any risks it assumes, so it tends to make rules whose costs far outweigh their benefits. It makes too many regulations, and it fails to remove regulations that it knows are far from being cost-beneficial. This topic continues to be important, as seen by the current interest in such matters as private versus public regulation of corporate governance.⁷

Benston and Mian (1995) examine whether or not the accounting rules in effect for derivatives in the early 1990s impacted firms' behavior by reporting findings of a survey conducted by Chase/Wharton of firms' reasons for not using derivatives as reported in their 1992 financial statements. The authors examine the types of derivatives used and the nature of exposures hedged. They conclude that firms either did not hedge their currency risks effectively or they violated the accounting rules, perhaps by mislabeling or hiding the derivatives used. One of their prescient findings was that a Financial Accounting Standards Board (FASB) proposal to record the market or "fair" value of hedges with its resulting holding gains and losses was likely to make matters worse.

Benston and Krasney (1978) address the issue of why current-value or price-level accounting was much in vogue among academics but was not used by practitioners. One possible explanation was that, in spite of the fact that the data were useful (ignoring their cost), the "public good" nature of accounting information precluded their use. In order to address whether current-value or price-level data were cost-beneficial, Benston and Krasney (1978) surveyed a sample of "sophisticated" investors who can request and legally obtain financial information in addition to firms' publicly reported accounting statements. 8 The authors find that these investors generally do not believe that the benefits of current-value or price-level-adjusted information outweigh costs of providing, obtaining, and using it.

Benston et al. (2006) opine on the SEC's (2003) Study stating that the rules-based nature of U.S. GAAP has generated a mass of detailed rules and guidance, encouraging financial engineering to meet the form but not the substance of GAAP. The SEC's (2003) Study suggested that accounting rules result in less informative and/or misleading financial statements, supporting the SEC's suggestion of moving toward principles-based standards. This view was followed by the FASB's subsequent standard-setting strategy. Benston et al. (2006) opine that standard setters ignore the fact that the format of standards and its content are interdependent, requiring detailed rules governing permissible inputs and applications of pricing alternatives even in an ostensible principles-based regime. Benston et al. (2006) advocate using a "true and fair" override in GAAP standards, especially for rules-based GAAP standards.

Benston (2006) is the last of many articles which George published in the *Journal of Accounting and Public Policy*. According to the journal's website as of February 10, 2011, it is the fifth most highly cited article published in the journal in the last five years. George opines on a proposal which subsequently became FASB Statement 157, *Fair Value Measurements*, on September 15, 2006 (FASB 2006), which established a hierarchy of three fair-value levels, in decreasing order of reliability. George provides a chronological account of Enron's adoption of level 3 fair-value accounting. He states that Enron's early use of level 3 fair-value

See http://www.elsevier.com/wps/find/journaldescription.cws_home/505721/description#description



⁷ See Brown and Caylor (2006) for a discussion of corporate governance provisions required by the Sarbanes-Oxley Act of 2002 versus provisions mandated by the three major U.S. stock exchanges.

⁸ These individuals were investment officers employed by 62 life insurance companies that represented 82 percent of the industry's assets. The response rate was 94 percent.

⁹ George was an Associate Editor of *Journal of Accounting and Public Policy* since its founding in 1981 until his untimely death in 2008. He published six articles in the journal, more than he published in any other accounting journal. (He published five articles in *The Accounting Review*.)

accounting was not used to mislead investors, but it was subsequently used to inflate net income (and thus increase managers' compensation), to structure transactions to impact cash flow from operations rather than from financing, and to engage in more accounting subterfuges until the entire firm collapsed. He suggests that accounting based on fair values is likely to provide more opportunities to misinform and mislead financial statement users than is available by the use of historical-cost accounting.

EXCLUDED ARTICLES

The volume includes nine of George's accounting articles, which, with two exceptions, were published in accounting journals. Nonetheless, it excludes the two most highly cited of any of George's research that was published in accounting articles. I believe that the volume could have benefitted from including these two articles, and I recommend that readers interested in George's contributions to the accounting discipline peruse them.

Benston (1985) was cited 207 times.¹¹ This article tests a self-serving management hypothesis by examining the personal financial gains and losses of senior managers of 29 conglomerates that engaged in extensive merger activity. The self-serving management hypothesis suggests that managers would increase their wealth even if shareholders' wealth were to decrease. Benston (1985) finds that officer-directors gained and lost personal wealth as their firms' shareholders gained and lost personal wealth because their stock options and stock holdings swamped their remuneration (salary, profit sharing, bonuses, and fringe benefits). George also finds that the top manager-directors of conglomerates with negative stock returns left their positions more often than those of other conglomerates. These findings are inconsistent with the self-serving managerial hypothesis as it was formulated in the early 1980s. The debate regarding whether the managerial power view or the efficient contracting view is more descriptive of the reality of managerial compensation continues today.¹²

Benston (1982) was cited 99 times.¹³ This article examines analytically the rationale for, and the techniques of, social responsibility accounting. It finds no support for the fear that corporate managers act contrary to the interests of their shareholders and that managers are unconcerned with those parties with whom the firm contracts (creditors, employees, and consumers). While others may be harmed by firms' actions (externalities), it delineates, analyzes, and rejects the ways in which social responsibility accounting can be used to measure and control externalities. This opinion is very controversial, and the subject is of keen interest, given the global warming debate.

A PERSONAL NOTE

I have known George since 1970, when I was a Ph.D. student and he was a Professor at the University of Rochester. He was a mentor and a friend, a gentleman, and a scholar. I miss him greatly.

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¹³ The third most highly cited of George's articles published in an accounting journal (Benston and Hartgraves [2002], with 93 cites) was also excluded from the volume. However, as a precursor to Benston (2006), its exclusion from the volume is unimportant; so I do not discuss it further.



¹¹ This is the second most highly cited of George's journal articles. It is surpassed only by Benston (1973a).

¹² See, for example, Brown and Lee (2010).

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