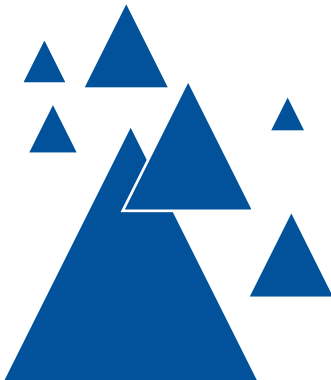




# Interview with Eric Hay Davison

by Michael Mumford



First Published 2007  
The Institute of Chartered Accountants of Scotland

© 2007

This interview transcript is published for the Research Committee of The Institute of Chartered Accountants of Scotland. The views expressed are those of the author and the interviewee, and do not necessarily represent the views of the Council of the Institute or the Research Committee.

No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by the author or publisher.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopy, recording or otherwise, without prior permission of the publisher.

**ERIC HAY DAVISON**  
**INTERVIEWED BY**  
**MICHAEL MUMFORD**

**18TH APRIL 1979 AT PICKERING, YORKSHIRE**

You asked me [over lunch] about inflation accounting, and this has been a major issue over my whole working life - and they still haven't settled it.

**That's right. Absolutely.**

You know, the demands made on inflation accounting, if applied to depreciation accounting, would have meant that we should never have had depreciation accounting at all. You see, the big question is uncertainty; when you are talking about depreciation accounting, what could be more uncertain than the life of a plant?

**Certainly, so - yes.**

Whether financial obsolescence or technical obsolescence or the mere fact that the demand falls off, you know - what could be more uncertain? And yet we have depreciation accounting. But everyone seems to accept as the law of nature that, when it comes to inflation accounting, it's too uncertain. They say it must be absolutely right, otherwise, you know, we can't possibly go anywhere near it. When you come to think of it, inflation accounting really is merely an exercise in currency exchange. You see, foreign exchange has been no problem to accountants for years and years and years. And all we're dealing with now is an internal exchange as opposed to an external exchange - that's the only difference.

I think there is something of a debate on foreign exchange building up again now - as to whether to use the current rates or historical rates or whatever - because exchange rates have fluctuated such a lot in recent years.

It doesn't matter very much, so long as you recognise there is a problem that has to be dealt with. With inflation accounting, they haven't even recognised there is a problem that has to be dealt with. The lack of inflation accounting has been one of the prime causes of inflation since the war. The fact that companies have been happily paying dividends out of capital for years has totally concealed the fact that many businesses are going literally bankrupt - or at least insolvent.

There would be nothing more I would like than to hear you talk about than this particular inflation accounting debate. I find this the central issue in accounting theory. I've got a paper of mine coming out in a week or two in the journal *Accounting and Business Research* (Vol.9 1979), showing how closely parallel the debate was between 1948 or so and 1954 and then this latest iteration between 1972 and today. We've gone through apparently very much the same stages. So I am particularly interested in this very matter of inflation.

They still can't settle it.

So it seems.

Yes. I think the present Morpeth draft [from a committee chaired by Douglas Morpeth of Touche Ross] - the IASG draft - is getting a lot more support than ED 18.

I have not read either of them. I've given up - I don't read any of them [laugh] now.

I think there is a feeling now that this new draft which is coming out on the 30th of April - the end of this month - is going to produce a compromise version which is going to be generally acceptable. It's going to include additional charges for depreciation, additional charges for the cost of goods sold, and an addition for the maintenance of monetary items. And it was the monetary items which the CCAB.

This has caused most of the trouble!

Yes, yes.

Because when I was dealing with this, I was at Courtaulds. They had a pack of money, you know - they were rolling in money. They'd got government securities of millions and millions and millions. But if you try to apply the inflation rate to their investments in government securities, it meant that they were £2 million a year down, you know - a debit.

**From holding fixed interest government securities?**

Yes. This meeting in 1947, from my point of view historically, was quite interesting because there was a lot of people there and I remember Bernard Binder [of Binder Hamlyn] in the front row, and Russell Kettle, and Bill Lawson whom I knew very well later on. And you know there were quite a lot of distinguished people there. The first point they raised was, you know: 'This is a taxation dodge - you want to avoid paying tax: you want to reduce your profits to reduce your tax'.

**The meeting in 1947 was a meeting of the English Institute [the Institute of Chartered Accountants in England and Wales]?**

Oh yes, the London District Society. The London District Society lecture. Up to that time, I'd taken no real interest in it - well, I hadn't had a chance to take up in an interest in Institute affairs. Because just before the war

I was with EMI down in Hayes, Middlesex, living out at Ickenham, and it was an awful long way from anywhere. And after that I went up to Rochdale, and I was in Rochdale most of the war.

**You qualified in ..?**

Well, I took my exam in November 1927. I was admitted in February 1928.

**With which firm?**

Maurice Jenks, Percival & Company. Sir Maurice Jenks was later Lord Mayor [of London]. It was a nice company; I was articled to a chap called Allan - W. G. Allan. I don't think he was the most brilliant of the partners, but I think he had some sort of financial connection with the family. And it was a very good firm - we had some good audits. I had some most enjoyable audits. Citroens, in England; and Minerva Motors - you wouldn't remember them, would you? - the Belgian 'Rolls Royce' .....Oh, the most beautiful cars, beautiful cars! We went to do that audit somewhere just off the Edgware Road, near the School of Tropical Medicine. Anyway, I remember that audit particularly because the boardroom there was always full of fleas. I used to pick up fleas by the million - they used to pop over the books [laugh]: dreadful! I can't think why they had so many fleas - anyway, they had them. But they had the most beautiful cars. And, of course, we had Hoffnung's - you must remember Hoffnung?

Yes.

Well, they are still going strong. The Australian export merchants.

**And then when you qualified, you stayed with the firm after qualifying?**

Yes, for about two years. And then I went into industry. I went to HMV, the gramophone company at Hayes, in their accounts control department which was formed by Robert Ashworth, whose name is still very well known. And this was the sort of accounting nerve centre for the whole group, which was in those days quite a big group. They had companies all over Europe and Australia. And where else? India - a big place in India. And of course, before the Russian Revolution they had ... this is an odd thing, you know - everybody tends to think that Russia before the Soviets was a thoroughly backward country, but, you know, the biggest record manufacturing factory in the world was in St. Petersburg before the First World War. It belonged to HMV and of course it went with the Revolution. But that was the biggest manufacturing record factory in the world.

### **Why there of all places?**

Well, Russia is a very big place, you know, and they are fond of music. Anyway, the compensation claim for this went on for years and years and years. After I was there - it was 1929 - it was still going on, the question of compensation for the Russian assets. The 'Arbital Tribunal' it was called. Anyway, I became assistant chief accountant at HMV, and they merged with Columbia and became EMI - Electrical and Musical Industries. And, after a year or two there, I realised I wasn't going to get any further because L. J. Brown was the chief accountant. He was about two years older than I was, and a very bright chap. But it was pretty obvious that so long as he lived I wasn't going to get anywhere at all. So I started to look elsewhere. And this job as chief accountant of Turner Brothers, this asbestos company in Rochdale, turned up, and I went to apply for it and I got it. It's an extraordinary thing in life: two things have run almost in parallel. I've never taken on a new house - which I frequently have - without having to start the garden from scratch and dig the whole thing over and convert a wilderness into a paradise. And I've never had to start a job without getting in the day after the other chap left - and left

everything in a complete mess. I joined Turner Brothers the day after - or the weekend after - the previous accountant left, and I hadn't a clue what was going on. I mean, there was no-one to tell me how the books were run, how it fitted in with the group, or anything at all. Anyway, one way or another we picked it up, I had been in Turner Brothers for some years - till the end of 1943, it was.

### **You joined them in 1934 or 1935.**

Well, then things went wrong. I didn't get on with the people there, and I didn't like their methods of working at all. For instance, it's a very small thing but I'm a heavy smoker and no smoking was allowed in the offices at all. So you see this gets on your nerves a bit. But, apart from that, our children were growing up, and while I had been assured, when I went up there, that there were tons of schools - 'everything was absolutely marvellous', you know - but there weren't any schools at all. There was nowhere to put them to school. Anyway, we came back to London and I joined Simpson's as chief accountant.

### **Simpson's of Piccadilly?**

Well, Simpson's of Piccadilly is the subsidiary. Simpson's are in Stoke Newington, and of course they had a very big factory - there were about four thousand employees in the factory there. And, once again, Simpson's when I went to them were in a bit of a shambles because there was the most frightful case going on in the courts, about illegal exports to the United States or something, and the books hadn't been written up for a year. Well, Simpson's was a big company, you know, and when you've got a public company where no books have been written up for a year, you've got to get your head down and get started. Anyway we got all that sorted out. And when I was looking for a job in London, I got in touch with a chap called Ellis Hill. Ellis Hill and Partners, I think they were called. He's a chartered accountant and he's still alive - a very eminent chartered

accountant. And he was one of the joint auditors for Courtaulds, with Price Waterhouse. I had applied to him for a job, and he had a job for me but he said he didn't think it was really quite up my street. It wasn't a particularly good job - anyway, that fell through. But later on the job of deputy chief accountant at Courtaulds cropped up, and he thought of me and sent me in for the job. And I got it, and in a year I was chief accountant of Courtaulds. The chap who had been chief accountant was also finance director, and he just became finance director. So that started my tour with Courtaulds, which lasted 15 years.

### **From the mid 1940s?**

1946 until 1961, yes. And I was very happy there; on the whole they were very, very nice people. But they rather let me down because John Hanbury-Williams, who was chairman, was a real diplomat - he was much more of a diplomat than a chairman. And I started off on this inflationary accounting business, and in fact for two or three years I persuaded Courtaulds to adopt the methods I advocated when I was chief accountant. I thought that what I said ought to go, to some extent. But then this finance director - well, he was an ex PW man; I mean, he'd been in practice until he joined Courtaulds. I suppose he had what you might call reactionary views on the subject, and he put a spoke in the wheel. And John Hanbury-Williams let me down with a flop. He said 'now, no more of this', and I was very unhappy about it. Anyway, I stayed on. Then, after several years, they appointed another chief accountant and I was made treasurer of the company, which left me really with very little to do. Of course, they were rolling in money - it wasn't a question of sort of finding funds or anything like that.

### **It was a question of putting money out on the money market?**

Yes, getting government securities to play with, you know, which I had to look after. And I looked after the pensions, and I looked after the tax and

that sort of thing. Anyway, then one of the Touches of Touche Ross got in touch with me about finding somebody to take on GEC, which was then in pretty low water with a £19 million pound overdraft and making no money, you know. And he got in touch with me ostensibly to see whom I could suggest to take on the financial end of the job. They had just got rid of Leslie Gamage, who obviously hadn't been a very good chairman, and they'd got Arnold Lindley in his chair. And they wanted somebody fresh. Anyway, he got in touch with me, and I suggested various names including Jack Clayton, who was then on the whole disengaged. A very good chap is Jack Clayton.

### **I'm hoping to see him.**

Well, he's my twin - same day, same month, same year. [laugh] We've been 'friendly enemies' ever since we met, you know [laugh]. He's all against inflation accounting; he says 'No, it's nothing to do with us'. And we've had all sorts of battles on the platform. Anyway, I suggested Jack Clayton, who I thought would be really good for the job. He's a very tough sort, from East Lancashire actually. But, in the end I said 'well, you know, I'd love the job. I'd take it on for nothing'. And he [Touche] said 'well, now you're talking - will you take it on?'. So I took it on. But, unfortunately, they had just taken over Sobels, for shares. And, of course the exchange of shares meant that Sobels got about 16% of the equity in GEC. And Arnold Weinstock, who is the son-in-law of Walter Sobel, became a director - actually, they both became directors and quite influential in the business. Well, we managed within a year or so to get the overdraft down from £19 million to £12 million or so, which was something. There was a tremendous amount of reorganisation wanted doing, and it was decided to split the thing up into divisions. Previously it was one company, dealing with everything electrical - that was their motto: 'Everything electrical'. They were running warehouses all round the country, which stocked literally everything electrical - from lamp bulbs to switches to plugs to

generating machines - the whole lot. It was decided to split the thing up into divisions and make each division a sort of self-accounting unit. Well, I was only there 18 months because I didn't get on with Arnold Weinstock, and he had his own chap, Kenneth Bond, with whom he'd worked for many years. It was obviously his ambition to get him into my job. And well, to cut a long story short, finally I found that all my instructions to my staff were being countermanded by old Weinstock, you know. I couldn't do a thing at all, apart from sit and argue. Arnold Lindley said 'well, I think you'd better resign'. I refused to resign. I had a seat on the board and I thought a better way to be thrown off the board was to be thrown off at a meeting. Well, they obviously didn't want that. Finally I had a settlement with them - from my point of view, a satisfactory settlement, and I left them. And after that I was more or less retired. I was then 57 and there was not much prospect of getting anything else.

I was offered this job on the Verdon-Smith Committee on Censuses of Production and Distribution. It was a very interesting thing, but it didn't bring me money. And during my period with GEC, the Midland Bank who were the main bankers of GEC (and I was on good terms with Midland Bank) suggested I went on the board of Meccano - Hornby's - which was then obviously on a very steep downward slope. Anyway, finally they were taken over by Lines Brothers and they have since taken the dive. And also I think as a result of the Midland Bank I was on the board of Mawlers for some years, whom Courtaulds finally took over, and they were going downhill. They were rather like GEC; they did everything in textiles, you know - everything: socks to pullovers to suits, everything. And they just couldn't cope with their finances. And then, finally, I went on the board - no, I didn't go on the board: I refused to go on the board - at Omdura, the tyre people, in Keighley.

**I don't know them.**

Well, no. They were the biggest independent reject tyre manufacturers [re-treaders] in the country and they were very nice people. In fact I'm having lunch again with their ex-chairman next Wednesday - he's 88. But it was a very profitable business, very interesting. And I was also put on the Egyptian Grants Committee. This seems a bit odd because, I forget how long ago it was, but it wasn't all that long ago. The Egyptian Grants Committee was a Foreign Office Committee which dealt with the claims arising out of the Suez incident which was in 1956. And they were still sorting all this out ten years later. I was on that committee with Leopold Joseph, and William Baldwin who was the ex-Public Trustee, and Huw Ellis-Rees who was ex-ambassador to the United Nations. It was a very interesting committee actually.

But, within the last couple of years I've given up absolutely everything, because my last connection was with Omdura which meant driving over to Keighley, 70 miles each way, once or twice a month. And when the winter came and the snow was two feet deep I found this a bit of a bore, you know. Anyway, I wasn't making any money out of it. It was costing me more than I was getting, actually.

**Did the Egyptian Grants Committee wind up their business? Did they finish by the time you'd left?**

Oh yes, some time ago now. It's all sorted out to everybody's satisfaction. I think we came out spending less money than we were granted, so everybody was happy. So that's my history.

**Now, going back to the inflationary accounting thing, now that I have a context to set it in, you'd become concerned with inflation accounting at the time that you went to Courtaulds? Or previously to that?**

Primarily. You see Courtaulds was a very highly capital intensive industry. I mean, there was almost no plant Courtauld would build which would

cost less than £10 million at that time, which is now £50 million. And depreciation and plant replacement was a major business. It was a major business - very, very, important indeed. And of course the theory was, at that time, that if you ran out of money to replace your plant you borrowed what was called 'fresh money', you see. But, of course, it was the same old money really that you were borrowing to tide over your wasteful past. But I'm bound to say, at that time I did approach the thing from the wrong angle, and that is that I was concerned with plant replacement and not with rectifying the decrease in the value of money - which was a different thing you see.

Yes.

I mean, plant replacement of course immediately raised all the arguments: 'oh well, of course, if you replace a plant, you replace it with a more modern plant that's going to cost more, it's going to turn out more, and so on and so on' - which is nothing really to do with it. It's a question, really, entirely of money and nothing else. It's the value of money, not the value of the plant.

I tell you who started me off, to get me going on this.

**Well, that's what I was going to ask you.**

Basil Smallpeice came to me, and he said: 'Would you give a paper to the London District Society on the question of depreciation?' - primarily depreciation, but it applies to stock as well. So I said yes, rather nervously. I'd never given a paper before, except on weapons training or something like that [laugh]. I am bound to say the thing, from my point of view - I can still remember it - it was an awful flop, because I'd written a long paper, and there were all these people obviously impatient to go home to dinner, you know. I fairly gabbled through it. And I think I would do a bit better now; but it was all right, it was fairly rational.

**And the ideas that you were putting forward were the ideas which you'd been working out in the time since you started at Courtaulds?**

Primarily, yes.

**Or had there been other people you'd been talking these ideas over with outside the company?**

I don't think so, no. I don't think that anybody had any particular influence on my thinking. No, I don't think so. Because the problems, you see, at Courtaulds stood out a mile anyway. Courtaulds have got a lot of plants which went back - well, in 1946 they went back about 20 years, particularly the old textile weaving plants. They still had mule spinning at Courtaulds, and the plants were operative before the war. You know, a million pounds would buy a big plant before the war. But if they wanted to replace that capacity, they obviously had to spend something like £5 million. And, as it happens, the whole thing [inflation accounting] was damped down in Courtaulds by the fact that they had so much money anyway. But this money came from a different source; it came from compensation from the loss of the United States interests, you see.

**I see, yes.**

The United States interests were confiscated during the war by the government, and sold to American interests to help to pay for American supplies during the war. And they lost the whole of their American contacts. And they had a very big American interest, the whole of which was compulsorily got rid of. And consequently, I think they got £11 millions in compensation or something, which was far too little. But they had £11 million pounds to spare, as a result of this transaction. Well, that obscured the whole problem.

**This was a capital realisation, wasn't it?**

Yes. I've forgotten the name of the American company now.

**This was estates and manufacturing capacity? You had ginning equipment, and all that sort of thing?**

Oh, yes. It was a viscose spinning unit and textile unit. I think it was bigger than the United Kingdom end of the business, but the Americans had got it in for them, for some reason - some tax reason. They'd had some tax problems over there. The Americans had really got their knife into Courtaulds over this. And when it came to disposing of Americans' assets to make dollars for the war effort, Courtaulds was one of the first victims and they were forced to disgorge. Of course, later they went back, but it was well after the war.

**This was about 1946. A year or so later, when Sir Stafford Cripps was chancellor, his budget speeches were full of talk about the need for British industry to re-equip, and concern over the under capitalisation of British business. Were you involved in discussions with the Treasury at that time at all?**

No, I don't think so.

**They set up a working party, I believe, or they tried to set up a working party between the FBI, as it then was - the Federation of British Industry - and the TUC [Trade Union Congress]. And, as far as I can tell, nothing seems to have come of that.**

Well, I was on the FBI Finance Committee for many years, but I don't think this was one of the problems that we dealt with. In any case, I think this must have been before I went onto the Finance Committee. No I don't remember this.

Now, you said just now that you felt that you'd been attacking this problem the wrong way, by looking at particular items of plant and considering replacement as opposed to a more global view of the depreciation of money. Were there other people at that time taking, what we might call, the CPP view - the Constant Purchasing Power view? Were there other people in the early or mid 1940s?

Oh, I would think so, but I can't remember any particular instance in which anybody was taking this particular view.

What about Sir William Lawson do you think?

Bill Lawson? Well I think he ..... you know, the Institute is a very funny place. Are you CA, or what?

No, I qualified with Dunlop's. I qualified as a certified accountant, with Dunlop's.

Do you know Dicky Dawes?

I've met him. I can't say I know him.

He is of course with EMI, as finance director.

I'd no idea of that.

He was my principal assistant at EMI before he became finance director.

I can't really think of anybody who was interested in current purchasing power aspect of the thing [inflation accounting]. The whole thing in those days was a bit on the vague side, you know, because the practising members of the profession of course didn't want to know at all, you know. This was another uncertainty of your procedure which was already sufficiently full of uncertain decisions. No, I can't think of anybody else. Basil Smallpeice,

of course, was always keen on the examination of the effect of decline in the currency on company accounts.

**He was in those days with Cunard, or P&O was it?**

Oh, Lord - was he with Doulton's in those days? I think he was with Doulton's. Doulton's and Kenneth Bevan are names you might remember. I think he was Smallpeice's assistant at Doulton's. And Basil Smallpeice went from Doulton's to - I've forgotten. He went to British Transport, didn't he, as director of finance?

**Yes, he did.**

From Doulton's, yes.

**Somebody else whom I've tried to trace without success - I don't know whether the name rings a bell with you - is a chap called Kenneth Lacey.**

Lacey. Oh Lord, yes! But he wasn't an accountant; he was at London School of Economics or something, he was a university chap was Lacey.

**Well, I come across things written by him, and I cannot find his name on the professional lists of members at all, which confirms exactly what you've just said. But I also hadn't found his name in LSE. I'll have to ask them.**

Lacey. You are putting an awful strain on my memory, you are you know [laugh]. Kenneth Lacey. Yes - well, I've read a lot of his stuff. That would have been in the late 1940s.

**He wrote a very important book in 1952 on accounting for inflation, particularly the accountant's contribution to the trade cycle, which is**

a subject which Professor Baxter wrote on. Lacey wrote a paper in 1944.

He was Ian's sponsor of course at LSE, was Baxter. [Ian Hay Davison is Eric's son, and he studied at the LSE before training as a chartered accountant.] And he was very keen on inflation accounts.

Yes. I've seen articles referring to Lacey as being an accountant with a major commercial and industrial company, and I don't know which.

Well, that aspect of his life I don't remember at all. He was university reader or something, somewhere. It must have been London, I think.

It sounds right, yes.

But where in London I wouldn't know.

It must have been LSE because there was no other part of the university [that taught accounting].

I can't think where he would have fitted into the LSE. At the LSE - who was there? There was Baxter. Was David Solomons there?

Yes, after the war. And Harold Edey.

Harold Edey. I did a lot of work for Harold Edey, of course. I don't think I ever met Lacey. The people at *The Accountant* would know.

They may well do, yes. I'm going to see Professor Yamey fairly shortly.

Oh Lord, yes! There's another name that triggers a bell [laugh].

I think he may well know who Kenneth Lacey was.

He could well, yes. God bless my soul. You're bringing all sorts of skeletons out of the cupboard and I don't remember them. You are just reminding me of all these people.

Well I find it a very, very interesting period indeed. There were tremendously important ideas around, of the sort that you referred to just now - replacement cost arguments. In fact, with the advantage of hindsight now, one can look back and find that there are articles on replacement cost and on CPP going before the war. [Henry] Sweeney's book of 1936 *Stabilised Accounting*, and so on.

Oh, yes. Ronnie Edwards, too. Ronnie Edwards had his ideas well before the [Second] World War.

1936/37/38.

The rationale of cost accounting, and so on. Well of course, we knew Ronnie Edwards very well indeed before this last war.

**You knew him before the war?**

Oh Lord, yes!

**Really!**

We were both original founder members of the Accounting Research Association, founded by Lord [Josiah]Stamp.

**Really!**

I was the auditor of the Association.

**Good gracious! I didn't realise that. So the moving forces behind that were Ronnie Edwards - I realised that. And Lord Stamp gave the initial address I think.**

Yes, he did. And Edward Hyde - now, you wouldn't remember him.

**Edward Hyde. I don't recognise the name at all.**

He was the sort of chief cost man at EMI. He became director of David Brown. He died. It would be ten years ago that he died. A very, very old friend of mine. An admirable chap.

**And the idea, the inspiration tended to come from LSE to setting up the Accounting Research Association?**

Oh, I think so, yes. I think Ronnie Edwards was the sponsor of it, and he and I used to have wrangles about his rationale of cost accounting. He seemed to think that you didn't need any books [of account]; you could solve every problem as it came [laugh]. Well I suppose we were both wrong in a way, but I don't think his system would have worked.

**He was also interested in inflation accounting. He also wrote something on that.**

Oh yes - very, very much indeed. Well, I think most of the people who really gave any thought to the matter were, you know. But there was an entrenched opposition to any sort of tampering with accounting as it was. And it mainly came from the practising side of the profession, who could see that their problems were going to be added to if we started another series of calculations. It means we could tamper with what they considered a 'true and fair view', you see.

**Yes, are there any names that come to mind in the opposition to inflation accounting?**

Oh well, practically to the whole of the [ICAEW] Council on the practising side. People like Tom Lawson. Who else can I think of?

**Yes, well that's the Price Waterhouse connection. You referred to Price Waterhouse earlier on, didn't you, in connection with Courtaulds.**

Yes.

**And Sir Thomas Robson, was obviously very concerned .....**

Well, he was one of these chaps who said: 'It's a very interesting idea, but it's nothing to do with us, really', you see. It's like Jack Clayton saying: 'Inflation's a beastly thing; it's for the government to deal with it - it's nothing to do with us!' [laugh].

**Who was he with, Jack Clayton?**

Jack Clayton? He used to be with Broadcast Relay Services. He was a director, wasn't he, for many years at Broadcast Relay Services. And he left them. Now, when did he go? I don't know what he did after that, except write to the press - which he does often still.

**But he does seem to have been in commerce or industry, which makes his opposition to inflation accounting a little surprising.**

Well, practically staggering. You see, my opinion is that he is bats anyway [laugh]. He's got the wrong end of the stick. He basically says it oughtn't to happen, therefore we must ignore it, you see. No, I still love to enter into a debate with him on the subject. But we are very good friends; we get on very well together.

Well, I hope we will be meeting fairly shortly.

We exchange Christmas cards.

**He has a cottage in Kirkby Stephen.**

Oh, he still does, does he? Well, he had a couple of farms in the Trough of Bowland at one time. He still lives in Cheam doesn't he?

**He has a house in Cheam. I had a letter from him fairly recently, and he said rather than my going down there, why didn't he call in at the University of Lancaster when he was staying up at Kirkby Stephen.**

Inflation accounting wasn't the only problem which was going on at that time. There were all sorts of other problems, you see, because this question of simplified accounting was also going on. It would be very interesting to know how much money is spent by public companies in this country on issuing their annual accounts. I know Courtaulds had quarter of a million small shareholders in this country. The cost of sending out the accounts, with pictures and glossy colours and so on, was quite astronomical. Now I'm an accountant - I'm not a very good accountant, but I am an accountant - and I just wonder whether the exercise is worth it.

To take my own example, when I receive a set of accounts, I look at the profit, the dividend, and occasionally I might even see what the auditors have got to say [laugh] - and then I put them in the waste paper basket. And one of the things that appealed to me - I don't know how many years ago it was; it would be about 1950, or the early 1950s - was that it would be a jolly good idea to send to each shareholder a post card giving the six relevant figures and leaving him to apply for a full set of accounts if he wanted them, you see. Well, I noticed this idea has just been re-issued by somebody or other. I think that it was at the Oxford course one year, to find what people thought about simplified accounting, and how much

information really was needed by the average shareholder. I thought we could probably save several millions a year by cutting out all these glossy publications. I get loads of the blessed things and they mostly go straight into the waste paper basket. All I want to know, really, is whether the company's doing better or worse, whether the dividend is going up or down, whether they have any money at all or not, and that's all. You know, the layman doesn't want to know any more than that.

**Now going back to inflation accounting again in this context, do you think that the figure of profits after providing for the maintenance of productive capacity is ...**

Wait a minute. This is replacement accounting, not inflation accounting. You've got to be awfully careful here.

**It's not the CCA, which is what we're talking about now. It is CCA, basically, that I had in my mind.**

Current cost accounting.

**Current cost accounting.**

But this isn't the maintenance of productive capacity, you see, because one of the main difficulties is that if you have a 20 year old plant and you replace it, you replace it with something better. This was always the argument, you know; you can't save the money on the old plant and replace something better. If it can produce 50% more then, you know, you've got to find some more money. Now, the point is that you've got to replace that plant with the same amount of money that you would have had in order to replace the old one. And anything else (over and above the old plant capacity), you had to pay for, you see, because that is in fact fresh capital.

Yes, yes.

The other stuff isn't fresh capital - it's the old capital, which you used. So it's not a question of replacement of productive capacity. That's where I went wrong on the first paper, you see, I was talking about the replacement of productive capacity and it's not that. It's replacement of the money you had to start with.

**Yes. Well, it's not even quite the money that you had to start with. It was the purchasing power of the money that you had to start with.**

Well, the purchasing power of the money. That is money; what is money [otherwise]? I mean - this is the whole point, what is money but purchasing power?

**Yes, so the paper which came out in 1968 *Accounting for Stewardship in a Period of Inflation* seemed to you to be pretty close to the mark?**

I don't think I read it. But I think so, if that's what it said.

**Yes. It was talking in fact about the conversion of currencies from an old out-of-date currency to an up-to date one.**

It is. It is a problem of exchange and nothing else.

**Yes. I'm not quite sure who drafted that. I think it was W. E. Parker - Sir Edmund Parker - who drafted that.**

Oh, really! Oh, well, I knew Bill Parker very well indeed. You know, I was on, I think, three Institute committees on the subject of inflation accounting. They all foundered.

**I'd love to know which they were.**

One after the other. Well, Bill Densem was one chairman [Densem was actually 'Guy']. Ronny Leach was another, you know. They had successive committees on this thing. We all came to conclusions, and they were all firmly turned ..... well, they weren't turned down - they were buried. The Council didn't want to know about this. And there was the famous problem of the 'back-log', you know. What do you do about the back-log? Well, I know on one committee we proved that in fact there was no such thing as a back-log, you see, because if you had put your money in the past into fixed assets then inflation couldn't touch them.

**Yes, because fixed assets were rising alongside the price level.**

Exactly. And if you worked it out, there was no such thing as back-log. They were all saying: 'Well, what do you do about the back-log on provisions?' Well, it didn't matter, of course, because if you had fixed assets there couldn't be a monetary back-log on them - you've still got them.

**That was provided, of course, that your provision for depreciation was represented by fixed assets as opposed to being held in monetary form.**

Yes. Well, if it's in monetary form, of course, that's introduced the problem of inflation accounting on monetary assets. And this was a different problem altogether from inflation accounting on fixed assets.

**David Solomons, who you mentioned earlier on, wrote a paper in 1948 on this particular topic, which I think has been absorbed very much into conventional thinking. And I think people have forgotten just where the idea came from.**

Yes. Capable chap, David Solomons.

**Yes. The three committees you refer to; there was Guy Densem, and that would have been late 1940s?**

Oh, no - later than that. I should think the last effort must have gone on into the 1960s, I should think - 1963/64, I think that would be. I think that must have been Guy Densem's one. I think Ronny Leach was a member of it. But I can't remember where they all started. Do you know, I've been on about 375 committees in my life, and I just don't know, I can't remember them all! I know I was on three, and they all went on for years. And, overall, I think there must have been ten or 12 years these committees went on, and they all reached conclusions. And finally, with the last one, I don't know if this was Guy Densem's Committee or not, it was said: 'You can stop now, because Henry Benson's got an idea. He's going to get something through [Council]'. And we all stopped and waited for the word from on high - and nothing happened at all. And that was the end of it.

**This is what's so frustrating for me as one who is interested in the history of these ideas, you see. Because such a lot of the things tail off. You lose the 'audit trail', as it were ....**

... they run into the sand.

**Yes, yes. It is terribly difficult.**

Well - three of these ran into the sand.

**Yes. Now, why do you suppose that these committees were set up? Because of a burst of inflation, or ...**

Well, no. I don't think it was a burst of inflation, because at that time inflation wasn't really very, very serious. It was obvious after the war when it wasn't so much a question of inflation as it was of replacement, you see. Because assets supplied before the war were standing in books at a certain figure. And everybody wanted to get things going after the war. They wanted to re-invest, and they found they were short of money. And this

raised the question of replacement. It then began to emerge that it wasn't so much a question of replacement as monetary depreciation .....

**And making a proper charge in the books?**

Yes. But, inflation then of course was, I suppose, about 5% or 6% or thereabouts, but it was a relatively small figure.

**I think it reached the dizzy height of nearly 8% in 1948.**

Yes, but it fell off after that.

**It went down again, yes.**

It began to be felt that 'this doesn't really matter - this is within the margin of error', so to speak: 'It doesn't really matter all that much'. And I think that then interest tailed off quite a bit. It was felt that the problem on the one hand was far worse than the inflation on the other, and we don't want to tackle the problem. But interest was sustained at a fairly low level for some years. It really only began to rear its ugly head again in a big way when inflation really started to get ahead, at 10%, 12%, 15%, 25%.

**Mid-1960's - late 1960s?**

Well, in the last five or six years, really, it has become an acute problem.

**Yes, yes. So the debate in the 1940s was primarily concerned with the replacement of fixed assets rather than tax? And rather than price controls?**

As far as I was concerned, it had nothing whatever to do with tax.

**Really. Yes.**

One of the questions raised - I think it was Russell Kettle who raised the question, you know, in 1947 - was supposing we have deflation instead of inflation, and the thing goes the other way? What happens? Would you agree that it's the right thing to tax on a higher figure of profit than is shown by historical accounting? Well, it follows naturally. I mean, we're aiming at the truth - we're not trying to dodge tax. Because everybody thought then that it was just a tax dodge, you see, and they said: 'Well, supposing it goes the other way, and you find that your inflation reserve is in debit; how do you manage with a debit reserve?'. My response to that was: 'Well, what's a debit balance on the profit and loss account, please?' [laugh]. You've been used to a debit reserve for years and years and years. So you have a debit reserve - and that's it.

**Yes. Which would always be deducted from capital - paid-up capital.**

Obviously. Because paid-up capital is doing more than it needed to do in the first place.

**Certainly - yes. What about the price commission side of it, were you subject to price controls in the Courtauld's days?**

Oh, now - wait a minute. We were at Simpson's of course: that was during the war. We had price inspectors in practically every week. I don't remember the same thing happening with Courtaulds. I can't remember, but I don't think so. I don't think they had price controls. I went there, you see, in 1946. I don't think we were subject to price controls at that time because in fact we were substituting for things like cotton. They were then difficult [to get] and expensive - and silk, which was much more difficult, prohibitively so [laugh]. I don't think so. I think we were reckoned to be saving millions and millions and millions a year on foreign exchange. And I don't think we were subject to price controls.

So clearly this reinforces the point of view you were making earlier on - that the interest in inflation accounting was replacement of fixed assets?

Well, that was my starting point because, you know, Courtaulds was a £10 million plant that employed 500 people. Well, perhaps a thousand on four shifts. And the important thing was the amount of money you needed to spend to keep the production going. And this is the way the thing first struck me. Since then, of course, I've realised that that was a reasonable approach from the point of view of finance, but not a reasonable approach from the point of view of true and fair accounting - a different thing.

**Yes. Both those different lines of thought are in the American literature if you look back to the 1930s.**

Oh, yes.

**The 1929 International Conference [of Accountants] in New York.**

Oh, yes. That man May [George O. May, of Price Waterhouse, New York] - we had him on the subject, yes.

**Oh - he spoke to the London Society, did he?**

No. We had a lunch group which Basil Smallpeice and I formed - the London Industrial Chartered Accountants Group [LICAG].

**Now that's an interesting institution. I've not heard of that.**

Now that started, I think in February 1947, when Basil Smallpeice and I started it. In a way, he started it by inviting six industrial members. We had about 14 of us to start off with. Who was in it? Jack Clayton was there, I think - I'm sure he was there. And E. G. D. Evans who was

finance director of Bryant and May. And Kenneth Bevan. I've forgotten. All sorts of other people joined since - people like [Bertie] Ogle: he was with the PLA [Port of London Authority] at one time. I'd have to refresh my memory of this.

**You didn't have practitioners?**

No, no - all industrial people; it's still going. We had some of the British Airways people, and Cawdron of Metal Box. Um, it was a fairly high level affair. Anyway, we had old man May to one of our lunches, and he and I disagreed on something, I forget what. They were very good lunches. We had Aubrey Jones who was in the middle of a price crisis; he was a very old friend of mine, and he spoke. And I think I wasn't there, but I think Jim Slater came to one of the lunches. We had quite an interesting lot.

**This was a monthly lunch, in town?**

A monthly lunch, yes. In various places. We started off at Antoine's in Charlotte Street. I don't know where they've graduated to now. But Antoine's used to charge about £1 for lunch in those days [laugh].

**Yes. This was quite separate distinct initiative from The 1949 Group which .....**

Oh, The 1949 Group! Well, I was an early member of that too. [laugh] I think Ian [Ian Hay Davison, Eric's son] is still a member, I'm not sure. But I used to go to The 1949 Group and that was very interesting. We used to meet in pubs in the evening. The other was a lunch group, The 1949 Group was an evening group. And Clemenson - do you remember the name Clemenson? He was a very active chap and he was secretary for a long time.

**I don't know the name Clemenson at all.**

I've forgotten who all those people were now. It has been years and years since I've had any contact with the profession. I mean, really when I moved up here 13 years ago I'd already been out of touch for four or five years. This is going back an awful long way now, you know. It's the early part of the century, really [laugh].

**Yes. But these are very informative influences, these various bodies. They may have been informal, but the ideas that they were discussing and the way in which ideas matured from these discussions had an enormous effect.**

Well, I know the LICAG really carried a certain amount of influence with it. Of course, they were really more or less the top industrial accountants, as against the practising accountants you know.

**Yes, in the way that latterly one has seen the 100 Group ...**

They had quite a lot to do with the extension of the 'FCA' to industrial accountants, rather than retaining them as 'ACAs' all their life, you know.

**Yes. And some sort of pressure for the increase in industrial membership on the Council?**

Oh, yes.

**The big break-through there seems to have been about 1957, when the Council was enlarged. And the merger with the Society [the Society of Incorporated Accountants and Auditors] seems to have had an effect.**

About 1960 to 1961, I suppose, I went on the Council, but I wasn't there very long, because obviously I was really out of business by 1962 or 1963. I was still on the Council, and I don't think they really wanted me to go

off, though I was a perfect nuisance on the Council. But I said: 'Well, look here, really I'm not an industrial accountant. I'm retired basically, and I've no right to be on the Council. You want somebody who is active and still working'. So I pulled out.

**Although you were still in London until about - you came here [North Yorkshire] in about 1965?**

We came here in 1966. But we lived down in Essex then. I was much more interested in sailing, my garden, and that sort of thing. But you very soon get out of touch, you know; very soon you begin to lose contact with people you know. You don't meet them, you don't exchange ideas, you don't get involved. At one time I was terribly involved with those problems. But now I am no longer involved, I don't read the papers, you see.

**Yes. But what seems to me so instructive, all the time, is to go back and see why some ideas came up, and why some survived and others didn't. It explains such a lot. It explains such a lot in terms of the behaviour of the profession - whether in fact the forces are primarily outside the profession, such as the rate of inflation or the state of the stock market or something. Or whether it's primarily a question of the personalities involved, or whether it's a question of tax or something .....**

The pressure of tax? Well no, I've never put forward any theory on accounting for tax reasons. Tax is a totally different problem. If they allowed inflation depreciation, and profits were all reduced by 50% I'd be perfectly happy. Well, no - I wouldn't be perfectly happy, but I would recognise that tax would have to be raised by an equivalent amount to cover our expenses. But that's nothing to do with the truth and fairness of the statements. So, well, if I've been interested in anything at all, it's in the elimination of guff and waffle, because the accounting profession really is awfully prone to waffle.

I mean there's a paper in there [indicating a journal] on the balance sheet and what the balance sheet is supposed to do. Well, one of my main phobias is the importation of the word 'value' into balance sheets, because value has nothing to do with balance sheets at all. I mean, in the historical tradition, the balance sheet was all the balances left over after you'd compiled your profit and loss account. And to try and make the balance sheet do something which it is not, and has never been intended or designed to do, like reflect the value of the business - it's absolutely absurd. And the word 'value' is nothing to do with balance sheets. It should never have been imported into balance sheets - 'stock valued at this [figure]...': it isn't 'valued' - it is stated at so and so. And this question of the value of the company being reflected by the balance sheet is so much rubbish. The value of the company is what it will earn, and no more and no less. So there's a paper in there on what the balance sheet is supposed to do.

From my point of view, the balance sheet should be stated at historical values; it's a list of residual balances. It should be stated at historical values. But, as an addendum to that information, it should be given what the current cost of the balance sheet assets is so that shareholders can reflect on the profits in relation to the capital invested at current values. When you talk about current value, of course, you are in trouble already because it is not in the valuer's so called 'going concern' - that is, you know, the historical cost of the assets converted to the current rate of money - but it is what the value would be in alternate uses. Supposing you sold off all your properties for a thousand million pounds and reinvested it in government securities at 14%. I mean, the thing is far too complicated to talk in terms of values on realisation or values on break-up or values on the open market, you know. 'Value' is a far too vague a term, you see - there can be all sorts of values.

**Depending on the particular question you have in mind?**

Depending on what question you pose.

Yes.

But, talking of the value of a company, you could say, 'well look here - this is what we earn, we earn a thousand million a year so the company is worth ten thousand million', you see.

Yes.

Alternatively, we can sell the company at 20 thousand million and get 14% on that, you know. So the word 'value' should never ever be imported into a balance sheet.

**Yes - not unless you have in fact done a revaluation.**

Well, yes - revaluation as what, you see? This is what I mean by waffle, you see, because you're using terms which can mean anything to anybody.

**What about the dividend question? The dividend over recent years has become a pretty artificial figure in that it's been constrained by government policies and so on.**

I have so many interests in South Africa where there is no dividend restraint [laugh].

**Yes. But prior to the mid-1960's there should have been some sort of relationship between dividends and the reported net profit figure; and yet one finds this extraordinary phenomenon of constant dividends - or, at least, a great disinclination to cut dividends.**

Well, yes. That's sort of inherent in the board's thinking of public companies. We'll put dividends up, but we'll only put them up when we can be quite sure we'll never have to put them down, you know. But this

is inherent in thinking more than anything else, it's much more about a gut feeling than anything else.

Habit, maybe?

It's a habit, but also I think there is some instinct of self-preservation in it, you know. A board which reduces its dividend is in danger, you know; they are liable to criticism and they might get thrown off or something. And I think, this thinking was very, very much in the forefront of Courtaulds, where they were very cautious about increasing dividends. They always had about five to one dividend cover anyway. And although there were no particularly important individual interests that meant that they'd have been paying 99% surtax on dividends, there was always the feeling we'll only put the dividend up if we can be sure that it'll stay up.

Sustained, yes. Did you ever have share-holders questioning the accounts at the Annual General Meeting? One gets the impression that the Annual General Meeting is a very quiescent affair.

Well no, not really. But, oddly enough, at Courtauld's meetings there was a chap who used to turn up regularly, a barrow boy from Portsmouth I think he was, and he'd got shares. And he always used to hold forth at the General Meeting saying, 'do we know it should be doubled?' or something [laugh] and all sorts of odd things. I used to give talks. There is a list of my talks in there, I think, somewhere [indicating a document]. I used to give talks to the works councils of Courtaulds. I think there were 32 works councils. I talked to the whole lot in six weeks I think, which was a bit of a strain [laugh]. And answer questions.

And I don't think this happened at my particular meeting, but at one Courtauld shareholder meeting there was some old chap who'd got up and started waffling on about dividends and so on and so forth. And the chairman got entirely the wrong idea: he thought this was one of the sort

of employees who was grumbling about the size of the dividend. And he explained that capital had to be rewarded and so on and so forth. And it turned out this was a fairly substantial shareholder who wanted his dividends moved up [laugh].

But my favourite story is one at Halifax. We had a textile mill at Halifax and I was giving a talk on what is a fair dividend, you know. And they were all obviously either sort of communists or leaning towards communist. And I was explaining that people put money in and they expected some money out, and it was a fair return for their money and so forth. And I thought, well it was one of these pretty dumb meetings and they never ask questions so I thought I'd ask them a question. I said: 'Well, what do you think about fair dividends - what's a fair return?' There was a very long pause and a comparatively junior girl - I don't know how she got there, she had been pushed by the shop floor or something - she piped up and said: 'Well - all you can get!' [laugh], which gave me a bit of a shock. It turned out she was a greengrocer's daughter [laugh].

**What was your view on shares of no-par value? That was a matter of some interest in the 1950s, wasn't it, the 'Gedge committee report' in 1954?**

It seems to have dropped into the background altogether. Of course, they have no par value anyway, so it doesn't matter.

**Shares still have to have a par value.**

Well, nominally, yes - but of course .....

**They still have to have one - but it seems to me damaging that they have to have one because you have to express the - or conventionally one expresses - the dividend as such and such a percentage on the par value of the shares and it looks so silly.**

I suppose it has a political impact but it doesn't mean anything. The only thing to some extent it means is that you can't issue fresh shares at less than their par value.

**Yes, yes, and that creates this rather artificial share premium accounting.**

That's the only meaning it has. Ordinary shares have no par value.

**No. Well the nominal value in which they stand .....**

Well, exactly - it's nominal, but it's non-existent. It is not real.

**Yes. I could never see why, having had the Gedge Report which advocated abolishing the requirement to have a nominal value, why the Jenkins Committee fought shy of this. The Jenkins Committee said: 'no, we insist on keeping it' .....**

Well, I think the answer was political again. There are people who think that if you put a pound into a company you should get a pound out, no more no less, and that's it. You are not entitled to any more.

**Yes, were you involved with this submission? Courtaulds made a submission to the Jenkins Committee, didn't they, in 1961?**

Er, 1961?

**Yes, or 1960 maybe. Well, the report was published in 1962 and I remember Courtaulds did submit minutes of evidence.**

After my time.

**Yes.**

No - most of the things happened after my time. 1961 was a terrific year for Courtaulds. 1962 was when there was the 'palace revolution', of course, and ...

**Frank Kearton...**

Frank Kearton started barging in. He joined Courtaulds the same day as I did.

**Oh, did he really? I thought he came in quite a lot later.**

Oh, no. He joined in 1946 as assistant manager of the acetate plant somewhere in the Midlands - in Coventry? I've forgotten. He joined the same day as I did. Yes. When they had this ICI take-over bid, Kearton took over and John Hanbury-Williams' and Alan Wilson's noses were put out of joint, and eventually they packed up.

**Yes. Kearton sounds as though he was a man of extraordinary talents.**

Frank?

**Yes.**

Yes. He's got no judgement at all. He is a very, very clever chap, and he has a phenomenal photographic memory. He's an incredible chap for facts because he can be tackled at a lunch table, or a board meeting or inquiry or anything at all, and if he's asked a question on any aspect of Courtauld's affairs at all he will know the answer. You know - how many cigarette tips they made, anything at all, and he would know. He could go through his board papers - foolscap pages of papers - and read them through and then quote them word for word afterwards in answer to a question, or when putting a question. He'd got a photographic memory - a fantastic memory. But I don't think he's got very good judgement.

**He certainly seems to have generated some almighty rows.**

[laugh] Yes. Well, he's a very explosive sort of chap. He's very bad tempered - he can be very bad tempered, and very rude. There was a period of years when I got on with him very badly indeed; we quarrelled every time we met. But, later on when he got into the position of rather more authority and he was fighting for position, we got on very well together. We went to Warsaw together on a Polish contract, and we went to Belgrade together on a Yugoslav contract. We travelled the Continent, and we got on very well together.

**He has no formal accounting training?**

He was a chemical engineer, and a very good one - an FRS!

**Yes, certainly. Really, the only other area that I was curious to ask something about was the summer schools. You mentioned Oxford summer schools earlier on; do you know when these started? Would it have been the late 1940's, too?**

Oh, I would not know. I didn't go to the first. I didn't go to one until I was asked to talk. Yes, I was usually far too busy.

**Yes. They would have been viewed as being more for the practitioners than the non-practising members?**

I think on the whole yes; and for all I know this may still be so. I mean the big subject was always tax and audit practice and this sort of thing. But they used to allow one or two outsiders in to talk about more relevant matters. I think I only went to the one. But then we had all sorts of other courses. I was deputy chairman of the Education Committee. Bertram Nelson was the chairman. We had a very big course - now, what the blazes was it? Somewhere down the west-country. And all the university

lecturers and all sorts of people; there were bank managers. I forget what on earth that was about: 'Truth in Accounting' or something - a sort of general course on accounting subjects. I know the question of disclosure in banking accounting arose: the rather awesome proposition was put forward by the bank managers that if they told the truth in their accounts the whole banking system would collapse [laugh].

I've heard this view. But I must say I find it quite unconvincing. I don't see why it should be that investors and shareholders and banks are such frail bodies that they would take fright if they were to read about the bad debts.

Well, it seemed to be so; it was certainly so at this meeting.

It does seem to me an extraordinary argument that people have greater confidence without the facts.

You've made a number of interesting comments in your interview. I had no idea about the luncheon group which is the interesting forerunner to the 100 Group' - the pressure group from finance directors.

Oh yes. I wish I could think of some of their names. I wonder if I've got it in these papers somewhere? Have you contact with Basil Smallpeice?

Not as yet. I haven't written to him as yet, but I clearly should do so.

I think you should have a word with him because he was one of the very prime movers in the whole thing.

One person I did meet - I wrote to him - was Bertram Nelson. I wrote to him at his North Wales address and had no reply. And then, by chance, I met him at the Reform Club in London, and he told me that he'd moved.

He lived in Birkenhead or Liverpool or somewhere.

**That's right.**

I went to stay with him once.

**Well, he's now at Heswall. I very much want to go and have a talk with him.**

Is he retired now?

**Yes.**

Well he's not all that old.

**No, but he has been retired these last few years. He seems to have been very much involved with the [Accounting] Research Society - as you were.**

Yes.

**And all sorts of interesting groups and particularly from the Society - the Society of Incorporated Accountants. And he would have known a lot about Sewell Bray.**

Well, Sewell Bray I knew very well, of course. My son was articled with him.

**Oh, was he? I didn't realise that.**

I knew Tansley Witt too, before Sewell Bray. Tansley Witt was my wife's sister-in-law [clearly, brother-in-law]. I knew old Tansley Witt, yes. And Sewell Bray - very, very well indeed. Of course, Sewell Bray was dead nuts on these LSE seminars. He was the Stamp Martin Professor. He died

just recently. A very nice chap was Sewell Bray. I liked him very much. I think he was rather fond of himself. But he was a very nice chap, very friendly and very kind and extremely clever - a very clever chap.

**Yes. What on earth happened to that Stamp Martin Chair?**

Well, of course, it was the sort of thing the Institute wouldn't like. I think when the merger came, it just faded out.

**Yes. It does seem a pity from my perspective that here was an initiative taken both in that respect [the Stamp Martin Chair] and also in the journal *Accounting Research* which ...**

Well, *Accounting Research* was a very, very good journal. It was a great shame. Now, I voted against integration between the Institute and the Society - but not for the reason that you would suppose. The reason was that I thought that if they were integrated, the research and other activities of the Society would disappear, because I thought they were doing a much better job than the Institute were.

**Yes. And that's exactly what did happen.**

That's exactly what happened, yes.

**Now, why? You thought this was because the practitioners on the Council would have been unsympathetic?**

Yes, there was the - I won't call it reactionary - it was an unfavourable reaction. It was the total stone-walling attitude of the practitioners, you know - the big firms on the Council of the Institute - to do anything which involves change. They were completely oblivious to any suggestion that old methods should be changed at all. Anything new was more or less an

anathema for years - inflationary accounting, the whole thing. The picture is constant all the way through. And I think it still is.

**There were always some reformers, weren't there, within the Institute?**

Oh yes, there were. But, you know, not in Price Waterhouse and Peat Marwick Mitchell and Deloitte's, in that sort of controlling group - because it was the elder statesman on the Council who really held sway, you see, on the Council of forty-six [people], I think it was, when I was there. There were the ex-presidents and so on, sitting on the front row, round the throne - they were the people who really held sway, and nothing very much would happen if they didn't agree. And for all I know, it's still the same; I wouldn't know.

**Sir Henry Benson - he seems to have been something of an innovator.**

Well, yes. I think he was but I don't remember anything actually that he started. He was basically an empire builder was Henry Benson, you see. His great thing was integration. What he wanted was an Institute of 60,000 members with a monopoly. Well, I was dead against that. I thought the aims of the Institute should be to have a limited number of members, but those members should be absolutely the best - recognised as the best in the profession. There would be others with loads of responsible jobs to do, who would be very good but less than the best. But I wanted to have an elite Institute. He wanted a large Institute; it didn't matter who was in it so long as there were many of them. I may have over-stated his case, you know [laugh], but this was basically what he wanted. He wanted a monopoly institute. Well, I could see the point about having a certain unity of view in the profession on certain important matters. But I couldn't see how by enlarging the Institute with enormous numbers you could get that, because it was pretty obvious that with our smaller Institute we had a very large number of views already inside a small membership. And there was no prospect of unifying the profession because, in any case,

there were so many different views. If there were only three accountants, they'd be four different views anyway!

**The idea never commended itself to you that the practising profession should be represented by a different body from the industrial and commercial people?**

Now, let me think about this one. No. Of course, this idea was mooted, you know. The Cost and Works Accountants - or the Cost and Management Accountants or whatever they call them now - should merge with the industrial members of the Institute, and the practising members should form a separate body. Of course, one of my pet theories was that the industrial accountants should have something like the same position as that occupied by the treasurer in the States. In other words, the chief accountant or chief financial executive in the company should sign the accounts, you see, because that would give the chief financial executive a considerably higher standing than he has at the moment. He has no standing at all. So I was very, very much opposed to separating the practising side from the industrial side, because I thought basically their objectives were the same and I thought they should have the same responsibilities. Not only the auditors, but the chief financial executive should sign the accounts. And I thought broadly speaking the signature of the chief financial executive would probably have a bit more weight than the auditors' report which nobody reads anyway at all on page 52 of the accounts now.

**Yes, yes, in a standardised form.**

So - no, I was opposed to separating the two.

**Yes. And what about the process of accounting standard setting?**

Oh, yes - the accounting standards.

Were you conscious during the early 1960s of a need for more standardisation, or was this something which only really sprang up after the AEI/GEC merger and so on? Because the AEI/GEC merger has been put forward, hasn't it, as one of the major influences.

Yes. You've read Joseph Latham's book, haven't you? Well, Joe Latham is of course an old friend of mine. This is all tied up with this question of what is a going concern, you know, and growing concern values as opposed to break up of values and so forth. I was not concerned with accounting standards as far as I can recollect at all. I mean, I accepted the standards that were in existence for the valuation of stock, and this sort of thing - with the sole exception of the attitude to inflation accounting, you see.

So you were critical of N12 in 1949 [ICAEW recommendations]?

Now, what was that?

N12 was changing values of money - *Accounting under conditions of changing price levels*. There was N12 in 1949; there was N15 in 1952.

I don't recognise that.

Both of which were much concerned with the same thing. There was a tremendous debate between 1949 and 1952. The Institute and the Society and the Certified Accountants and the Scottish Institute and the Irish Institute were all invited to a round of talks, but they never got anywhere.

On what?

On inflation accounting. And at the end of N15, which was published in May 1952, there's a footnote published nowadays saying there had been some joint talks but that these reached no basis for any agreement.

Well, I should have known all about that and I have entirely forgotten it now. When you mentioned N12 and N15, these were the accounting standards weren't they?

They were 'Recommendations on Accounting Principles'.

They were what were called 'principles of accounting' - and that's another word I object to. [laugh] There's a big difference between principles and methods. As far as I could judge, the only principle the Institute has was: 'thou shall not advertise!' [laugh] - all other was a question of method. No, I'm bound to say I don't remember that at all. I do vaguely remember those books but then most of them have gone in the waste paper basket by now.

Well, they are not current now, of course.

No, they're not.

They've been overtaken by the *Statements of Standard Accounting Practice*. But, clearly, there was a tremendous debate going on about inflation accounting between 1949 and 1952.

Well, we got nowhere against the dead weight of the Institute. If I remember rightly, the Scots accountants were all in favour of it. Your Association was all in favour of it.

Very strongly so. They published a book in 1952, *Accounting for Inflation*, which was a very useful study showing how capital had been run down in real terms between 1939 and 1949. And the Cost and Management people also did a book in the same year.

Yes. Now, it was the dead weight of the practising accountants, you see, who really didn't want any more problems than they'd got.

Yes - which must have been quite severe. Did you go to the London International Conference in 1952?

No.

Because at that, there was a lot of discussion of inflation accounting and world-wide feeling was pretty strongly in favour of a change at that conference.

Yes, apart from the SEC [Securities and Exchange Commission] in America of course.

Yes, absolutely.

And, of course, that shows the folly of having an SEC anywhere. The SEC in America has been responsible for more backwardness in American accounting than almost any other body.

I've heard that view confirmed by a very well known American.

You know, it's a purely bureaucratic body and once you get those on the scene you're sunk; you make no progress at all.

Well, it was explained to me that one of the reasons that the SEC took such a view was that their chief accountants, their first four chief accountants, were all there right at the inception in 1934. And they'd all been told how immoral inflation accounting was to get away from the holy writ of historical cost accounts. And that is based largely on the fact that there were so many lawyers there who had had dealings with revaluations in the early 1930's and late 1920's. Revaluations would have been used to feed the profit figures and distort the results. So there had clearly been abuses earlier than that, and the SEC people took into their heads that that was entirely down to inflation accounting.

Well, it could well be.

Whereas our only equivalent debate had been over the *Royal Mail Steam Packet* case and secret reserves.

Oh yes, the *Kylsant* case. That goes back a long way. I really forget what the case was about. It was the use of reserves to bolster the profit, wasn't it?

And then the issuing of a prospectus, that's right. [Lord] Kylsant was found guilty under the Theft Act of 1854 - of fraud, basically. It was not an infringement of the Companies Acts; and Mr Moreland ...

He got away with it.

He got away with it. Yes. This has been written up.

Well, you've read all about this very carefully. It was long before your time, wasn't it?

Well, yes. This has been written up. There were a couple of books on it.

It was well within my time, but I've forgotten it.

It does seem to me that the English Institute changed fairly substantially in its view during the 1920s that secret reserves were really rather healthy to a view during the 1930s that they were really rather wrong. And I think that the explanation for that was the change in general price level. One had falling prices during the 1920s, and therefore profits were going to be very much depressed unless one could pull something back from secret reserves, simply - as you mentioned in respect to the banks earlier on - simply to avoid those crises of confidence. Then in

the 1930s, when prices started going up again, there wasn't the same equivalent pressure.

Yes. Of course, the certification or report on profits in those days was basically that the profits were at least as great, and not less, than those that were reported. They could be a good deal more, but not less. And the difference between a reserve and a provision was of course very much blurred. Mind you, when I passed my Final [examination], I passed it on the 1908 Companies Act, you know [laugh].

**The 1929 [Companies] Act was the next, one wasn't it? The 1929 Act required consolidation, strictly speaking. But then there was such a huge breach that you could drive coaches and horses through sideways.**

Well, when I was with HMV, of course, we used to consolidate.

**Did you really?**

I went in 1929, and we started consolidating in about 1931.

**That was very early indeed, wasn't it? Dunlop certainly didn't.**

Oh yes, we were one of the very early ones. I've been in on nearly the beginning of several things. I mean the Courtauld's accounts that we did there - I think they were the first or the second [to be prepared] under the 1948 Companies Act, where you are required to produce a consolidated profit and loss account and a consolidated balance sheet. And I think we were the first to go to - I think it was - the Board of Trade in those days, to point out that if you had a consolidated profit and loss account, you didn't need a company profit and loss account. You only needed the one. They didn't realise that - they thought you had to produce both. But we pointed out that under the Act you needed only the one. And we produced at Courtaulds, I think, about the first consolidated balance sheet, and

company balance sheet and consolidated profit and loss account under the 1948 Companies Act.

**Well, the 1929 Act had required some form of consolidation, but because of the position of exempt private companies one could escape it, so I believe.**

Well, the 1929 Act didn't have much impact on me, but I know we used to consolidate because I used to do it. By golly, it goes back a bit!

**You'd have used Sir Gilbert Garnsey's textbook ...**

... Hungarian pengoes and Austrian shillings. Oh, we had Turkish - what on earth were the Turkish things? I've forgotten what they were. Turkish pounds, I think it was. They are dinars now, aren't they? I think they were Turkish pounds. Well, you see, HMV had companies in Denmark, Germany, France, Holland, Belgium, Spain, Italy, Austria, Hungary and Turkey. And they were consolidated.

**Did you ever come across de Paula?**

Clive, or his father?

**His father [F. R. M. de Paula].**

Oh, yes, I knew his father quite well.

**They were doing consolidations weren't they, for Dunlop early on, from 1931?**

Oh, yes. He was a very, very good chap. I've forgotten his first name; Frank was it?

**F. R. M. were his initials.**

Frederick. Anyway, I met him. Well, of course, when I was at Courtauld's I met a lot of the people interested in inflation accounting. One of the most important, of course, was Rees of Unilever.

**P. M. [Rees]?**

Yes.

**I know very little about him.**

Oh, yes; well, he was dead nuts on inflation accounting.

**Was he? Was this on the replacement cost line or on CPP, or was it not very clear?**

CPP I think I remember. Yes, yes. And Ravenhill; have you met Ravenhill? He was going to be his deputy really, but Ravenhill faded out and Jasper Knight took on as finance director. Ravenhill is still going, Patrick Ravenhill; he was my junior by some distance. He lives in Putney somewhere. We exchange Christmas cards [laugh]. No, Rees was very much in favour of inflation accounting. I think he adopted it for Unilever for some time.

**And you say Courtaulds had inflation accounts?**

Oh yes, for two or three years, until it was stamped on. Well, until I left we certainly worked out depreciation on an inflationary accounting basis all through the factories.

**Yes - for internal purposes, and then for published accounts as well, just for those few years?**

Yes.

Pilkington, I believe, started [inflation accounting] before the war.

Oh, yes, they were very, very early. And of course the great people were Phillips, though I never had any contact with Phillips at all - not even when I was with GEC. I don't remember Phillips.

They picked up the idea from a rather different school of thought, though - that was the continental tradition, based on Limperg at Amsterdam. It links up with Austrian capital theory in the 19th century and there's a strong German school of thought, too, with Schmidt and a number of writers such as Schmalenbach writing about 1912 and 1915 and 1920. The Germans were getting very, very interested in this. First of all immediately after the 1st World War, when they had their hyper-inflation, and then in the late 1920s they started writing it up, describing what was going on. There were papers at the 1929 International Congress from Germany. And it's interesting looking at the reports on the 1929 Congress that there was a very clear division between the German accountants there in New York and Sir Woodburn Kirby who was the president of the English Institute at the time. [He was actually President from 1913 - 1916.] He also spoke at the English Institute.

Which year would this be?

1929.

I can't remember his name.

I don't have my history of the English Institute with me.

[Thomas] Robson was chairing the 1952 [Congress] session on inflation accounting, and speaker after speaker was speaking in favour of inflation

accounting - either replacement cost or CPP - including the President of the Society [of Incorporated Accountants and Auditors], who has just died, a small practitioner from Newcastle, Percy Barrowcliff.

Oh, yes.

He gave a paper on inflation accounting there, which was only a partial adjustment. It was a question of something very similar to Hyde [the Hyde Guidelines] actually. He was recommending an additional charge for depreciation and for the cost of goods sold, and no restatement of the balance sheet which the ED 18 solution decided to do.

This paper I referred to right at the very start, comparing the history between 1949 and 1954, lists eight steps in the [inflation accounting] cycle. First of all there is a burst of inflation, and so the profession reacts with a rather mild statement. Then the government comes in and says: 'Look, you realise there are big issues here: it's too broad for the profession to handle by itself, and we propose to do something about it'. And the next step is that the profession comes up with a much more radical sort of a statement, which offends half the membership. There is then a big battle, because half the membership says 'we can't have this'. And then the next stage is a compromise version, which incidentally was almost exactly the same compromise in 1954 as it was in 1977. And then, finally, the rate of inflation dies down and the stock-market picks up and in 1954 the debate died down. It remains to be seen whether it will die out now. A number of companies have adopted the Hyde Guidelines, but a considerable minority have not. If we can get a standard out on current cost accounting, then I think it will be adopted generally.

Well, the only thing to do is to get it by statute. I regret the necessity, but I think that is probably the only thing to do.

Yes. I think the signs are that a lot of companies have responded to the questionnaire which the Cost and Management people sent out, saying that 'if it were a standard, we would comply'. So if they did have a statute .....

Yes - but an awful lot more say: 'This is a jolly good thing, but it doesn't apply to us!' - you know. [laugh].

Yes, they do.

I can't think, unfortunately, there is any other way of doing it. And you see, furthermore, the wrangle is not between profession and industry - it's inside the profession itself.

Yes. Well I've asked a lot of questions. I've taken a good two hours.

Well, you haven't got many answers.

I have had quite a number.

[Indicating a volume of papers] I'd like it back.

Of course, certainly so. But this is interesting.

The talks I've given to various people - hundreds of them.

As a new university, we rather suffer from being short of some back runs. We've got a number. We have the *Journal of Accountancy*, and we have *Accountancy* of course We haven't got this one. Oh - the Productivity Year Paper; that is the second of the Productivity Years. There was an earlier Productivity Year in 1951 or 1952.

What date is that?

**This is apparently 1963.**

I don't know why I was doing it in 1963.

**Here is a lecture [by Eric Hay Davison] at the LSE on October 8th 1963.**

I'd completely forgotten what I had to say on that subject. It's blank to me. I found a lot to say apparently.

**Yes, several pages. Oh, I didn't know that CASSEL [Chartered Accountants' Student Society of London] had Oxford Summer Schools.**

Well, that's one in which I stayed at Oxford. [Looks at the paper he gave.] Your status on the board [of a company] depends on how much you read of the information put before you. If you're a junior director, you read almost all of everything. And if you're a middle director you read the first page, and if you're the chairman you read the headline and that's it [laugh].

Accounting ratios was another thing we were very keen on at one time. **I did my first degree at Liverpool, and we had there an extraordinary character - a senior lecturer called Bradbury B Parkinson. Now he'd taken a degree at the LSE, I should think in the 1940s, and there is a book of his, which I have a copy of, on accounting ratios. It's pretty good stuff - very shrewd.**

Well, they were very hot on accounting ratios at Courtaulds. We had a chap called Bingham, who was some sort of backroom boy on statistics. Anyway, he was very good. We could make comparisons between our various factories quite easily you see.

**Because you were doing the same sort of operation?**

Yes - the same sort of operation in many different factories. [Reading] I don't know what this one is.

**George Goyder? I thought he was an American. Now what do we have here? This is about ratios, this bit. So it probably starts on the next page. There we are. Were you involved with the Centre for Inter-firm Comparisons?**

Yes [laugh] that's another thing you've just reminded me, I'd forgotten that. Yes, that was Sewell Bray, I think.

**Was it?**

Yes, yes, I was mixed up with that. Now wait a minute: there were two people. Ingham - a chap called Ingham.

**Ingham was from Austria or somewhere, wasn't he?**

He was at the CBI [Confederation of British Industry], wasn't he? It was the CBI Centre for Inter-firm Comparisons. Yes. I was on the Finance Committee of the CBI, or the FBI as it was in those days. And yes, I'd forgotten all about Inter-firm Comparisons. That was another thing I was messing about with. There's a reference back here to a BIM [British Institute of Management] study on Inter-firm comparisons. Oh, I was a member of BIM - yes, I'd forgotten that, too. [laugh]

**It was chaired by Sewell Bray, and it had three industrial accountants. Who was T. Kenny? I've seen the name T. Kenny before, and I can't think who on earth he was. A practising accountant? I can't think who T. Kenny would have been.**

What was this?

This was a BIM Study Group formed in January 1955 on accounting ratios for inter-firm comparisons. Then there were a couple of very well known economists - Tibor Barna.

Barna. Oh, I remember Barna - too well! [laugh]. He came to see us...

**Bit of a terror, was he?**

Well, I thought he was rather round the bend, was Barna [laugh]. Kenny - have you got his initials? [Looks in the ICAEW membership list.] He's not in here. There are only three Kenny's here. There is no T. Kenny.

**Is that right? There's another well known name here - Leo T. Little.**

Leo Little.

**Do you remember him?**

Bless my soul - I remember him. Yes. You're bringing all sorts of skeletons out of the cupboard. Yes, I remember Little.

**Joint editor of the Society's Journal.**

Yes, *Accountancy*. Oh, yes, I remember Little. Another one who should appear in there is Derek Dupre, who was director of the Cost and Works Accountants.

**Full-time director?**

Yes.

**That's Jacqueline Dupre's father - yes.**

Jacqueline Dupre's father. I knew him very well indeed. He lent me a dress suit. I remember I went up to Oxford for something or other, and I had to sit at the high table and I hadn't brought a dinner jacket. And he lent me a dinner jacket, and I found an old black tie and I wore my ordinary trousers. I was a pure mix-up [laugh]. It was very embarrassing really.

**You had the feeling that all eyes were turned on you. Leo Little - he was an economist at the University of Exeter.**

Exeter was it?

**Yes, that was his connection.**

How old are you by the way?

**40, in about a week's time.**

As old as that? You don't strike me - you know ...At my advanced age, you all seem to be about 22 [laugh].

**You know you mentioned P. M. Rees a little while ago. There was an extraordinary working party - a joint working party - set up by the English Institute with the National Institute of Economic & Social Research in 1946, to try and investigate the uses of the terms 'profit' and 'cost' and 'capital'. The report was published in 1951 or 1952, and clearly they got nowhere at all. P. M. Rees was one of those people, and so was Lawrence Robson.**

Oh, Lawrence Robson. I remember him very well, when he was chairman of the Liberal Party. And, of course, his partner, who became much more famous - what's his name? Who was Lawrence's partner?

**Well, Robson Rhodes was the firm.**

Robson Rhodes was the firm, but his partner was a Scots accountant. I knew him very well too. You know, as you go through life and you go through several different incarnations as I've done, you meet so many people that you really do forget. Robson Rhodes. Ian Morrow!

**Morrow, yes. That's the chap!**

Yes, I remember him very well. I forget what I was mixed up with him over.

**He was on the Council of the Institute wasn't he?**

He was a Scots accountant.

**Oh, in Scotland. He was President of the Scottish Institute and President of the Cost and Management Accountants, too.**

Yes, I think almost at the same time.

[Reading again] Now, here's a pair of articles from *Accountancy* in May 1956: 'Should turnover be disclosed?' 'Yes'. And 'No'. I take it you were the 'No' here, were you?

Yes - I think probably 'No'. Basically, because they are already turning out far too much stuff already. And I don't agree with the term 'turnover'. Turnover means something quite different - it means turnover of stock, rather than 'sales'.

**But you wouldn't have wanted that [the sales figure] disclosed in those days, it would appear?**

Well, no. I wouldn't object to it being disclosed. It was just one more thing we had to push out that didn't mean anything. And accounts contain so

much rubbish now that doesn't mean anything to anybody. You know - I object to the whole thing. I want the whole thing simplified and brought down almost to nothing.

**Who do you regard as being the prime user of published accounts?**

Oh, investment analysts, without a doubt. I get all my own information on accounts through the press. I don't read the accounts. They were a godsend, the investment analysts anyway, so I'm very much in favour of them. [laugh]

**Yes, do you know Gibbs, Martin Gibbs from Phillips and Drew?**

No. They are my stockbrokers.

**He's been very much involved in the inflation accounting debate.**

I don't know Martin Gibbs. They became my stockbrokers because there were two Old Alleynians at one time very much involved. One was Bill Hall, H. R. Hall. He was at school a long time after me. And the other was Paul Bazalgette who writes the commentary at the end [of their investment publication], you know, the rather amusing commentary at the end. Well, I used to play cricket with him, and he's a good deal younger than I am. No. I have a high regard for Phillips and Drew, but I try to avoid taking their advice as far as possible [laugh].

I remember having a chat with Bill Hall - this must be 50 years ago now - I had some money, and I was rather keen on De Beers, and I thought I'd love to put some money into De Beers. They were a jolly good company. And Bill said: 'Well, if you like to take a political risk you can do it, but I wouldn't go in too deep'. But I think I bought £600 worth of De Veers, and soon after I bought them they made a one-for-one issue, and shortly after that I sold about a fifth of the holding for what I paid for the whole

thing. I think I paid £8-12-0d a share and the one-for-one issue made it £4-6-0d. I sold the first lot for £22. I've since sold them at various prices between £20 and £40. I've still got 500 shares, which are worth more - three times as much - as I paid for the first lot [laugh].

And when he talked about political risk, he never talked about political risk in this country, which is far worse than it was! [laugh]. And there's no dividend restriction [in South Africa].

Yes; it would do a lot of good if one had a *Financial Times Index* which was adjusted for changes in the Retail Price Index, because people tend to look at the index getting up to 530 and they get rather enthusiastic. It was 560 or so in 1971 when the market peaked ...

Yes, which means something like 1000 or 1100 now.

You'd need to have 1100 or 1200 - yes, that's right. There is no encouragement for people to save at all.

[Indicating a file of papers] Well if that's any use to you, take it away.

Very interesting. Very interesting stuff. I'm not quite sure where this came from *British Management Review*. Oh, that's interesting.

What's that about?

The 'Management Aspect of Accounting'.

I must have been very voluble at one time or another. [laugh] This [file of papers] is working backwards [chronologically].

Yes. [Here is a paper to] the Textile Institute, in your Courtauld's days.

I was involved with the Textile Institute, in, I presume, Manchester or somewhere. 'Accounts Organisation' .....

*The Accountant* was a jolly good journal in those days. It's gone off recently.

Well, I haven't had it for years, of course. The only thing I see is *Accountancy Age*. Of course, that's free. ....

Yes, and *Accountants Weekly*; it ought to be sent to you.

I only read *Accountancy Age* to see if there is anything about Ian (his son) in it, you know ... he's usually in it.

He fairly often is, yes. A circulation list is here, dated December 1947. J. L. Fraser, A. C. Yule.

Fraser - that's my assistant. Yule was a textile man.

R. D. Down.

Down was the overseas man. E Johnson was the yarn man.

E. J. Olson?

Olson was the engineer.

And then there are four distinguished accountants, P. M. Rees.

Paul Rees, yes.

And H. Norris now .....

We were involved in setting up the London Industrial Accountants Group. For a time the whole thing fell apart. I had to take it up, pick all the pieces up and get it going again. We got it going again. Harry Norris is a director of Wimpey's.

Wimpey's, yes.

And so is Joe Latham, he's a director of Wimpey's. There are two directors of Wimpey's that I know, but I don't know the company. Joe Latham was Deputy Director of the Coal Board, and became finance director of AEI. He wrote a book about AEI. Now 'Sir Joseph'.

Yes, yes.

He's just moved, incidentally. He sent me a change of address card.

And then there's Jack Clayton and F. R. M. de Paula.

What was that about?

This is a paper 'Accounting for Survival'.

Oh, that'll be on inflation accounting.

'Real profits' - this is superb; this is excellent stuff. Oh, it's reprinted from *Industry*. *Industry* would have been the FBI journal, wouldn't it? Well, that's exactly the sort of thing that I've been looking for, because this is exactly the sort of documentary evidence to show the concerns of the FBI at this time, during these critical years. And it takes an awful lot of digging to find these things usually.

Well look, borrow that lot and send it back when you feel like it. I would like it back.

Certainly. And here's the paper read in 1947 to the London District Society on depreciation.

That's right, yes. Is there anything about the discussion at the end of it, to see who was there?

No, there isn't. There's some interesting comments later on in connection with something of yours referring to the Millard Tucker Committee, on the taxation of profits and income? There was the Millard Tucker Committee and there was the Royal Commission too, wasn't there?

Millard Tucker - that goes back a bit!

But that was on the tax side, that's where the professional people are more interested. But that's a very useful collection indeed.

Well, borrow that by all means, for what its worth.

It's worth a lot.

Well, one of those things - I forget what it was - in the Internal Auditor, I think. Is there a paper in the Internal Auditor?

Yes, there is.

That was reprinted in Canada for the standard work for the Canadian Institute.

Yes. The Canadian Institute developed late and then very, very enthusiastically. So that now there training standards, I think, are rather higher than ours.

The Australian Institute were always very good, you know. They were well in front - the Australians.

**I wonder when that developed?**

Well, I think it was something to do with the national character, in a way. It was a new country, and they weren't terribly afraid of anything new you know. And the Australian Institute were really well up in the forefront.

**Yes, it became very prominent during the 1960's. Australian academics really became pretty famous, people like Ray Chambers and Goldberg and Russell Matthews and F. K. Wright. They became very well known. They still are.**

There is one other name that you haven't mentioned - who was it ... I've forgotten.

**Chambers is probably the best known.**

Chambers I remember, yes.

**Peter Standish, who has just come to the London Business School, he is an Australian. He's gone back there again.**

You've got to remember that I've met an awful lot of people, and basically they are concentrated into a comparatively small number of years, you see, because up to 1936/37 I didn't have very much to do with Institute affairs. I was too far removed anyway. I was out in the country. And then it finished - the whole thing finished well within 30 years, and all that's 15 years ago.

**Yes, but it was a very, very important 15 years.**

But as you get older you tend to remember very vividly things that happened when you were young. But the intermediate years get terribly blurred. You reminded me of all sorts of names I had completely forgotten, like Leo Little and people like that that I knew quite well at one time.

There was a curious man called Kennet, Leo Kennet too who was involved in the professional debates. He was a certified accountant, and he'd done a doctorate in jurisprudence in Vienna and he sounds as though he was an extraordinary character. I've only got an obituary on him. But he must have known the Austrian literature in economics, I think, as well as law and he was involved with research at The Association. And there were a lot of very interesting characters. I want to try and get something written up on this period you see. The International Congress of Accounting Historians meets next year, in August, to coincide with the Institute's centenary. Papers have been invited, so I've put in a preliminary one. Well look before you do anything, try and get hold of Harry Norris. You've got his address?

That sounds like a good idea. I haven't got his address but I can get it.

Do, because he's I think a good bit younger than I am, and I think his memory will be fresher because he's been involved in this all the time, you know.

Very many thanks to you.



CA House • 21 Haymarket Yards • Edinburgh • EH12 5BH

Tel: 0131 347 0237 • Fax: 0131 347 0110

Email: [research@icas.org.uk](mailto:research@icas.org.uk) • Website: [www.icas.org.uk/research](http://www.icas.org.uk/research)