sible for the higher productivity they have achieved. What he does not recognize is that as long as the Japanese car manufacturers benefit from these innovations and do not face labor demands for similar work organization changes, the Swedish auto industry (in particular, the car segment) and its work organization innovations may not survive without improvements in productivity.

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ACCOUNTING SERVICES, THE INTERNATIONAL ECONOMY, AND THIRD WORLD DEVELOPMENT. *By David L. McKee and Don E. Garner*. Westport, Conn.: Praeger Publishers. Pp. 176. $47.95 (Cloth).

As they have with other institutions, economists have neglected the role of accounting in economic development. This book represents a collaboration between an economist (McKee) and an accountant (Garner) that takes seriously Werner Sombart's assertion that accounting was necessary for the evolution of capitalism, that "before double-entry bookkeeping the category of 'capital' did not exist, and it would not exist now but for it" [p. 6]

To be sure, accounting was not sufficient for capitalism to exist. McKee and Garner rightly point out several times that accounting is a facilitating service for business. Members of the accounting profession have always been reactive in meeting business' changing needs for information. In the process, they have developed accounting into the language of business, and the key question McKee and Garner ask is whether the globalization of the economy will turn accounting into an international language.

They find that at the present time, international accounting is more a Tower of Babel than Esperanto. Every nation has different standards of accounting and different procedures for setting those standards, as described in Chapter 2. Efforts to cluster or categorize them into similar groups remain problematic. In the United States, for example, certified public accountants are licensed by state boards. Standards for accepted accounting procedures are established by a private agency, the Financial Accounting Standard Board, and a public agency, the Securities and Exchange Commission, on a quasi-voluntary basis. Standards for tax accounting are set by the Internal Revenue Service as interpreted by courts on a strictly legal basis. Standards in other countries vary from entirely legal systems to completely voluntary systems.

As the international economy develops, this variety of standards creates problems for multinational corporations and multinational holding companies, as described in Chapters 3 and 8. Financial records for these international corporations encompass dissimilar national accounting rules, constantly changing exchange rates, and assorted rates of inflation. Consolidated financial reports must somehow reflect these variations in their initial record of transactions, their translation of data into a common currency unit, and their calculation of international transfer prices. To reduce this jumble of numbers to accurate and understandable data, a common international set of standards is essential.

McKee and Garner opt for standards that rely more on harmony than on uniformity, permitting but reducing international differences. They examine, in Chapters 3 and 9, three sources for establishing worldwide accounting standards. First, agencies such as the United Nations, the European Economic Community, the International Federation of Accountants, and the International Accounting Standards Committee have proposed voluntary standards for international accounting. Second, multinational corporations have used their own in-house accountants to devise ways to get their books in order. Third, the major public accounting firms, which, as Chapter 1 describes, are highly concentrated both nationally and globally, have adopted consistent accounting practices in their overseas operations and will be an important influence on the evolution of international accounting methods.

McKee and Garner discuss these firms and their activities as part of the growing export of business services in Chapters 4–8. As the world economy has become more complex, the major accounting firms have opened branches in nearly every country and expanded their business to include general business consulting. As a result, they transfer to the Third World the accounting methods they have developed as well as other business techniques and information technology. In the process, they have carried forward uniform accounting principles–valuable for their own sake but also useful for giving economies of scale across countries and for easy transfer of accounting personnel between countries.

Nevertheless, progress toward a complete set of standards has barely started. The purpose of accounting is to provide information to primary users such as top management, potential investors, and government. The methods used will depend on which users are deemed most important and where they live. International firms will direct their accounting toward the country where top management is headquartered or where they raise their capital.

As a facilitating institution, accounting will eventually accommodate itself to the needs of international business by devising new standards. McKee and Garner state the dilemma that this will create for country development plans: "As accounting emerges on the stage of an increasingly integrated and perhaps standardized world economy, more and more inroads will undoubtedly be made into traditional ways of performing accounting functions in individual countries. Accountants are already aware that setting of accounting standards cannot ignore cultural differences between nations and that the impact of culture on accounting must be considered. . . . Third World nations with rich cultural traditions are at specific risk in this regard. If they resist, development may be stifled" [p. 74]

McKee and Garner offer little in the way of advice on how to resolve this dilemma. Because the book is a survey of literature on the issues raised, it contains few examples of the authors' thinking. They reflect only briefly (Chapter 10) on the policy implications of the issues they describe. Nevertheless, any book that considers the relationship between accounting and economic development is a step in the right direction.

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