

ACCOUNTING HISTORY **1976-1986**

An Anthology

Edited by
Peter Boys and John Freear

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ACCOUNTING



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Volume 12

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Edited by
PETER BOYS AND JOHN FREEAR

 **Routledge**
Taylor & Francis Group
LONDON AND NEW YORK

First published in 1992

This edition first published in 2014

by Routledge

2 Park Square, Milton Park, Abingdon, Oxon, OX14 4RN

and by Routledge

711 Third Avenue, New York, NY 10017

Routledge is an imprint of the Taylor & Francis Group, an informa business

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-0-415-53081-1 (Set)

eISBN: 978-1-315-88628-2 (Set)

ISBN: 978-0-415-84465-9 (Volume 12)

eISBN: 978-1-315-88508-7 (Volume 12)

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ACCOUNTING HISTORY 1976-1986

An Anthology

Edited by
Peter Boys and John Freeear

Garland Publishing, Inc.
New York and London 1992

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Library of Congress Cataloging-in-Publication Data

Accounting history 1976-1986 : an anthology / edited by Peter Boys and John Freear.

p. cm.—(New works in accounting history)

ISBN 0-8153-0684-9

I. Accounting—History—Congresses. I. Boys, Peter. II. Freear, John. III. Series.

HF5611.A319 1992

91-4335

657'.09'047—dc20

All volumes printed on acid-free, 250-year-life paper.

Manufactured in the United States of America.

Design by Marisel Tavarez

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INTRODUCTION

It is appropriate to begin this introduction on an historical note. In 1972, the Accounting History Committee for England and Wales was formed and, in 1974, this became the Accounting History Society, which, at the time of writing, is still extant if somewhat dormant. (A similar body was already in existence in Scotland: the Scottish Committee on Accounting History, which the Institute of Chartered Accountants of Scotland set up in 1971.)

The objects of the Accounting History Society are to promote the study of accounting history and in particular:

- (a) to provide a forum for those interested in the subject;
- (b) to improve facilities for research into accounting history;
- (c) to encourage the publication of relevant material;
- (d) to promote the preservation and recording of primary source material;
- and
- (e) to co-operate with others interested in the same or related fields of study.

The idea that the Accounting History Society should publish a newsletter or journal was first discussed at a meeting in December 1972, but it was not until September 1975 that an editorial board was set up with John Freear as editor. As a consequence, the journal *Accounting History* was published in eight volumes intermittently between 1976 and 1986, and was sent free of charge to members of the Society. *Accounting History* had a relatively small circulation, and this anthology provides the opportunity for many of the articles which appeared in the journal over the years to reach a wider audience.

The first issue of *Accounting History* was published in February 1976. In many ways this first issue was more of a newsletter than an academic journal. It contained an editorial, just one short article, "The necessity of preserving accounting records" by Robin Waldron, and a number of news items, such as: books and documents in private hands; papers and books in preparation; papers published; a request for information on financial reporting by charter companies (1550-1850); and other news in brief.

The second issue was more substantial. It contained three articles and four book reviews; there were only a few news items and two requests for information. This was to be very much the pattern of the content of the early issues. Later numbers concentrated more on articles and book reviews, together with a short editorial; indeed from Vol. 3 No. 1, there were no further

requests for information nor news items, although prizes, conferences, and books were advertised.

It was always envisaged that there would be two issues of the journal a year, which, taken together, would form a volume. This was indeed the pattern for the first three volumes (1976-1978). However, in 1979 and 1980 only one issue each year was published (Vol. 4 No. 1 and Vol. 4 No. 2, respectively). John Freear spent the academic year 1979/80 as a visiting scholar in the United States and during this time Geoffrey Lee acted as editor. In the latter part of 1979 there was a shortage of suitable material for publication and thereafter Geoffrey Lee had a number of commitments, especially his involvement with the arrangements for the Third International Congress of Accounting Historians, which took place in August 1980. These factors delayed publication.

Thus, the journal flourished in its early years, perhaps through some initial enthusiasm, but this soon seemed to wane. From 1980, with good copy more difficult to come by, the journal just managed to survive.

Both issues of Volume 5 (December 1981) were combined and although two issues were published in 1982, these were extremely short. In 1983 John Freear moved to the United States and Peter Boys became editor. Once again two issues were combined in Volume 7 (December 1983). So few articles were then submitted for consideration that it was no longer feasible to continue publication and the final volume of *Accounting History* was not published until 1986 (Vol. 8 Nos. 1 and 2).

It is difficult to know exactly why so little material was submitted to the journal. It may have been due to the existence of other, better-established journals, such as *The Accounting Historians Journal*, and also because other academic journals had become more willing to publish articles on accounting history.

At this point it may be worthwhile to digress slightly and consider other journals, in English, especially devoted to accounting history. The first specialist journal was *The Accounting Historian*, which became *The Accounting Historians Journal* in 1977. This has been published continuously from 1974, together with its sister publication *The Accounting Historians Notebook* since 1978, under the auspices of the Academy of Accounting Historians, a society based in the United States.

The Accounting History Committee of the Accounting Association of Australia and New Zealand (AAANZ) first published its *Accounting History Newsletter* in 1980. This was an unbound, typescript publication. Although the original intention was to issue it on a quarterly basis, this was not realized; between 1980 and 1988 only seventeen issues were published. This newsletter was then superseded by a more professionally produced journal, *Accounting History*, published by the Accounting History Special Interest Group of the

AAANZ in 1989 (Vol. 1 Nos. 1 and 2). The editor and assistant editor are based at Deakin University, Victoria, Australia.

The most recent specialist journal is the *British Accounting, Business and Financial History*, the first issue of which was published in October 1990. As the title implies, this publication is designed to appeal to a wider range of contributors and readers than purely accounting historians. The editor and assistant editor of this journal are based at the Business History Research Unit, Cardiff Business School, University of Wales College of Cardiff. *Accounting, Business and Financial History* is the only accounting history journal which is published by a commercial publisher, Routledge. It is too early to say how successful this venture will be.

It was always the intention that *Accounting History* would be produced at minimal cost; issues were therefore in typescript rather than printed professionally. The somewhat unattractive and amateurish appearance of the journal may have proved partially to be its downfall. However, it is hoped that the journal will be remembered for the quality of its articles rather than for their presentation; this could be thought of as the triumph of substance over form!

Over the ten years of publication of *Accounting History* thirty-seven articles and nineteen book reviews appeared, and together with other items the eight volumes amounted to over 600 pages. The contributors to the journal came from a wide range of backgrounds, including both academic and practicing accountants and economic historians, and the authors were from a number of countries around the world, especially, and not surprisingly, the United Kingdom.

It would have been possible to have reprinted the eight volumes of *Accounting History* in full, just as they stood; this would have required little effort on the part of the editors! Instead, the editors decided to exercise their editorial duty by selecting and organizing the previously published material as an anthology.

Twenty-six articles of particular interest to accounting historians have been included. A full listing of all articles and book reviews, which appeared in *Accounting History*, is provided in the appendix.

The diversity of the material covered in the articles precluded any possibility of developing one coherent theme for the anthology. Instead, the articles have been classified into a number of categories, according to their subject matter. Within each classification, the articles have been included, as far as possible, in chronological order.

Some comment needs to be made to explain the classifications adopted. Perhaps inevitably, the collection opens with items of a general nature, covering the importance of preserving accounting records and of accounting history in general. The second category contains three articles on the method-

ology of historical accounting research. The first two clearly fall into this category, while the third is included in this section because it shows how accounting records can provide evidence for research into other areas of economic and social history. The third classification, auditing, needs no comment, since it is a standard accounting classification. The category containing the most articles is that entitled firm/industry studies; many of the articles in this section do not fall neatly into the main categories of accounting, namely, financial accounting, management accounting, and auditing, since they contain elements, to a greater or lesser extent, of all three. The next three categories (corporate accounting, education, and bibliographies/biographies) need no further comment. Inevitably, the anthology concludes with a miscellaneous category, not because the articles defy classification, but because each one would need a separate category of its own. The five articles in this last section deal, respectively, with government accounting, taxation, bankruptcy, professional accountancy, and accounting theory.

Finally, many individuals have, over the years, been involved with the original production of *Accounting History* and we would like to conclude this introduction with due acknowledgment to them. First, we would like to thank the various secretarial assistants responsible for typing copy and carrying out other administrative duties, in particular, Margaret Smith, Barbara Holland, Bronwen Edmonds, Janice Sewell, Sarah Gilling, and Marilyn Spice. Second, we are indebted to the University of Kent at Canterbury, and in particular the Faculty of Social Sciences, for making funds and printing facilities available for the original production of this journal. Third, we are grateful to all the referees who acted for the journal and who gave freely of their time and expertise. Last but not least, we would like to thank the Accounting History Society and all the authors, or their representatives, for kindly granting us permission to reprint this collection of articles.

Peter Boys
University of Kent at Canterbury

John Freear
University of New Hampshire

September 1991

GENERAL

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"THE NECESSITY OF PRESERVING ACCOUNTING RECORDS"

by

ROBIN WALDRON, FCA, FCCA

Some people will suppose from the title of this paper that this is a defence of the rule in British company laws which prescribes that records must be kept for a period following the termination of liquidation. It is not, and yet by a strange irony, that event may well be the occasion for an opportunity of a far more general exercise, of interest to students of social history and economics, to all in fact to whom the rich pattern of human life and experience appeals, and not least to those who are accountants.

Now this may well surprise many of us, because we tend to believe that accounting is a modern technique relating to current affairs of modern business - and nothing else. Yet every function benefits from having roots and sense of development. The system of double-entry which has served well as the engineering structure whereby accounts are produced, derived from the journal or day-book which in its conception included narrative as to the underlying transactions, and because accounts have no purpose or existence independent of the actions which occur and of which those accounts are a reflection, those records are an illustration of a life and an economic organisation of past times. Nor is this the end of the argument. Accountants today are often still the diarists of their time, even though methods of recording have changed.

The second argument is concerned with the pattern of a profession, moving in thought and practice towards a continuous and coherent philosophy. Except in a legalistic way, in the record and interpretation of case law on accounting and auditing responsibilities, little attention has so far been paid by the major accounting bodies of the British Isles to the history of accounting and no paper has been set on the development of ethics or the concepts of developing standards rather than the convenience of accounting

There will be objections by many businesses on the grounds that such records are confidential and may not be made available for preservation in the hands of archivists or otherwise opened to the general public. Even though the general history of a business may be well known, there may be information in these books which is potentially damaging to the company or individual directors. Such situations are understandable and may merit a delay on the part of organisations before parting with their records - rather like the publication of diaries of a political nature.

There will, however, be other and simpler situations, and examples of these are cases where a company finds in its possession old books from earlier stages in its history, or where a company goes into liquidation and the liquidator inherits such records which show the systems of older days, or the recital of business success and disaster. At the end of a liquidation such books may be disposed of by special resolution, and to invite those able to house these records on a long-term basis may be a convenient method of dealing with them.

Those who have visited the exhibitions arranged at such places as the Library of the Institute of Chartered Accountants of Scotland will appreciate the considerable interest of a representative selection of historical records, not only to the accountants among us but to all to whom the present is but one step on the road through history itself.

There still remains the basic problem, particularly to those untrained in the expert selection normally undertaken by archivists, which is the problem of deciding what to preserve and what to discard. This can partly be solved by a close liaison between District Societies of Accountants and their opposite numbers in the museums and libraries at local level, but in view of the great number of documents which may well be available every year and the inability of any organisation to house all of these there must be a process of scaling down before one reaches the point of presenting material. It is intended in the next issue of this Journal to indicate certain guide lines which may be of assistance to individual Accountants and to District Societies.

habits. With the setting up of such bodies as the Consultative Committee of Accountancy Bodies, (CCAB), the Accounting Standards Steering Committee and others, the work originally launched by the Institute of Chartered Accountants in England and Wales through its Recommendations on Accounting Principles which - like the studies undertaken by the Accounting Principles Board, (APB), and the Financial Accounting Standards Board, (FASB), in the United States and the many papers presented at international and national conferences - contain the elements of accounting and auditing concepts or at any rate a consensus view, may in their discussion papers and Exposure Drafts deal with the debt current accounting practice owes the developments of the past.

This however, is impossible without the existence, as at present, of a practical accounting profession, of which the evidence is contained in sets of books of every sort of business. A cross-section of these provides a scientific sample such as can be produced in no other way. In my opinion, we should all be the better accountants for having studied the practice of the past, thus giving us an understanding of the building of those foundations which will otherwise remain in the memories and experiences of some of us but die with us.

For many, both inside and outside the accountancy profession who have a natural interest in the economic history and the industrial development of the world, both accounting and other business records are significant and perhaps we should particularly include copies of prospectuses, contracts and minute books containing not only board meetings but other meetings as well. Furthermore, in and amongst these documents will be found a record of many events of social significance as well as the history of the company whose books they are.

From these, too, can be drawn the records of mergers and acquisitions, appointments and promotions - the general mixture of organisation and management and the commercial purposes of business which are part of the history of us all, the narrative to the journal entries of our book-keeping.

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"PAWING OVER THE PAST"
LUNCHEON REMARKS

by

GARY JOHN PREVITS

at SECOND WORLD CONGRESS OF ACCOUNTING HISTORIANS
ATLANTA, GA, AUGUST 22 1976

My remarks really encompass a few points of consideration, and as I say in the sense of a message much more than a speech because it summarizes in a way what I thought were some things that I'd picked up in discussing points of view about accounting history with our delegates at this meeting. In this way it may portray the flavor of what this particular Congress has accomplished. Of course, I think I owe Professor W.A. Paton Sr. a bit of gratitude for the title to this speech. About a year ago when we were exchanging some correspondence, I had accused him of harboring a distaste for history and he responded with the following quote, "It's true that I think a lot of time can be and has been wasted pawing over the past." So I owe him the notion for the title to these remarks. Then he said, "Your impression that I harbor distaste for history is scarcely justified. It would be hard to find someone who has read more history than I have, mostly years ago I must admit. Written history isn't always dependable I've learned. I was especially impressed by this fact when I found many examples of statements that I respected regarding elements of the World War.....which I happened to know were either completely untrue or badly misrepresented. Another thing worth noting is that we human beings are singularly blind to the salient lessons history should teach us." This little letter to me in July of 1975 keeps cropping up in my files, and each time I read it I see a great deal of wisdom regardless of the fact that he recently celebrated his 87th birthday. Wisdom seems to be a cumulative feature.

We probably should begin by saying accounting history is not. You know, we may bore each other to death saying what accounting history is. Well, I think maybe we should spend some time and say what accounting history is not. I think accounting history is not

sentimental inaccuracy and we are all accused of that particular tendency upon occasion because of the fact that many histories are published with that type of aura about them. Secondly, accounting history is not high school history or mainly "In 1492 Columbus sailed the ocean blue." It's not the repetition of names, dates and places. It may have been but it can no longer afford to be, and I think most of you know in the work that you have performed or are performing that it is not.

Finally, what history is not involves the fact that we have to be able to relate to other disciplines and it is not therefore a singular pursuit, but it is a pursuit that is interrelated to other aspects of accounting research. Several years ago when I attended the first doctoral consortium in 1971 in Lexington, I was committed to my study of history and I was, to say the least "put down" by the other young accounting researchers because of my interest in accounting history. Knowing, as some of you do, my nature, that necessarily caused me to become all the more involved. For I thought that accounting history offered an opportunity to make a contribution in somewhat the following scheme. We're very concerned about research to benefit the future because we may feel it's too late for the present. Often we just forget about the "past" in the process. We see a great deal of literature on "is - ought", that is, positive - normative. We've overlooked the fact that there is a relationship between "was" (past) and "is" (present) in relationship to "ought" (future). It's a very simple profound linking pin relationship. We argue "is/ought", but forget about the "was". The "was" in the relationship to the "is" and in relationship to the "ought" in the positive and normative needs to be remembered and needs to be recognised, and above all, it needs to be researched and analyzed. This is the function and the purpose of accounting history in the midst of contemporary research methodology and its environment. I have very little patience, I must confess, with accounting history that doesn't have an objective of being somehow amenable to helping us to solve our current problems. In other words, my answer to accounting history research which doesn't give us a clue to perhaps "solving" or understanding current environment situations is relatively unattractive to me.

My ultimate concern is reflected in a question: "So what?" or "What difference does it make?" As you continue to write and research in the future, or if you teach the subject of accounting history be sure to ask yourself those simple little questions. "What difference does it make that I undertake this historical project?" or ultimately, "So what? If I don't do this work, will it make any difference?" You have to be satisfied that you can make a contribution to the contemporary problem solving process as well as just satisfying your own curiosity about an item or an event or thought in the past.

Structure.

This leads me to remark about the structure of accounting history, a subject which requires much more analysis in the future. The structure of accounting history has been miscast perhaps because it hasn't been defined. Consider how there are distinctions in economic history for example - the division between history of economic thought and a study of economic institutions and industries and associations. We in accounting lump them all together. I think that's probably for the best if only that it teaches us to appreciate each element of our accounting environment. But also remember that the development of accounting thought, like the development of economic theory is a suitable and probably a very primary field for research in light of all the controversies about conceptual framework in our current environment. The history of professional organizations, firms and biographies are also important. I was recently involved in a research project relative to the life of Eric Kohler. I learned a great deal more about the contemporary problems related to our conceptual framework and the subject of current values in reviewing the evolution of Kohler's position on current cost in the 1930's than I would have under just about any other circumstances. By becoming knowledgeable about key persons, you become informed about the situation in which a person created his position and the criticism to which he reacted. So within the structure of the development of accounting thought, as a subfield of accounting history and the study of institutions,

there is a very prominent place for biography. Biography is not always readily accepted by accounting researchers as a legitimate exercise, but this is usually because such criticism is being leveled by those who haven't undertaken a biographical study. Those of you who have know the rewards that are inherent in this type of work.

A Personal View

"What can you do about it, or what can we do about it? What's in it for you?" Does the academic reward structure and the professional reward structure acknowledge accounting historical research? Is there something to motivate you? Well, we'll take that up secondarily; primarily, what can be done by you between now and the time we hold the next World Congress hopefully in three or four years? One thing that can be done, I think, is emphasize the teaching at the graduate level by those of you who are in the classroom. That is, the development of accounting thought as a class and lecture subject, per se. If there isn't a history course at your institution, there should be one. Not necessarily because you're looking to build a self-serving curriculum but because we do have a heritage of thought, particularly from our modern industrial environment. It has to be understood. The subjects of interest as a cost, depreciation, historical cost, the evolution of capital stock and all the many other examples are proof that contemporary problems are rooted in past "solutions". We must have a field, a body of knowledge to which we refer so that we can prevent the waste of having to reinvent the solution wheel each time one of these areas tends to develop a new problem requiring analysis. Thanks to the many reprint series and the other literature made available through the Academy and Conferences in the last several years, one can now readily access a great deal of this information in the form of reprints of original materials. The material is being provided, the challenge for you is to develop the courses in which to use the material. That is a very signal, significant and singular challenge for each of you to answer. If you take nothing else away from the meeting but to take that challenge away and respond to it, then

I think we will have had a very successful meeting.

What's in it for you? Well, I can't promise that your academic or professional career will be instantaneously assured but I think you're going to find a certain amount of recognition does come for pioneering efforts and initiative in the area of accounting history. Again, certainly relating to similar subject matter with the history of economic thought being the corollary field most recognized and established - acclaim will be forthcoming. Perhaps we would do well in some respects to pattern our own pursuit after this type of research and investigation and hopefully obtain the same sort of recognition.

Finally, recognize that accounting history increases our tolerance for others. Others don't always have tolerance for historians but I think it's important for us to have tolerance for them. Tolerance is not meekness, it is an understanding wrapped in the conviction that our purpose is well-founded. Particularly in this day and age when there are so many specialties arising within accounting and it's necessary for us to have one of those specialties readily available for our own use.

It is good to see that many of the individuals who are here today were also in attendance in 1973 at our initial meeting in Quebec when we had about 33 persons on hand to form the Academy of Accounting Historians. Those individuals and the cooperative spirit of the American Accounting Association who early on viewed us with some suspicion perhaps are to be commended for their aid. They have perceived that our genuine desire is to be of service in the study of the body of accounting knowledge which comprises our discipline and that we seek nothing but the particular right to pursuit of this specialty. We hope to continue it under the close association with the American Accounting Association in the months and years ahead.

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PROFESSOR W.T. BAXTER: REMARKS AT DINNER,
THIRD INTERNATIONAL CONGRESS OF ACCOUNTING HISTORIANS,
LONDON BUSINESS SCHOOL,
ENGLAND.

16th August, 1980

Ladies and Gentlemen,

Your presence here proves that you look on history as a worth-while study. But perhaps we should spare a moment to remind ourselves of why it is worth-while. There are, after all, plenty of intelligent and successful men who dismiss history as a bore, and historical research as time wasted.

So why, then, are you and I such devotees of history? One answer that perhaps springs glibly to the lips is that history is useful. This, as I shall try to show, is a notion that must be treated with profound caution.

Nevertheless, I believe that some aspects of accounting history are indeed useful. Thus the beginner at book-keeping must surely get a clearer grasp of the rules if he learns something about the origins of double-entry - origins perhaps in triangular credit transfers in an age of barter. He learns a more important lesson if he is taught that accounting was devised to keep track on personal accounts and simple physical objects such as cash, and that the income statement and balance sheet came later as mere by-products. Armed with this knowledge, he will respect his craft for what it can accomplish (a very considerable achievement), and will be cautious about extending its range. He will not be surprised if accounting seems to falter when called on to perform new and different tasks - such as predicting future income, and aiding investors to make decisions. If we have such ambitions for accounting, may we not be like a farmer who demands that his faithful old cart-horse learns the violin?

Those who say that "history is useful" are apt to talk about the "lessons of history". But these lessons are far from clear. Hitler

shot himself in the bunker; so the lesson of history is that dictators come to a bad end. Stalin died in his bed; so what has happened to that lesson? The most that can be said for history's lessons, I suspect, is that they make us more alert to chains of cause-and-effect. But these chains are a matter of tendency and probability. A given cause, in one set of circumstances, leads to result A; in another set, it leads to result Z.

Let us look at some of the lessons that are pertinent to accounting, and ask ourselves whether they are in fact useful or useless, true or false. We shall certainly have to admit that accountants in general either ignore them or dismiss them as untrue.

Perhaps for instance ecclesiastical history has a lesson that is suggestive, and might have given us a wiser approach to inflation accounting. For here a major problem is how to cope with capital maintenance; the church in England has been wrestling with this very problem for a millenium or so. Surely we can learn some lessons from the church's experience? Let me remind you of the splendid article on this topic by Professor French. It runs somewhat as follows.

Parish churches were founded by patrons. A pious lord gave land and money for the church, the churchyard, and the parsonage; he gave also glebe lands for the parson's sustenance. But, if the church was to be permanent, the parson had to keep these assets distinct from his own property, and hand them on intact to his successor. Alas, some parsons were careless or wicked. So the authorities had to devise a suitable law of ownership, and to define "intact". The law personified the parson's office as a corporation (a "conduit pipe through which this real property would pass to his successor"); and it obliged him to transmit the assets physically unimpaired. So here we have, as today, the entity theory hand-in-glove with the doctrine of physical capital maintenance.

The system has endured for centuries. Thus it cannot be wholly ineffective. But its economic faults are disturbing.

Where physical assets are faithfully maintained, they may degenerate into fossils. For example, a London church was bombed during the war, and worship was transferred elsewhere; both worshippers and the Church of England would have gained if the site could have been put to fresh uses, but not even

the courts had power to permit this. Similarly, disused graveyards could not be given a new function. Again, the parson was obliged to live in, repair, and hand on a house that still conformed to its design of several centuries back; today his hard-pressed wife must cope with an unsanitary scullery and eleven bedrooms. He could not reduce the glebe land by sale (but who could stop him from exhausting it by bad farming?). He could not lease it for purposes other than farming, e.g. for much-needed houses. He could not extract its minerals, so they rested underground. He could not fell its trees for sale, so the wood was left to rot.

Businessmen, who are not in the parson's strait-jacket, can freely change physical assets and products to meet every new need. Church history suggests how profound such change may in time become. Attempts to compare the current with the original may be impossibly difficult. Accounting geared to physical assets or products must be suspect. But this basis now gets strong support.

Yet another branch of history throws light on the development and pathology of professional groups. Our accounting societies have many points in common with the guild system (an many of the guilds survived for longer than any of our societies have yet managed to do). The guilds too were set up to foster their members' welfare - e.g. the Mercers' rules were 'for the cherishing of unity and good among them, and for the common profit of the mistery'. The guilds were better than we at social relations. For instance, members bought a hood and gown to wear at the annual feast, at funerals, "and on other solemn and great occasions".

Guilds, like our societies, might try to win exclusive rights for their members. Their declared motives were unimpeachable. Thus London guilds contrived to gain monopoly powers under the Stuarts "to guarantee the consumer a supply of sound and serviceable commodities at reasonable rates". Where they won exclusive rights, the long-run results were apt to be bad for both members and public; for instance, it has been suggested that the power of the guilds in German cities led to the latters' stagnation and decline, as innovators were driven outside the walls.

Education was fostered by the guilds. Littleton has suggested that the uniformity of our debit-and-credit rules may stem from the training system of apprentices by banking guilds of medieval Italy.

Like our own bodies, guilds found that their members' interests might diverge in time. Members at first fairly equal in status would drift apart into groups of wealthy employers and permanent journeymen; they drifted also into different kinds of work, e.g. the more enterprising might give up manufacture for foreign trade. Then malcontents would in protest hive off and form their own sub-group within the guild; and a new body "which at the beginning of the fifteenth century had been a prohibited organisation of rebellious journeymen, had before the end of the century been transformed into a recognised but subordinate branch of the livery company". Or there might be a complete secession and the formation of a new body.

History here suggests that the task of a professional society cannot be easy. We are likely to see bitter splits and feuding - maybe between the Big Eight and the rest. Our societies are trying to solve an awkward and perhaps insoluble problem.

Naturally enough, we all tend to exaggerate the significance of our own era. But we surely have some grounds for holding that, when the future historian traces accounting's history, he also will pronounce our period significant. Indeed, will the word "revolution" be too strong? Hitherto accounting has been pushed forward by forces internal to firms. Obscure people, bent on improving their existing methods or meeting new needs, have continually made minor experiments. If an experiment failed, it was abandoned and forgotten; if it was a success, it was kept and in time copied in other firms. Accounting has thus grown by small steps, and is the creation of countless anonymous innovators. It is a good example of an unplanned evolutionary process that has, by and large, done remarkably well.

Partly because of scandals and public criticism, all this has abruptly changed. The important steps are today prescribed from outside the firm, by paternal bodies acting for us collectively (e.g. the ASC and FASB), sometimes backed by an arm of the state (e.g. the SEC). Henceforth anonymous experiment will largely give place to public debate and directives: progress will be planned by our leaders, who will issue iron-clad guidelines; we shall all march in step. We have for the most part accepted this change readily, even enthusiastically.

History offers some fairly close parallels. Take the scandals of the English cloth trade, from medieval times onwards. The clothiers were guilty

of "many subtle sleights and untruths" (I quote from a 1552 Act). Among their "great defects and frauds" was the use of coarser yarn for the middle than the ends of cloth. The cure seemed as obvious then as now. Standards were laid down. The state began this process in the twelfth century, and by the end of the eighteenth there were 311 laws on the wool trade alone. Uniform standards of quality and dimension were prescribed. "The minutest rules were framed respecting the nature of materials, the use of mechanical devices, and the form of the finished product." Enforcement was in the hands not only of the state but also of the guilds. Control was "committed to men of gravity" so that "the particular grievances and deceits in every trade might be examined, reformed and ordered." These men had even the right of search.

So how did the system work? Disappointingly. The well-meant rules tethered production to obsolete methods. They hindered mobility. They hampered response to the "humours" of customers, especially foreign customers. "There are now many laws in force concerning the making of cloth" the government confessed in 1622 "which for their number and contradiction do perplex and entangle the makers of cloth, and make it hard to be discerned what the law is in many particulars". The era of laissez-faire put most of the standards into the dustbin; it decided that alert buyers were better than standards as checks on quality.

But, you may object, the analogy is imperfect. Today we are much more efficient at enforcement. And accounting standards are not concerned with physical qualities but with principles.

Well, history has perhaps closer parallels. In 1848, the safety of railway bridges was in doubt. So the government of the day set up a royal commission. Its brief was

to inquire into the conditions to be observed by engineers in the application of iron to structures exposed to violent concussions and vibration, and to endeavour to ascertain such principles and form such rules as may enable the engineer and mechanic in their respective spheres to apply the metal with confidence.

Our great engineer Brunel looked with disfavour on the commission, which he privately renamed The Commission for Stopping Further Improvement in Bridge Building. So what was he, as a man of principle, to do when the commission

asked him to give evidence? He solved the problem admirably. He sent the commissioners a letter beginning "I regret that the Commissioners should have done me the honour of requesting my opinion"; then he set out his objection to the commission's existence; he concluded by regretting that "circumstances should have forced me to intrude my opinion on the Commissioners. . . having expressed my opinion, I shall attend their summons".

What were his objections? His fear was that authorities would "lay down, or at least suggest, 'rules' and 'conditions to be hereafter observed' in the construction of bridges, or, in other words, embarrass and shackle the progress of improvement tomorrow by recording and registering as law the prejudices and errors of today". He went on

Nothing has conduced more to the great advancement the profession and to our pre-eminence in the real practical application of the science, than the absence of all règles de l'art.

A system of binding rules, he affirmed

is contrary to all sound philosophy, and will be productive of great mischief, in tending to check and control the extent and direction of all improvements.

One part of Brunel's letter is even more germane to our current way of thought:

No man, however bold or however high he may stand in his profession, can resist the benumbing effect of rules laid down by authority. Occupied as leading men are, they could not afford the time, or trouble, or responsibility of constantly fighting against them - they would be compelled to abandon all idea of improving upon them; while incompetent men might commit the greatest blunder provided they followed the rules. . . . Devoted as I am to my profession, I see with fear and regret that this tendency to legislate and to rule, which is the fashion of the day, is flowing in our direction.

You will, I fear, judge the commissioners to have been men of mean spirit, with none of today's desire to help brethren over difficult styles. Their long report ends:

Considering the great importance of leaving the genius of scientific men unfettered for the development of a subject as yet so novel and so rapidly progressive as the construction of railways, we are of opinion that any legislative enactment with respect to the forms and proportions of the iron structures employed therein would be highly inexpedient.

So that was that.

Or, again, history may offer us yet another parallel in the medieval church's promotion of philosophy and science. Wise and saintly leaders revealed where truth lay, and put the stamp of authority on their pronouncements. And, when it came to enforcement of intellectual standards, we may doubt whethertoday's bodies such as the SEC are as persuasive as was the Inquisition.

We can no doubt argue that twentieth-century accounting's essays in standard-making differ from these earlier ones. Accountants should certainly hope that, on this point, the lessons of history are indeed false and useless. If they are not, the disillusionment will be bitter.

However, even if we cannot prove the muse of history to be useful, in the eyes of her devotees (such as you and me) she remains beguiling and beautiful. She can interest us, thrill us, delight us. She can add an extra dimension to our thought. To quote the first professor of history at Cambridge, "I call that man uncivilized who is not connected with the past through the state in which he lives, and sympathy with the great men who have lived in it". Finally, a lively mind is a curious mind, and the muse satisfies our sense of curiosity. This, I suspect, is her chief claim to our affection, the chief justification for her study. And, with your help accounting history can become a worthy part of her great narrative.

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METHODOLOGY

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TOWARD A TAXONOMY OF HISTORICAL
RESEARCH METHODS IN ACCOUNTING

by

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It is important that anyone researching a particular subject be aware of the methodology best suited to exploit that research effort. Whereas many accounting historians have been trained in normal accounting research strategies there is evidence, in the form of the published results, to suggest that they are not cognizant of all the methodologies suitable for historical research. This paper examines the literature concerned with these methodologies, discusses some of the problems associated with them and then relates them to historical accounting research. In so doing the paper provides the basis for a list of common historical research techniques that would be suitable for historical accounting study.

TOWARD A TAXONOMY OF HISTORICAL
RESEARCH METHODS IN ACCOUNTING

INTRODUCTION

There has recently been an increased interest in accounting history. Three international congresses have been held and there have been journals, devoted solely to it, inaugurated. However many of those interested in pursuing historical research have been trained in accountancy and not history. It is, therefore, quite likely they are unaware of many research techniques or methodologies commonly encountered in historical research. It is also possible that they are unaware of the full implications - advantages *and* disadvantages - of the techniques with which they are familiar.

It is on this premise that this paper is based. Therefore, it attempts to explicate methodologies advanced by some of those who should be most qualified to do so, the writers on historical method. Having determined the techniques it is possible to classify them on the basis of their particular characteristics. Thus a taxonomy of research techniques could be made available to those wishing to undertake historical accounting research. In an attempt to make the methodologies relevant accounting illustrations are used. Also the results of a descriptive survey of historical accounting literature are analysed.

The first part of the paper looks at historical facts. This is important because all historical research provides explanations of the past in the basis of what are accepted as *facts*. These are often provided as something approximating "*truths*". It is shown that such a view tends to be simplistic for there is uncertainty surrounding the meanings of both *fact* and *truth*.

the second part of the paper discusses some of the common methods of historical research. It would be foolish to pretend any such discussion could provide an analysis of all methods used but, on the basis of certain characteristics, it is possible to indicate some groupings. Classification, of course, is a pre-requisite of any taxonomy. An examination of the extant accounting history literature reveals a predominance of a very few methodologies. This tends to support the assertion that historical accounting researchers are not fully aware of the many techniques available to them.

Included in the Appendix are the results of applying one uncommon methodology - bibliometric analysis. This method holds that, on the basis of a search of the relevant literature, it is possible to establish past events (or attitudes and concerns).

Finally, it should be stressed that the title of this paper includes the word, *Toward*, to indicate that it is a preliminary investigation of the subject area which, hopefully, will provide the basis for further, more detailed, analysis.

HISTORICAL FACTS

The historical researcher attempts to provide an understanding of events in light of their historical context. In so doing the researcher is working to establish historical facts. Many of the problems the researcher faces are common to all research efforts; some are peculiar to historical study. The claim that a particular researcher makes use of "the historical method" implies that the researcher proceeds along a narrow and well defined trail. However, any attempt to describe such a process soon uncovers many problems. The term is as nebulous as another, similarly used expression: "scientific method". Is it what de Sélincourt [1954, p.9]

argued, Herodotus did: reducing "his enormous mass of heterogeneous material to a single artistic whole of unsurpassed beauty and grace"? Is it what Most [1977, p.49] says it is when he claims Littleton used it by "relating accounting practice to its social and economic development"?

The above two descriptions do not give much of a clue as to the practical procedures of historical analysis. Nor do many other descriptions. The subject has become the province of the philosophers of history. The present concern, however, is to attempt to discern what most would agree are proper methods of establishing what are taken to be the basis of conclusions about past events. Faced with a mass of data, what can the researcher accept as a fact supporting his or her research. What transformation of a datum is necessary to make it a fact? Reference to authority causes dubiety. Carl Becker [1955], for example, argues that an historical fact is a symbol of a thousand simpler statements,

a generalization of a thousand and one simpler facts which we do not for the moment care to use, and this generalization itself we cannot use apart from the wider facts and generalizations which it symbolizes.
(p.329)

In determining *what* is to be regarded as an historical fact it is necessary to consider *where* is the historical fact and *when* is the historical fact. Thus an historical fact only exists operationally according to Becker. For the neophyte (presumably many accounting historians) this is far from helpful.

Reference to a more well known, at least very often quoted, authority, Walsh [1967], suggests it is important to first distinguish between the correspondence theory and the coherence theory of truth. The *correspondence theory* holds that a statement is true if it corresponds to the facts and, conversely, if it corresponds to the facts it is true. As Walsh suggests, this at first seems little more than a truism. This, however, does not

explain a fact. Walsh distinguishes between facts and theories. The 26.
former (in Walsh's words; [pp.74-5]) exist, "whether we like them or not"
They exist independent of any inquirer. They are "the material about
which statements are made or judgements formulated". Theories, on the
other hand, "explain", "do justice to" or "cover" the facts. They exist
in people's heads. They take the form of "judgements, or propositions
asserted or denied".

The *coherence theory* maintains that a statement "is true if it can be
shown to cohere, or fit in with, all other statements we are prepared to
accept" [p.76]. A fact, then, becomes a theory which has established
itself. The coherence theory of truth is a vague notion and "has all
sorts of versions" [Popper, 1966, p.308]. Irrespective of the version
accepted; whether it is held that statements cohere with beliefs or
cohere with other accepted statements (as suggested by Walsh, above), it
is important to stress here that the theory states that facts have to be
established. They do not exist until someone shows them to fit in with
other ideas.

Philosophically the correspondence theory would be consistent with a
positivist stance, the coherence theory with one of the many relativist
interpretations of knowledge accumulation. The positivist epistemological
viewpoint has dominated twentieth century thought. It is therefore
probably safe to claim that a correspondence theory position is a well
established conception of truth. Recently, however, positivism (in its
various guises) has been subject to considerable criticism (see, for
example [Gaffikin, 1980]). This criticism has been accompanied by many
suggested alternative views which could be labelled relativist (for
example, Kuhn, Lakatos and Feyerabend: again, see [Gaffikin, 1980]).
Thus, although many people would have unquestionably accepted the notion
of the independent existence of facts as a truism, the recent relativist

suggestions must add weight to a coherence theory of truth, or something similar to it.

Popper states that,

... if we want to understand history, we must understand ideas and their logical (or dialectical) relationships.
[1966, p.297]

It has been assumed, here, that the historical researcher arrives at conclusions through establishing historical facts. Furthermore the conclusions are viewed as being attempts at stating historical truths. The above comments have indicated that there is some confusion over what these truths, and the facts, upon which they are dependent, are. As Popper says, it is important to be aware of such problems if "we want to understand history".

The doubt over just what are facts exists despite the claim, likely to be made by many, that the historian is dealing with *past* events and facts therefore do exist independent of any interpreter. Such a belief, however, is quite naive and only likely to be held by those with no appreciation of historiography. This is because it implies a level of objectivity in historical research which just cannot exist. It is, in fact, doubly subjective because it relies on the "evidence" selected by one person from the "evidence" left by another person. It is what Elton [1967, p.43] more cynically alluded to as, not so much selecting the meaningful as "forgetting the inconvenient".

If there is no clear meaning of a fact it follows that methods for establishing them will be equally vague. There is a way around this dilemma. That is by recourse to a third theory of truth: the pragmatic utility theory. Under this theory a statement or a proposition is true insofar as it works or satisfies a given aim. Although more commonly

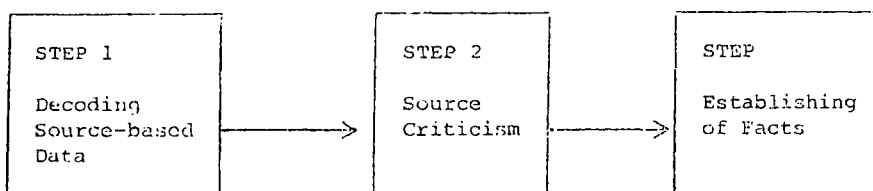
used to support theories in the natural sciences [Popper, 1956, p.309],^{28.}
in the context of providing historical explanations a fact can be
accepted as true insofar as it supports the conclusions and is not
"proved" incorrect. There are obvious inadequacies in such a view but in
attempting to provide guidelines for undertaking historical analysis it has
considerable appeal. It seems, in fact, that the debate on truth and fact
is insoluble so some basis for purposeful action is highly desirable.
It is, therefore, on grounds of expediency rather than absolute theoretical
justification that this view is subsumed in the following discussion.

HISTORICAL RESEARCH

Jerzy Topolski [1976] has provided an extensive manual on the procedures
of historical research and much of what follows is based on arguments
contained in his significant contribution to the attempts to comprehend
historical cognition.

In attempting to delineate the process of historical research it is
important to first distinguish the problem of the construction of
historical description from the problems of establishing facts. There
are three steps involved in establishing facts. These can be summarised
thus:

DETERMINING HISTORIOGRAPHICAL FACTS



Step 1, the interpretation of source-based data, is a preliminary operation.
However, steps 2 and 3 also involve interpretation; an appreciation of
source-based data is necessary in all stages of an historian's research.