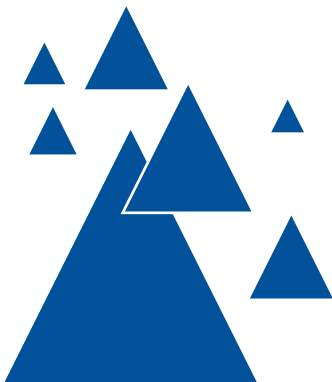




Interview with Harry Norris

by Michael Mumford



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HARRY NORRIS
INTERVIEWED BY
MICHAEL MUMFORD

**10TH JANUARY 1980 AT WIMPEY'S OFFICES,
HAMMERSMITH, LONDON**

You're retiring from Wimpey, I understand?

Yes, I am no longer the Finance Director. He's next door.

Oh really!

He's arrived, my successor. Also a Lancastrian. We are not normally so weighted towards Lancastrian directors. He came in September actually and I ceased to be Finance Director. I am still a director; I have a lot of involvements, but I'm retired as from June. At least I'm retired 90%. I certainly retired as a director of Wimpeys, but I still have several involvements. I'm involved in the property world for example, so I still carry on with one or two things.

Well the north-west of England has produced quite a lot of accountants over the years. Liverpool's always had a strong link. Bertram Nelson comes from Liverpool.

Oh, really!

Can I thank you very much indeed for the articles that you sent in the post. I read those, or in one case re-read it, with enormous interest.

Just a small selection. I haven't got a copy here.

At one time I used to do quite a lot of lecturing, student societies and so on. And whenever I went to some strange town and was met by some local chap almost invariably they used to say: 'Well, you must be the man who writes for *The Accountant*. I couldn't resist turning up some of the old copies of *The Accountant* that I have bound, and sure enough I've only got to look at the index to see myself in it. This has got it in 1946. I did a lot in those days, but I just don't have copies of everything. I just happen to have a few. [Reading]: 'Norris, Harry, National Income p. 287; Taxation & Business Accounts.' And another subject I was interested in at that time was pricing and accounting for nationalised industries. In fact I think probably one of the things I sent to you is on that subject. But I see in the 1946 edition of *The Accountant* I actually contributed three articles - I really must re-read them. I'm sure they're very fascinating [laugh] after this length of time.

[Reading] 'Accounting and Public Enterprise.' There are three things. I really don't remember writing these at all, to be honest. I see that was done in three instalments.

You started in fact before the war didn't you, when the first things were published?

Yes, yes, that's quite right. I was articled in Manchester and left there in 1938.

Can I catch up on this, then. Did you go to university?

No, I didn't. I started in an accounting office at the age of 15, which is rather an early age.

Well, I would normally not assume someone in that case had been to university.

That's right. I was born in 1914 and I joined a small Manchester firm in 1929. I was not originally articled - I was articled to them some years later.

Is the Manchester firm still in existence?

Yes, it's still in existence. It's called 'Nasmith Coutts & Co'. I don't know if it consists of the same people now, but it still exists. It's still a modest firm - a bit bigger than it was, but still smallish.

Was accounting in the family?

No, no, I didn't know what an accountant was when I joined in the office as an office boy [laugh]. I hadn't the slightest idea. They were hard drivers in those days; the discipline was intense. These days they are just slack compared to then. I was on the mat every week. I was driven by the boss to immediately start night school, which I did at the High School of Commerce. Anyway, I took evening classes in accounting and book keeping. I did quite well at it. So they offered me articles after a couple of years. In those days it was rather unusual to be awarded them because it [the usual premium] was 200 guineas, which was an awful lot of money in those days. I found it a very useful start. I quite like the idea of being with a smallish firm because you do get a tremendous amount of experience. You have all sorts of things thrown at you - a lot of personal tax work. Because there wasn't the sub-division of labour in those days that there now is. Nowadays, a senior partner in a major firm wouldn't necessarily know much about tax because that is some other department and so on. But in those days, you were all in it together.

You must have been in Manchester at about the same time as Jack Clayton.

It would be about the same. I wouldn't have known Jack very well. You know Jack?

I've met him, yes.

I've known him very well, for a very long time. I always used to disagree with Jack. He is easy to disagree with.

He has disagreed with pretty well everybody.

Yes.

Yes. So you qualified in Manchester, and did you stay in the profession then?

Yes, I moved in 1938 to Deloitte in London. I was there right through the war.

Oh that's interesting. So at the time you were writing these things you were in the profession?

Yes, largely in Deloitte. In 1946 I went to Vickers and was deputy chief accountant at Vickers, and Vickers Armstrong. And I think I was probably still writing a bit then.

1946?

1946. I was there from 1946 to 1950.

1950. But you didn't go up to Barrow [Barrow shipyard, in West Cumbria]?

I went to all the factories. I knew all the factories.

Vickers. Bill Fea?

Oh well, I knew Bill Fea, but not in connection with Vickers. I've met him since, at GKN. He is retired now. But I did not know him in connection with Vickers.

I've got a feeling he spent just a matter of a few months there.

It may not have even have been when I was with Vickers. I used to know him quite well. I used to like him.

And so - until 1950?

Deputy chief accountant.

In 1950 I went to the Rank Organisation. I had a very splendid title - 'The Group Co-ordinating Accountant'. But after a couple of years of that I ceased to be an accountant there, and I moved into the extraordinary business of film distribution, which is a mysterious area, embracing the wholesaling activity lying between the producer and production on one hand and distribution on the other. And I was there until 1959.

Yes. Not in an accounting capacity.

No.

It must be a most peculiar business - particularly the decision whether to hold your own stocks or to sell them on.

It's a very peculiar business, yes. In fact, most of the time I was the head of the Overseas Organisation, which was still quite large, and I built it up rather substantially. And this was rather in the heyday of film production in the UK which has declined - or began to decline - roughly about the time I was leaving. And I quarrelled with this rather peculiar chap John Davis, of whom you know, and I left them in 1959. And I went to the Granada Group, another Manchester connection but that was in London. I really went there not at all as an accountant but to assist them to diversify. At the time they were making great profits out of television production, television programmes - lots of cash to spare. And I was really one of the founder members of Granada Television Rental, which as you know is rather substantial. I knew the Bernstein family rather well. They of course are also in a similar business and I knew them quite well. But I really spent a lot of time not in a particularly financial capacity.

But when you came to Wimpey that would be in 1963?

1963, yes. But I really ceased to write more or less when joining the Rank Organisation. I was travelling a great deal, and I was working very, very hard. John Davis was another fairly heavy task master, and I was also a member of various Institute [Institute of Chartered Accountants in England and Wales, ICAEW] things. I was on what was then called 'Taxation and Research Committee'. I was on the London District Committee at that time. But I really had to give those up because I just didn't have the time to attend to them. So I probably ceased to write so much as from then.

There was one particularly valuable piece of work that I was conscious of, and that was the article you wrote in *The Banker* in 1951 after the Millard Tucker Report.

Oh yes, that's right, yes. I'm not saying I did nothing. Well I was the accountant for Rank for ... I'm not sure of the dates, but it must have been

from 1950 to about 1952, before I became completely immersed in these commercial matters and doing much more travelling. And generally I've written for the Institute. I've been on one of the inflation working parties, the 'Working party B, on Stocks and Work in Progress'. And indeed before that, sometime in the middle of all this, I was on the working party which eventually led up to SSAP9 [on Stocks and Work in Progress, issued by the Accounting Standards Committee in 1975], although I don't necessarily approve of that. There were two working parties. One was on, I think, long-term contracts, and the other was on stocks. And I think they made the mistake of combining the two in the regulations and the exposure draft which became SSAP9.

The draft was changed in this respect.

Oh, very substantially - yes, indeed. But I was on that and I really can't remember the dates of that.

But to go back and take it in chronological order, if we may. The first time that I've come across your involvement very much at the heart of the Institute was in that joint working party between the Institute and the National Institute of Economic and Social Research.

Yes, well I really promoted that one. I was the inventor of that. I was very, very much interested in the relations between national incomes studies and what we call the profits. There were all sorts of contradictions in the definitions, and I actually got very good support from Harold Barton, who was President [of the ICAEW] at the relevant time. And I'd already got to know Professor Stone, Francis [actually Richard, see below] Stone who ran it at that time. And I promoted this joint working party, which I don't believe ever achieved very much. It did publish something or other on definitions, I think. But I was disappointed that it didn't get really very far. There wasn't really very much a meeting of minds on the thing.

How did you come across Stone? Was this because you had been involved with Council affairs?

It must have been. I was mainly interested in National Income studies - I'd read some of their publications.

Yes, and you met him. Was he at Cambridge in those days?

Yes he must have been at Cambridge, but the National Institute of course is here in London. Yes, he was indeed at Cambridge at that time.

The National Institute was set up in about 1938 I think.

As long ago as that? Well, it was after the war - the end of the war - when I knew it. I must have sought them out; they wouldn't have known anything about me, and I must have deliberately sought them out and I don't remember doing it, but I think I did. I see I was working on National Income in about 1946 because of the articles in *The Accountant*. I must have sought them out. It was a very tiny body, was the National Institute at that time. It must be a good deal bigger now because it is always being quoted, isn't it, with its latest prognostications.

Particularly its forecasting, yes. And Stone is still well known.

Yes. His wife's died, but Richard Stone is still around.

He is still working. I think his wife - did he marry again? He must have done.

His wife was a very intelligent girl. She died quite a long time ago.

Yes, yes, well I think his wife now is called Giovanna, because I remember noticing a series of monographs which were reprinted. In the first

editions it was 'Richard Stone and Giovanna somebody', and in the later editions it was 'Richard and Giovanna Stone'. That led me to deduce perhaps more than I should have done.

I was rather pleased to get this a month ago [indicating a paper].

Oh, Brief. Oh, yes - he's good. [Professor Richard Brief of New York, reprinted Norris's 1952 book in the Arno series in 1980.]

Yes? I didn't know anything about him.

Yes. It's a very healthy situation now. In America they've got very excited on the history of standard setting over the past five years - since I have myself. And now there's the Arno Press and there's the Scholar's Book Company, who are both seeking out volumes to reprint.

Didn't I have a telephone call from a chap from Stanford a few years ago?

Zeff? Stephen Zeff, yes.

Maybe he published something or other.

He was at Tulane, and then he went to Harvard, and now he is at Rice University, Texas. He is immensely creative.

Yes, he came to publish something, which he sent me a copy of.

Well, it's now very much a growing area. In 1977 the American Accounting Association published a little book. They have published a series of statements since 1936 on accounting theory, and in the past these have always been recommendations for valuation systems. Now, 1977 was a complete break with tradition, because they said: 'Let us take

a look at the relationship between theory and practice. Let us try and find out why it is that theory doesn't seem to guide practice'. It's almost the other way round in my view - practice seems to guide theory. You get the theory produced in response to whatever practices need taking on. So the Arno Press has come out now with some very important books. I'm delighted to see that they are interested in reprinting your book.

I must look up a few pages, as requested.

Good. That's excellent. They've picked up a number of the important critical British accountants. I'm not sure whether Lacey's book - Kenneth Lacey's 1952 book - is in the series. That ought to be somewhere.

Well, Lacey and I were in various controversies in the press at the time.

Well - did you ever know him?

I can't remember whether I met him or not. If I did, it was only the odd once. I can't visualise him. I can't even remember what his background was. I don't think he was an accountant was he?

No - I think that's right. I've tried to track him down very avidly and

I've never really come across him. He must have gone about in different circles, I suppose.

Well, I've tracked him down to Unilever, where he must have worked for P. M. Rees. And Rees you knew of course, didn't you?

Yes indeed.

He died some years ago.

Yes - well, he retired many, many years ago.

But he was also a member of that exploratory working party with you. That's the Advisory Committee on the Joint Study, 'Some Accounting in Terms and Concepts' [the joint ICAEW/NIESR study referred to earlier].

I'd forgotten all about it. Indeed, yes.

So what interested me from that, obviously, was how you came to be involved with that.

Well, it was my idea, and, as I say, I had been interested in the national income studies and had read some of their books and their studies. I wrote several things at the time too, and I approached them.

Yes.

And having got a positive response from them, I then approached the Institute. I certainly remember discussing it with Harold Barton. I think he was President at the time. I knew him very well anyway. I don't know why I knew him, but I did know him.

Well, that's a very interesting footnote to put into history. It's exactly how this sort of thing comes into being that is not normally shown in published sources. But it does tend to explain all sorts of things about why things occur.

I've just written another chapter for a book. Chris Westwick is doing a book - compilation editing really - a book on forecasting, profit forecasting, and he asked me to do something on construction problems.

You're going to have a very busy retirement [laugh].

I have got some business as well [laugh]. There is also a book that Baxter published which is a compilation of other things. You have got that book, have you?

Yes.

There's one of mine in there.

Yes, *Studies in Accounting Theory*. It was done with Davidson of Chicago. [It does not appear in the 1962 edition, edited by Baxter and Davidson under this title, so it must have been in the 1950 edition, edited by Baxter alone, under the title *Accounting Theory*. This was reprinted by Garland Press in 1996.]

So, as to the order of events. The approach to the English Institute was received with support, and then this working party was set up. You weren't instrumental in the list of people on the Joint Advisory Committee?

Well the Institute, I think it's right to say - with the exception of Harold Barton - the Institute was very suspicious of the whole thing. Hence this cumbersome constitution. An absurd constitution. I don't remember taking offence, at least at the time, but I thought it was ridiculously cumbersome. You know a 'Joint Advisory Committee' - in which, in other words, you make quite sure you have people talking about it, but with no right to publish anything on their own.

Well I was going to ask you precisely that [laugh].

Oh, exactly. Nobody ever said that, but it obviously was their solution. Harold Barton was very helpful, but I can't say that it was received with acclamation by the Institute. It was obviously regarded as an outlandish thing by 'this fellow Norris - you know, constantly writing for the papers

- so we'd better do something about it'. Although there were people actually on the working party were of course very helpful, most agreeable.

Well they were first rate people weren't they?

E. G. Turner. He was a terribly nice chap. He was a Mancunian too.

Who was he?

E. G. Turner.

I don't know the name.

Yes. He was a Mancunian - a very nice chap I can't remember his firm practice.

But he was in the profession rather than in industry?

Yes.

Whereas the others really were rather mixed, weren't they? Sewell Bray was an academic

Well, a fairly senior partner in Tansley Witt.

Yes, yes.

And Lawrence Robson. Lawrence of course is a great salesman. Have you met Lawrence Robson?

Yes, I have. He had his [auditing] firm, but his consultancy side was even more flourishing.

Yes, that's right. And Basil Smallpeice was possibly still at that time at Royal Doulton.

Yes, I believe so.

I can't remember his dates, but I knew him when he was at Royal Doulton. I knew him more briefly at British Railways, very, very briefly. And then when he got a difficult history with BOAC, of course, and then an even more difficult history with Cunard. There were lots of problems in his life.

Yes. And what about Mr Pearce? Now, he was at Peat's?

No. I'd forgotten he was involved. Now he was at Cooper Brothers, you know, with Henry Benson. He and Henry Benson were the makers of Cooper Brothers. A good old stick-in-the-mud firm, and then they, the two of them, both wonderful salesmen within the professional ethical standards, brought Cooper Brothers into the 20th century. I'd forgotten he was involved. I don't remember any great contribution from him, but he was a very agreeable chap. He's dead now, of course, but he and Henry Benson were leading lights for a long time. Turner was a very helpful chap. I think it was a Manchester firm.

So who of these would you remember as making the contributions? I can't imagine J. R. Hicks saying a great deal. He tends to be rather taciturn.

Isn't he, yes. Reddaway said really very much more. And me. No, not so much Hicks, as you say, but maybe Reddaway and Richard Stone - particularly me and Reddaway as I seem to remember.

Yes, yes, that sounds entirely consistent. As you say, it was very difficult to arrive at any agreement and this report came out in 1951, saying 'in the end, we agreed to differ'.

Yes, very much so. There wasn't much of a meeting of minds. In fact, positive suspicion on the part of the Institute establishment, I would say, while on the economists' side, they just don't have a grasp of book-keeping really, of accounting. They have got some ideas, but if you chuck to any of those economists the actual figures for a company, apart from the tedious procedure of doing it, they wouldn't really be able to produce a figure of profit, I don't think so. The actual, the whole mechanics of accounting - irrespective of whether they happen to agree or disagree it - would baffle them I think, really.

I think that must be right. Certainly, I've noticed some comments by Hicks who you would expect to have a pretty good grasp. But he published a book in 1965, 'Capital and Growth'. And towards the end of that there's a reference to what happens if technological changes reduce the attractiveness of some of your existing capital. And he comments, with very evident surprise, that he supposed it must lose some of its value. You must have to write it down! [laugh].

Yes. I'm sure that was a real problem, that they hadn't gone through the mill of the book-keeping and they can't really grasp what we are about. They can't get the grasp of the detail, really.

As you recall it now, was there any question that you wrote a report which was edited by the parent committee?

I don't think so; I don't remember that. I don't think we did. I mean, although there was obvious caution on the part of the Institute, I don't think there was any difficulty in publishing what we did publish, except that we came to an end when I would have liked to have gone on. And

there was no support from the Institute, so I couldn't go on any further than this just producing a list of agreements to differ, and definitions and so on.

Yes. You weren't involved as a member of the Taxation and Research Committee before the time of N12 in 1949? You wouldn't have been involved with the work on 'Recommendation N12' or 'N9'?

Which one was that?

On price-level accounting.

Well, no. I don't think I was involved. I've no recollection of involvement in that particular Recommendation. I don't remember direct involvement.

But you became a member of the 'Taxation and Financial Relations Committee', was it?

Er, I think it was called 'Taxation and Research', and eventually it changed its name to 'Taxation and Financial Relations'. I can't remember the dates now.

But you became a member of that, and that would have been in the 1940s?

It must have been, yes.

Right. You were moving from Deloitte to Vickers Armstrong in 1946. Were you involved with the Millard Tucker hearings [a government committee on reform of business taxation]?

Yes, I gave evidence.

That must have been on behalf of Vickers Armstrong?

No, no, not at all. On my own account.

Well, they were set up in - 1948/1949? I'm getting my dates mixed up there. I've just written an article on this, comparing the inflation accounting debate between 1947 and 1954 with the inflation accounting debate in the 1970s, and pointing out quite a number of parallels between them. So I ought to know this date off cold. There was Millard Tucker, and there was also the Royal Commission [on Taxation]. The Royal Commission was set up somewhat later. I think Millard Tucker must have been earlier, very early 1948.

I don't remember which I was giving evidence to. I put something forward to one or the other. I know I did something for them.

Your comments were specifically on the [Millard] Tucker Report in *The Banker* in 1951, but then of course they had only just reported.

Yes.

Do you think it's significant that the working party of the Institute with the National Institute of Economic and Social Research (NIESR) found it difficult to arrive at common ground? Whereas at about the same time there was a working party between the Certified Accountants and the Economist Intelligence Unit, and they did find some common ground because they were all industrial accountants. They all had their point of view that they could share in common. And they produced a book called *Accounting for Inflation* which was published in 1952, which was an extremely interesting study because it showed why there was a problem, it showed that industry's capital was being reduced in real terms. And this was a collaboration that did seem to come off and which was interesting.

I would think that they were concentrating on rather more specific problems.

That's right, very much so.

They had an impact?

They had no impact. I think for this reason - because it was a partial solution. Were you involved with the International Congress (in London) at all, in 1952?

No, not at all.

Because that was an interesting forum for exactly this reason. They had a tremendous debate on inflation accounting.

Now, I was involved with this 1970 thing at Cambridge, 'What is Profit?'

'What is Profit?' Yes.

I remember that one. I remember that the subject of long term contract profits arose.

Yes. Jim Slater was at that one, in his heyday.

And Graham Corbett and Richard Allen [R. S. Allen]. And Jim Slater. Jim Slater was very good. I was very impressed. I'd met him once before and I was terribly impressed.

Yes. You mentioned some teaching at LSE. When did this take place? This arose because of your ...

I can't pinpoint the precise date, but it was a suggestion from Will Baxter. I wouldn't know the exact date. 1946 or 1947 - something of that order.

And this was some evening classes?

Evening classes, yes.

Was Rowlands there then, S. W. Rowlands?

I don't think he was. No, I can't remember whether I met him; well, I must have done I suppose.

Well, he wasn't there for long. What about R. S. Edwards, Ronnie Edwards?

Oh well, I used to go to his once-a-week seminars. Yes, indeed, we used to go there. I don't know if I presented them but I certainly went there.

Well, Will Baxter came back from South Africa in 1947, so that probably was the date - around 1947/1948.

Yes, yes.

But there wasn't a lead into this at Deloitte - you weren't involved with their technical side, as it were? They probably didn't have a separate technical centre in those days.

No, no they didn't. They were generalists in those days [laugh].

Your work was on audit there?

Largely audit, yes; a bit of personal tax, and so on. Executorship accounts. I'm sure they are much more subdivided now. There were only seven

partners when I was there. I had dinner with them the other month at their Dining Society. There are 100-odd partners now. I knew them when there were only seven.

Were you involved with the build up of ‘non-practising’ members in the Institute?

Oh, yes.

It was a very marked change.

Oh yes, very much so - that's another aspect. Yes, certainly. In 1947 we started - there were a very small number of us, probably only about ten - we started something called 'London Industrial Chartered Accountants' Group' which essentially is a lunch group which faded away only in the last two years after 30 years. And that was very much a body of rebels who were pressing for stronger representation on the Institute top level. We really created an absolute hullabaloo in those days - all very respectable people. I can remember the names of nearly all of them. Apart from myself, there was Basil Smallpeice and Eric Davison, and there was Joe Latham, Sir Joseph Latham, who is still by the way active as a director of this company.

Oh is he?

I knew him way back. One or two others you might not know. Ray Robinson who was an internal auditor at Levers [Lever Brothers, later part of Unilever] and eventually went to be Finance Director at Rio Tinto [later RTZ], now retired. Clayton - Jack Clayton. And a few of us whom I'm not going to be able to remember - those were the main names.

Yes, that's very interesting.

We were agitating very strongly and created really a thorn on the side of the Institute - with considerable results.

Yes, with the objective of what?

The objective, rather a simple one at that time, of getting more industrial accountants on the Council - there were some, but they were few - and getting much more of an industrial outlook at Institute levels.

De Paula wasn't one of the early members of the Group?

No, no he wasn't. I mean, I knew him but he wasn't a member.

And who else would there have been?

Sandford Smith - Sandford Smith was in consultancy.

I don't know the name, Sandford?

J. M. Sandford Smith. He was Whitehead & Partners, who were consultants, and he was one of our early rebels.

But Lawrence Robson and Ian Morrow weren't involved?

No, no. I knew them both, but they weren't involved, no. This essentially was a grouping of industrial accountants. LICAG - London Industrial Chartered Accountants Group.

You didn't get involved with The 1949 Group; that was a dinner club?

That was one of the dinner groups. Did it arise out of Oxford [the ICAEW summer schools at Oxford]?

Yes, that's right.

I hadn't, no. You see the Cambridge School was the only one I ever went to, I participated in 1970. It was never a regular thing for me.

That was a loss to the Institute. It would have been useful to have kept you on as a lecturer for those. [laugh] What about the District Society? You mentioned involvement in the London District Society.

Yes, I was on the committee for the London District Society as an industrial representative. No, I wasn't. I was on as an employee - in the category of employees in professional firms. I was on when I was with Deloitte.

Good gracious.

That is going back a bit. I don't know what date that would be.

It wasn't called the District Society was it - it was called the London Society?

No, it wasn't. It always prided itself in those days on being different from all the provincial societies. 'The District Committee', or something like that. It didn't have separate finances, and the chairman prided himself on not having a badge of office like all these other ones [laugh]. Now it has, I am afraid - it has sunk to the level of the others.

Yes. That's interesting. I managed to pick up by chance in a book shop the history of Deloitte.

Oh yes, I've got that. I haven't read it, but I have got it.

I found it fascinating. And it's exactly the sort of thing that's useful in trying to recreate the histories. One of the few firms that has never

written a history of this century is PWs [Price Waterhouse], which is rather a pity because, with Gilbert Garnsey and Thomas Robson and some of those figures, it's been a significant firm.

I know the Deloitte people because, quite fortuitously, they happen to be our auditors here. I'm always ready to point out to them I'm the only person in the present company who has actually met Lord Plender [laugh]. [The firm was for some years known as Deloitte, Plender, Griffiths.]

Really!

None of the present people knew him.

Yes. What was your view - jumping out of sequence - what was your view on integration with the Society [Society of Incorporated Accountants and Auditors, which merged with the ICAEW in 1957]?

I was always 'anti'.

Really!

Mmmm. I've always felt that training in a professional office is a terribly good thing. I may have to be careful what I say when you come in here and my successor is a cost and management accountant - who is terribly good, I must say! But that's the view I've always maintained. And indeed London Industrial Chartered Accountants Group, our lunch group, fought it rather strongly.

Oh did it! That's interesting.

And the Institute took a lot notice of it. I know we had an evening dinner at which Ronnie Leach came along to attempt to justify it. And yet we

were not unanimous. We were not unanimous, but there was a majority against.

Bruce Sutherland wasn't involved?

No.

Because I know he was very 'anti' the integration. He was one of the people renowned for his opposition. The London Industrial Chartered Accountants Group, you say, wound up a couple of years ago?

Yes, it faded away really. It lost its original revolutionary urge. Its revolutionary spirits like Basil Smallpeice and myself and Eric Davison - we've either retired or gone respectable.

Yes, well I've met both Basil Smallpeice and Eric Hay Davison.

You've met Basil Smallpeice recently?

Yes, in the last year.

He's pretty well retired now.

Yes, he is.

Didn't did he remarry?

I don't know.

His wife died.

But he looked very bright and chirpy, just back from Australia and he was very full of beans. And Eric Davison is living very happily in Pickering.

Yes. Well, I know Ian Davison, his son, very well.

Yes.

I knew the whole family very well, quite fortuitously, apart from accounting.

I hadn't realised until I met Mr Davison senior that Ian had trained in articles in Tansley Witt's firm. He'd been articled with Tansley Witt, which was a link with Sewell Bray. Sewell Bray sounds as if he was quite a difficult character.

Yes. He published a great deal. I've always liked him personally, but I've never really agreed with all his books. I find them very difficult and discursive somehow or other.

Yes.

And I always thought he made things more complicated than they really were [laugh]. Is he still alive?

No. Unfortunately he died a year ago.

Oh, poor chap. I hadn't seen him for a very long time. I always got on really well with him.

And I suspect he must have been influential in the fortunes of Tansley Witt.

Yes, yes possibly.

Talking about the contents of books, and so on, could I trace your own views on inflation accounting and revaluation and replacement costs and so on?

Yes. Well, I couldn't remember about it when I got that note from Arno Press and it made me re-look at my own accounting theory. And I see I did touch on the subject. I don't think I quite go along now with what I was trying to say then. It looks to me as though I was trying to say that there should be recognition of the need to set aside the funds for asset replacement. But I think I was thinking of it as a reserve rather than a provision.

That is how I read it, certainly.

That's the way I read it myself. I don't remember now, but that was when I wrote the book. I think from articles after that it looks as though I must have revised my views not long after that.

Well, that was precisely what I suspected, and I was going to ask you about it.

But I wouldn't know until I'd had occasion to re-read what I'd written. I'd been attempting to promote the idea of provision for a certain amount of depreciation on a replacement basis a very long time ago - 30 years ago. And at that time it was a matter of considerable controversy. Jack Clayton and others used to write a lot about it. And then the subject seemed to fade away for a long time until, well, what seems recently but it probably is the last ten years in fact. But you know I haven't changed since, apart from the little diversion from my book. I haven't changed my views very much really.

Namely that a charge should be made in the calculation of profits?

Yes, that's right.

For replacement.

Well, except that in more recent years I've gone away from specific replacement. I'm what you might call a 'Sandilands' man. I was totally converted by the Institute's constant purchasing power method, you see.

Really?

I'm not really a believer in specific replacement costs, more in expressing the changes of value of money. This has caused terrible problems in our Working Party B on stocks and working progress. I don't know how many people are on it, under the chairmanship of Geoffrey Wilson - there will be about ten of them I suppose. I don't think any two people on that committee ever totally agreed with each other, I really don't think so. Nor do they totally agree with ED 18 as it was. But we've all said we must compromise - we must try to achieve something or other.

I did write what I thought was a rather good piece at the time. I don't know whether it is one. There is in fact a difference between profit measurement on the one hand, and what is needed for capital maintenance on the other hand

You did, yes.

I think I talked about the difference between a transport business with, say, three lorries purchased at the same time, and [one with] three lorries purchased over a succession of years. The actual capital requirement is different.

I think that was the debate you were having with [Kenneth] Lacey.

Was it? Yes. And nobody has picked me on this one, but I think it's a very, very interesting aspect. Different amounts of capital can carry on the same level of activity depending on the spread of ages and so on. This can change over the course of time as the ages can disperse, or get together, and all sorts of complications can happen. In other words, finance is a different matter. So I think it must have sprung out of that as I moved towards my support for the idea that we shouldn't be looking at specific costs of specific commodities or things but what we are really talking about is the change in the value of money. That's I think the sequence of thought. But whether I woke up one morning with this precise view I don't know, I'm not sure [laugh]. One is never sure when one changes one's mind.

Well, looking at the sample of things that I've read of yours - and I haven't read everything - there certainly seems to be a change between 1944 and 1949.

Yes. As I say, I can't pinpoint it, but as I say it didn't appear one bright morning in the spring or anything like that.

Yes, yes. In 1949 there was a very pragmatic article of yours on depreciation, allocations and so on, in Accounting Research. There you are comparing depreciation allocations with a view to maintaining monetary capital, real capital, and productive capital.

I think that's the one I'm thinking about. I remember writing on it. But since you've been having a look at all this in the last month or two you're probably more familiar with what I wrote than I am [laugh]!

Well, I don't want to interpret it wrongly you see.

No - I think that is the sequence of events.

Yes, yes. There are two dangers in my job. One is that I put my own interpretation which is a false one. And there is also another one, of course, which is that when I meet people I put the words into their mouth.

You are doing something on history are you?

Yes. I'm interested in the history of accounting thought - or accounting ideas. And, in particular, why it is that the arguments change. And this is where it seems to me terribly important to trace the rise in the industrial members, because the industrial members have an appreciation of the requirements of productive entities to keep their capital intact - to keep their earning power intact. They don't have the same concern for audit verification, which the practitioners necessarily have. This is why I believe that as the industrial members have become more significant, so the policy of the professional bodies changes accordingly.

Yes, indeed it does.

I want to go over to Harvard and find out whether the same thing happened in America. I can't see evidence of that but I think it must have happened there too: I want to go and find out in a month or so. The article, incidentally, which you wrote, which I have quoted a couple of times, in *The Banker* in May 1951 really is quite a vehement statement.

Have you got it with you, so that I can remind myself?

Yes I have. There.

This is one I gave you, or you found it anyway?

No, no, I took my own copy of that. I think you are rather appalled with the Institute's representation [on taxation] at the time.

Mind you, I think I seem to remember that I did look at this article quite recently, at home. And I think I thought to myself that, now that industry's paying hardly any corporation tax, I think I'd have to re-express what I said. I remember looking at that quite recently actually. So few of us are paying corporation tax these days. [Looking at the day's *Financial Times*.] There is a tiny quotation today. A company I've never heard of or will never hear of again, I'm sure. I think it's today. I'm totally angered at the present tax system [paper shuffling]. They are making an awful mess of the first year capital allowances. Yes: here's a tiny company, MS Light & Company. It's very tiny, but look at this profit result for the first three years - where are we? I think I added it up to the amount of nearly £500,000 - and the tax is £50,000. This is typical.

Yes, yes. It's not even the case that there was an enormous jump in the third year so you would want to take advantage of the first year basis for assessment.

No, it is absolute madness. This bedevilled the whole thing about adjusting for inflation. The Inland Revenue very strongly resisted the idea of indexation at the beginning. I was part of a deputation that visited Somerset House.

From?

About six years ago. Part of the accounting for inflation group.

Yes.

After Sandilands but before the VAT came out, the Revenue were very scared about any kind of adjustment - this subjective element. But now

it looks as though they are being pressed very strongly by the present administration to do something about it. Well, indeed, even the previous chancellor made some rather strong remarks in this direction didn't he?

There were also signs that the Price Commission before it got squashed was heading in this direction.

They were much more accepting. And, of course, the fact that the corporation tax is not being paid by so many industrial companies has got away ahead of it. So we're really stuck with paying tax on the introduction of inflation accounting.

It would be ironic, because that's been the real pressure for reform of inflation accounting.

It would. And the very fact that there is a very small tax burden has probably been emphasised in the published accounts by the deferred tax thing. Unless you look to the small print you didn't much notice it until now; now you do notice it.

What's your view on deferred tax?

Well, I'm rather very worried about it really. I don't know what the solution is. You know it's like you wanting to get from A to B and asking the way only to be told you wouldn't want to start from here. *The Investors Chronical* about a year ago had an article on the subject, which said: 'Pick your own tax charge' - which is just what it boils down to really. I mean, take us in this company. It's terribly difficult. We've decided to adopt some rules, but they are not the same as other people in our industry adopted. It's frightfully difficult. But, as I say, 'you wouldn't want to start from here!'. [laugh] I don't know what to do about it.

Well, there is a solution, I suppose, which is to put the clock back and go for the flow-through method rather than deferring. I'm not convinced in my mind that to defer actually produces any useful information. I don't think the investor uses the information net of the tax payment. I think they are much more inclined to go for the pre-tax figures.

Yes. But we've had an astronomical figure for deferred tax, its true. Now it is reduced to a pretty small figure [i.e. by the replacement of the Deferred Tax standard SSAP 11, which required full provision, by SSAP 15 in 1978 permitting partial provision]. And I have no strong views but the whole thing sounds scientific [laugh].

Yes. How did you actually get into all this stuff you've read - Paton and Littleton, and these texts. You have read such a lot in these early articles - such a lot of the leading writers - Canning and Fisher, apart from Hicks. Was this in the libraries in your evenings or something?

Possibly, yes. I can't even remember where from. I don't own them all. I don't know. The Institute Library, I suppose, I took a lot of them out of there, I suppose.

It seems so well guided, you know, because these were the important writers on the subject.

I didn't have anybody guiding me, I know! There was precious little other interest in the subject at the time. Even my rebellious friends in industry weren't particularly interested in these theoretical aspects really. Some people were, like Sewell Bray.

Did you get to know him at all well?

Yes, very well.

There was an article of yours in 1950 *Accounting Research* on the Exchequer Accounts which shows you were still interested in the national accounts.

Yes.

Did you ever become more formally involved with national accounting?

No, not at all. No. I did get especially interested, first of all, in the Exchequer Accounts and the other prominent thing I mentioned was accounting and state enterprise - which I may or may not have mentioned.

You did mention it.

I read a number of books - I still have some of them - on the whole problem, the theoretical aspects, or what I thought very theoretical, far removed from what you can really do in practice. There was an MP, a charming fellow called Evan Durbin who was a Labour MP who had written a book on the subject. I met him. The poor chap got drowned. There were one or two other people who had written books on this which I collected at the time. Frightfully fascinating. I think I was more of a left-wing supporter in those days than I am now [laugh]. But I wasn't particularly thinking of this from a political aspect.

No. Did you meet Robson - Professor Robson - at LSE: 'Red' Robson?

No.

Because he was one of these left wingers - Laski and so on - and he was very, very interested indeed in the question.

No. The only political chap I met was Evan Durbin who, quite apart from the fact that he was a Labour MP, was interested in this theoretical area and wrote a very good book on it.

But not to the point that you were involved with - you didn't go on the board of any nationalised industries?

No, not in the least.

Those problems are still unresolved.

Totally. They are absolutely acute at the moment. The gas and the electricity industry are fascinating. I'll probably be writing to *The Times* all over again! [laugh].

How closely did you know Basil Smallpeice at this time, because with the connection with BOAC you must have known him?

Yes. I knew him terribly well because he and I, with Eric Davison, really the three of us, were the founders of this industrial lunch group in 1947, the three of us were. They were the first, I was the secretary, and the three of us gathered a few others immediately. But the three of us were really the hard core.

Did your membership records survive?

No, they didn't unfortunately.

Oh, what a pity.

It's very careless of me, being the secretary - unless I've got them somewhere. I can't find them. I know that I have looked, because I later passed on the secretaryship. No, they didn't survive, which is rather sad. We'll have

a look at what did survive. [Phones his secretary] Do we have a box file to do with the London Industrial Chartered Accountants Group, do you think? [Pause] That green box file - thanks. [Looks inside] I don't think there's much very old in this. It's a pity it has folded up.

Well there is now the 100 Group' [of Finance Directors] isn't there? It must have taken over.

Well, yes. [Looking in the box file] Oddly enough there's a list of new members. It does give the dates that they joined.

[Reading] **Oh - Ken Bevan.**

He of course was very, very closely involved with Basil Smallpeice.

Well, he's a neighbour of mine. He lives in Storth [near Milnthorpe, Cumbria].

Does he? Well Kenneth Bevan was with Basil Smallpeice at Royal Doulton. He went with him to BOAC.

Oh, that's interesting - these are the dates of admission.

That's right. You can take that if you like. I've got several copies.

It would be most interesting; it would be very interesting indeed. [Reading] You also had J.S. Hamilton. I don't know anything about him.

Jim Hamilton - yes, he was latterly with the whisky people who I think were bought by Seagram's. I can't remember the name of it now.

Glenlivet?

I can't remember the name - I'm not good on whisky! [laugh]. I've got to go in not too terribly long.

Oh, all right yes, yes.

I've got a date. I hope I am not rushing you.

It's the other way round, actually.

I'd love to talk about it all afternoon, but I've got a meeting I've got to go to.

I'm an enthusiast. I get very excited.

It's a very fascinating subject, really.

One question which interests me very much is this. You do occasionally get conditions where practice changes. I don't think it's because theory persuades the changes, and the question that then arises is why does practice change. Now, it seems to me that high rates of inflation clearly have some effect, particularly on the valuation question. So, too, it seems to me, do falls in stock market prices. Now, I've been doing some work quite recently to see just when it is that the profession, in this country and in America - by which I mean the Institute and the AICPA - when do they actually take initiatives to set up working parties on 'general statements of accounting principles'? And in case after case after case, it [an initiative] has taken place at or shortly after a fall in stock market prices.

Really! How extraordinary.

Does this seem something plausible to you?

Anything can happen [laugh]. I'm not sure why it should.

Yes - here we are, this is the draft of a paper. I take America and Britain separately, so in both countries there is a period of 94 years. I'm taking the years in Britain and the years in America separately from about 1934 (to 1979). Over the 94 years, there were 19 occasions on which an initiative had been taken towards a broad general statement of accounting principles. And nine of those occurred in years when the stock market had fallen, ten when they didn't fall. Now that's not terribly convincing as it stands, but I think it is still interesting. Statistically, it is quite significant, because in the years when prices didn't fall, you didn't get these initiatives. This paper seems to suggest two things: first of all, when the stock market falls, this adds a little extra crisis, it adds a certain urgency to the question. And also that the profession acts when prices are rising - general prices are rising [that is, in the Retail Price Index and not the *Financial Times* 100 Stock Exchange Index].

Yes. I don't know - I'll have to think about that. I don't know why [laugh].

Anyway, just to wind up, let me just to run through and see whether there is anything that I was keen to ask that I haven't asked. I have asked about your views on inflation accounting. I have asked about the origins of the Joint Committee and that was exceptionally interesting. I've commented on the Tucker Report, and that seems to be consistent. The rise of industrial members you've referred to. The International Congress [of 1952]? - no. The integration issue, yes. I was going to ask whom should I seek to interview. Now in fact we've mentioned quite a number already, and I have interviewed a number of people.

Yes I think you probably have with all the names that I can think of.

What about one or two of the ones you just mentioned. [Consulting the list] Who is Mr Sandford Smith?

Yes - he's quite worth talking to. He's still alive, retired. He lives in London; I probably have his address.

Well, I can look him up.

Oddly enough he's now active as a silversmith - isn't that peculiar.

Good heavens!

That is his address.

Oh, thank you very much.

He published a book not all that long ago. I'm not sure if it's on management accounts.

Oh. Jeremy Sandford Smith?

No - Jim.

And similarly, Joseph Latham might be worth asking.

Yes. He is over 70. He wouldn't have been a very theoretical chap, but he was a revolutionary. I've know him for a very long time and he happens to be director of Wimpey, and indeed he's here one or two days a week in spite of the fact that he's over 70 years of age. He is a pretty active chap.

Yes. He wrote that very, very good book on the merger between AEI and GEC.

Yes, he did. Well, he of course he was with AEI. He was on the 'receiving end' of the Weinstock situation. [Weinstock chaired GEC, and was the instigator of the merger]

Yes. And what about Ray Robinson?

He retired a number of years ago. He is probably still around. but as I say he was a real 'tooter' [rebel] in his time.

J. N. Robinson.

J. R. Robinson.

J. R. - thank you. I wrote to Unilever not long back, asking whether they had any information on Kenneth Lacey. He was obviously an economist. He did write quite a lot of stuff.

Yes - he did.

I think that's fine. It remains just to say thank you very much indeed.

Nice to see you. If you have any views, it would be interesting to hear them.

Well I think it's important for standard setting. I trained with Dunlop's - I trained with Mr Eric Holt. I didn't like the idea of auditing, and I believed that since I wanted to work in industry I might as well train there, as a Certified Accountant. And I'm involved with the Accounting Standards Technical Committee there [at the ACCA]. One of the things I'm concerned with here, obviously, is whether theory has got a useful role to play - what sort of role can we play in informing practice? I think it's a very important question.

Who do I know from Dunlop's. Kenneth Gardener?

Yes - Kenneth Gardener is on the 100 Group.

Yes. You see the 100 Group had a small working party quite recently on what should we say about ED 24.

ED 24.

He's the chairman of the study group.

Were the views encouraging?

Er, yes. Yes, I think we gave it a general blessing. We managed to write about three pages, I think. Everyone that I know is saying: 'I don't quite agree, but it's a step forward'. Let's not rock the boat - there are political overtones to the whole thing. The whole disaster of ED 8 and ED 18 is really terrible for the profession, so we are all ready to forget our differences and go forward as though we were one man when we are not quite.

Absolutely. I don't like the 'gearing adjustment', but I don't think it is going to do any serious harm.

No. I don't think I entirely understand it, actually [laugh], but the thing seems to be a step forward.

Were you ever involved with the inflation accounting committees of the Institute? Bill Fea was involved with, I think, two of them, and W. E. Parker was involved.

Yes. I knew Parker. But I don't think I was. I don't think so.

Oh, I should give you these articles back.

No, no need to. I gave you the ones of which I had more copies.

Thank you very much indeed.



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