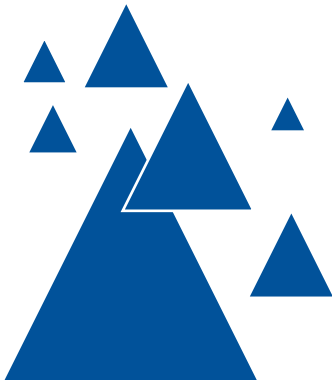




# Interview with William T. Baxter

by Michael Mumford



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**WILLIAM T. BAXTER**  
**INTERVIEWED BY**  
**MICHAEL MUMFORD**

**16TH NOVEMBER 1979 AT LONDON SCHOOL OF ECONOMICS**

The basic line of thought which I'm working to is that practice is not predicated upon any particular theory. On the other hand, to some extent theory follows from developments in practice. I'm looking particularly at this century, and clearly at this stage when I'm interviewing people, I am primarily concerned with the period after mid-1930s - there are a number of people who are still around and available to interview who have been active from the mid-1930s.

So there are all sorts of different areas I'm interested in, but first of all I'd like to ask whether you think that there are some determinants of practice which have been particularly evident during this century?

Well, if I may, I'll go off at a slight tangent.

Yes, please do.

The Arno Press has published a collection of my papers [Baxter 1978], and in the introduction I do try and give my early impressions and so on, so it might be worth your while skimming through that introduction. [This interview is augmented fully by Baxter's history included in Walker, 2005.]

Well now, has there been anything special that's affected this century? Well, there must have been a lot of things. Inflation is an obvious one,

although it has hardly affected practice very much. It has to some extent, in that even in the 1950s some of the big firms were revaluing their assets. New things - or developing things - like leasing are obviously having some effect. It is difficult to think of anything that has altered the fundamentals, and the real changes have obviously been in the way you'd handle the traditional stuff. The introduction of mechanised accounting and computing - I think that is what has made the great change in the production of figures. No doubt the various scandals have made quite a change in auditing procedure; that's on the side.

**Yes. What about the determinants of theory? Would you say that it is plausible that theory follows from practice, or do you think there are independent lines of influence upon theory?**

No. I am sure it that in the main it comes from practice; that is to say, people from time immemorial have done things - of late, with the growth of professional examinations and, still more, with the growth of teaching, it has become necessary to justify what's happening. And various people have therefore tried to breathe into the practice some explanation of it, some principles. Now, this will have a feedback to practice, occasionally - notably, if there is something new coming up that practice doesn't know how to deal with.

I would give foreign exchange accounting and leasing as examples of this. There, the accountant has got to hunt around for something that will help him to project the existing practice into this new area.

**Yes. There is a risk, isn't there, that by bringing in little bits of theory when there's a particular problem, one is going to get a framework of analysis which is not internally consistent.**

Oh yes, that may happen, but it would be less likely to happen than just to let the bookkeeper in charge of the accounts make something of his own sweet will.

**Yes. What about the origins of the 1942 Taxation and Financial Relations Committee [the T&FR of the Institute of Chartered Accountants in England and Wales]; do you have any knowledge as to how that thing came into being?**

I haven't the slightest idea - sorry. No. I take it the Institute was getting a little bit interested at last in principles, presumably because its top members were running into such problems - and the use of the word 'Taxation' I should think is indicative of that.

**The history of the English Institute doesn't give any detail on that. It simply chronicles the fact that there was some criticism, and as a result the T&FR was set up.**

Well, there should be one or two people still alive who could search in their memories and tell you about that.

Well, one of them, I hoped, was going to be Sir Thomas Robson; but he quoted a section from the history of the Institute, and left it at that. So I'm still hunting for that. Going back, you referred to the Arno reprint of your papers. The historical article you referred to - I've had a look at that.

You have, have you? That's very nice of you.

**Yes. You first came into contact with the LSE (London School of Economics) before 1937?**

Oh, yes - earlier. I was a student in America from 1931 to 1933, and in that time I had a bit of correspondence with Arnold Plant. And then when I came back from America I was a student here for the session 1933 to 1934, so I got to know the bright young people here. And, I was enormously impressed by them and kept in touch with them afterwards.

**Was Plant here in 1931/1933, or was he still in South Africa?**

He came back about 1931.

**He came to take over the chair vacated by de Paula?**

Not exactly. He came to a chair, and I'm not sure if he was the first holder or not. In Commerce, or whatever you'd like to call it. De Paula had gone by then, or at any rate was on the brink of going. And his sub department was part of Plant's kingdom. So Plant was in charge of accounting; it was he who encouraged the bright young men to write about accounting.

**Who were the bright young men who made this attraction to you?**

All were called Ronald - Coase, Edwards, and Fowler. Fowler - well, I was going to say he was less important for accounting, but he did write a book about depreciation which was very good. Coase and Edwards blossomed out really in about 1938, as you know, when they began their series of articles in *The Accountant*, which I think at that time really was better than it has ever been, before or afterwards. It was a very amusing situation because not only did they produce articles - signed articles - that were at odds with everything that accountants believed, but also - along with Rowland - they contributed the leaders. And as Rowland's views and their views were diametrically opposed, the leaders from week to week leapt around in a remarkable way.

There was a woman editor in those days. I'm afraid her name slips my memory, but she's still alive and turns up at things like the Annual Accounting Award for the Best Accounts. She was a great editress.

**It would be a good idea if I got in touch with her.**

She probably can't remember much, but she can confirm what I'm telling you and perhaps add a few touches. So these articles were written in a great hurry and sent off each week just in time for publication. And they certainly had an enormous effect on me - and, I imagine, on lots of other people too.

**The editorials themselves were not signed?**

No.

**So, one can only detect which of the three it was by ...?**

You'd have to do a bit of detective work, if you wanted to look into them. I can't remember they were all that important. It was the signed articles that certainly made the lasting impression on me.

**Particularly, presumably, the Edwards series on the history of costing?**

Yes, that's right.

Yes. It is an odd thing, thinking about those articles of Edwards on the history of costing, that cost accounting has been written up. The history of cost accounting has been written up in half a dozen studies, culminating in the one by Murray Wells which has recently been published. Yet there hasn't apparently been the same amount of work done on the history of financial accounting.

Well, I suppose it's a much bigger task. And perhaps, on the face of it, it is neither simple nor interesting. I can imagine a cost accountant thinking this is a task that's very germane to what I'm doing and won't take an impossible amount of time.

**Yes. Well, that's consistent with the fact that there are histories of topics in financial accounting, but not really very much in the way of history of inflation in accounting.**

No, the nearest you'll get to that is Tweedie's new memorandum.

**With Parker? There's a book of readings.**

No. Tweedie has published an Occasional Paper in your institute (the International Centre for Research in Accounting) with Eddie Stamp, which I think is the most comprehensive I know of all the studies.

**I was thinking of Lee and Parker's collection of readings. Well: Coase, Edwards and Fowler were here. So was Rowland. Were there any other accounting staff at the time?**

No, that was it. Strictly, the accounting staff were Rowland and Edwards, and the others were in Arnold Plant's department. And Rowland and Edwards, of course, hated one another. At any rate, Rowland was terribly distressed by what Edwards was doing. I don't think he approved of the appointment in the first place, though on general brilliance there's no doubt that Edwards was a winner. And then, when Edwards wrote these articles that seemed at odds with everything that Roland was teaching, he let himself go in a way that was very untypical of him. He was an extremely sweet, friendly man whom I liked very much; he was kind to me. But he couldn't stomach this stuff. And I've no doubt that if Edwards had realised how upsetting it was for people, he might have couched it in

rather more tactful language. He was writing fast to catch the post, and considerations of diplomacy didn't enter into it.

### **What was Rowland's background?**

Oh, extremely orthodox. He was a partner in a firm. He worked here part-time. His obituary notice said, and I think it is rather perceptive, that when you saw him at things like the Oxford Summer Schools he really seemed more at home there than in business. It must have been something of a sacrifice for him to come here on a part-time basis, but he liked it and you remember he published a text-book that I thought was very good at the time. He was very happy here, and really did, I think, make a lot of progress in keeping the department running well. It must have been very disturbing for him to have an iconoclast with him. And he wasn't sufficient of an academic to realise that this was just what every department ought to have- though possibly one should have it in smaller proportions than 50/50.

### **Well, it was more than 50% because Edwards was full-time, wasn't he?**

Well, that's a point. Edwards was full-time and Roland was part-time. Edwards was around all the time.

### **Was Edwards appointed in de Paula's day?**

My guess is it must have been later than that. I am pretty certain that Rowland was here by then.

### **What about Bray? Did Sewell Bray have any contact with the School?**

Oh, he was friendly enough, but he certainly wasn't on the staff and never gave any lectures.

He wasn't somebody who popped in and out?

No.

What about the Accounting Research Association?

Well, that was Edwards' child largely, wasn't it? He was an extremely energetic person, and he put one to shame. I remember that we both had jaundice about the same time. We were both overworked, and whereas I told him I just went to bed and did nothing, he said he went to bed and worked just as hard there.

Well, he had this idea that the Accounting Research Association would be the forerunner of a framework that might bring in a better world. So he put a lot of energy into it, and as you will remember, in the first place the fruit of all this was that they produced some excellent reviews. And thanks to this very friendly relation with *The Accountant*, the reviews were published in *The Accountant*, which meant an enormous improvement in the standard of accounting reviews. Incidentally, if you want to find an extremely bad review in the light of after-thoughts, you want to look at what they said about Edwards and Bell when it came out.

**In *The Accountant*:**

Yes. It was so miserable that I wrote and protested to the editor. He said it was a new reviewer and they weren't going to employ him anymore.

**It's interesting. I didn't realise that the connection between *The Accountant* and these three was as close as it was.**

Yes; well, it was a very nice relationship. This editor, whom I thought of even then as being 'a nice old lady' - but she can't have been all that old

- did in a way mother them and help them along. And she certainly was invaluable in giving them this outlet for their writing.

**That would have been one of the few forums between the School and the profession, wouldn't it?**

Yes. There wasn't much else, or much other way of spreading the gospel.

**At the ARA, were there seminars and discussions as well as the discussion of papers? There was the series of papers?**

Yes, the series of papers - Edwards was desperate to try and get papers, and published almost anything one cared to send him. I don't think that there was much activity in the way of forums and so on, but that's something you'd have to check on, because by that time I was in South Africa and I didn't hear much about them at that point.

**There wasn't much sign of them that I have seen up to now. I need to look at *The Accountant*, clearly, because it is bound to be there. I also find very little evidence of the eventual winding up of the ARA. There's a reference to a couple of their Annual General Meetings, particularly the first one when the officers were appointed, but nothing after that.**

Yes. It did peter out, I think by the end of the war - the war obviously interrupted it. By the end of the war, Edward's interests had veered away and he now was getting mixed up with all sorts of external things. And he was no longer lecturing on accounting; he'd become much more the person who did industry.

**Did this mean that there was nobody lecturing in the accounting department at that stage?**

The position at the end of the war was that Roland was still carrying on. He may have been helped by Magee still; I'm not sure at what date Magee gave up.

**Was that Charles Magee?**

No, Brian Magee - the one who collaborated with the book. Then, by about 1947 or the end of 1946, I think it was, Roland died. There were all the ex-service men queuing up [to study] and so forth, so they [the LSE] were pretty desperate. They found one excellent person to be a lecturer, that's to say David Solomons, and he was duly installed.

**Was he here before you came back?**

Yes; he was the first step. And then they thought they'd better try - and, as I say, they were pretty desperate - they'd better try to bring in somebody else. And they made a full-time chair, which I think was the first full-time chair in Britain, and they gave it to me. So, for some time there were two of us full-time.

**Yes; David Solomon and yourself. And you were using part-time people?**

Well, increasingly we did. That was my main way of coping, really, with all the extra work that had to be done. I had extremely strong views about not giving any permanent jobs to people until I was sure of them. And the part-time method seemed to get over our difficulties. And in fact some of them were excellent, and it was a very, very good way of interesting people in what in those days was an entirely new kind of career, really - academic teaching. And people like [John] Flower and [Peter] Bird, and I think Harold Edey too, were lured in by that method.

**They weren't qualified before they came into the School were they?**

Edey was. Edey qualified before the war. No - I always worked on the principle that it's a good thing for them to come and lecture an hour a week or so before they qualified, so they weren't necessarily qualified. [Bob] Parker was another, although he didn't take his degree here. Certainly I was very glad of his help.

**Where did he take his degree? Was it in Australia?**

University College [London]. It wasn't in accounting. It was in International Relations, I think - something intellectual, not accounting [laugh].

**Yes. It was an extraordinary period. You mentioned refresher courses a moment or two ago, I think. There was this tremendous burst of ideas after the war, people coming back - you didn't mention the courses, but you mentioned people coming back from the war.**

Yes, that's right.

**And the refresher series was got under way by de Paula?**

Yes.

**And they had sessions round the country and drew in all sorts of people as lecturers on those refresher courses who had never taught before.**

Did they?

So I gather from people who were involved on that side. People like Kenneth Wright, for example, got drawn into lecturing at that stage. And there was also a tremendous burst of writing, too, by people who had really no academic background in accounting before - people like Harry Norris.

Oh, yes. Of course. He was around then.

**In 1946, I think.**

Yes. And Lacey.

**I'm trying to find out more about Lacey. I wrote to Professor Yamey to ask whether he knew where Lacey was. He passed the letter on to Professor Edey, who said 'yes, he was in Unilever'.**

Yes, that's right.

**Lacey's name immediately sprang to your mind.**

Lacey seems to be an excellent example of a person who had, I think, no academic background and who was interested, as it happens, in inflation accounting. I suppose Lever's did come up against the problem in a fairly acute form. And so he produced this very early book on the subject; he got well ahead of the rest of us.

**It was 1952, the book which he did.**

Was it? Well, he was very friendly. He must have retired long since, and whether he is alive or not now I'm afraid I don't know.

**I can't trace him.**

No? Lever's are the people to approach; they should know, if anybody does.

**He wasn't an accountant was he?**

I don't think he was, no. My impression was that he was in their research department and he was joined there by one of our former students, Allen Sykes, who would be a good chap to ask about him if you are stuck. And I think [A. J.] Merrett was also in that gang. Merrett took a degree in economics, and I didn't know him at all until he started to publish. But Sykes certainly was in this department as a student and was one of these part-time teachers, although he hadn't got a degree in accounting. As you can imagine, he was a very forthright, almost aggressive, person.

**The other person in Unilever was P. M. Rees.**

I don't know anything about him.

**He was quite active in the profession. The English Institute set up a joint working party with the National Institute of Economic and Social Research in 1946 or 1945 - they set up a working party to try and find some common definitions of profit.**

I remember it vaguely, yes.

**Rees was one of the working party. He'd obviously been involved in the Institute as from the early 1940s. They didn't get anywhere at all with the working party.**

It seemed to peter out, didn't it? Yes.

**They reported in 1951, simply saying: 'we're sorry -we can't get any common agreement'. It was very much a blue ribbon committee. The economists were Meade, Paish and I'm not sure whether Reddaway wasn't there - and Hicks. It was quite a formidable bunch of people.**

Well, I'm not sure that you distil wisdom by having a committee. Norris, of course, might have been an immense contributor to what we are talking

about, but I think he had some dreadful accident. My impression is he had a car accident, you know. He and I were quite friendly, and I was full of admiration for his work up to - I don't know when it was - the mid 1950s. And then I heard he'd had this accident, and I've never seen him since. You know, I was a bit surprised some years later to find that he was sufficiently recovered to become the accountant for Wimpey's.

**Well, I've just started corresponding with him and I sent a letter similar to the one to you.**

Oh, you tell him you've seen me!

**Yes, I will. Was he a graduate of this School; how did he come into contact with the School?**

Interesting question. I don't know.

**I can ask him.**

There was one thing going on at this time which might well have been the link, and that is to say Edwards was running the evening seminars for business men. And every Tuesday evening he had somebody in. I can remember, for example Chambers the .....

**The Australian?**

No, no, no, the 'British' Chambers - Paul Chambers, who was at that time I think the financial director of ICI, and eventually became the chairman. Edwards did a very good job there. He said he always went right to the top, you see; he never tried to get the subordinates. And he said he never had a refusal. Once the thing became known, it was an honour to go and talk to them. And these chaps seemed to churn out papers. Although, I once was at lunch with a man who said he was the financial editor of one

of the evening papers, and he said he wrote a lot of these papers. Well, even if he did, he must have talked to the men to get the information, and they were very good mostly. Now this always gave rise to a lively discussion and people like Norris would come and attend that.

**Yes; they were open?**

Oh, they were open. I think you had to pay a fee to join, but they were open. And they were often quite distinguished people here, talking about new things like operations research, and talking about the progress in their business or maybe they were known in the Civil Service or in the newspapers.

**Is it likely that somewhere there would be a list of them?**

Yes. The chap to ask about it is your colleague, the Professor of Applied Economics, you know - Harry Townsend. [Professor Townsend came to Lancaster in about 1978, but he died within five years.] Because after a time he began to devil for Edwards, and he would at any rate know more about the later stages of the thing. And I'm not sure that they didn't together publish some of these papers as being studies in British industrial problems or something. That's right - they did. Edwards was very skilful at this. First of all he got the people talking at this seminar. He had a devoted wife, and he always took them home to supper afterwards and wined and dined them. And often what they said afterwards to him, so far as I could gather from his conversation, was immensely revealing.

**Yes. Would he take them on his own, or would he take a group of people?**

I think he took them by himself.

**When was this series begun? It was established before you came?**

It was certainly going strong by 1947. I should imagine he began it soon after he rejoined the School in maybe 1945 or 1946.

There were two other regular meetings specifically concerned with accounting from this period. One was a lunch club, which Basil Smallpeice got under way with Eric Hay Davies. And the other was The 1949 Group, which had evening meetings. And that was organised by, I think, Kenneth Wright, with some other practitioners, Judd and Mann.

Yes, I can remember them being around at various things; they certainly were taking a benign interest in academic developments.

**Not a very stimulating one, in that they never really took the initiative to fund any research or studentships or anything.**

No. The Institute was really very bad - at least officially it was - at that. This is a favourite hobby-horse of mine, and no doubt I'm jaundiced. You see, one of my earliest recollections was going along and having a chat with P. D. Leake, who at any rate before the war - before, I might say, the First War - was about the only British accountant who was writing anything that was helpful. He was a bachelor, I think, and he left all his money, as you know, to the Institute with a most immensely complicated will, designed to make sure that the money was put to good uses. And all sorts of vice chancellors and so on had to agree to the post. Well, the members went off to Cambridge to ask what could be done; and then, of course, they gave it to an applied economist, who I'm sure is an admirable person and has done admirable work, but its relation to accounting is no more than, say, that of Chinese poetry.

I kept nagging away at them as best I could to give some money for people to do post graduate class-work or research. It was only with the utmost difficulty that at last I got them to start those Leake Fellowships, and

they certainly have been quite fruitful. Didn't Susan Dev have one and McRae have one, and so on? But they could have done far more; I mean, if they'd started then on a generous scale, as soon as they got the money instead of let it accumulate - and still more, if they hadn't handed it over to Cambridge - there really could have been great things done.

**Oxford turned it down, I gather.**

I think that's right. They weren't so clever as Cambridge in realising the possibilities!

[laugh] **Yes. What about Lavy? Where did the Lavy Awards come from?**

I don't know. I don't understand the history of that. Edey could probably tell you about that.

**Did you find Leake was interested, when you went to talk to him? He had a firm?**

He had a firm; he was, I think, senior partner in a small firm. He was interested all right. I must admit I can't remember anything he said, so I think that he had got past the stage of having new ideas. I always thought that if only he had had a training in economics he would have been a marvellous writer, but he was obviously feeling around for the ideas and not always quite getting there.

**Yes. Now, there were ideas in existence at that time, in particular coming from America, weren't there? I'm wondering what influences there were on accounting ideas in this country from America?**

Well, you know, I must confess I can't remember any ideas coming from America, except the important but elementary one that the right way to

teach accounting is to start with the balance sheet. And this was something that I took to heart. I was two years in America.

**Where were you?**

I was firstly at the Wharton School and the second year at Harvard Business School. To some extent I was trying to get away from accounting, so I can't say that I did justice to whatever teaching was being done there in either place. I certainly didn't get the impression that it was a hive of new ideas. When I got back, *The Accountant's Magazine* asked me to review a book by Wade - 'The Fundamentals of Accounting' - and this was - and still is, I think - an extremely sound textbook. I learnt from it to begin with the balance sheets, and this seemed to me so sound that I've stuck to it ever since.

**It was, I suppose, a stroke of bad luck that you left in 1933 and weren't there when the 1933 and 1934 [Securities and SEC] Acts were passed. They came as an immense re-assurance.**

That's right. Yes, I suppose that the timing might have been a little bit better [laugh].

**Why didn't we get an SEC in this country? That's an intriguing question. I'm not quite sure what the answer is to that.**

Well, we didn't have nearly such a bad smash, did we? So that there was much less pressure on the government to be seen to be doing something, and, lacking the stir that made Roosevelt so active, I think British conservatism would stop any SEC - which may be no bad thing.

**Oh, yes. We didn't have a George May in this country.**

Well, we exported him didn't we? No - there was nobody with the stature of May.

**He had the effect of drawing the sting a little I think out of the SEC.**

Yes - he was certainly a very good force. I met him in 1959, when he was obviously in his late 80s, I think. But he was still making public speeches and trying to get committees to produce sets of accounting principles and that sort of thing.

**In 1959?**

Yes. I imagine he was hard on 90 then; he was a real patriarchal figure, you know. He had a magnificent house in Connecticut with vast grounds, looking over the sea and houses behind and a big house over on the right. And his son and family lived in the big house on the right, and his grandson lived in the stables at the back with a great grandchild - so it was a real patriarchal system. And he was immensely keen to talk. He was a widower and lonely, I think, and engrossed in his subject. He had me for a weekend, and he went on pretty well non-stop. The only time when he dried up like a clam was when I tried to get him onto McKesson and Robbins; he wouldn't talk there. It must have made a great wound, I thought. But otherwise, he was lively as could be. His remarks on the origins of Arthur Andersen were scurrilous - unprintable.

**Yes - he does sound to me quite a difficult man to deal with, Arthur Andersen that is. His memoirs - May's memoirs - finish I think in 1942.**

Do they? Yes.

**May came over here, didn't he? He used to travel over here?**

Oh, I should think so, yes. Wasn't he a member of the English Institute as well?

Yes, he was; and he would have come over on Price Waterhouse business as well. I tried to find out what influenced the consolidation book, written by - who was the chap in 1922, the Price Waterhouse partner? - [Gilbert] Garnsey. What influences were at work on Garnsey. His firm had been carrying out consolidations in America from 1902.

Had they, yes.

So they obviously knew the techniques at that stage, well before they were practised in this country. But I can't find any very clear lines of causation there. I imagine it was just discussions between Garnsey and Lowes Dickinson.

I should think so, yes.

But I can't find very much about the history, apart from Jack Kitchen's paper on consolidation history. I wanted to try and write it up because Jack was only talking about consolidation history in Britain whereas there is a much earlier history in America.

Yes. Well, you say 1902. I traced back the Standard Oil Company's accounts. I think they started consolidating in 1920, which was well ahead of here.

Oh did they? I think there were precedents. I think there were consolidations in the 1890s. I'm not quite sure what they were.

Oh, no doubt. It's a common sense thing to do, isn't it?

**Price Waterhouse has certainly been an exceptionally influential firm. What about Hatfield? Was [Henry Rand] Hatfield at the School [the LSE]?**

No. I corresponded with him and he sent me his famous article on the history of accounting, with a nice inscription. But unfortunately I never met him.

**What about [W. A.] Paton. Did Paton come over?**

No. I didn't meet him until I went to a conference in, possibly, 1975. He was there as the patron saint of everything! He must be - I don't know - about 90, I think, and he was very sweet. He shook me warmly by the hand, and then he said: 'you know, my grandfather fought in the war against you, and I was brought up by an old relation to regard everyone from England as an unspeakable rogue - but you seem very nice' [laugh].

**Well, that's because you shared a Scottish ancestry with him, I should think [laugh].**

Maybe, yes.

**His family were Scots.**

Were they?

**Scottish accountants have always had a distinct tradition, including links between the profession and the universities even before the war [WW2]. But I cannot find a great deal of literature.**

No, I don't think that their ideas went beyond slight improvements on the existing techniques. There is nothing that you could say was an enlightened synthesis, or, still less, a reform. I can't remember any books or writing

that they did that was at all helpful. There was a book on Scottish trust accounts, and it went through the complexities of apportioning, and so on. I suppose it must have had some sort of attempt to explain what it was all about. But, if so, I can't remember what it was. Certainly, as I said in that article in the Arno Press, I just hadn't any idea there is any synthesis or that any principles were needed. It seemed to me that it was only a matter of being accurate and making minor improvements.

**Yes. It is odd, isn't it? Do you know when the Scottish Universities first appointed to chairs in accounting?**

Yes. It was just after World War I. It would be 1920, I'd say.

**Was it? So that's quite early on.**

Yes. This wasn't a terribly successful experiment, although it was a good first step. They had a very strong feeling that the man should be in practice; and, of course, if his main job is to teach the latest wrinkles in income tax, there's a good deal to be said for that. But he certainly was overburdened. It was the most he could do to produce a reasonably complete set of rather elementary lectures.

**Who was it?**

Well, I think it refers to them all. There were, I would think, in Edinburgh something like five professors before the Second World War - or before they made it a full-time job, I would say. The one I knew best was Annan, and he told me that it just wasn't possible for him to do the lecturing, do university administrative work, and then to be an active partner in a big practice and still have time for any thinking. The courses, at first at any rate, fell between two stools. You see, they had to cater for the university students and others who knew nothing about accounting. And then also for apprentices - who typically knew quite a lot, perhaps in their final

year. And I felt a certain shame because I was already very proud of the university.

The apprentices didn't like these courses and said they got nothing from them. And this wasn't just the lazy ones, but ones who were very good. The courses weren't geared to their needs. And I've no doubt at all that, with all these limitations, you must have a system of full-time teachers if the course is going to get anywhere.

**Did you bring back any texts from America? Did you bring back any of the text books which were being used at Wharton or Harvard?**

No. I'm pretty sure I didn't.

**It was before Paton and Littleton's monograph. Did they make any impact over here - Paton and Littleton?**

I can't remember if they did.

**There wouldn't really be much of a focus.**

No.

**Sanders was British wasn't he? Of Sanders, Hatfield and Moore [and a professor at Harvard].**

Was he? Yes, I believe he was. He was a nice man. I met him once or twice. He came over here and spoke at some institution that Edwards was running. Maybe it was the undergraduate course, or something of that sort. And his talk, as you will remember, was published - I think by the ARA [the Accounting Research Association]. I remember him as a slightly deaf man who listened very attentively to what one was saying, as a result. He was rather self-deprecating.

I can't remember what firm he was associated with. He was very much in practice. I gather [Underhill] Moore got involved more by accident than anything else.

Did he? I never met Moore.

They wanted the Dean of Harvard Law School, who happened to be involved - in fact, he was appointed as one of the SEC Commissioners. He thought it was improper for him to be party to an American Institute accounting statement, so he suggested Underhill Moore. I don't imagine it had a great deal of effect on the final outcome.

Sweeney wouldn't have been known over here, I take it?

No, no, he certainly wasn't - much less than the others, because he was very much the man in practice. He used to rush up to Colombia and give a few lectures and rush away again. I don't know what his position was when he was doing his PhD and writing that memorable thesis. Then, I take it, he must have been more a full-time student.

Well, he spent some time in Germany didn't he?

He must have done. Yes, that's right.

The reprint of that book - the 1964 reprint - has got an interesting introductory essay, and it says that he spent quite a lot of his time on the continent at that stage.

I met him in 1958 for the first time, when I was at Columbia Business School, and he was still doing part-time lecturing there. You could see why he hadn't written anything since, because he came in to have lunch with me, and he was in a state of some distress. He said he'd taken out a client to dinner the night before, as part of his business duties, and the

client had then thrown out hints that he would like to go to a night-club, so Sweeney had taken him. And the result is he got home, I imagine pretty much the worse for wear, about 2 a.m. - to find a message that some close colleague at Colombia couldn't take a lecture the next morning, so would Sweeney do it? So Sweeney had to sit up for the rest of the night, learning the stuff off. And there he was! Well [laugh], being a lecturer under those circumstances must have been a great strain.

The funny thing was that when I got him onto talking about his great work, he couldn't remember what was in it. So he obviously had switched his ideas completely from his student days.

**It says something about his academic interest that he kept going with the lectureship, having a practice to run.**

Oh yes, indeed. He was a bluff, breezy fellow and - well, he made a great contribution.

**It certainly fed in later on, having been neglected for some years. What about your own ideas on inflation accounting? I'm thinking of the 1949 paper which you gave to the Manchester Statistical Society.**

Well, I think this interest arose largely from being fond of history. Writing about colonial America made one think about inflation, and then just one's general historical knowledge of the assignat in France and so on. But, above all, being old enough to remember what happened in Europe in 1923 gave me the idea that money wasn't a very good standard of value. I didn't apply this in any form of principle, I think, until some article came out by a Norwegian professor in one of the economic history reviews, about what the Norwegians had been doing during an earlier period of inflation. And I read it and read it and thought about it, and for some reason or other, it didn't hang together - it seemed to me there was an obvious fallacy in it. This made me think then about what was the right

thing to do. And at this stage I was asked to review Sweeney's book and that certainly was the real beginning.

**Reviewed for what journal?**

The *South African Journal of Economics*. That was not only important, I think, for starting one off realising that here is a real problem, but also it seems to me that his approach - in effect, of making one do exercises that show how the value of money changes - was immensely helpful. I'm sure that much of the, it seems to me, nonsense that's said now by people on the Accounting Standards Committees and so on would be avoided if their introduction to the subject had been along those lines. If you had started off by doing lots of exercises until it came into your head that the value of non-money assets doesn't necessarily change, whereas the value of money does during inflation, then you would have an extraordinarily useful compass in your searches through this maze.

**This review would have been before or very early in the war?**

It must have been - the review presumably was round about 1940 or something of that sort. I remember getting into some disfavour at the University of Cape Town by writing a memorandum on their finances and suggesting that it would be a good idea if they held some equities instead of government stocks. This was regarded - by an extremely competent and intelligent professor of mathematics, who more or less ran the university - as being preposterous, that you couldn't trust money. He must never have heard of the German inflation, or at any rate had it in a different compartment.

**Yes. Well, it was a long time before the Trustee Investment Act made the idea acceptable in this country.**

Yes. Again, going off at a tangent, you know this School is a limited company, and when it tried to get a Royal Charter round about 1950-something, the thing it got stuck over was the insistence of the Privy Council that we should only hold gilt-edged securities. It was thought that (a) this was wrong in principle, and (b) that it showed very little trust in people like the governor of the Bank of England who were our governors.

**Was Carr-Saunders interested in business teaching and accounting?**

Yes, he was very good on it. As you know, he was the chairman of that joint committee - no, he wasn't. Thereby hangs a tale. He was on a committee that considered education for business, a government committee. And this committee blithely suggested that all kinds of accountants should have the same training in technical colleges and sit the same exams and so on, which infuriated the true blooded members of the [English] Institute.

So that when Percy resigned from the committee that co-ordinated the universities and the accounting bodies, it was suggested to Carr-Saunders that he should become the new chairman. And he got hold of me and said: 'now what about it? I believe I'm not altogether popular with accountants and I certainly don't want this to go forward formally and have everything turned down'. So I tried to be a diplomatic go-between. I tried to find out from a man called Burrows, who was a Birmingham CA and very influential in the Institute's councils, and I think extremely typical of the old kind of accountant. I tried to find out from him whether Carr-Saunders would be acceptable, and he was a bit rude about it and wouldn't give me any information. So I was left in an unpleasant position, and so was Carr-Saunders, because they wouldn't have him as the chairman, really. They then took the Vice-Chancellor of Sheffield University, I think.

**Percy had taken over from - was it McNair who was the original chairman?**

I don't know. They had all gone by the time I got here. It was mainly this man Burrows, and Bertram Nelson of course.

**It seems a lot of the initiative had come from Bertram Nelson.**

I suppose he is still alive, and he was wonderful. He gave one a very good idea of what diplomacy meant. And he wasn't an impressive person at all. He seemed slightly evasive and lacking in intellectual crispness, but he could get people round a table; he would wine and dine you beforehand and so on, and he's the sort of chap who gets things done.

**Yes. What about the Society [of Incorporated Accountants and Auditors]; did the Society differ in any way from the English Institute in its relations with the School?**

Well, I don't know in a direct sense in terms of its relation to the School. But they certainly were immensely more human and friendly. The important members of the Institute in those days were caricatures of the sort of Colonel Blimp of the business world. It was astonishing.

**Who comes to your mind?**

Yes, well I won't name anybody in particular, but I give you two examples. One may have been an accident, but nevertheless it somehow struck me as being rather Freudian in that way. I was at a meeting of the Special Commissioners of Income Tax, you see, and this room was set out like a court, with two inspectors up on the bench. And this was a case in which a firm of chartered accountants were appealing against the assessment, and I'd gone as an expert witness. And the door suddenly flung open, and in walked a man who looked around, stalked forward, and sat up beside the judges, you see. And they looked at him and said: 'who is this?'. And the member of the firm who was running things said: 'Oh, I'm so sorry - this is one of my partners'. And they said: 'Well, would you mind having

him removed' [laugh]. So he was taken off: he was put down with the crowd.

Then - I think this is very symptomatic of the change, I think I mentioned it in this essay [in the Arno book]. I sent an article to the editor of Accountancy about the effect of inflation on the accounts of accounting firms - as it seemed to me, an interesting line of thought. The editor sent it to the man who advised him on technical matters, who was a partner in a firm; and he wrote back saying: 'accountants don't need anyone to tell them how to run their affairs'.

I think also you have to read that report published about 1963 by the Institute on education to see how reactionary they still were - the Parker Report. Now, you asked what happened in the end to the money of the ARA. Well, it handed over what funds it had left to people like David Solomons, who tried to run a public discussion on education in the Institute, you see. And they had a member of the Parker Committee along, and duly took down what he and Solomons and so on said, and then printed it. And this member of the Institute Council took umbrage over something which he, rightly or wrongly, said shouldn't have been there and - why this is relevant - said he would refer the whole matter to the Institute's Council. I don't know what their authority in the matter was. And he generally made the thing so unpleasant that this document had to be withdrawn. And that used up the last of the ARA's money.

**Good heavens!**

The thing was a fiasco.

**What happened to David Solomons when he went down to Bristol? He didn't seem to stay there very long.**

He didn't go for very long, no. He's much happier in America. I thought it was a great pity. This is hardly germane to your main subject, but I think you should mention the enormous importance of his inaugural address on the subject of the education of accountants. That really was a bomb-shell for most people, that any accountant should say that the existing system was poor was very, very disturbing.

**This was about 1954?**

Yes.

**So that obviously came as a great shock to the profession.**

Yes. And I think it probably was a good idea of Solomons to go away, not because of that so much as because it does seem that he and his wife are very happy in America, and he certainly is an extremely important person there.

**It was an important article of his, that revision of Alexander.**

That was very, very influential, I think, yes.

**Did the Study Group on Business Income - talking about Alexander and the Americans, about 1952 or 1947, I think that study -**

That's [G. O.] May's one, isn't it?

**Yes. Did they seek any evidence from Britain or did they do it entirely themselves?**

I shouldn't think they did, no. I never heard of it.

It was quite a big group, I think. There was something like 48 people in that Study Group and eventually they reported.

There were something like five editors, weren't there, for the final report?

There were five papers.

Oh, five papers were there? Yes, that's right.

Then there was the report of the group itself, which May edited or drafted with somebody else whose name escapes me for the moment. That was interesting in 1952 in America, and at the same time the certified accountants were writing that 1952 book [Accounting for Inflation] over here.

Yes, Richard Cross was excellent, and it was being done by a member of the *Economist's* staff and streets ahead of anything else at the time.

Yes; I still think that's an interesting study. I have just persuaded Professor [Robert] Sterling at the Scholar's Book Company to reprint it.

Oh good; that's excellent.

I hope that will happen next year. It was drafted, I gather, by a practitioner, John Landau, once the committee put its papers together.

My memory on this is very strong - it was done by a journalist.

Was it?

Yes. They very sensibly got an economist from the *Economist* to help them with it.

There was a joint working party that supervised the jobs.

Yes, surely yes. He didn't do everything. But I think he was there all right.

Talking about remembering things, it's a pity that the Pitman Press don't have more records of this period. They were doing a lot of books at this time.

Yes, they were very co-operative.

And Gee's [publishers] was still going strong in those days.

Yes, well they are still going strong.

Going - but I'm not quite sure how strong since Percy Hughes died.

Other names now. We mentioned Lacey, and we mentioned Norris. [F. R. M.] de Paula - did he have connections with the School when he left in 1928?

Yes; he went off and joined Dunlop, didn't he? Well, he obviously did great work in making them improve their accounts. He very nicely invited me to dinner with his wife, and I went to their house and it's the only the place I've ever been where both the host and hostess were wearing a monocle.

[laugh] I think his last book would have been about 1948, so he was still going strong.

Yes.

Extraordinarily. But Bray had no connection here?

He had no connection.

**Quite surprising, because he had a practice, with Tansley Witt.**

He didn't impress us favourably at all, you know.

**That must have been significant.**

I think so. I think he would have liked to have had connections, probably.

**I see, yes. But he spent some time with the Department of Applied Economics at Cambridge.**

Yes. I'm not quite sure what the relationship was; he went once a week, I think, and wrote his books there, or talked to people. I don't know.

**And what about the Australians? At what stage did the subject get under way in Australia, with Fitzgerald?**

He was the great man there, wasn't he? I don't know what his dates were. My impression is they'd started to produce good text books - still on very orthodox lines however - by the mid 1950s. I know that I reviewed one of them, and I went to an exhibition soon after of books in London. And I was amazed to find a great flaming banner across one of the publisher's stalls with a quotation from me - unacknowledged I may say - to the effect that there must be something in the Australian air that makes one write good books on accounting.

**They built up a very strong tradition in the 1960s.**

Oh, yes. They certainly, I think, got ahead of us in that their teaching was thorough and systematic. I think it was later than that that they could

be said to make any other contribution. Teaching is a very big industry there.

**Yes. Another contribution, one of the major areas, is the work that was done by Ball and Brown, on efficient markets.**

Yes, well, I don't know: that is hardly bang on target for accounting, perhaps mistakenly I would say. It is obviously important. I was thinking more of people like [Kenneth] Wright and [Raymond] Chambers who are talking directly about accounting.

**Yes. Where has the School's influence been greatest, would you say? In teaching in the British Universities?**

Yes.

**It's obviously an enormously important institution.**

Yes, and it spreads beyond the British ones.

**To include ...**

Well, for example, Ronald Ma in Sydney is one of ours.

**Is he really?**

Oh, yes. David Solomon's gone away, and I'm sure if you hunted around in the United States and Canada and so forth you'd find some of our people.

**Were there close connections with South Africa before 1948?**

In a general sense, yes. Nothing much about accounting in particular. But it really was a very interesting imperial relationship, you see, with Plant more or less switching people back and forward as if we were chessmen - providing Cape Town with fresh blood, and making its Department of Commerce in those days quite outstandingly good - I think better than anything here.

**Really!**

Oh, yes. It was a great privilege to be next door to them, and most stimulating.

**Had Plant gone out to South Africa from the School?**

Yes. As a young man, he went off and became their first Professor of Commerce. And then the School brought him back again, but he kept up correspondence and this influential wire-pulling.

**Another person who must have been quite significant was Josiah Stamp.**

I suppose so. I doubt if I ever met him, but he was certainly hovering around in the background, yes.

**Yes. There's a 1921 paper which he gave to the Society [of Incorporated Accountants].**

Yes. He was always regarded as something of a patron of enlightened accounting.

**Well, in fact he said very rude things in the 1921 paper. He said: 'Why is it that accounting hasn't come up with a single new piece of theory although accountants have merely got a monopoly of the information**

available?’ The Society didn’t mind. They made him an Honorary Fellow.

Yes. You see, that shows again that they were a very enlightened group. I think it is somehow part of the British caste system, you know. On the whole the Institute [ICAEW] stood for the upper-middle class, and public schools and the Church of England. And the Society was north of England, and non-conformist and grammar school. This is probably not true if you check the statistics, but it’s the impression one got.

**It could well be true. It would be well worth looking at.**

I think you might have a stab at that.

**I’m not quite sure who the Association of Certified Accountants and CIMA’s members are.**

No. I’m keeping off that one.

**And the Scottish Institute wouldn’t be stereo-typed to the same degree?**

In Scotland, there’s slightly less formal division of the classes, so that the Institute does include a pretty broad group of social classes, although, even there, the need to pay a premium and to work for a long time without much pay obviously was something of a sieve.

**Thomson McLintock is an extraordinary institution. It’s the one really big Scottish firm that is still Scottish, as opposed to having become either international or English.**

Yes.

I don't quite know how they manage it. They are not in the English Institute handbook as a firm.

Aren't they? There must be some English members surely? And, anyhow, under the new swapping arrangements there must be some.

There must be, yes. The version I was looking at I think, was the 1975 or 1976. I looked through and I didn't see the name Thomson McLintock. I was looking to see how many partners there were in one of the offices.

Very much as an aside, do any appreciable number of students from the School here take the Scottish Institute examinations?

No, very few.

The facilities are here, aren't they?

Yes. They could. If you are a coloured student from overseas, you'd probably have less trouble getting into a Scottish firm than a London one. I don't know if this means the Scots are more broad-minded; more likely, there just is a smaller percentage of overseas recruits. But they certainly used to have a record of never failing to get a person a place. And I must say it would be very nice to be an apprentice for three years and then go. I don't know why they don't go there. To some extent, they were put off by the account charge and discharge I think, which is a terrifying animal.

You winced rather when I mentioned the certified accountants just now.

Yes.

Do you think they're a body of untouchables?

Well, I think I'm in a slight difficulty here - obviously, they are doing a very valuable task in allowing people to get a qualification when they haven't had to go through this expensive business of articles. It's a great thing to let people from business obtain a qualification, and I'm all in favour of it. But, from a purely snobbish social standpoint, they somehow are an embarrassingly different level from both the old Society and the Institute.

**They don't have as nearly as high proportion of leading figures.**

Yes. One of the great exceptions to that was [R.S.] Edwards who used this machinery. No; they are obviously extremely useful, and anyway I'm a great believer in multiple channels of operation. And I think it is very good there is this rival way of getting qualified.

**Does that mean to say that you did not approve of the integration proposals?**

No. I didn't like it, no. Partly out of sheer cussedness, I think, but it seems to me a good idea that that there should be alternative ways of developing.

**What about between the Society and the English Institute?**

Well, that was no business of mine. I suppose on general principles I wasn't enthusiastic.

**It does seem in some respects to have been very unhappy that *Accounting Research* was wound up.**

Yes. You see, that was another example of the Institute's frosty attitude. It immediately clamped down on *Accounting Research* and threw out

Sewell Bray. Until it had a most astonishing change of heart a few years ago, it had an appallingly stick-in-the-mud attitude.

**Who do you suppose was associated with the change of heart - because it does seem to me dramatic at the start?**

Well, no doubt, there were various younger people beginning to take over, but I don't know of any great leader who was influential. There may have been.

**Yes. It was an unintentional bias to say 'who', as opposed to 'what factors'.**

Yes. I think it is the factors that did it, and in particular passing through the stage at which no accountant could claim that he was such a master of the art that he could teach his apprentices. When you get past that stage, then the great justification for apprenticeship goes, with computers and complicated tax and so on.

**There's also a great amount of graduate entry, too.**

There was an increase in graduate entry, although that was disappointingly slow. The second influence was the social revolution that led to everybody going to a university if they had any intellectual aspirations at all. Unless the Institute started to lure them in, it would get like our Post Office - just bereft of the brains that it used to suck in.

**So do you think we are heading towards graduate entry?**

Yes. I hope it won't be an absolute cast iron system, but I should think of it just as a matter of drawing from the obvious groups. The majority of the entrants will be graduates.

Yes. Do you think that this is really necessary? Aren't there a lot of accounting jobs for which qualified accountant is used which don't really require a great amount of intellectual challenge? Just as there are also some jobs which require a very considerable degree?

Yes, I would think that's true. If you could have a class of man who would be content to be a devoted and thorough bookkeeper, I don't see why he should have to worry himself about accounting principles. But the trouble is, of course, that such a man would find himself continually tempted to overstep the boundary and get into an area where he was incompetent.

**Yes. I suppose this really amounts to a statement there is a need for a technician qualification.**

It is partly that, and partly what I understand the Civil Service has found. That is, the people you promote, not because they go in with good degrees, nevertheless are the ones who have had a university training. The men who are brought up from the Executive Grade are very largely ones who have got degrees, although the degrees are probably in subjects that have no relevance whatever to the work.

**It's certainly very striking looking at the figures from the professional firms on success in professional exams.**

Yes.

**This has a very high correlation with degree class.**

Oh yes, that's right.

**Immensely high, even though degrees are not - quite rightly, in my view - not geared towards a professional career. Long may it continue.**

Yes.

But, from my point of view there certainly has been a trend since I've been at Lancaster towards accounting degrees as having more value to offer someone entering the profession. If it is ever going to become a learning profession, then it seems only right and proper.

Although I gather that people who have taken the non-specialist degrees do better in the Institute's exams.

I don't think there is a very great deal in it.

Isn't there?

And we're talking about an entry going back some years when the A level requirements for people who were taking an accounting degree were remarkably lower than they are now.

Yes.

I think it used to be the case that the bright chaps went off and did languages or maths or something, and we didn't tend to get our share of the first class students, generally speaking. Whereas now we're getting much more of our share of first class students, and I think this is bound to show through eventually in the pass rates. I think so, particularly if the profession continues to move somewhat towards us in having a greater degree of discussion in professional exams.

Yes. What you should I think bring out in your book is that, to a considerable extent, if academic accountants are now spinning out new ideas, it is because they have been forced to listen to people outside accounting. This is the real contribution, I think. This is where we get to the real stimulus. In my own case, for example, in Edinburgh I was

working in the same room as Kenneth Boulding, who I suppose is now one of the world's leading economists. And this certainly shaped my ideas a lot. He was always throwing out information. And then here [at the LSE], the influence of [Frank] Paish was enormous. As soon as you went into that room where we had coffee, you could hear his voice over all others, and he invariably was extremely sensible and very pertinent. That's the sort of thing that makes the difference.

**Yes. Now in both of those instances, you are talking about an economist whose ideas were very influential. What about other disciplines? What about lawyers for example?**

Well, they certainly were very influential, I think, in the early days when the people in the generation before me. But they are less so now.

**I have taken more of your time than you agreed to give me. I must not go on doing so. My warmest thanks for your help.**



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