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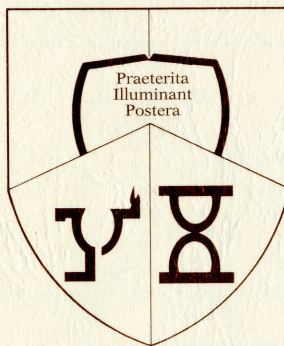
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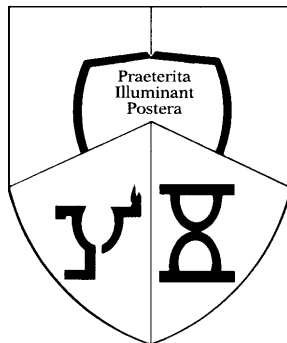


The
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December 2008
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Research on the Evolution of Accounting
Thought and Accounting Practice

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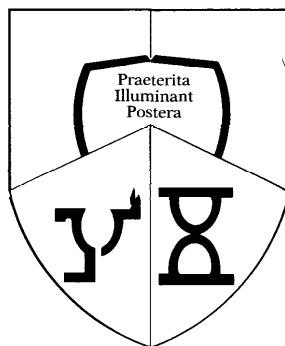
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Statement of Policy

The *Accounting Historians Journal* is an international journal that addresses the development of accounting thought and practice. *AHJ* embraces all subject matter related to accounting history, including but not limited to research that provides an historical perspective on contemporary accounting issues.

Authors may find the following guidelines helpful.

1. Authors should provide a clear specification of the research issue or problem addressed and the motivation for the study.
2. Authors should describe the method employed in the research, indicating the extent and manner in which they intend to employ the methodology. Manuscripts are encouraged that draw on a variety of conceptual frameworks and techniques, including those used in other social sciences.
3. Manuscripts that rely on primary sources should contain a statement specifying the original materials or data collected or analyzed and the rationale used in selection of those source materials. Authors should provide the reader information as to how these source materials may be accessed.
4. Authors who use a critical or new theoretical framework to examine prior historical interpretations of the development of accounting thought or practice should include a discussion of the rationale for use of that framework in the manuscript.
5. In performing all analyses, authors should be sensitive to and take adequate account of the social, political, and economic contexts of the time period examined and of other environmental factors.
6. While historians have long debated the ability to assign causation to particular factors, we encourage authors to address and evaluate the probable influences related to the problem or issue examined.
7. Authors should clearly state all their interpretations of results, and the conclusions they draw should be consistent with the original objectives of and data used in the study. Interpretations and conclusions should be clearly linked to the research problem. Authors also should state the implications of the study for future research.

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Guide for Manuscript Submission

Manuscripts for review should be submitted by e-mail attachment to fleischman@jcu.edu or christopher.napier@rhul.ac.uk and formatted in Microsoft Word. The identity of author(s) should not appear on the attached file — only on the accompanying e-mail transmission. Additional correspondence may be sent to Professor Richard Fleischman, 6818 74th Street Circle East, Bradenton, FL 34203 USA (telephone 941-580-3719) or Christopher Napier, School of Management, Royal Holloway, University of London, Egham, Surrey TW20 0EX, UK (telephone 44-1784-276121). There is no submission fee, although authors are urged to consider joining The Academy of Accounting Historians by completing the membership application form on the inside of the back cover. Papers which have been published, accepted for publication elsewhere, or are under consideration by another journal are not invited. The *Accounting Historians Journal* will accept a variety of presentation formats for initial submission as long as the writing style is reflective of careful scholarship. Notwithstanding, authors should attend to the following guidelines:

1. An abstract of approximately 100 words on a page that includes the article's title but no identification of the author(s).
2. A limited number of content footnotes.
3. A limited number of tables, figures, etc., appended at the conclusion of the text, but whose positioning in the narrative is indicated.
4. References are to appear in brackets within the text. Specific page numbers are mandatory for all direct quotes but are optional otherwise.
5. A bibliography of all references cited in the text.
6. Manuscripts should not exceed 10,000 words in length.

Upon acceptance or an invitation to revise and resubmit, authors will be sent a style sheet which must be followed conscientiously for all subsequent revisions of the paper. Once the article is accepted, the editor will request the submission of a diskette prepared in Microsoft Word. If time permits, authors will be sent galley proofs. However, the inclusion of additional material will be severely limited.

Authors will be provided with 3 copies of the *AHJ* issue in which the manuscript is published. Reprints may be ordered by arrangement with the publisher.

NOTES FROM THE EDITOR

2007 Manuscript Awards

I am pleased to announce the following winners of the annual *AHJ* Manuscript Competition for Volume 34 (2007) which awards \$500 for the article judged best by the editorial board and \$250 for each of two others for excellence:

WINNER: Charles (Bill) W. Wootton and Barbara E. Kemmerer, "The Emergence of Mechanical Accounting in the U.S., 1880-1930"

RUNNERS-UP: John (Dick) R. Edwards and Stephen P. Walker, "Accountants in the British Census"

Jean L. Heck and Robert E. Jensen, "An Analysis of the Evolution of Research Contributions by *The Accounting Review*, 1925-2005"

Congratulations for these fine pieces of work.

New Editors (2009-2011)

The Academy of Accounting Historians has selected Richard Fleischman and Christopher Napier to be joint editors of *AHJ* for the next three-year term, commencing January 1, 2009. Professor Fleischman will coordinate the review of submitted papers that appear to be oriented toward the Western Hemisphere, either by virtue of topical area or authorship. Professor Napier will process papers emanating from the remainder of the world. Editor Fleischman would like to express thanks to Christopher for agreeing to share editorial duties.

Dr. Fleischman would also like to thank Cheryl McWatters who is retiring after many years of meritorious service to *AHJ* as Interfaces editor. Since Cheryl is irreplaceable, the new coeditors, not wishing to see the highly successful feature perish, will attempt to muddle along jointly in the shoes Cheryl now vacates.

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PROFESSIONAL LEADERSHIP AND OLIGARCHY: THE CASE OF THE ICAEW

Abstract: This paper examines the difficulty of achieving representative and effective governance of a professional body. The collective studied for this purpose is the Institute of Chartered Accountants in England and Wales (formed 1880) which, throughout its existence, has possessed the largest membership among British accounting associations. Drawing on the political theory of organization, we will explain why, despite a series of measures taken to make the constitution of its Council more representative between formation date and 1970, the failure of the 1970 scheme for integrating the entire U.K. accountancy profession remained attributable to the “detachment of office bearers from their constituents” [Shackleton and Walker, 2001, p. 277]. We also trace the failure of attempts to restore the Council’s authority over a period approaching four decades since that “disaster” occurred [*Accountancy*, September 1970, p. 637].

INTRODUCTION

Voluntary associations in common with organizational entities in general have at the apex of their administrative structure a body charged with the responsibility of leadership. In the case of professional associations, such leadership has as a central motivation the pursuit of the professional project on behalf of its members. However, Macdonald [1995, pp. 57-58, 204-205] explains how the membership of a professional body can constrain the capacity of its leadership to mobilize economic, social, po-

Acknowledgments: We express our gratitude and appreciation to Stephen P. Walker, Trevor Boyns, Roy Chandler, and Malcolm Anderson for constructive comments made at draft stages of this paper. This study has also benefited from helpful comments made by participants at the 2004 World Congress of Accounting Historians in St. Louis and Oxford, the 2004 Annual Conference of the Association of Accounting Historians at Tokyo Metropolitan University, Japan, and from the inputs of two anonymous referees. Financial support from the Institute of Chartered Accountants of Scotland and Daiwa Anglo-Japanese Foundation (small grant ref: 4949) is gratefully acknowledged.

litical, and organizational resources in pursuit of a professional project. Using the Institute of Chartered Accountants in England and Wales (ICAEW) for this case study, we find no shortage of examples of this happening in the last ten years or so. For example, the Council's 2001 proposal to restructure the ICAEW's traditional district society system was overtly challenged and contended in a poll [*Accountancy*, August 2001, p. 12]. Council's plans in 1996 and 1999 to introduce electives (optional papers) into the ICAEW's final examinations met strong opposition and were rejected by the membership [*Accountancy*, February 1996, p. 11; July 1999, p. 6]. Indeed, members have been proactive as well as reactive in challenging the authority of Council. Initiatives taken in 1996 and 1998, designed to achieve direct election of the ICAEW president by the membership rather than by the Council, although defeated in a poll, have been judged to effect a diminution of its credibility [*Accountancy*, February 1996, p. 12; July 1998, p. 20].

Momentous events that further highlight the persistent lack of authority on the part of the Council are the series of failed merger initiatives, including a number in the recent past, where the aspirations of the ICAEW's leadership were thwarted by the membership. The fragmented organizational structure of the U.K. accountancy profession can be traced to the diverse nature of the work undertaken by British accountants in the second half of the 19th century [Edwards and Walker, 2007]. Merger initiatives have been intended to reduce the plethora of societies which, for example, totaled at least 17 in the early 1930s [Stacey, 1954, p. 138] and, as a result, produce the advantages associated with a more unified accountancy profession [Shackleton and Walker, 2001, p. 166; Council Minutes Book Y, p. 148]. There have of course been important instances of successful mergers which include amalgamation of the five societies formed in English cities (Liverpool, London, Manchester, and Sheffield) during the 1870s to create the ICAEW in 1880; combination of the three city-based (Aberdeen, Edinburgh, and Glasgow) societies formed in Scotland in the 19th century to create the Institute of Chartered Accountants of Scotland (ICAS) in 1951; and the merger of the London Association of Accountants and the Corporation of Accountants in Scotland to form, in 1939, what is today known as the Association of Chartered Certified Accountants [Edwards, 2003]. The only other major reorganization of the British accounting profession occurred in 1957 when the second largest accountancy body in Britain, the Society of Incorporated Accountants and Auditors, was dissolved with its members joining

one or other of the then three chartered bodies.

There has been no further merger involving any of the senior professional bodies in Britain for half a century, during which time many initiatives have in fact been mounted only to have then foundered. The first of these marked an event which serves as the focal point for this study – the “disaster” [*Accountancy*, September 1970, p. 637] that occurred when the ICAEW’s membership rejected its leadership’s plan to merge all six senior accountancy bodies in 1970. Subsequent aborted merger plans include the ICAS with the ICAEW in 1989, the Chartered Institute of Public Finance and Accountancy (CIPFA) with the ICAEW in 1990 and 2005, and the Chartered Institute of Management Accountants with the ICAEW in 1996 and 2004. The reasons for failure are seen to be broadly common, “internal wrangling and fiercely guarded brand values” [Perry, 2004].¹

Every time a proposed merger fails, division between the ICAEW Council and its membership is highlighted [Wild, 2005], the authority of Council is problematized, and more representative arrangements in the Council’s composition are demanded. For example, a letter published in *Accountancy* [July 1996, p. 130] stated that:

Elected but out of touch...Not only is there no means by which the elected Council members do receive the views of their constituents, but their behavior in recent years has shown them to be seriously out of touch with members’ wishes. The issue of merger, for example, has shown time and time again that the Council members did not know, or chose to ignore, the view of their constituents.

The purposes of this study are to explain why the ICAEW Council came to be “detached” from the interests of the membership, lost its authority with the membership, and subsequently failed to re-establish it. To achieve these objectives, the remainder of this paper is constructed in the following manner. First, we locate our study within the relevant prior accounting history literature. Next, we review germane features of the political theory of organization to establish an analytical framework for examining the intra-organizational dynamics between different groups of members within the ICAEW. We then consider whether the ICAEW’s internal regulations succeeded in making provision for a democratically run organization and identify

¹ See also, “Membership ‘Time Bomb’ Drives ICAEW Merger Plan” [2004] and “Members Split on ICAEW-CIMA-CIPFA Merger” [2004].

and distinguish types of criticisms directed in practice at the representative character of the leadership by members and the professional press. In so doing, and by reference to the analytical framework, we trace and analyze the reform of the arrangements made for the election of ICAEW councilors during the period prior to 1970, and consider their effectiveness. We then examine the reasons for the collapse of the scheme for integrating the entire British accountancy profession, drawing attention to and presenting evidence to demonstrate the “detachment of office bearers from their constituents” [Shackleton and Walker, 2001, p. 277]. Finally, we examine and analyze the failure of numerous attempts to restore the Council’s authority over a period approaching four decades since that calamity occurred.

The main primary sources consulted for the purpose of this study are located at the Guildhall Library, London, and the ICAEW’s office in Milton Keynes.

INTRA-ORGANIZATIONAL DYNAMICS IN ACCOUNTING HISTORY

There exists a substantial critical literature on the professionalization of accountancy which is marked by studies of closure strategies² pursued by professional accountancy bodies. Many of the works of this genre focus on external relationships – inter-organizational, inter-occupational, and, particularly, state-profession – in the endeavor to offer a “coherent explanation of why some occupations [or segments] successfully become accepted as professionalized whilst others do not” [Cooper and Robson, 1990, p. 374]. There is also a developing literature that spotlights the significance of intra-organizational relationships within an accountancy body, focusing, in the main, on dichotomies between the leadership and the rank-and-file.

Extending work on closure strategies, one strand of the studies of internal relationships examines the interface between the accounting profession and the state. Chua and Poullaos [1993] include an examination of the need to address the concerns of practitioners and non-practitioners when Victorian accountants were attempting to secure state recognition by royal charter between 1885 and 1906. Carnegie et al. [2003] employ the prosopographical method of inquiry to explain why key members of the Incorporated Institute of Accountants, Victoria,

² Murphy [1984, p. 548] defines closure as “the process of mobilizing power in order to enhance or defend a group’s share of rewards or resources.”

transferred their allegiance to the Australasian Corporation of Public Accountants in order to better pursue acquisition of a charter for those in public practice. Richardson's [1989, p. 415] study of the regulation of accountancy "illustrates the relationship between the internal social order of the profession and its involvement in corporatist structures in one particular jurisdiction," that of Ontario, Canada. He draws on Gramsci's theory of hegemony to examine the way in which consent was manufactured and dissent managed during creation of the Public Accountants Council. Shackleton's [1995, p. 40] study of Scottish chartered accountants up to World War I reveals "significant schisms" within the membership of the dominant Society of Accountants in Edinburgh that problematized relationships with the state over the period 1853-1916. Noguchi and Edwards' [2004a] study of the ICAEW leadership's determination to ensure that its 1944 submission to the Cohen Committee on Company Law Amendment was consistent with state priorities resulted in rejection of unwelcome proposals put forward by district societies and refusal of requests to make independent submissions. Noguchi and Edwards [2004b] reveal disagreement between practicing and industrial members concerning how to tackle the pressing issue of inflation accounting between 1948 and 1966, and demonstrate how the Council of the ICAEW resolved this internal conflict within the constraints imposed by the need to be seen to behave in the "public interest."

A second type of intra-organizational investigation focuses on the interaction between the leadership and the membership of an accountancy body over contentious issues such as merger with other professional associations. Often, a key concern of the members is the loss of product branding which is deemed to be an important part of members' identity in the marketplace and, therefore, "infused with value" [Richardson and Jones, 2007, pp. 135-136]. Richardson and Jones show the process through which the 2004 proposed merger between the Canadian Institute of Chartered Accountants and CMA Canada failed, "largely because of the reaction of members of each association to either the potential loss of their designation [in order to join the merged body] or the dilution of their 'brand' equity [by granting the continuing designation to new members through the merger rather than through traditional entry processes]." In the U.S., the AICPA's global credential initiative was put to a vote, in January 2002, which "revealed a startling disconnect between the elite of the profession and the members in whose name they claimed to work" [Fogarty et al., 2006, p.16; see also, Shafer

and Gendron, 2005]. Within the British context, Shackleton and Walker's [2001, p. 235] study of the period 1957-1970 explains how Henry Benson's early (1966) acknowledgment of the fact that the merger "proposals would initially involve dilution and, therefore, a reduction in status as a starting point" proved too bitter a pill for ICAEW members to swallow.

Following the second line of investigation, this study conducts a theoretically informed analysis of conflict of interest between different groups of the membership arising from the constitutional arrangements made for the election of the ICAEW's Council. In the next section, we review relevant aspects of the political theory of organization to establish the analytical framework for this study.

POLITICAL THEORY OF ORGANIZATION

Building on Max Weber's thesis on bureaucracy, Michels [1962, p. 365] formulated a political theory called "the iron law of oligarchy" in his book *Political Parties*, first published in 1911. "Whoever says organization, says oligarchy," he argued, on the grounds that all forms of organization, as the inevitable outcome of their growth, eventually develop into an oligarchic polity despite the continued existence of formal democratic practices. Jenkins [1977, p. 569] called this facet of Michels' iron law the "organizational transformation" thesis. Scott [2003, p. 343] agrees that "most unions, most professional associations and other types of voluntary associations, and most political parties exhibit oligarchical leadership structures."

Emergence of Oligarchy: Following Cassinelli [1953], Jenkins [1977, p. 571] defines oligarchy as "the ability of a minority in an organization, generally the formal leadership, to make decisions free of controls exercised by the remainder of the organization, generally the membership," and further explains: "For a voluntary organization officially committed to pursuing the interests of members...oligarchy means that the policies of the organization reflect the preferences of elites rather than the views and interests of its members."³

Oligarchy emerges because leaders of the organization wish to maintain their place on the ruling body and "because the positions provide them with economic rewards and social status"

³Leach [2005, p. 316] stated that "oligarchy is best understood as a particular distribution of illegitimate power that has become entrenched over time."

[Osterman, 2006, p. 623]. Once leaders are appointed, they use their position to maintain, or if possible enhance, their power or attendant prestige by controlling the flow of information within the organization and mobilizing their political and organizational resources, with the result that the rank-and-file of the organization are deprived of opportunities to exercise its own power to challenge the leadership [Lipset et al., 1956]. According to Jenkins [1977, p. 569]:

As the organization experiences membership increase, the ability of members to participate directly in the making of policy is curtailed. The members may retain formal control through the election of officers. However, growth also entails installation of centralized means of communication and formalized procedures. Both of these factors insulate officers from controls by members despite the check of periodic elections. Officers can use centralized communications to control the agenda of issues and can block challenges through formal procedures and administrative co-optation.

Importantly, the leaders have the power to co-opt junior officials who share their values and orientation, with the result that the oligarchy becomes self-perpetuating.

Subsequent Development of Political Theory: Empirical and theoretical studies that followed the Weber-Michels model of organization elaborated it along three main lines – an explication of the sources, dynamics, and consequences of the “iron law”; an empirical testing of the model; and “an examination of contingent circumstances in which the iron law does not take hold or when it is reversed” [Osterman, 2006, p. 622]. The third line is particularly significant because it amends the model’s universality by arguing that the advent of oligarchy is not inevitable, as Michels claimed, but contingent on a particular set of conditions.

The case for the contingent nature of oligarchy was persuasively presented by Zald and Ash [1966, pp. 328, 340], who criticized the Weber-Michels model as ignoring environmental factors surrounding organizations and insisted that “the Weber-Michels model can be subsumed under a more general approach...which specifies the condition under which alternative transformation processes take place.” They examined various conditional terms, both internal and external (including interaction with other organizations), and concluded that there is no evidence confirming the inevitable advent of oligarchy.

The argument of Zald and Ash [1966] encouraged subsequent empirical studies of the contingent nature of oligarchy. Jenkins [1977, p. 570], drawing on the results of Edelstein and Warner [1976] and Rothschild-Whitt [1976], argued that the advent of oligarchy depends upon such factors as absence of influential factions, weak procedural guarantees in competitive elections, and differences in ideological commitments between elite and general members. Other studies identify the following additional conditions that influence whether oligarchy emerges – characteristics and social status of the organization's members [Lipset et al., 1956; Clemens, 1993], decision-making structure, characteristics of the leadership, and age of the organization [Staggenborg, 1988; Minkoff, 1999].

Germane to this study, the question of how organizations can reverse or break away from an oligarchic situation has also been actively researched [Osterman, 2006, p. 625]. Voss and Sherman [2000, p. 304] examined the revitalization process of the American labor movement that had suffered “the entrenched leadership and conservative transformation associated with Michels's iron law of oligarchy,” while Isaac and Christiansen [2002] depicted the process of how workplace labor militancy was revitalized by civil rights movement insurgencies and organization. The most widely recognized phenomenon caused by oligarchy is loss of commitment and energy on the part of the membership, which Zald and Ash [1966, p. 334] called “becalm-ing.” Piven and Cloward [1977] described how membership's energy is lost when an organization for a poor peoples' movement becomes bureaucratized, while Voss and Sherman [2000] revealed that the decline of the labor union movement was caused by the loss of membership commitment. In the context of the labor union movement, Voss and Sherman [2000, pp. 304-305, 309] identified three pre-conditions for overcoming oligarchic symptoms and restoring organizational vitality:

First, some local unions experienced an internal political crisis that fostered the entry of new leadership, either through international union intervention or local elections. Second, these new leaders had activist experience in other social movements, which led them to interpret labor's decline as a mandate to organize and gave them the skills and vision to implement new organizing programs using disruptive tactics. Finally, international unions with leaders committed to organizing in new ways facilitated the entry of these activists into locals and provided locals with the resources and

legitimacy to make change that facilitated the process of organizational transformation.

Voss and Sherman further suggest potential for their findings to be applicable to other organizations by stating that the factors identified “provide a useful template with which to examine other institutionalized organizations that innovate in a radical direction or fail to do so.”⁴ Among the factors Voss and Sherman identified, political crisis within the organization⁵ and an influx of new leaders to wield influence, are of importance to this study.

We can therefore conclude that the political theory of organization is a promising basis for analyzing the problematic leadership of the ICAEW because the theory postulates that all leaderships have the potential to become oligarchic as they grow; the theory is applicable to voluntary associations such as professional bodies; the theory suggests that the leadership’s determination to maintain control causes them to pursue policies that are in their interests rather than those of the general membership; and growth in size and the development of organizational structures limit the members’ power to influence/control the leadership. But the theory also acknowledges the fact that oligarchy is not inevitable; it depends on internal conditions and can be overcome in appropriate environmental circumstances.

CONSTRUCTING A DEMOCRATICALLY ELECTED COUNCIL

The organizational structure of the ICAEW consists of the Council and a variety of sub-systems which include district societies and numerous Council-appointed committees. The Royal Charter (1880) gave Council responsibility for the management and superintendence of the Institute’s affairs and, as “the policy-making body,” it has reigned over the ICAEW throughout its history. Given the purpose of this paper, it is necessary to consider whether the ICAEW’s internal regulations match the theoretical characteristics of a democratically created organization.

According to Merton [1966, pp. 1057-1058], “The democratic organization provides for an inclusive electorate of members

⁴Voss and Sherman [2000, p. 345] added that “the elements of crisis, new leaders with novel interpretations, and centralized pressure are likely to be key.”

⁵Voss and Sherman [2000, pp. 327, 343] identified disastrous strikes and mismanagement of the local union as examples of political crises and concluded: “These crises were important primarily because they resulted in a change in leadership” and that “radical changes necessitate new leadership.”

and for regularly scheduled elections.” Merton adds: “The democratic organization must provide for initiatives of policy to come from elected representatives and to be evaluated by the membership through recurrent elections of representatives.” Thus,

In one form or another, a democracy must provide for a legislative body: a Congress, a Parliament, or a House of Delegates...It is, therefore, all the more important that a voluntary association's legislative body, which usually represents the near-ultimate authority of the association, be representative of the diverse interests and values of the entire membership.

The ICAEW's Royal Charter provided that the power of the Council should be subject to the control and regulation of special and annual general meetings (AGMs). The original by-laws provided for the Council to consist of 45 members of whom the nine longest serving were required to retire each year and were eligible for re-election. Filling a vacancy on the Council required formal approval at an AGM. Provision was made for additional candidates to be nominated in writing by ten members. In the event of a vacancy occurring between AGMs, the Council was empowered to appoint a replacement who would retire and be eligible for re-election on the same date as the person replaced. At meetings of the ICAEW, members had equal voting rights and, therefore, were able to make their voices heard and views reflected in the organization's affairs, either directly through the approval of major decisions taken by the Council (e.g., proposals to reform the by-laws) or indirectly through the elections of councilors.

CRITICISM OF LEADERSHIP ARRANGEMENTS

The previous section reveals that the policy formulation and decision-making criteria for a democratically run organization were formally satisfied in the case of the ICAEW, and one might therefore expect the legislative body, the Council, to be “representative of the diverse interests and values of the entire membership” [Merton, 1966, p. 1058]. In practice, the Council was, from very early on, judged by both the membership and the accounting press to consist instead of self-perpetuating elites. There were four inter-related elements in the criticism of how the ICAEW's leadership was constituted in practice – over-representation of leading firms, unbalanced geographical representation, biased re-election arrangements, and non-representation of business members.

Over-Representation of Leading Firms: The ICAEW's first Council included five cases of two members coming from a single accounting firm.⁶ Apart from Thomas, Wade, Guthrie & Co., these were all London partnerships. The author of the ICAEW's official history, himself a former president, records that criticism of this feature of the Council's composition was aired early on [Howitt, 1966, p. 28]:

It was advanced that the affairs of the Institute were being handled by too small and privileged a circle, and at the second Annual General Meeting in 1883 a motion was proposed to prevent any firm of accountants from being represented by more than one member on the Council...The question remained a contentious one.

The Council's response was that this arrangement had been given "the most grave consideration...at the foundation of the Institute" [*Accountant*, May 5, 1883, p. 13] but allowed to stand. Indeed, it had been created because of the desire to present a strong public profile. According to councilor C.F. Kemp, citing the example of representations made to the government concerning the Bankruptcy Bill 1883, "it was necessary to bring the greatest possible influence they could obtain to bear, and... without the recognised names which they possessed they [the ICAEW] would not be in the position which they now occupied" [*Accountant*, May 5, 1883, p. 11]. However, to prevent any further extension of the representation of leading firms, it became an "unwritten rule" that "not more than two partners in the same firm should serve on the Council at the same time" [Council Minute Book Y, p. 4; File 1490].⁷

Geographical Representation: The ICAEW was originally formed from the amalgamation of five societies, of which four primarily catered for public accountants working in the cities where they were formed – Liverpool, London, Manchester, and Shef-

⁶E. Guthrie and C.H. Wade from Thomas, Wade, Guthrie & Co.; R.P. Harding and F. Whinney from Harding, Whinney & Co.; A.C. Harper and E.N. Harper from E. Norton Harper & Sons; W. Turquand and J. Young from Turquand, Youngs & Co.; and W.W. Deloitte and J.G. Griffiths from Deloitte, Dever, Griffiths & Co.

⁷This rule was abandoned in 1966 because "it could prohibit members who could give valuable service to the Institute as members of the Council from being appointed to the Council" [Council Minute Book Y, p. 42]. From that date, Council adopted a "rule of guidance" that "not more than three members in direct partnership relationship may serve concurrently as members of the Council" [Council Minute Book Z, p. 92].

field. The inaugural 45 Council seats were, with two exceptions,⁸ allocated between the founding associations [Howitt, 1966, p. 24]⁹ and, therefore, were inevitably heavily biased in favor of those geographical areas. The geographical distribution of Council membership was questioned at the very first AGM held on June 7, 1882, when A. Murray suggested that “Such towns as Newcastle and Bristol should be represented” [*Accountant*, June 10, 1882, p. 10]. G.B. Monkhouse, Newcastle upon Tyne, and E.G. Clarke, Bristol, were appointed to the Council later that year, and the 1883 AGM was informed that Council had been “strengthened” by the election of these “eminent accountants from districts hitherto unrepresented” [*Accountant*, May 5, 1883, p. 13].

The ICAEW’s leadership did not immediately embrace enthusiastically the notion of geographical equality, however, with the General Purposes Committee (GPC) deciding in July 1888 that “it is not desirable to go into statistics of membership with a view to redistribution of the members of the Council among the various districts in proportion to the members of the Institute residing in those districts” [Ms.28416/1, p. 97]. Within a decade, we detect a softening of the GPC’s stance when recommending in October 1897 that south Wales be represented for the first time on the Council through the appointment of R.G. Cawker [Ms.28416/2, pp. 10, 15]. Council again remained unmoved, but gradually responded to pressure for provincial representation so that, by 1901, a revised quota system had been instituted. Of the 45 available places, 12 were allocated to the four existing societies (Birmingham, Liverpool, Manchester, and Northern) and a further eight to major cities. The remaining 25 places were reserved for London members.

The opening move to improve further provincial representation occurred at the 1901 AGM when W.R. Hamilton of Nottingham complained of “the over-representation of London” and requested the Council to take steps designed to achieve representation on the Council “in some measure corresponding to the [geographical] distribution of accountants” [*Accountant*, May 4, 1901, pp. 534-535]. This plea met with a stonewalling response

⁸Through effective political manoeuvring [Walker, 2004, chapter 11], Edwin Guthrie and Charles Henry Wade, who belonged to none of the five merging institutions, were not only admitted as founder members but were also allocated seats on the Council.

⁹Of 45 Council seats, 20 were allocated to the Institute of Accountants, 14 to the Society of Accountants, three to the Manchester Institute (in addition to Wade and Guthrie), and three each to the Liverpool Society and the Sheffield Institute.

from Ernest Cooper, president 1899-1901, who insisted that "all they [the Council] desired was the best possible process of getting the best possible men on the Council" [*Accountant*, May 4, 1901, p. 536], further explaining that the role of the quota system was to help maintain "a fair proportion between the country members and the London members." If, instead, the matter was left to the general body of members, Cooper believed that the inevitable result would be "to elect far more London men than at present, because the great body would be in London" [*Accountant*, May 4, 1901, pp. 536-537].¹⁰

Continued and persistent complaints from provincial members eventually produced positive results, with the grant of Council representation often appearing to follow as a reward for forming a local society.¹¹ A wider degree of provincial members' representation on Council was therefore achieved, with the selection of members being made by the Council based on nominations from provincial societies. However, wider representation for the provinces did not necessarily mean *increased* representation. By 1950, 13 provincial societies had been created, and the number of Council members assigned to them was 21, only one seat more than the 1901 allocation. The majority (24) of Council seats continued to be assigned to London members.

Re-election Arrangements: There were a number of features of the re-election arrangements which were thought to have perpetuated control by elites on the Council and to have made it difficult to counter its biased composition both in terms of geography and the favoritism accorded the leading firms.

Those retiring by rotation were routinely re-elected, causing a contributor to *The Accountant* to complain that "the Council is *not* representative as it should be by the Bye-laws of the Charter. For the last nineteen years (I think without a single exception) the Council have re-elected themselves!" [*Accountant*, June 9, 1900, p. 533]. Criticisms were also directed, persistently and vehemently, at the practice of the Council filling vacancies that arose between annual meetings, an action which, it was felt, de-

¹⁰The dissatisfaction among Nottingham members was settled in 1907, when T.G. Mellors of Mellors, Basden & Mellors, Nottingham was appointed to the Council. *The Accountant* [December 14, 1907, p. 726] reported that "The appointment is an excellent one in every way; but perhaps especially so because it removes a grievance under which Nottingham has been suffering for some years past."

¹¹Nottingham (1907), South Wales (1913), Leicester (1930), South Eastern Society (1939), East Anglian Society (1939)

prived the membership from having its say at the next AGM: "If a councillor dies or retires a Mr. Brown or a Mr. Jones is given the situation, and the members who annually retire by rotation are re-elected *nem. con*" [*Accountant*, June 9, 1900, p. 533].¹² The issue was raised at the 1901 AGM when Hamilton referred "to the very old grievance of the filling-up of vacancies occurring in the Council during the year by the Council, instead of leaving those vacancies to be filled up by the members" [*Accountant*, May 4, 1901, p. 534]. Proposals that casual vacancies should be left unfilled until the next AGM, made at Council meetings by such luminaries as Frederick Whinney in 1882 and George Walter Knox in 1885, met with no success [Ms.28411/1, pp. 167, 402; see also, Ms.28411/2, p. 300; Ms.28416/1, p. 97]. Indeed, on October 14, 1896, Council explicitly resolved "not to make any departure from the existing practice" of filling casual vacancies [Ms.28411/4, p. 115].

It could well be argued that the members literally had the solution in their own hands, but that they failed to exercise it. A supplementary report of the GPC, dated February 26, 1919, stated that "there has been no notice nominating candidates in opposition to retiring members of the Council for the last 32 years" [Ms.28435/16]. Nor has our examination of the available archival data revealed a single instance of retirement by rotation leading to a change in Council membership. *The Accountant* [May 5, 1894, p. 408] makes the reasonable point that it was "a very invidious task for the ordinary members to object to persons who had once been elected." But members' inaction enabled the Council to respond to criticism as follows: "On one occasion a vote was taken, so that the rules of procedure did not prevent the introduction of anybody;¹³ or at any rate the testing of the feeling of the members in regard to any person who might be put forward" [*Accountant*, May 5, 1894, p. 408; see also, May 9, 1896, p. 396].¹⁴

The issue of Council control over new appointments also had a more general dimension. When a member of a provincial

¹²See also, *Accountant*, May 13, 1893, p. 453; May 5, 1894, p. 408; May 12, 1894, p. 423; May 12, 1894, pp. 424-425; December 21, 1895, p. 1031; May 9, 1896, p. 396; June 23, 1900, p. 573; March 18, 1901, p. 327.

¹³This justification was somewhat disingenuous given that the vote took place only because of Council's failure, due to an oversight, to fill a vacancy created by a member's sudden resignation.

¹⁴The case referred to was probably the only instance we have found of an election taking place, resulting in the appointment to Council of F.H. Collison, London, in May 1887 [*Accountant*, May 2, 1887, p. 271].

society retired, the society had the right to put forward nominations for his replacement, but the Council reserved the power to choose between the nominees. The position was even worse in London where the appointment remained entirely in the hands of the London Council members. The autocratic nature of this prerogative is further underlined by the fact that the London members of the Council maintained, from 1899 onwards, “waiting lists” of prospective councilors “in order to ensure continuity in the work of the Council and *the maintenance of its traditions*” [Ms.28435/16, *emphasis added*].

It was mainly to address this latter situation that, in July 1920, a group of younger London members pressed for the creation of “a Society of Chartered Accountants for London on lines similar to the existing Provincial Societies...to act together in a corporate capacity upon questions which arise from time to time affecting the interests of the profession” [*Accountant*, July 17, 1920, p. 58; see also, Loft, 1990, p. 39]. To appear to respond positively to the London members’ concerns, the Council established instead the London Members’ Committee. This arrangement failed to satisfy the London members’ principal aspiration which was to achieve “the privilege,” in common with provincial societies, of “nominating men to fill vacancies on the Council as and when such vacancies should arise for London men” [*Accountant*, January 29, 1921, pp. 121-122]. The London Members’ Committee was, in the estimation of *The Accountant* [January 29, 1921, pp. 121-122; see also, London Members’ Committee Minutes Book A, p. 4], designed only to facilitate social intercourse among London members.

It was to be a further 21 years (1942) before the anomaly was addressed and, even then, the London Members’ Committee (by this time called the London & District Society) was authorized to make nominations to Council for filling a vacancy only *after* consultation with the London members of the Council. The surviving records of recommendations made by London councilors and the nominations subsequently transmitted to the Council by the committee of the London & District Society prove fairly conclusively that the views of London councilors dominated the appointment process [London Members’ Committee Minutes Books B, p. 188; C, pp. 7, 108, 177, 200, 245, 263; London & District Society Minutes Books D, pp. 74, 155, 158; E, p. 3].

A final objectionable feature of re-election arrangements was the subject of a leading article in *The Accountant* [May 21, 1904, p. 669; see also, *Accountant*, July 9, 1904, p. 41]: “Council

...hold office...by a sort of 'apostolic succession' from the original Fathers of the Institute, and in no *real* sense have the general body of members had a voice in either their nomination or election." Apostolic succession meant that councilors, on death or resignation, would be replaced by another partner in the same firm, and this sometimes would literally involve a son succeeding his father in that role. For example, in 1897, when Council rejected the request for south Wales representation, it instead appointed E. Edmonds in place of W. Edmonds of Portsmouth. Personal correspondence, dated November 29, 1925 from J. B. Woodthorpe to Sir William Henry Peat, a London councilor, concerning the death of John William Woodthorpe, also demonstrates this version of apostolic succession: "I believe there are several precedents of a son succeeding his father on the Council, and, if this should happen in the present case, I should esteem it was a very great honour" [Ms.28435/16]. More often there would be no family connection, with a prominent example from this genre occurring when Samuel Lowell Price was succeeded by his founder partner Edwin Waterhouse in 1887. Overall, we can therefore conclude that in 1942 and beyond, the Council retained, substantively, the character of a self-elected body.

A final feature of the non-representative composition of the Council concerns the complete exclusion throughout the first 60 or so years of the ICAEW's history of any representation whatsoever of business members. It is to this issue that we now turn.

Business Members: At the 1919 AGM, Mark Webster Jenkinson, a London practitioner, argued that "there is a very strong feeling among the members, particularly among the younger members, that some more progressive policy on the part of the Institute itself is necessary" [*Accountant*, May 10, 1919, pp. 398-399].¹⁵ As the result of his work as controller of factory audit and costs at the Ministry of Munitions during World War I, Jenkinson had reached the conclusion that cost accounting was an area of growing importance, that chartered accountants knew less than they should about it and that, if they failed to "deliver the goods," a new profession would spring up to fill the vacuum [*Accountant*, January 18, 1919, p. 46]. Jenkinson's wide-ranging

¹⁵ *The Accountant* [January 25, 1919, p. 54] reported on Jenkinson's proposals as follows: "there can...be very little doubt that they will meet with very widespread support among the members of the Institute, and particularly the younger members, especially when put forward by so undoubtable a champion of the younger generation's rights as Mr. Webster Jenkinson."

proposals for reform included a system of proportional representation to ensure fair treatment of each geographical district and, significantly, in light of his deep-seated concern about the appropriate future direction of the Institute, three councilors drawn from the non-practicing membership [*Accountant*, January 25, 1919, p. 54; Ms.28448].

Frederick John Young, president 1917-1919, responded by creating a committee to consider the subject consisting of ten members of the Council, nine representatives from each of the provincial societies, and two other London members of the Institute [*Accountant*, May 10, 1919, p. 398]. A confidential letter, dated April 3, 1919, from R.H. March, a Cardiff councilor, to George Colville, secretary of the ICAEW, reveals that the Special Committee was formed principally to pacify dissatisfaction among members [Ms.28448]:

the Council should not oppose any wishes which might be put forward by the general body of members for the consideration of this subject, and should be willing to listen to any suggestions which may be put forward for the welfare of the profession...if a little tact is shown now it may have the effect of preventing any show of irritation or temper at the Annual Meeting.

Given these sentiments and Council's domination of the investigating committee, it is unsurprising that its report made no provision for non-practitioner representation on the Council. It did put forward certain recommendations, one of which *might* have proved significant in addressing Jenkinson's concerns [*Accountant*, February 7, 1920, p. 152; Ms.28448]:

(E) That the present procedure of the Council under which the Provincial Societies are consulted with regard to the filling of casual vacancies of the Council under Bye-law 10 be continued when such vacancy arises, and that as far as may be the representation of the Provincial Societies on the Council should be proportionate to the total membership in England and Wales.

The Council endorsed the other recommendations without qualification, but specifically emphasized that "The *present procedure* as defined by the Committee under 'E' will be continued by the Council" [*Accountant*, February 7, 1920, p. 152, *emphasis added*; Ms.28448].

The issue of business members' representation resurfaced as the numbers employed in industry and commerce became

more substantial. Table 1 reveals that around the time of Jenkinson's intervention on behalf of business members, just 5% (191 of 3,797) of the traceable membership worked in business. The position then changed dramatically. The number of business members roughly trebled in both the 1920s and 1930s and accounted for 17.2% (1,612 of 9,349) of the traceable membership in England and Wales in 1939.

TABLE 1
Categorized Membership of the ICAEW in
England and Wales in Selected Years

Members	31/08/1920	01/09/1929	31/10/1939	09/11/1946	01/12/1956
Public accountants	3,606	5,755	7,737	6,840	9,161
Business accountants	191	518	1,612	2,493	4,337
Total traceable	3,797	6,273	9,349	9,333	13,498
Not traceable ¹⁶	995	1,444	2,838	2,854	3,409
Retired	-	-	-	-	415
Total	4,792	7,717	12,187	12,187	17,322

Source: Membership Lists for 1921, 1930, 1940, 1947, 1957.

E.M. Taylor who, like Jenkinson, had stressed the growing importance of cost accounting in the aftermath of World War I [*Accountant*, June 19, 1920, p. 712], presented to the 1941 AGM the following resolution designed to address the absence of representation of the rising number of business members [Ms. 28432/19, *emphasis added*]:

In the interests of the whole membership of the Institute, it is desirable that the Council shall include not less than five Associates, *whether practising members or not*, and that the members of the Council be invited to lay before the next Annual General Meeting of the Institute proposals to give effect to this policy.

The Council instead introduced reforms that failed to address directly the matter at issue. C.J.G. Palmour, president 1938-1944, informed the 1942 AGM that non-practicing members could "best serve the interests of those by whom they are

¹⁶Members for whom the listings contain, at best, private addresses are included in the "Not traceable" category. The numbers of "Retired" members are not separately identified between 1920 and 1946 and, accordingly, are also included in "Not traceable" category. The proportion of "Not traceable," when compared with the other categories, is stable at around 21.7%. Thus, the trend revealed by the statistics is considered to be a reasonably reliable indication of the increase in number of business members.

employed and the country generally in taking an active part in those [technical] spheres rather than in attempting to apply their minds to matters affecting the administration of the affairs of practising accountants" [*Accountant*, May 30, 1942, p. 303]. The outcome was the formation of the path-breaking Taxation and Financial Relations Committee [Zeff, 1972, p. 8] to investigate technical matters and, through its mixed membership, "establish an active and effective liaison between the practising and non-practising sides of the profession" [Ms.28432/19].

The Council's success in again sidelining the representation issue, as occurred with the formation of the London Members' Committee in 1920, was short-lived this time. The Council's attitude towards the representation of business members was at last softening, possibly because of the rapidly rising proportion of business members, and perhaps in recognition of business members' valuable contributions to the work of the Taxation and Financial Relations Committee. Between 1943 and 1948, the London and Manchester district societies successfully nominated four business members for positions on the Council. The situation was extended and formalized at the 1950 AGM when the president, Russell Kettle of Deloitte, announced the creation of a pool of up to five Council seats¹⁷ exclusively available to non-practising members. But he also reaffirmed "the principle" that "having regard to the objects for which the Royal Charter was granted, membership of the Council should as a general rule be confined to practising members" [*Accountant*, May 13, 1950, pp. 541-542].

Continued pressure for a greater voice for business members bore further fruit through the formation of a GPC Subcommittee (Non-Practising Members) in 1951 and the Consultative Committee of Members in Commerce and Industry in 1957 to consider matters relating to the interests of business members [GPC Minutes Book J, p. 180] and to convey "broad and exclusively non-practising opinion held by persons of eminence in industry and commerce" [GPC Minutes Book M, p. 175]. In the view of business members such as J. Clayton, however, the formation of such a committee was not the most effective means for improving the representation of the interest of business members. He argued [File 5-8-14] that:

what was needed was proper integration of the two [practising and non-practising] sides of the profession

¹⁸As a consequence, the quota allocated to provincial societies was reduced from 21 to 19 and London from 24 to 21.

and this could only be done by opening the Council to more non-practising members. Industrial opinion would then be properly assimilated at all levels and in all Committees.

The Consultative Committee of Members in Commerce and Industry resolved in October 1962 that the GPC should be asked to support an increase in the size of the Council from 45 to 60, with 15 seats to be allocated to members in commerce and industry [GPC Minutes Book R, p. 137]. Also, to help achieve “the right balance of sound judgment and experience on the one hand and special skills necessary to conduct the wide range of its work on the other” [GPC Minutes Book R, pp. 135-136], GPC recommended the introduction of a system of co-option of up to six additional members as “a reserve to be filled at the absolute discretion of the Council” [GPC Minutes Book S, p. 60]. These proposals were approved by a special general meeting of the ICAEW membership held on September 23, 1965 [Council Minutes Book W, p. 154]. As a result of seat re-allocations, the balance between practitioners in London and the provinces favored the latter for the first time in the history of the ICAEW, 24 seats compared with 21.

The above four inter-related criticisms, sustained over the period 1880-1970 and directed at the Council’s lack of fair representation of the membership, raise serious doubts over whether the democratic leadership arrangements contained in the ICAEW’s internal regulations were effective in practice. Certainly, many members thought the Council was not representative of the diverse interests of the membership, but were their criticisms justified? The next sub-section addresses this issue in three ways; namely, by examining the geographical allocation of council seats in relation to membership levels, the distribution of council seats in relation to the size and location of accounting firms, and the division of seats between accountants working in public practice and in business.

Analysis of Distribution of Council Seats: Over the period 1880-1970, 308 individuals, including the founder councilors, were appointed to the Council [Ms.28411/1-14; Council Minutes Books O-AB], of whom 29 were members in industry and ten, including two further business accountants, were recruited when the Society of Incorporated Accountants and Auditors was absorbed into the three chartered institutes in 1957. The remaining 269 were practicing members.

Numerical information concerning the membership of each of the main district societies and the number of Council seats allocated to the geographical areas that they covered at five different dates between 1907 and 1956 is given in Table 2. It reveals that London members were consistently over-represented on the Council, based on their share of total U.K. membership in comparison with most provincial societies at most dates. The over-representation was greatest in 1907, but still material in 1956 when each of the other identified geographical areas continued to be under-represented. As noted above, the number of seats allocated to the provincial districts exceeded those for London for the first time in 1965, with the result that London's share fell from 52.5% to 46.7%. Even then, London members remained heavily over-represented as their contribution towards the total U.K. membership had declined to 37.5% by 1972 [Council Minutes Book AF, p. 231].¹⁸

To study allegations that Council membership was dominated by a limited number of large, long-standing London firms, we have identified those which either had a member on the first Council of the ICAEW or were formed 15 years or more prior to 1880 [Boys, 1994, pp. 17-18, 56-58; see also, Parker, 1980, pp. 36, 39-42; Matthews et al., 1998, pp. 283-322]. This exercise produced a list of 30 London "founder" firms. The numbers of Council seats occupied by partners in these firms and qualified accountants employed at these firms at five dates between 1920 and 1956 are given in Table 3.¹⁹ Corresponding figures also appear in Table 3 for "other London firms" and "non-London firms" in England and Wales. We have applied the chi-square test to examine the statistical significance, if any, of the difference in levels of Council representation at each of the five dates between London founder firms and the other two groups. At the first two study dates (1920 and 1929), the results were significant at the 5% level, given there is only one degree of freedom. For 1939, the test proved significant at the 10% level. For 1946 and 1956, the results were significant at neither the 5% nor 10%

¹⁸The officially recorded justification for London's preferment in terms of Council seats was the distance between many provincial areas and London where the meetings of the Council and its committees were held [Council Minutes Book O, p. 227; File 1487].

¹⁹From the Companies Act 1862 to the Companies Act 1967, there existed a provision prohibiting, in principle, partnerships of more than 20 members. The number of qualified accountants employed in accountancy firms, rather than the number of partners, is therefore considered to be a better indication of the size of the accountancy firm.

TABLE 2
Membership of District Societies and Number of Council Seats Allocated

	District Societies												All societies	
	Birmingham		Leeds & Bradford		Liverpool		Manchester		London		Other			
1907	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%
Council seats	3	6.7%	2	4.4%	3	6.7%	5	11.1%	27	60.0%	5	11.1%	45	100%
Membership	259	7.4%	118	3.4%	176	5.1%	324	9.3%	1,464	42.1%	1,138	32.7%	3,479	100%
1914														
Council seats	3	6.7%	2	4.4%	3	6.7%	5	11.1%	26	57.8%	6	13.3%	45	100%
Membership	372	8.8%	220	5.2%	306	7.3%	507	12.0%	1,948	46.3%	858	20.4%	4,211	100%
1929														
Council seats	3	6.7%	2	4.4%	3	6.7%	5	11.1%	26	57.8%	6	13.3%	45	100%
Membership	643	8.4%	409	5.4%	553	7.2%	825	10.8%	3,511	46.0%	1,691	22.2%	7,632	100%
1946														
Council seats	3	6.7%	2	4.4%	3	6.7%	4	8.9%	24	53.3%	9	20.0%	45	100%
Membership	1,102	9.0%	651	5.3%	696	5.7%	1,285	10.5%	5,391	44.2%	3,062	25.1%	12,187	100%
1956														
Council seats	3	7.5%	2	5.0%	2	5.0%	3	7.5%	21	52.5%	9	22.5%	40	100%
Membership	1,233	9.1%	781	5.8%	731	5.4%	1,353	10.0%	6,245	46.3%	3,155	23.4%	13,498	100%

Source: Ms.28432/20; Membership Lists for 1947, 1957

levels. Given these significance levels, it seems reasonable to conclude that, before World War II, London founder firms were continuously over-represented on Council though this effect was diminishing, but that this was no longer the case after the war.²⁰

TABLE 3
ICAEW Membership and Council Seats by Type of Firm

	London founder firms		Other London firms		Non-London firms		Total	
	no.	%	no.	%	no.	%	no.	
1920								
Council seats	16	35.6%	10	22.2%	19	42.2%	45	100%
ICAEW members	148	20.6%	210	29.2%	362	50.3%	720	100%
1929								
Council seats	15	33.3%	11	24.4%	19	42.2%	45	100%
ICAEW members	334	18.4%	540	29.8%	937	51.7%	1,811	100%
1939								
Council seats	16	35.6%	8	17.8%	21	46.7%	45	100%
ICAEW members	601	23.8%	723	28.6%	1,203	47.6%	2,527	100%
1946								
Council seats	16	35.6%	8	17.8%	21	46.7%	45	100%
ICAEW members	406	27.8%	338	23.1%	717	49.1%	1,461	100%
1956								
Council seats	15	37.5%	6	15.0%	19	47.5%	40	100%
ICAEW members	681	32.4%	445	21.2%	976	46.4%	2,102	100%

Source: Membership Lists for 1921, 1930, 1940, 1947, 1957

To examine further the extent to which councilors were recruited by “a sort of ‘apostolic succession’” [*Accountant*, May 21, 1904, p. 669], 60 long-standing provincial firms were identified through the same procedure used to detect the 30 London founder firms. From the combined list of 90 founder firms, we were able to calculate that 157 (58.4%) of the 269 councilors in public practice over the period 1880-1970 stemmed from those origins. Even if we exclude the original 45 members, we find that 112 (50.0%) of the 224 members subsequently appointed to the Council had the founder-firm root. Despite the rule established in 1883, restricting to a maximum of two the number of partners in the same firm and working from the same principal place of business serving on the Council at the same time [Council Minutes Book Y, p. 4; File 1490], 64 of 112 (57.1%), councilors

²⁰One reason for this change was that, during World War II, the London founder-firm membership fell by only 32.5%, whereas that of other firms fell by 45.2%. Hence the imbalance of the pre-war era was resolved, not by a proportionate reduction in the number of Council seats for London founder firms, but a larger fall in membership among other firms.

were recruited from just 19 large London firms.²¹ Moreover, 36 of the 112 members (32.1%) and 30 of the 64 London councilors (46.9%) were there as the result of “apostolic succession,” i.e., a partner from the same firm was appointed to replace a councilor who had resigned.

Turning to business members’ representation, we have seen that they had no representation whatsoever on the Council until 1943, and that they received their first quota allocation of five out of 45 seats or 11.1% in 1950. We have also seen that business members accounted for 17.2% of traceable membership as early as 1939, and we are able to interpolate from Table 1 a business membership of about 30% between 1946 and 1956. Later, in 1964, according to an estimate made by a GPC sub-committee, “10,000 or more members of the Institute...are engaged in commerce and industry” [GPC Minute Book R, pp. 135-136] at a time when the total U.K. membership was 23,285 [Membership List, 1964]. Therefore, even when the quota was increased to 15 out of 60 in 1965, business members were still seriously under-represented on the Council.

The evidence presented in this section reveals that, consistent with criticisms directed at the composition of the Council by the ICAEW’s members and the press, its non-representative character persisted throughout the period 1880-1970, despite a series of initiatives designed to improve the situation.

A Self-Perpetuating Oligarchy – the Historical Dimension: In this section so far, we have studied changes made by the ICAEW in response to continuous and vehement criticism of the self-elected characteristic of the Council and the under-representation of a variety of sectional interests. We have also seen that two world wars provided important opportunities to review critically the oligarchic nature of the Council. World War I made influential chartered accountants aware of the growing importance of business accounting within the portfolio of work that constituted contemporary professional practice and encouraged progressive practitioners, such as Mark Webster Jenkinson, to support claims from business members for representation on the Council. World War II, against the background of a substantial

²¹These included Price, Waterhouse & Co. (9 councilors); Cooper Brothers & Co. (7); Peat, Marwick, Mitchell & Co. (6); Deloitte, Plender, Griffiths & Co. (6); Turquand, Youngs & Co. (5); Whinney, Smith & Whinney (4); Kemp, Chatteris, Nichols, Sendell & Co. (4); Binder, Hamlyn & Co. (4); Barton, Mayhew & Co. (4); James & Edwards (3); Josolyne, Miles, Page & Co. (2); Harmood Banner & Co. (2); and Cash, Stone & Co. (2).

increase in business membership within the ICAEW, encouraged people such as E.M. Taylor again to highlight the issue of business members' representation.²² These findings support the argument that "democratization tends to follow war" [Mitchell, 1999, p. 771].

We have seen that a number of changes were made that caused the Council to become more representative of the membership in 1970 than at foundation date. Despite such changes, however, we must conclude that the fundamental nature of the Council, as a self-elected oligarchy, remained substantially intact, with the mechanisms employed to defend that characteristic including (1) the quota system used to allocate Council seats to London and provincial societies; (2) the re-election of retiring members; (3) the Council's power to fill a vacancy arising between AGMs; (4) the Council's power to choose between nominations put forward by the provincial societies; (5) the Council's control over the consultation process with the London & District Society; (6) the creation of "pools" of non-practicing members with Council retaining the power to choose between nominations put forward; and (7) the co-option of additional "suitable" members at the absolute discretion of the Council. These mechanisms comprise overwhelming evidence of "weak procedural guarantees in competitive elections" highlighted as important features of an oligarchic leadership by Jenkins [1977, p. 570].

The Council of the ICAEW also exploited its command over organizational resources [Lipset et al., 1956; Jenkins, 1977, p. 569] in other ways to maintain its traditional character and to silence, sideline, or pacify dissatisfaction among members over their interest representation on Council. Tactics employed included the formation of various advisory and consultative committees such as the Special Committee (1919), the London Members' Committee (1920), the Taxation and Financial Relations Committee (1942), the GPC Sub-Committee (Non-Practising Members) (1951), and the Consultative Committee of Members in Commerce and Industry (1957). These placating measures each played a role to help to moderate members' dissatisfaction with the Council.

²² Taylor, at the 1941 AGM, stated that "I have come to the conclusion that reforms must take place in the structure of the Council...There are many problems facing us to-day...when the war is over and hundreds, possibly thousands, of our members come back to civil life, and possibly 1,500 article clerks with little, if any, professional experience come to take up business life... a broader representation on the Council is going to be beneficial to the Institute as a whole" [*Accountant*, May 17, 1941, pp. 376-377].

The oligarchic character of the Council of the ICAEW existed from the outset and was most intensively attacked immediately following organizational formation in 1880. Michels [1962, p. 167] observes that “With the institution of leadership there simultaneously begins...the transformation into a closed circle.” Osterman [2006, p. 623], on this same issue, comments that:

The question of timing...becomes the practical one of the length of time it takes to create a self-sustaining bureaucratic apparatus and internal political system. Put this way, it is apparent that there is no universal answer to the timing question. It depends on the characteristics of the organization in question, such as size of membership, geographic scope, history, and so forth.

The historical dimension is highly significant for this case study. We have seen that the ICAEW was formed from the merger of five existing institutions. Among these, the elite body was the Institute of Accountants which dominated the merger negotiations [Walker, 2004] and also the composition of the ICAEW's initial Council [Edwards et al., 2005]. The Institute of Accountants had, in 1876, been accused by its members of arbitrary and selective procedures for appointing councilors which, as in the case of Kemp's justification for an ICAEW Council consisting of the “great and the good” in 1883, was explained by the need for a strong public profile [Walker, 2004, p. 142]. This latter theme was given particular emphasis by Ernest Cooper who, we have seen, also staunchly defended the composition of the ICAEW's Council when president in 1901. As a highly active member of the Institute of Accountants in the 1870s, Cooper advocated reforms directed towards achieving improved recognition for the profession [cited in Walker, 2004, p. 291]:

Can it be doubted that if the Institute after the Scotch System was introduced here had been actively engaged during the past seven years in ascertaining who are the respectable Accountants and inducing them to join the Institute that the profession would have assumed a much higher position in relation to the contemplated Bankruptcy reform?

For Cooper, to increase the number of “respectable” accountants within the small membership of the elite Institute of Accountants and to have “the best possible men” on the Council of the ICAEW were probably consistent objectives in the sense that both enhanced the influence of the organization in making representation to the government over the content of legislation re-

lating to the accountants' business. We might therefore conclude [see also, Walker, 2004, p. 139] that the Council of the Institute of Accountants in London institutionalized its character as a self-perpetuating elite during the 1870s, an historical characteristic inherited by the ICAEW.

The most important difference between the real case of the Council of the ICAEW and oligarchy typically envisaged in the political theory of organization is in motive. In theory, oligarchy emerges because the positions occupied by leaders of the organization "provide them with economic rewards and social status" [Osterman, 2006, p. 623]. However, in the process whereby the ICAEW Council initially formed and subsequently maintained an oligarchic characteristic, evidence of the councilors enjoying direct personal gains from their positions remains unidentified, although, as Smallpeice [1944, p. 46] recognized, achieving the position of councilor itself represented "a high honour for practising members and is much prized...as a mark of esteem and a reward for outstanding service in the profession." Aside from personal motives, the dominant concern when constructing the composition of the Council was to maintain and enhance, as indicated by Kemp's 1883 comment, the political influence of the ICAEW in making representations to the government over, for example, the content of legislation relating to its business. From its experience when acquiring the Royal Charter in 1880, the Council of the ICAEW appears to have assumed that the influence of councilors from the London founding firms would be of crucial importance for the purpose of maintaining its political standing.

Reflecting its oligarchic character, the biased composition of Council proved highly significant in a negative sense at the time of the 1970 scheme for integrating the six senior professional accountancy bodies in Britain. It was members who were either not represented or under-represented on the Council that featured prominently in rejecting the leadership's plans. The political crisis is next examined.

THE 1970 INTEGRATION SCHEME

The 1970 merger plan had been approved by five of the six senior professional bodies involved when, "virtually at the last moment, a campaign was launched by two members of the English Institute" [Tricker, 1983, p. 40]. H.T. Nicholson and B.W. Sutherland criticized the integration scheme as involving "an unacceptable dilution of the high professional standards

of the Institute" [*Accountant*, July 16, 1970, p. 73]. It is widely acknowledged that, principally as the result of latent opposition mobilized by their intervention, the integration scheme was rejected by 16,845 votes against 13,700 with 64.1% of the ICAEW's membership taking part in the poll.

For Nicholson and Sutherland, the scheme had been projected by "men in a hurry", who refused to recognize that sound development could only come by a process of steady evolution, and were obsessed with the idea of creating the biggest body of accountants in the world" [*Accountant*, July 16, 1970, p. 73]. As far as business members were concerned, integration would result in "people [becoming] called chartered accountants who have never worked in a professional office" [*Accountancy*, September 1970, p. 635; see also, File 1477: 17 (34)]. For provincial practitioners, integration was considered to produce "an unacceptable dilution" of status [*Accountant*, July 16, 1970, p. 73; see also, *Accountancy*, September 1970, pp. 635, 637]. And for younger members who had recently suffered the trauma of qualifying examinations, integration was seen as a retrograde step that would lessen the value of the chartered credential [*Accountancy*, June 1966, p. 443].

The outcome was described in the ICAEW's mouthpiece, *Accountancy* [September 1970, p. 637], as "a disaster for the accountancy profession as a whole, and for the Institute especially," while *The Accountant* [August 20, 1970, pp. 229-230] made the following assessment of events:

it might have been tempting to accuse a few individuals, whose opposition has been particularly determined and perhaps more articulate than most, of having wrecked the scheme; but it seems plain that these gentlemen have done nothing more than to provide, at the most, a focus for the considerable measure of dissatisfaction and dissent which already existed.

Within the confines of Moorgate Place, similar sentiments were expressed in a less gracious manner by the then-president of the ICAEW, C. Croxton-Smith [Council Minutes Book AC, p. 383]:

Over the past ten years...some 20,000 new members had been admitted. Many of these were in small industrial companies and felt that they derived little benefit from membership other than the qualification which they wished to retain at a minimum cost. The integration scheme had produced an unholy alliance between

these members and some small practitioners whose motives for rejection of the proposals were quite different.

The people leading opposition to the scheme, Nicholson and Sutherland, partly attributed failure of the integration initiative to the fact [*Accountancy*, September 1970, p. 636] that:

the Council [of the ICAEW] is not really in touch with the body of the members. They are all very busy men, and we are certainly not attacking them personally. It is more a fault of the system. There should be far fewer papers to read, and more chances to talk to the 'constituents'...If they are not careful they lose touch with grass-roots opinion, and this is what happened in this case.

An in-depth study of the integration episode conducted by Shackleton and Walker [2001, pp. 277-278] locates the "detachment of office bearers [the Council] from their constituents [the members]" as "perhaps the most notable feature of the unification attempt of the 1960s." They continue [Shackleton and Walker, 2001, pp. 277, 280; see also, Willmott, 1986, p. 571]: "As was starkly revealed in August 1970, it is ultimately the memberships of the professional bodies who have the power to accept or reject constitutional change," and conclude: "The price of a disdainful and non-consultative approach towards the membership was revealed when the result of the ICAEW ballot was declared."

Evidence of "Detachment" and "Disdain": The under-representation of business members and provincial practitioners on the Council was not, therefore, simply a matter of principle; the biased composition had implications for how the ruling body behaved. It meant that they failed to comprehend the conflict between the priorities of business, provincial, and also younger members compared with those of the leadership dominated by the big London firms. But it went even further than that and, in this sub-section, building on Shackleton and Walker's [2001] findings, we present specific evidence of a lack of respect on the part of the Council for legitimate concerns expressed by the membership.

Statements of Auditing: A series of *Statements of Auditing* was launched by the ICAEW in 1958 to help auditors fulfill their obligation under the Companies Act 1948 to express an opinion on whether a company's published accounts "give a true and fair view" [T&R Committee Minutes Book B, p. 259]. The series

was soon the subject of severe criticism from regional district societies. For example, the *Statement* dealing with the auditor's duty in relation to stock-in-trade (1961) was opposed by five provincial societies (Manchester, Northern, Nottingham, South Eastern, and South Wales) on the grounds that it was "in some respects in advance of current practice and might prejudice the position of auditors in law by appearing to render attendance at stocktaking mandatory" [T&R Committee Minutes Book C, p. 164]. The Manchester Society was particularly worried about the workload of the small practitioner [Council Minutes Book T, p. 235], while the London & District Society drew attention to the apprehension expressed by a "substantial minority" of its membership to an official document that amounted to a "voluntary extension of the auditor's responsibility" [London & District Society Minutes Book D, p. 98].

The Chairman of the ICAEW's Parliamentary and Law Committee, H.A. Benson of Cooper Brothers, nevertheless informed the January 1962 meeting of Council [Council Minutes Book T, p. 212] that:

it was in the interests of the profession that the document [on stock] should be issued as soon as possible particularly having regard to the [Ninth] International Congress [of Accountants] to be held in New York in September 1962 when it was important that the Institute should be able to demonstrate that it is a leader in auditing standards.

It appears that political considerations arising from the U.S. case of McKesson & Robbins (1939)²³ were driving the leadership's actions. The Council attempted to make "attendance to observe stocktaking" an effective obligation for small as well as large public practices partly, at least, to enable the ICAEW to be seen as leading the development of U.K. auditing standards at the upcoming event.²⁴

²³When accepting the audit of McKesson & Robbins Ltd. in 1924, Price, Waterhouse & Co. agreed not to make a physical examination of inventories. One consequence was an audit failure to detect \$10,100,000 of fictitious stock and the introduction of U.S. regulations requiring this to be done [Baxter, 1999, pp. 157, 162; Previts and Merino, 1979, p. 259].

²⁴Another example of a disregard for views expressed by provincial practitioners occurred in 1966 when "a majority of the regions" opposed the issue of a statement on "auditing procedures in connection with the verification of investments" [Various Sub-Committees Minutes Book D, p. 102].

Fellowship Rules: The ICAEW's Royal Charter divided membership into two categories, fellows and associates, with senior fellowship status confined to those who had been continuously in practice as public accountants for five years. With business members often leaving public practice soon after qualification, it was therefore unusual for them to achieve fellowship status. As early as 1922, several issues of *The Accountant* [March 11, 1922, p. 331; March 18, 1922, p. 384; April 15, 1922, p. 507] published letters from business members requesting an extension of the fellowship arrangements.

We have seen that, as the number of business members increased significantly (Table 1), pressure for representation on the Council grew. The same was the case with the fellowship issue, with H.F. Bowser and J. Sandford Smith tackling the secretary of the ICAEW, R.W. Bankes, on the issue in 1944. Because of the two-tier scheme of credentials, in Bowser's estimation, "the view is fairly generally held that Associate Members of the Institute in England are a kind of inferior brand of Chartered Accountant" [Ms.28435/2; File 0436]. Sandford Smith also focused on the implications of the fellowship rules within the public domain [Ms.28435/2; File 0436]:

While all accountants know that 5 years in practice is the only qualification at present called for to obtain the fellowship, the business world generally is not aware of this fact and attaches a notable degree of importance to the difference between an A.C.A. and a F.C.A.

The request for access to fellowship status was referred to the Charter and Bye-laws Sub-Committee in 1946, where it was resisted by such luminaries as Sir Harold Howitt of Peat, Marwick, Mitchell & Co. [Ms.28435/2; File 0436]. Council's negative decision drew a critical response from business members, eliciting a promise to review the matter and solicit the views of district societies [*Accountant*, May 1, 1948, p. 345]. Despite the discovery that seven district societies either favored or had no objection to reform, compared with five against, the GPC reported that "there is no real demand for fellowship from the general body of associates not in practice" and that "fellowship should continue to mark responsibility of the accountant in practice" [File 0436]. The Council in January 1950 confirmed the GPC's conclusion that "it is undesirable that a new bye-law be introduced to provide for the election to fellowship of members not in practice" [Council Minutes Book O, p. 47].

Dispute over the extension of fellowship status to business

members rumbled on and was not settled until the proposal that “associates [automatically] become fellows on the first day of January which follows the completion of ten years’ membership of the Institute” [Council Minutes Book S, pp. 2-3] was carried at the 1959 AGM and confirmed overwhelmingly by a vote of 14,231 in favor compared with 3,825 against.

The detached and disdainful attitude of the Council towards the wider membership is further reflected in a report prepared by a GPC sub-committee (1964) at around the time that the move for integration was about to surface. It contained the following somewhat arrogant assertion in relation to governance [GPC Minutes Book S, p. 58]:

Whilst constitutionally members of the Council are elected by the membership as a whole, the Council cannot absolve itself from the responsibility for ensuring that only men of right calibre and who between them cover the wide range of knowledge which is needed on standing committees [of the Council] are selected.

The report added [GPC Minutes Book R, pp. 135-136]:

whilst it is right that due regard be paid to services rendered to a district society, the emphasis when considering the election of new members [of the Council] must be designed to secure the services of the best men in the profession compatible with the current needs of the Council.

ELECTORAL REFORMS POST 1970

Rejection of the integration scheme spectacularly revealed the willingness and ability of the rank-and-file to challenge the authority of the Council. Moreover, it provided “a dramatic shock to traditional ideas about [the ICAEW’s form of] governance” [Tricker, 1983, pp. 40-41], and, as an immediate response to the “disaster” [*Accountancy*, September 1970, p. 637], the Council appointed a Committee chaired by Douglas Morpeth of Touche Ross with broad terms of reference, “to consider the objectives of the Institute and the policies it should pursue” [Council Minutes Book AC, p. 275]. The accounting press welcomed the appointment of a young committee with “an average age of 44” [*Accountant*, October 15, 1970, p. 502] which comprised “members from all sides of the profession, including those in practices both large and small, those employed in a range of capacities by industrial companies of various sizes, and those in education” [*Accountancy*, November 1970, p. 756].

The Morpeth Committee reiterated concerns that appointments to the Council were not made on a “fully democratic basis” [*Accountant*, February 24, 1972, p. 237]. Recommendations for district society-based elections by postal ballot were judged to have three advantages – elections would be democratic; there would be a greater likelihood of members knowing the candidates; and it might also stimulate the interest of members in their local society’s activities. *Accountancy* [June 1971, p. 293] welcomed the proposals on the grounds that “Many members look upon the Council as some form of self-perpetuating oligarchy” whereas “a postal ballot will appear more democratic to the average member.”

The Council presented the proposals to a special meeting on September 27, 1972, where they were approved with 6,792 (97.5%) votes in favor and just 173 against [*Accountant*, October 5, 1972, p. 416]. *Accountancy* [April 1983, p. 25] later assessed the underlying philosophy of the reforms in a broadly favorable manner:

a system of regular Council elections by District Society areas was introduced [in 1972], giving members a decisive role in the selection and control of Council... In particular, the Council considers it both ‘entirely proper and in accordance with modern practice’ that a democratically-elected Council should have the power to manage the Institute’s affairs.

We can conclude that the Morpeth Committee’s central recommendations, direct election at district society level by postal ballot was an important break from the past system for electing councilors.

Subsequent Developments: At the time of the 1972 reforms, *The Accountant* [July 6, 1972, p. 3] conjectured that the new arrangements might “place upon the membership a heavier burden than some have hitherto shown themselves prepared to bear... apathy and inaction, unless checked, could rapidly prevent the new measures from accomplishing anything better.” These concerns proved well-founded with annual elections conducted under the new scheme between 1973 and 1994²⁵ attracting turnouts ranging from 15.2% to 24.1% [File 1490]. In Tricker’s [1983, p. 30] es-

²⁵In 1995, further important amendments to the system of election were made as the term of election was shortened from six to four years; the number of elected members enlarged from 60 to 70; and the introduction of “assured” seats, with one seat per constituency reserved for a business member [File 1489].

timation, “the Institute is remote from the immediate concerns of most members and its governance is a matter of singularly little importance to them.” This loss of commitment and energy on the part of the membership, a typical symptom of oligarchic leadership, is called “becalming” by Zald and Ash [1966, p. 334] and described as follows by Michels [1962, pp. 60-61]:

The indifference which in normal times the mass is accustomed to display in ordinary political life becomes, in certain cases of particular importance, an obstacle to the extension of the party influence. The crowd may abandon the leaders at the very moment when these are preparing for energetic action...Accustomed to be ruled, the rank and file need a considerable work of preparation before they can be set in motion.

As a consequence of the oligarchic leadership structure that dated from the creation of the ICAEW, the membership seems to have eventually lost interest in the election of councilors,²⁶ but when major strategic decisions need to be made, as in 1970, they are galvanized into action. For example, plans for the introduction of radical, new current cost accounting-based financial reporting models were the subject of revolts, led by D. Keymer and M. Haslam, that produced turnouts of 46% (28,696) of the membership to reject *Exposure Draft 18* in 1977 and 41.4% (30,557) to vote on calls for the “immediate withdrawal” of *Statement of Standard Accounting Practice 16* two years later [Tweedie and Whittington, 1984, pp. 135-136, 147-148]. Merger initiatives involving CIPFA in 1990 and 2005 also generated substantial turnouts, 36% and 44% respectively. Indeed, the issues that motivated members into action included not only those directly affecting their immediate interests, but also those that did

²⁶In this connection, Leach [2005, p. 331] suggests that “It could be that the majority was happy to leave the work of governance to a minority, as long as that minority remained accountable and did not jeopardize the majority’s interests. But as often happens with long-term incumbency, this abdication of responsibility, however consensual it might be, can easily lead to a situation of dependence where people do not feel entitled or qualified to intervene – even when they suspect their interests are being threatened – because they have not been involved in the process.” If the minority then indeed makes illegitimate decisions exceeding the range consigned by, and threatening the interests of, the majority, the situation clearly illustrates a case in which directional flow of causation between oligarchic leadership and members’ loss of commitment is reversed. However, in the case of the ICAEW during the period from 1880 to 1970, the reversed directional flow of causation is inapplicable because the oligarchic character of the Council existed from the outset in 1880, and a series of members’ requests for reform then followed at least up until 1965.

not, such as the Council's plan to introduce options into the final examination. Moreover, the membership even proved capable of instigating a radical scheme designed to achieve democratic election of the ICAEW's president, an initiative pursued for the purpose of avoiding maldistribution of power and "to make sure one section of the membership [Council] does not exercise tyranny" [Accountancy, July 1996, p. 11].

When the new electoral system was introduced in 1972, *Accountancy* [August 1972, p. 4] drew attention to the difficulty of recruiting suitable candidates from under-represented sectors and specifically suggested that "it will be no easier for senior employees of larger companies to serve on the Council under the new system than under the old." It was anticipated that at least some of these concerns could be effectively addressed by substantially increasing the Council's powers to co-opt, from 6 to 20 members, but achievement of a proper balance between job interests in fact proved elusive. The number of *elected* business members initially increased from 15 (25.0% of a total of 60 elected councilors) in 1972 to 18 (30.0%) in 1981, but then fell to 10 (16.7%) by 1994. Compared with their total U.K. membership (37.8% in 1983, 40.2% in 1990, and 57.3% in 2001), business members remained heavily under-represented on a Council still dominated by practitioners.²⁷ This continued imbalance did nothing to resolve concerns about the availability to the Council of the full range of specialist knowledge impinging upon the activities of the ICAEW's membership. Another cause of anxiety was the lack of continuity in the expertise available to the Council, with 137 new members elected as the result of vacancies arising during the period from 1973 to 1994. To address these issues, the Council made good use of its extended power to co-opt, with such members rising from three (4.8% of a total of 80 councilors) in 1972 to the full complement of 20 (25%) ten years later [Council Minutes Books AA-AV; File 1490]. This enabled the Council to bring in business members and academics to supply specialist knowledge not otherwise available to it, as well as past-presidents and former chairs of Council committees to supply "executive talents" [Tricker, 1983, p. 27], experience, and continuity in the governance of Institute affairs.

Nevertheless, continuing concern with the lack of interest and involvement of the members in the elections of councilors and, therefore, the lack of Council's own legitimacy, led to a

²⁷ File 0433; File 7-8-5; *Accountancy*, August 1990, p. 162; <http://www.icaew.co.uk/institute/statistics/document.asp>.

series of committees being appointed (Worsley 1983-1985, Green 1990-1991, Woodley 1993, Gerrard 1996) whose reports resulted in a plethora of administrative changes to the composition of the Council (e.g.; increase in elected membership to 70, extension of powers of co-option to include large-firm partners, younger members, and chairs of Boards and Faculties) and the system of governance (e.g.; creation of the office of chief executive, the Executive Committee, and the office of secretary-general).

The Council also strove to reach out to different segments of the membership and, thereby, directly stimulate interest in Institute affairs by establishing "Boards," "Faculties," and "Focus Groups" [*Accountancy*, November 1985, p. 181; June 2000, p. 10]. These initiatives succeeded as judged by the numbers joining [*Accountancy*, January 1991, p. 15; July 2000, p. 24; August 2000, p. 24], but failed to connect the members' interests with the election of councilors which continued to be based on the geographical areas represented by the district societies without giving any electorate status to these job-interest groups.

We can therefore see that, in the period following the political crisis of 1970, the Council made serious efforts to overcome symptoms of oligarchic leadership and revitalize the membership [Voss and Sharman, 2000, pp. 304-305]. In the Council's own words, since 1970, it has searched for "the methods by which we could ensure that Council is representative of the membership; the steps to be taken to involve members fully in policy development; the [better] relationship of district societies with Moorgate Place; and the way in which we look after the interests of our members" [*Accountancy*, June 1991, p. 8]. However, the fact that members still remained disconnected in 1991, and there is no evidence that the situation has since improved, is indicated in the following comment made in that year [*Accountancy*, December 1991, p. 20]:

a growing number of members have been asking whether the services the Institute provides represent value for money. From their point of view, the increasing financial burden of maintaining the chartered accountancy title, at a time when resources are under pressure, involves a substantial outflow of those resources for which they say that they see little in return in terms of protecting and representing their interests.

CONCLUDING COMMENTS

Between 1880 and 1970, the Council of the ICAEW responded to membership requests for better representation by making

changes to the constitution of the Council. These changes failed to alter the fundamental nature of the Council as a self-elective oligarchy substantially biased in favor of large London founder firms. This historically contingent but deep-seated characteristic of the Council was protected mainly through (1) continuous re-election of retiring members; (2) Council's control over the process of filling vacancies; and (3) arrangements for the Council to co-opt "suitable" members. The Council also silenced, sidelined, or pacified dissatisfaction among members concerning lack of representation on the Council by creating various advisory and consultative committees. Consistent with the literature of political theory [Lipset et al., 1956; Jenkins, 1977, p. 569], these are the tactics that the leadership of an organization typically wields to maintain its oligarchic character. However, the Council wished to maintain its traditional character, not principally for the purpose of direct personal gain as normally envisaged by the political theory of organization, but mainly to maintain political influence [Richardson, 1989; Walker, 2004, p.142] when making representations to the government over the content of legislation relating to the practicing accountants' business.

This historical study has revealed that the oligarchic character of Council, as theoretically prescribed, caused the leadership to become complacent, possibly disdainful, and certainly detached from the interests of the membership, as demonstrated when issuing *Statements of Auditing* and, for many years, resisting changes to the fellowship rules. These kinds of actions, combined with the continuing dissatisfaction with lack of representation on the Council, resulted in the disregarded sections – business members, provincial practitioners, and younger members – being mainly responsible for rejecting the integration scheme in 1970.

Between 1970 and 1972, the electoral system of Council was reformed, with an internal review acknowledging the fact that under the new arrangements, there could "be no restriction on the way the electorate nominates or votes and no attempt by the Council to 'rig' elections by insisting on a specified type of candidate or preventing certain candidates from standing. It was for the electorate itself to determine such matters" [File 1490].

The reforms introduced district society-based elections by postal ballot and have been hailed as "An attempt...to involve members in the governance process, to emphasize the geographical constituencies and to highlight the representation of members on Council" [Tricker, 1983, p. 41]. In practice, the new

system failed to arouse members from their “becalmed” attitude [Zald and Ash, 1966] towards ICAEW affairs. Nor have numerous subsequent initiatives proved successful in increasing the general level of membership involvement in Council elections. When, however, the leadership has attempted to take the ICAEW in some radical new direction, the level of interest becomes relatively substantial and opposition to the Council’s plans often unambiguous.

In brief, actions taken by the rank-and-file have persistently shown that Council’s authority remains seriously diminished. Although the Council installed a more democratic system for electing new leaders, it failed to stimulate the members’ interest so that they might connect better with the leadership. While we do not claim that the 1970 debacle irretrievably damaged the authority of the leadership, it is certainly the case that the “disaster” fundamentally problematized the governance arrangements and heralded the start of a period of continuous reform that has not borne fruit.

Within the U.K., the ICAEW is not alone in grappling with problems of governance. A recent academic study [Friedman and Phillips, 2004] of models of control within professional associations reports the conclusions of a seminar held at Birkbeck College, University of London (November 28, 2000), entitled “Governance for Professional Associations in the 21st Century.” The seminar, arranged by the Professional Association Research Network (PARN), was attended by representatives of 35 professional bodies, including the ICAEW.²⁸ These delegates shared a concern that their governance structures were inadequate to meet the demands placed on them. In particular, they identified “composition of councils and electoral process” as a major issue leading to difficulties in conducting policy formulation and in arriving at strategic decisions [Friedman and Phillips, 2004, pp. 194-195]. Friedman and Phillips [2004, p. 188] conclude that “Even the associations of professionals from which many top business executives are drawn, such as accountancy and law, have suffered from crisis and failures in governance.”

The PARN seminar is significant in highlighting the problem of leadership legitimacy faced by professional bodies today. When considering how best to reform the constitution of the

²⁸The seminar led to the PARN undertaking a research project co-sponsored by the ICAEW. The research findings were presented at a seminar, entitled “Governance: the management of change and the management of risk,” held at Woburn House, Tavistock Square, London, on January 8, 2003.

Council, the ICAEW had in fact researched and sometimes imitated election arrangements put in place by the governing bodies of other professional associations. Such bodies included not only other accountancy associations but also other professional organizations such as the Law Society, Royal College of Surgeons, Royal Institute of British Architects, and the Chartered Surveyors' Institution [Ms.28432/19; Ms.28448]. Through the PARN, or alternative forums, the ICAEW might gain further insights into the measures taken by other bodies to deal with the legitimacy issue. To promote the mutual learning process, further research into other organizations might help clarify the nature of the issue of governance of professional associations by, for example, comparison with the case of the ICAEW.²⁹

For the present, this study enables us to predict that the ICAEW's quest for a scheme to address better the need for representative and effective governance of a professional body will continue into the future and, until that problem is resolved, the crisis of authority that the Council has repeatedly experienced in its recent history is likely to recur.

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²⁹Also, in this context, counter-factual studies, which explore "how events might have turned out differently at a number of key nodal points" [Rutherford, 2007, p. 285] had the ICAEW's Council adopted alternative strategies available to them, might prove insightful.

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A LETTER FROM A TEENAGE ACCOUNTING CLERK IN 1846: A HIDDEN VOICE IN A MICRO-HISTORY OF MODERN PUBLIC ACCOUNTANCY

Abstract: The purpose of this paper is to demonstrate use of archival material to access a hidden voice in accounting history and provide social context in the form of a biographical micro-history of public accountancy. The archival material is a letter written in 1846 by a Scottish teenage public accountancy clerk. An analysis of the letter gives insight to the employment and social life of the clerk in mid-19th century Scotland and also identifies a notorious character in Scottish public accountancy. The paper reveals the importance of social connections, religion, communication, and transport to middle-class Victorian Scots and, more generally, reminds accounting historians of the value of hidden voices and micro-histories.

INTRODUCTION

This paper has several unusual features as a study of accounting history. It reports a biographical story associated with two genres identified by contemporary historians – hidden voices of ordinary rather than elite individuals in history [e.g., Weick, 2000; Xinran, 2002; Trevino and Francaviglia, 2007] and micro-histories that examine the past on a small and focused scale [e.g., Ginzburg, 1980; Bodanis, 2000; Kurlansky, 2004; Spence, 2007].

The rationale underlying the hidden voices genre is making visible the existence, contribution, and value of men and women who lack the historical characteristics of significant social influence and status.¹ Hidden voices reflect the lives of the majority

¹The hidden voices genre is alternatively classified by historians as history from below or the people's history [Jordanova, 2000, p. 214]. For a discussion of the notion of history as a voice, see Berkhofer [1995].

Acknowledgments: I am very grateful to the Niven family for permission to access its archive of personal papers and memorabilia. I also thank the paper's reviewers for their comments, particularly for the suggestion to use the paper to illustrate the idea of a hidden voice in a micro-history of accounting.

of a population, and the genre rejects research focused on élite members of that population [Brecher, 1997]. Non-accounting studies, for example, typically deal with subjects such as women, the working class, and under-developed communities. In contrast in accounting history, biographical studies mainly relate to élite individuals, what Sy and Tinker [2005, p. 49] describe as “a revivalist preoccupation with ‘The Great Men’ of Accounting.”² Despite this bias, there are recent accounting history studies explicitly associated with hidden voices – e.g., Walker [1998], in relation to domestic household accounting, and Walker [2003, p. 609], with respect to female bookkeepers as “hidden investments” in commerce.³ There are also recent biographical studies that provide a mix of great men and hidden voices in relation to the founders of modern public accountancy associations (Lee, 2006a) and early chartered accountancy immigrants (Lee, 2006b).

Micro-histories ignore the broad sweep of general histories and concentrate instead on specific events or fragments of history. They constitute focused investigations of apparently unimportant historical subjects and are argued to appeal to the general public, be closer to reality, convey personal experience directly, and provide a route to generalization in history [Sziártó, 2002]. In accounting history, with the exception of biographies [Flesher and Flesher, 2003], there are few micro-histories as accounting researchers appear to prefer macro observations of the past. Recent examples of micro-histories in accounting arguably include Lee [1994], Carmona and Gutierrez [2005], and Zeff [2007].

In the case of the current paper, the hidden voice and subject of the micro-history is at the beginning of a professional career before his professional influence had yet to take place. He is Alexander Thomas Niven (ATN) (1830-1918), a 16-year-old public accountancy apprentice clerk from the small market town of Balfron in Stirlingshire. In 1846, he was working in Edinburgh, the capital city of Scotland, and eight years later in 1854, he became the youngest founding member of the first modern professional association of public accountants, the Society of

²Tyson and Oldroyd [2007, p. 187] dispute the Sy and Tinker critique on the basis of evidence from a review of three accounting history journals between 2001 and 2005.

³Carnegie et al. [2000, p. 371] is a hidden voice study in which the research is explicitly described as “a response to Walker’s plea for less emphasis on ‘luminary accountants whose fame and fortune merit inclusion in works of biographical reference’” [see also, Walker, 2000, p. 318].

Accountants in Edinburgh (SAE).

A further unusual feature of the paper is its archival dependence on a single primary source that is used deliberately as a gateway to explore other archival and secondary sources. Typically in accounting history, a biographical study is informed by a complex mixture and layering of archival sources. In this case, however, the hidden voice of ATN is found in a personal letter he wrote in 1846 to his father, the Reverend Alexander Niven (1798-1872), Master of Arts (University of St. Andrews 1817) and Church of Scotland minister of Balfron Parish Church from 1825. Alexander Niven, in turn, was the son of the Reverend Alexander Niven (1760-1833), Doctor of Divinity (University of Glasgow), minister of Dunkeld Parish Church in Perthshire from 1793, and chaplain to John Murray (1755-1830), the fourth Duke of Atholl. ATN's mother was Eliza Brown (1810-1879) who, at the time of his letter, was temporarily resident with her family in Glasgow.

The principal purpose of this paper is to report a hidden voice at an important juncture in the history of modern public accountancy. At the time of writing his letter, ATN was a junior and insignificant employee in a community of 96 public accountancy practitioners. Many of the latter were, eight years later, to form the SAE and trigger a wider professional project that continues today on a global basis. The letter provides insights to the life of a junior accountancy clerk in mid-19th century Scotland and therefore informs its reader about a specific historical time of importance to modern public accountancy and accountants. It also provides its reader with knowledge of the social context in which Scottish public accountants were beginning the associational phase of their professional project.

Letter writing was an everyday activity and significant means of communication for the Victorian middle class, the 19th century equivalent of e-mail and text messaging. In 1846, individual members of the Niven family associated with ATN's letter were residing in three Scottish locations – Edinburgh, Glasgow, and Balfron in Stirlingshire. Including its address and greetings, the letter comprises 777 words and is written in black ink using a quill pen. It is part of a small archive acquired by the author from the Niven family in the U.S. during two research projects on founder and immigrant chartered accountants.⁴

⁴A full bibliography relating to these projects is given in Lee [2006a, p. 392, 2006b, p. 153]. ATN's eldest son, John Ballantine Niven, immigrated to the U.S. in 1898, and his descendents continue to reside on Long Island near New York City.

Because of the particular focus of these projects, the letter has been used previously only to confirm that ATN was a public accountancy apprentice in Edinburgh in 1846 [Lee, 2002, p. 82; Lee, 2006a, p. 286]. By contrast, in this paper, the letter is the focus for revealing a social context to the career of ATN at a specific point of time and for expanding previous accounting studies. As such, it particularly reflects the personal experiences and realities of ATN and provides specific historical pointers to a more general history of modern public accountancy in the 19th century.

The structure of the remainder of the paper is first to place ATN's letter in the context of previous studies of which it is a part, then to reproduce it, and, finally, to identify and comment on its content. Before proceeding further, however, it is useful to emphasize the importance of letter writing in the 19th century by citing from a well-known, micro-historical study that uses family letters to report on the effects on ordinary people of a large-scale immigration from the U.K. to North America and, by implication, reveals previously hidden voices of "invisible immigrants" [Erickson, 1972, p. 1]:

Manuscripts of emigrant letters constitute a unique historical source material. The act of emigration led many ordinary working people to record their actions and attitudes. From such letters we can gain some knowledge of the inner social history of the nineteenth century, of the motives and ways of looking at their world of people who did not lead armies or governments or business firms....

The letter by ATN to his father falls within the hidden voice research design described by Erickson. In 1846, ATN was an internal migrant from a small market town in the west of Scotland to the nation's capital on its east coast. Edinburgh in mid-19th century was a major British and European center for traditional professions such as divinity, law, and medicine. Internal migration of this type by middle-class children from rural areas of Scotland was a small but growing feature of the early Edinburgh public accountancy community [Walker, 1988, pp. 108-113]. ATN was at the start of his career in public accountancy in 1846, when public accountants were regarded as a subset of the more prestigious legal profession [Walker, 1988, p. 13]. He had two uncles, Robert William Niven and John Dick Maxwell Niven, who trained as lawyers in Edinburgh [Lee, 2006a, p. 283]. Robert qualified as a Writer to the Signet (1819), but died in 1832.

John was living in Edinburgh in 1846, but had abandoned his legal career due to blindness. ATN was therefore following a family route to a professional career in commerce.

Edinburgh was very different from the market town of Balfron where ATN was raised. For example, it had a population of more than 225,000 compared to less than 2,000 for Balfron in 1851. The letter written by ATN is therefore important in its potential to reveal aspects of the inner social history associated with a middle-class, Scottish teenager in 1846. It is dissimilar in nature from letters of the great and the good typically used by social historians – e.g., the letter written a century before by the Edinburgh philosopher David Hume (1711-1777) to the lord provost of Edinburgh in answer to critics of a publication by Hume in 1745 [Mossner and Price, 1967].

CONTEXT

ATN's biography is part of a larger biographical history of 136 Edinburgh, Glasgow, and Aberdeen public accountants who founded professional institutions in 1853, 1854, and 1867, respectively [Lee, 2006a, pp. 282-289]. The biography of ATN's eldest son, John Ballantine Niven (JBN) (1878-1954) (SAE 1893), a co-founder of the public accountancy firm Touche, Niven & Company in the U.S. in 1900, now part of Deloitte Touche, and 1924 president of the American Institute of Accountants, now the American Institute of CPAs, is part of a biographical history of 177 Scottish public accounting immigrants to the U.S. prior to 1914 [Lee, 2006b, pp. 108-112]. In addition, there is a detailed analysis of the careers and influence of ATN and JBN [Lee, 2002]. Some social history is given as background and context in these biographical publications. However, this paper uses the detailed contents of ATN's letter to reveal more about his family, life-style, career, and profession. In doing so, it emphasizes the importance of apparently trivial archival materials in accounting history research and the need to give the hidden voices of ordinary people an opportunity to speak from below in the literature of accounting history.

THE LETTER

The letter written by ATN to his father is dated December 24, 1846, and was discovered by the author in 1998 in a collection of family papers stored by descendants of ATN's son JBN at the latter's home in Mill Neck on Long Island near New York. The property is situated immediately adjacent to the former

family home of President Theodore Roosevelt (1858-1919). The full transcript of the letter reads as follows:

Edinburgh, 1 George Street
December 24th 1846

My dear Papa,

Your kind letter I got yesterday along with one from Glasgow which enclosed another note from you to Mama for my perusal. I was perfectly surprised to find the Phaeton did not go into Glasgow till Saturday. After all you see you might just have done as I wished you to do, and not left here till the Friday night. I am now very vexed you have been the worse of your trip though, but I trust you will soon be perfectly recovered.

I will attend to all your instructions with respect to the almanacs etc. In Mama's letter she says something about extract of malt. Do you wish me to send a jar to Montrose Street along with them? I have made up my mind to give Marianne Cairns some little thing just now also, for I wish her to see that I feel their kindness to me a little. I am thinking some Saturday in the beginning of the year to take a 4th class drive to Glasgow in the morning if it won't put them about at all, and if they could give me a bed, stay till the Monday. If not, return on the Saturday evening. But I don't wish you to mention this because in the first place I may not do so at all, and in the second if I do, it will be a nice thing to surprise Mama by popping in to breakfast some fine morning. I was sorry to find Aunty and Frederick poor Manny had been ill, but I am glad they are well again. I am very glad indeed that Mr Peddie's report of your humble servant pleased them all in Glasgow, but oh I am thankful that it has been an almighty Father that has been on my right hand and on my left for the last year. The more good accounts I hear of myself it makes me the more so, for I feel *convinced* that without Him I could have done nothing. You may perhaps my dearest Father be surprised to hear such a statement from me. I perhaps never said so much about my own feelings to any one before, but I think it right to tell, that these feelings in regard to God's *Providence*, I never had till I got my first quarter's salary. Vanity was and is still too much I fear my besetting sin. I ought to say rather self conceit – but that day I felt it was not my own cleverness nor anything I can do that made Mr Peddie think I should get £5 instead of £3.15/- and ever since then I have felt more and more that 'without me you can do

nothing.' I must now draw near a close, though I am already too late for this evening's Post. I forgot to bring up the Pict. Times tonight too, so you won't get it till Saturday. I won't be able to get Mama written to till the beginning of the week either. You may say when you write. Miss Low would get a parcel from Mrs Murray which she sent up to me to take charge of when I am going west, but as I was not, she was to send it herself. I think Dr Minto will come round a bit now; there has been a regular quarrel between him and Archy at last and he, the latter, *is unseated from the foot of the table (!)*. The Plaid is a delightful thing. I got out a Ticket for the lectures from Mr Peddie. Many thanks for your leave to take a few lessons on dancing. I go to the Cresct. tomorrow you know; on Tuesday to the Messers and on New Year evening to the Millers. These are the invitations I have on hand at present but there will likely be more next week.

Now dear Papa I must stop. Love to all, large and small.
Your ever affectionate son

Alexander Niven

PS

I wish you could devise any possible excuse for leaving the Tron Church. I go there Sabbath after Sabbath, and I must tell you distinctly I come out vexed and uncomfortable, because I never get any good, and I feel quite vexed almost, when Sunday returns for I feel convinced that every time I enter the church I am just about to waste two hours of the Holy Sabbath. Please to think this seriously over and let me know what you think I ought to do. I could write many things more but I must stop.

ATN

10 of Thursday pm

ATN's letter is a window on the social fabric of his life as a teenage public accountancy clerk in mid-19th century Edinburgh. Why the letter survived for 161 years is unknown. It is one of a small number written by ATN that are known to exist. The others are personal letters to his son around the time in 1905 when JBN married in the U.S. and ATN could not attend. The reason for the 1846 letter's survival may be either historical accident or a content that was significant to members of the Niven family in the 19th century. For example, it appears to signal an important transition in ATN's Christian faith and also mentions a notorious figure in Scottish public accountancy.

More generally, it informs its reader about ATN's family, friends, and employment, as well as social conditions of the times. Most specifically, and despite its relative short length and apparent everyday subject matter, it provides the accounting historian with insights into public accountancy in Victorian Scotland at an employment level not usually examined by researchers. This is not a study of ATN as an influential practitioner in early Scottish public accountancy. Instead, it is a micro-history of a young teenage migrant at the beginning of his professional career.

The following analyses relate to the addresses and family members associated with ATN in 1846, the importance of religion in his life and to most middle-class Scots of the time, his acquaintances other than members of the Niven family (i.e, his social network), his employer the infamous Donald Smith Peddie, the nature of indentured service in public accountancy in mid-19th century Scotland, and examples of everyday social life in 1846 Edinburgh.

ADDRESSES AND FAMILY MEMBERS

The letter was written by ATN from a prominent Edinburgh address, number 1 George Street. This was a large Georgian townhouse in the rapidly developing New Town of Edinburgh [McKinstry, 2000, pp. 1-18]. The New Town was constructed from a prize-winning design of 1767 by 23-year-old architect James Craig (1744-1795) and represented the residential solution to a considerable health and safety hazard in the Old Town of the city. Building in the New Town began around 1776 at its east end in an area named St. Andrews Square. This first development phase included the beginnings of George Street, a main thoroughfare that runs west from the Square. Number 1 was the first building on the north side of George Street.

Number 1 George Street in 1846 was the business address of an Edinburgh public accountant, Donald Smith Peddie (1809-1883), and his nephew, John Dick Peddie (1824-1891), who was a well-known architect and member of the Royal Society of Architects (1869) and who became member of Parliament for Kilmarnock Burghs (1880-1885). D.S. Peddie practiced as a public accountant and property manager [Lee, 2006a, pp. 299-302]. His George Street address was also the registered office of the Colonial Life Assurance Company, formed in 1846 to provide life insurance services in the U.K. and India. A member of the board of directors of the Colonial was Archibald Horne (1797-1862), a leading Edinburgh public accountant and landowner, and the

actuary and auditor were, respectively, public accountants William Thomas Thomson (1813-1883) and Charles Pearson (1803-1884). Next door, at number 3 George Street, Thomson was the manager (chief executive officer) of the Standard Life Assurance Company, then Scotland's premiere insurance company.

Other accountants publicly recorded in George Street in 1846 include Gilbert Laurie Finlay (1790-1872) at numbers 22 and 130, David Murray (1787-1877) and his son William Murray at number 39, John Green at number 50, John Spence Ogilvy (1805-1876) at number 53, William Moncreiff (1811-1895) and George Murray (1809-1884) at number 59, James Sym at number 68, Archibald Horne and James Jobson Dickson (1811-1891) at number 74, Alexander Ferguson at number 125, and Henry George Watson (1796-1879), James Brown (1786-1864), and Charles Pearson at number 128.⁵ With the exception of Ferguson, Green, William Murray, and Sym, each of these accountants was involved to some extent in the foundation of the SAE in 1853 and 1854.⁶

ATN's letter provides clues to the nature of his employment in 1846. As previously mentioned, he was an indentured apprentice of Peddie. The apprenticeship started in 1844 and finished in 1849. Why ATN was apprenticed to Peddie is unknown. However, it is reasonable to assume that it was due to a combination of ministerial connection (i.e., the fathers of both Peddie and ATN were ministers) and family relations through the Dick family of Edinburgh and Perthshire (ATN's grandmother was a Dick as was Peddie's sister-in-law) [Lee, 2006a, pp. 282, 300]. Such familial associations were commonplace and important in the early public accountancy community in Edinburgh and, indeed, more widely in the Scottish professions [Walker, 1988, pp. 83-89].

ATN's apprenticeship would have been an unglamorous affair. Sir John Mann [1954, pp. 300-301], a prominent Glasgow chartered accountancy practitioner of the mid-20th century recalls his chartered accountant father John Mann's (1827-1910) description of the Glasgow offices of his apprenticeship at ap-

⁵Biographies of Brown, Dickson, Finlay, Horne, Moncreiff, David Murray, George Murray, Ogilvy, Pearson, and Watson can be found in Lee [2006a, pp.88-96, 119-120, 133-136, 167-170, 263-269, 275-277, 277-279, 290-291, 296-299, 343-345, respectively].

⁶Ferguson and Green are not listed as Edinburgh accountants by Richard Brown [1905]. However, he lists Murray and Sym as practicing in the city from 1843 to 1855 and 1844 to 1850, respectively.

proximately the same time as that of ATN:⁷

Small, homely, rather dingy ‘counting houses’ as they were then called – equipped with high sloping desks and high backless stools. The ‘private’ rooms were well furnished but all were primarily workrooms. The partners and staff lived near their work, the ‘governor’ sometimes in the same building as the office, so that no time was lost in travelling; getting home for meals was easy. This explains why business hours were from 10 till 4, then two hours break, and work again from 6 till 8 – till 2 on Saturdays – and every Saturday. There were no football matches then, although no doubt urgent funerals to attend. Holidays were scarce; both Christmas and New Year’s Day were office working days in the eighteen-fifties.

According to his letter, ATN was writing in the late Thursday evening of Christmas Eve in 1846. Gas lighting had been introduced to the eastern end of the New Town in the 1820s by the Edinburgh Gas Light Company, formed in 1817. If number 1 George Street had no gas supply, lighting would have been by oil lamp or candle. ATN would have worked that evening and also the next morning despite its being Christmas Day. ATN appears to have been residing in his master’s office at this time. This arrangement is consistent with an Edinburgh apprenticeship of 1845 cited by Walker [1988, p. 132] that provided “Bed, Board, washing and clothing” in addition to a salary. It is probable then Peddie was also living at number 1 George Street as this is publicly recorded as his residence in 1846. By 1851, ATN was no longer at number 1 George Street, residing instead as an accountant’s clerk with his younger brother and University of Edinburgh divinity student Thomas Brown William Niven (1834-1914) in a lodging house in nearby Scotland Street. The only other apprentice of Peddie in 1846 was Donald Scott (1830-1898) (SAE 1855), the son of lawyer Andrew Scott (1798-1874), a Writer to the Signet (1823) in Edinburgh.

The reason for ATN writing to his father on Christmas Eve appears to have been the consequence of a necessary splitting up of the Niven family in 1846. As previously stated, his father was the Church of Scotland minister in the small Stirlingshire market and cotton-weaving town of Balfron, and his mother (“Mama” in ATN’s letter) was Eliza Brown, daughter of the Very

⁷John Mann was an 1854 founding member of the Institute of Accountants & Actuaries of Glasgow [Lee, 2006a, pp. 237-240].

Reverend Thomas Brown (1776-1847), minister of St. John's Parish Church in Glasgow (1826-1847) and second moderator of the General Assembly of the Free Church of Scotland (1844). Dr. Brown was one of the leaders with Dr. Thomas Chalmers (1780-1847) of the "Disruption" of 1843 that split the established Church of Scotland into two parts – the Church of Scotland and the Free Church of Scotland [Cheyne, 1993].⁸

Dr. Brown was ill at his Glasgow home in "Montrose Street" (the street mentioned in ATN's letter) in 1846 and would die there in 1847. The street was then a residential road in the heart of a large city known as the "Second City of the Empire" because of its industrial and commercial prosperity [Oakley, 1946]. The Brown home was situated near the main square of Glasgow where the current University of Strathclyde is located today. As suggested by his letter, ATN's mother was either visiting or nursing her father, accompanied by her two-year-old son Frederick Charles Niven (1844-1883). ATN's other brother, Thomas Brown William Niven, was presumably residing with his father at Balfron and is not mentioned in the letter. According to the letter, ATN's father had visited his son in Edinburgh during the previous week and had problems returning either to Glasgow or Balfron due to the lack of an available stage coach. As now, travel in mid-19th century Scotland, even when between major cities, was not always easy.

Both of ATN's brothers followed their father and grandfather into the ministry, and therefore ATN's chosen path in public accountancy differed from the family tradition for eldest sons. The Very Reverend Dr. Thomas Niven, Doctor of Divinity (University of Glasgow), was minister of Pollockshields Parish Church in Glasgow (1876-1914), moderator of the General Assembly of the Church of Scotland (1906), and husband (1867) of Alice Steuart (1841-1905), a daughter of Lieutenant-General George Mackenzie Steuart (1787-1855), a Stirlingshire landed gentleman. Frederick Niven became minister of North Paisley Parish Church at Paisley in Renfrewshire (1874-1883) and husband (1876) of Elizabeth Josephine McLaren (1849), a daughter of Dr. Malcolm McLaren, a medical practitioner at Johnstone in

⁸Dr. Chalmers was the previous minister at St. John's from 1819 to 1826 and, with the approval of the Town Council of Glasgow, put into practice various financial measures designed to provide relief for the poor of a parish in the center of the city [Cleland, 1820, pp. 206-217]. Dr. Brown continued this work throughout his ministry. The "Disruption" was a rebellion against a previous system of patronage in the Church of Scotland that placed power and influence in the Church among the ruling landowning elite of Scotland.

Renfrewshire. Frederick is the “poor Manny” mentioned by ATN in his letter.⁹

The other relative mentioned in ATN’s letter is “Aunty” who, together with ATN’s brother Frederick, had been ill. Aunty was Eliza Brown (1810-1879), the only daughter of the Very Reverend Brown and his wife Eliza Duncan (1782-1852), a daughter of the Reverend Dr. John Duncan (1741-1814), minister of the Scotch Church in London. The ATN letter therefore is a means of indirectly identifying the predominance of church ministry in the Niven family. His father, uncle, paternal grandfather, and maternal great grandfather were Church of Scotland ministers. Both of his brothers became Church of Scotland ministers, and his maternal grandfather was a Free Church of Scotland minister following the “Disruption” of 1843. His maternal grandfather and a brother were moderators of the General Assembly of their church organizations. For this reason, it is of interest in ATN’s letter to turn to an analysis of its reference to church matters.

CHURCH MATTERS

ATN makes several references in his letter to the spiritual dimension of his young life. According to Devine [1999, p. 364], “religious values continued to remain central to the ethos of Victorian Scotland” at this time, and “there is clear evidence, therefore, that in an era of industrialization and urbanization, religion remained a powerful force in the lives of Scottish people” (p.367). Also as reported by Devine (p. 368), church membership in Scotland probably more than doubled between 1830 and 1914. ATN’s attendance at church services would have been a normal part of his middle-class life in 1846.

Specific statements in ATN’s letter, however, also reveal a “coming out” to his clergyman father with respect to a previously hidden or suppressed faith. The phrases “I am thankful that it has been an almighty Father that has been on my right hand and on my left for the last year,” and “I feel *convinced* that without Him I could have done nothing” in association with his work for and compensation from his master Peddie may appear strange to an observer from the 21st century. However, it is reasonable to argue that it would have been less surprising to middle-class Scots in 1846. ATN’s thoughts about his Christian faith as part of his professional work, and the later mention in

⁹“Poor Manny” (or mannie) was a term of affection used in Scotland in 1846 to describe an infant or small boy [Macleod et al., 1999, p. 159].

his letter of his church attendance, were not merely the consequence of his position as a son, grandson, and great grandson of the manse. ATN was part of a generation where membership and involvement in institutionalized religion would have been expected or even demanded of a professional gentleman. He was an employee in a profession with strong associations to religious bodies in Scotland [Lee, 2006a, p. 39]. In addition, several Scottish church ministers in the mid-19th century, such as Dr. Chalmers, were celebrities of their day, often being the focal point of debates on social matters such as the poor law, education, and public health [Devine, 1999, p. 336]. Church sanctuaries were frequently packed to listen to sermons that were later published. Ministers also published regularly on debated social issues of the day [e.g., Lee, 2006a, pp. 77, 119, 265, 303].

Donald Peddie was the son of a minister and became involved in church affairs as part of his professional practice. ATN followed this model in his career and was significantly associated with the Church of Scotland in later life [Lee, 2006a, pp. 287-288]. For example, he was ordained as a Church of Scotland elder in his father's church at the young age of 25 years and was treasurer or secretary of numerous church organizations during his career. This was typical of Scottish chartered accountants of the time [Lee, 2006a, *passim*]. ATN's religious beliefs, however, were far from liberal. He was treasurer for many years of the Scottish Reformation Society, a body devoted to "resist the aggressions of Popery." He also developed an intense dislike of organ music in church even though he played musical instruments and had a sister who was a professional violin teacher in Edinburgh [Hutton, 1928, p. 7].

ATN's other faith-related comment in his letter is in the postscript and refers to an obvious dissatisfaction with Sunday services at the Tron Kirk or Church in the High Street of the Old Town of Edinburgh. Tron to Scots means a commercial weighing place (e.g., of salt) and the Tron Kirk was commissioned at that place in 1635 by the Town Council of Edinburgh. It was opened in 1647 [Birrell, 1980, pp. 241-242] and, by 1846, was one of the main churches in Edinburgh with two ministers with national reputations as ministerial celebrities. The Reverend Dr. John Hunter (1788-1866) was born in Edinburgh, the son of the Reverend Dr. Andrew Hunter, professor of divinity at the University of Edinburgh. The younger Hunter had been a minister at the Tron from 1832 when he replaced his father. He is described by contemporaries as "far from prepossessing." The Reverend Dr. Alexander Brunton (1773-1854) was a Tron minister from

1813 when he was also appointed professor of Hebrew and oriental languages at the University of Edinburgh. He became moderator of the General Assembly of the Church of Scotland in 1823. He has been described as having a “fine, though somewhat pompous, presence” [Douglas, 1882, p. 27].

In 1846, Drs. Hunter and Brunton were 58 and 73 years of age, respectively and, given the contemporary descriptions, ATN’s comments appear consistent with a typical teenager’s perceptions of an older and apparently more conservative generation. They would not appear out of place today. It is not known why he was attending the Tron Kirk. The most obvious reason is that it was a major church in Edinburgh and likely to have many influential citizens as members. This would be important for a young man intent on a professional career in Edinburgh. Certainly, it is unlikely the reason for his attendance would have been Peddie as the latter belonging to his father’s congregation which was a break-away community from the established Church of Scotland to which ATN belonged. It therefore may be speculated that ATN’s anxiously seeking of advice from his ministerial father indicated the dilemma he was in as a prospective professional accountant in Edinburgh in the mid-19th century. It was expected by his family, employer, and peers that he would benefit spiritually from church attendance but found the whole experience less than satisfying.

SOCIAL NETWORK AND ACTIVITIES

There are other individuals mentioned in ATN’s letter who give some clues about his social network in 1846 Edinburgh.¹⁰ He writes of thinking of giving a gift to Marianne Cairns in thanks for kindnesses to him. This lady was the resident domestic servant of Dr. John Minto who is also mentioned in the letter. Dr. Minto, doctor of medicine from the University of Jena in Germany, was an accoucheur or obstetrician in Edinburgh who was born in 1804 at Dunkeld in Perthshire, the town in which ATN’s grandfather was minister. The Reverend Niven would almost certainly have baptised Minto. The latter had two sons in Edinburgh whom ATN would have known. Patrick Wood Minto (1840-1914) became a Free Church of Scotland minister at Inverurie in Perthshire (1868-1885) and at the Scotch Church

¹⁰Social networks were an important part of the early Scottish public accountancy community [see Lee, 2000]. By the time of the SAE formation in 1854, however, ATN had a relatively small social network within the foundation group compared to other founders [Lee, 2000, p. 46].

in Cannes in France (1885-1914). His brother, "Archy" in ATN's letter, was Archibald Minto (b. 1823) who, in 1846, was an Edinburgh apothecary or pharmacist. ATN's comments about "a regular quarrel" and "unseated from the foot of the table" suggest a typical breakdown in relationships within a family with which ATN is familiar.¹¹ The proposed gift to Marianne Cairns further suggests that ATN visited the Minto family regularly. Use of such social connections would have been typical for a young man such as ATN coming from Balfron to Edinburgh. To develop a professional career in commerce, it was essential to network socially.

According to his letter, ATN was to visit the "Cresct." (Crescent) on Christmas Day. The use of the term in such a familiar and similar way to "Montrose Street" earlier in the letter suggests a family-related address. In fact, from a search of the 1846 *Edinburgh & Leith Street & Trade Directory*, it is probable that the address is number 14 Atholl Crescent, the home in 1846 of lawyer Humphrey Graham (1789-1862), Writer to the Signet (1813), and brother of Frederick Graham (b. 1790) who was ATN's uncle by marriage. Frederick Graham married ATN's aunt Marjory Forbes Niven (1809-1880) in 1824. According to Niven family records, Frederick Graham was a former army officer who served at Waterloo (1815) and was later factor to the Duke of Atholl at Dunkeld where ATN's grandfather ministered.¹² By 1846, Graham was living in Edinburgh and held the position of commissary general in the Department of Army.¹³ It is reasonable to presume that ATN was attending a family function on Christmas Day.

Invitations to visit during the festive period had also been received by ATN from the Messer and Miller families. It is impossible to identify the Miller family because of the number of Miller families in Edinburgh at the time, but the family of Messer is different as only one is listed in the *Edinburgh & Leith Street & Trade Directory* of 1846. Adam Messer (1786-1861) from Chain in Berwickshire was residing at 142 Princes Street, the

¹¹A regular quarrel was a term then used to denote a dispute between father and son [Macleod et al., 1999, p. 209]. To be unseated from the foot of the table meant removal from the second most important place at the family dining table.

¹²Factor was the term used to denote the individual responsible for the overall management of the Duke's landed estates. It was therefore a position of some importance.

¹³This was a civilian appointment involving overall responsibility for the supply to the North British Army of food, clothing, bedding, animal feedstuffs, and related matters.

main thoroughfare of the New Town. He was a general medical practitioner, fellow of the Royal College of Physicians of Edinburgh (1826), and a medical officer at the Edinburgh Royal Public Dispensary & Vaccine Institution.¹⁴ Dr. Messer was married with two daughters and five sons, including two who became doctors. It is not clear what the connection was between ATN and the Messer family, although it is possible because of their medical association that Dr. Messer and Dr. Minto were known to one another.

The ATN letter mentions other possible invitations and implies therefore that, together with the above families, ATN had an active social life in Edinburgh at the age of 16 years. As suggested in connection with Minto, these contacts would typically come through ATN's family. For example, the Nivens were associated over many decades with several Ayrshire and Perthshire landowning families with Edinburgh roots (particularly, as mentioned previously, that of Dick) [Lee, 2006a, pp.282, 299-300]. ATN's accounting master also had family connections to Perthshire and the Dick family. The most influential Niven connection, however, was that of ATN's grandfather as minister at Dunkeld and his association with the Duke of Atholl.¹⁵

The other individuals in ATN's letter are more difficult to determine from the public record. The recipient of a parcel was Miss Low and can be identified as Ann Low (b. 1791) from Berwickshire, a long-standing boarder with ATN's family at Balfron. Mrs. Murray cannot be traced in census records to either the Brown or Niven family. It is possible she was either a domestic servant or a visitor in the Brown household at Glasgow in 1846. Victorian households of professional men in the mid-19th century typically employed a number of domestic servants, and the passage of a parcel to or from Balfron and Glasgow in these circumstances would not have been unusual, particularly because of ATN's mother's visit to her father. The Reverend Alexander Niven had five domestic servants at Balfron in 1851 and four in 1861, indicating some degree of prosperity for his family.

ATN's letter mentions various social activities. The first relates to dancing lessons that his father had given him permission to take. Such lessons would have been a natural part of the

¹⁴The Institution was formed in 1776 by royal charter and typically had 12 medical officers and an average of 12,000 mainly outpatients in the mid-19th century.

¹⁵The dukedom was one of the most senior in Scotland, created in 1703 for the Murray family.

social education of a young man. By 1846, the city had eight dancing teachers resident in the New Town and a number of dancing assemblies or halls [Birrell, 1980, pp. 72-73] at which regular dances took place, typically from 5.00 p.m. to 11.00 p.m. Ladies would be chaperoned or accompanied by servants, and men would attend in evening dress. In ATN's time, many of these dances took place in the assembly rooms at 54 George Street, a large ballroom opened in 1787, located a short distance from ATN's workplace and residence.

The second social activity mentioned by ATN relates to his obtaining a "Ticket" from his master Mr. Peddie for "lectures." Although there is ambiguity in the letter in relation to this matter, in all probability the ticket would have given him admission to a series of evening lectures on scientific and literary matters by leading celebrities of the day. The only publicly recorded office held by Peddie in 1846 that can be related to such lectures is his ordinary directorship of the Philosophical Institution of Edinburgh at 54 Hanover Street, located near his office. The Institution was founded in 1846 to provide the public with access to topics of interest in literature, science, and art by means of a popular lecture series, a library, a reading room, a news room, and evening classes. As with dancing classes, attendance by ATN at scientific or literary lectures in 1846 would not have been unusual.

MR. PEDDIE

Arguably, the pivotal character in ATN's letter is "Mr. Peddie," his public accountancy master. This is not just because ATN received a quarterly payment of £5 instead of the contracted £3.15s., a largess for which he would have been grateful. Instead, it is because Peddie later proved to be a notorious fraudster who committed his frauds throughout and beyond the period of ATN's apprenticeship [Walker, 1996a]. There is no evidence that ATN would have been aware of Peddie's activities, and it can only be speculated what his reaction must have been in 1882 when his former master's frauds were discovered, forcing Peddie to flee to Spain and thence to the U.S. before dying at Philadelphia in 1883.

Peddie was university-educated and trained as a lawyer before becoming a founder member of the SAE in 1853 and 1854. He came from a respected family. Indeed, his family background was similar to that of ATN. His paternal grandfather was James Peddie, a parish schoolmaster from Perth in Perthshire, and his

father was the Reverend James Peddie (1758-1845), Doctor of Divinity (University of Edinburgh), minister of the United Associate Synod Church at Bristo Street in Edinburgh (1782-1828), and twice moderator of the General Assembly of the United Associate Synod.¹⁶ The Reverend Peddie was a founding honorary director in 1812 of one of the most respected insurance companies in Scotland, the Scottish Widows Fund, and author of *A Defence of the Associate Synod against the Charge of Sedition* (Glasgow: J. Ritchie, 1800) and many other works. He was also a noted philanthropist.

Donald Peddie also had two respected brothers – lawyer James Peddie (1798-1885) was a Writer to the Signet (1819) in Edinburgh, and William Peddie (1805-1898), Doctor of Divinity (University of Edinburgh), followed his father as minister of the United Associate Synod Church at Bristo Street from 1828. He was moderator of the Church's General Assembly in 1858 and author of *Comparison of the System of Religious Establishments with That of Voluntary Churches* (Edinburgh, 1835) and *Discourses by James Peddie* (Edinburgh, 1846). According to Walker [1996a], Donald Peddie's father was treasurer (1797-1845) of the Friendly Society of Dissenting Ministers, a charitable organization created mainly to assist United Associate Synod ministers. The accounting and administration of the Society was conducted by his accountant son from 1833. The fraud by the latter took place in the early 1840s. Although his brother William replaced his father as the Society's treasurer in 1845, Donald continued to maintain its accounting records. In 1883, it was discovered that £21,840 of the Society's £30,940 funds were irrecoverable and a further £4,100 doubtful. Donald had been involved with a German property speculator in Edinburgh, provided him with funds, and facilitated further funds from a firm of lawyers.

Peddie resided at number 1 George Street and also with his mother and two sisters in a large house, Laverock Bank, in the newly developed north Edinburgh district of Trinity. The Peddie neighbors in 1846 included a retired army major, a senior customs and revenue official, the Belgian consul, and John Brown Douglas (1809-1880), Writer to the Signet (1833). The Peddie family employed two female servants and a male gardener in 1851. By 1861, there were five servants at Laverock Bank with Donald and a sister. This degree of affluence is contrary to

¹⁶The Synod was a break-away church from the Church of Scotland and had 24 presbyteries in Scotland by 1846. It was later renamed the United Presbyterian Church of Scotland.

the instability of his professional practice as noted by Walker [1996a, p. 313]. Peddie's fraudulent activity was national news and resulted in the SAE removing him from membership and instituting disciplinary processes for its members.

INDENTURED ACCOUNTING SERVICE

As previously stated and indicated in his letter, ATN's apprenticeship was with Peddie. However, on the death of his son JBN in 1950, the *Touche Niven Bailey & Smart Newsletter* (4/1) wrongly stated that ATN came to Edinburgh in 1844 to be an apprentice to an accountant Andrew Prentice and was later Prentice's partner. There is no record of Andrew Prentice as an accountant in Edinburgh at this time, although ATN was employed in 1850 by Andrew Murray Paterson (1823-1861), a fellow founder member of the SAE in 1854. Paterson resided at Wardie Villa in Trinity close to Peddie at Laverock Bank. ATN's contracted annual salary of £15 as an apprentice was low in comparison with similar contracts of the time. Walker [1988, p. 130] describes, for example, several contracted sums pre-1855 that averaged £25 annually. Thus, the increase to £20 by Peddie for ATN remained well below this average. However, much depended on the entry fee paid by the father of the apprentice. The entry fee was typically returned by the master to the apprentice as salary over the five-year contract. The contracted sum of £15 for ATN therefore suggests an entry fee of five times that amount or £75, apprenticeships typically being for five years.

The author has the indenture contract for ATN's son JBN, dated November 1, 1887 and registered May 1, 1888 with chartered accountant David Pearson (SAE 1862), a son of Charles Pearson, one of the SAE founders mentioned previously as working on George Street. It was discharged on December 5, 1892, and signed by ATN as cautioner. The entry fee was £105, providing an average annual salary of £21 over five years. It would therefore appear that ATN's salary in 1844 was little different from that of his son in 1887. Public accountancy apprenticeships in Scotland in the 19th century were economically advantageous to the contracted masters as they typically had to pay little for the services provided by the apprentice during an extensive training period.

GOODS AND OTHER MATTERS

The ATN letter also provides several insights to everyday matters in the lives of middle-class Scots in 1846. For example,

ATN promises to purchase almanacs for his father. These were annual publications containing details on a national, regional, and local basis of past and forthcoming events, significant individuals, organizations, and companies, as well as lists of clergy, lawyers, and military men. In all probability, the purchases would have included the *New Edinburgh Almanac & National Repository 1847* (Edinburgh: Oliver & Boyd). This was published on the day before the date of ATN's letter and consisted of 552 pages plus a 120-page *Advertising List 1847*. It cost 5s. Several of the facts reported in this paper have been derived from the 1847 *Almanac*. There were almanacs for each of the major cities as well as more nationally based publications. They were the mid-19th century equivalents of web-based databases.

The other publication mentioned in ATN's letter is the "Pict. Times." *The Pictorial Times: A Weekly Journal of News, Literature, Fine Art, and the Drama* was a London-based illustrated newspaper, founded in 1843 and published weekly at a cost of 6d. *The Pictorial Times* was published as a rival to *The Illustrated London News*, founded in 1842. These publications were examples of 19th century innovation in public communication and contained a mixture of news items (including foreign correspondence), fictional stories, and wood-engraved illustrations (the precursors of photographic illustrations). *The Times* had a short life as its publication stopped shortly after 1846. In contrast, there were 16 newspapers in Edinburgh in 1846. Eight were published weekly, six bi-weekly, one thrice times a week, and one monthly. This compares with three newspapers today. This city-based provision, as well as ATN's father's readership of *The Pictorial Times*, reflects the extent to which middle-class families such as the Nivens relied on newspapers as a major source of news and comment.

The next item to be mentioned in the letter is a jar of "extract of malt." This was and remains a multi-vitamin grain product used for a variety of household purposes including hot drinks and beer making. The plaid that ATN received from his father was a length of tartan wool cloth then used as a blanket or bed cover, today part of the ceremonial dress of a pipe band member [Macleod et al., 1999, p. 198]. The need for such a bed cover perhaps reflects the coldness of large Victorian houses in 1846, particularly in winter and in rooms reserved for domestic servants and other employees such as ATN.

The phaeton reported in the letter was a four-wheeled, horse-drawn carriage. It was pulled by either one or two horses with large wheels and strong springs and had a reputation for

speed and accidents. There was a commercial version of the carriage that used harder springs and carried mail, passengers, and baggage. It is this type of vehicle to which ATN presumably refers. The name phaeton is derived from the Greek for the son of Helios, the sun god, and, in more recent times, has been used as the name for luxury cars manufactured by Chrysler and Volkswagen.

Carriages were a major means of public transport in central Scotland. A coach service between Edinburgh and Glasgow left daily from Princes Street at 9:45 a.m. There was no stage coach service directly to Balfron in 1846 and only a single Saturday service between Balfron and Glasgow. This lack of transport connection lies behind the comment of ATN in his letter about his father's health and his journey from Edinburgh to Glasgow to visit his wife. Public transport in Scotland in 1846 did not permit easy travel between towns outside the main cities.

ATN also mentions taking a "4th class drive" to Glasgow to visit his mother and her relations there. This would not have been a stage coach journey as there was a single fare for such vehicles. Instead, the journey was by railway train for which there were four classes of fare. In 1839, the Edinburgh & Glasgow Railway Company began to construct a railway line between Edinburgh and Glasgow. It was opened in 1842. By 1846, there were ten trains running daily between Edinburgh and Glasgow, starting at 7:00 a.m. and ending at 10:00 p.m. The journey lasted 90 minutes with three stops for a train carrying first and second-class ticket-holders only. The train took 125 minutes with 11 stops with all four classes of fare aboard. The ticket prices ranged from 8s. for first-class, 6s. for second-class, 3s.10d. for third-class, and 2s.6d. for fourth-class. The fact that ATN was contemplating a fourth-class ticket from Edinburgh to Glasgow is consistent with the low level of his salary because the price comprised more than 7% of his monthly income.

Finally, the letter written by ATN was delivered to his father by the Post Office. This service was much more frequent than that of today. In Edinburgh in 1846, for example, there were five postal deliveries daily. These involved post-box collection and delivery at about the same time. The first delivery started at 7:00 a.m. This was followed by services starting at 10:45 a.m., 1:30 p.m., 3:15 p.m., and 5:15 p.m. Postal rates as now depended on the weight of the package, and there were two postage rates – prepaid and unpaid (to be paid on delivery). The rates ranged from 1d. prepaid and 2d. unpaid for a package less than half an ounce to 2s.8d. prepaid and 5s.4d. unpaid for 16 ounces. The

Post Office did not deliver packages of more than 16 ounces. The frequency of service reflects the importance of this means of communication in 1846 to individuals such as ATN and members of his family.

CONCLUSIONS

The previous analyses attempt to demonstrate the diversity of information to be derived for historical purposes from a single archival source such as a personal letter. The ATN letter in 1846 reveals professional as well as social insights. The contents of the letter, however, have been related to other primary and secondary sources in order to provide a more complete rendition of hidden voices in a micro-history. This is the essence of archival research, drawing out evidence and information from archival sources and bringing them together with relevant secondary sources to provide a coherent and comprehensible history. The following are offered as conclusions to be drawn from the above analyses.

The analyses reveal the extent to which a relatively innocuous or trivial archival source such as ATN's personal letter to his father can be used in conjunction with other primary and secondary sources, such as almanacs and directories, to report, at a specific point in time, a detailed history of the people, places, and events associated with an ordinary individual.

The letter and analyses reveal ATN as a young man at the start of his professional career and adult social life. Therefore, the paper is not a typical historical account of a man of influence, power, or prestige. Instead, it represents a hidden voice of history by providing insight to the life of an apprentice clerk working long hours for modest wages, caring about his family and acquaintances, and expressing modesty about his achievements at work and anxiety about his religious experiences.

The ATN letter also reveals a complex social mixture of professional career and employer, family and acquaintances, church and faith, and social activities that is useful in understanding public accountancy and accountants in mid-19th century Scotland. The life of a public accountant such as ATN was not just about his training, practice, and influence as a professional, which is the typical focus in accounting biography. Instead, as suggested in this paper, it was also about social networking within the middle class of a major city with little separation of work, family, and friends. It is not unreasonable to suggest that such networking at 16 years of age would have had a longer-

term impact on the professional career of ATN.

There are clues in the letter and the above analyses that indicate ATN's social life and employment in Edinburgh were influenced by family associations vital to his social networking; e.g., his employment as a son of the manse by a son of the manse and social visits to Edinburgh families with direct or indirect connections with the Niven family. In particular, there the letter suggests ATN came from an upper-middle-class Scots family and interacted with other upper-middle-class families. Ministers and doctors were members of traditional professions that had a social status in 1846 commensurate with the upper-middle-class in mid-Victorian Scotland [Walker, 1988, p. 271; see also, Checkland, 1964, pp. 294-295]. More specifically, ATN was part of a church dynasty in the established church in Scotland. He was later to head a public accountancy dynasty that stretched to the U.S. with a son who greatly influenced the early American profession and a grandson who contributed to a major public accountancy firm in more recent times.

ATN worked at number 1 George Street, a street that appears to have been a major location for the Edinburgh public accountancy community in the mid-19th century. Seventeen public accountants provided services in George Street in 1846, and 13 of these men were later invited to join the SAE in 1854.

The letter by ATN reveals his connection to Donald Smith Peddie who was later identified as a significant fraudster. The letter, however, shows Peddie in a more favorable light with regard to the payment of a salary one-third in excess of the contracted amount. The less favorable light is that the contracted sum appeared low by the standards of the time. The significance of Peddie in the early history of modern public accountancy is the impact that his fraud had on a conservative Victorian Britain that effectively created what Perkin [1989, pp. 3-4] describes as a "professional society" based on the "professional ideal" of "trained expertise and selection by merit." Peddie was the son of a minister and was accused of defrauding an organization intended to provide ministerial pension benefits. The SAE not only expelled Peddie from membership but was the first professional body to institute explicit disciplinary procedures to maintain public confidence in the professional ideal of public accountancy [Walker, 1996a, p. 31].

The influence of religion and the established church in Scotland in 1846 is clear from ATN's description of his delight at receiving a bonus salary from Peddie and his concern over the lack of spiritual benefit he was receiving from attendance at Sunday

service. These aspects of ATN's life in 1846 provide a relevant background to understanding his attitude and involvement with religious and church matters later in life and, more generally, for understanding public accountancy and public accountants in a Victorian Britain that valued religion and incorporated it into the workplace.

As is the case today, the importance of transport and communication in the life of the early Victorians is clear from the ATN letter, whether it was through the availability of a stage coach or railway train, the use of the postal service, or reading a weekly newspaper.

A final feature of the ATN letter that is significant is its positioning chronologically in the personal professional projects of ATN and his son JBN. ATN had a relatively modest career as a public accountant in Edinburgh. He was respected and trained several chartered accountants. However, he is best known historically as the longest surviving founder of the SAE [Lee, 2006a, p. 289]. On the other hand and as previously stated, his son JBN formed Touche, Niven & Company, a predecessor firm of the present-day Deloitte Touche, in 1900 with fellow SAE member George Touche, became president of the American Institute of Accountants in 1924, and was involved in successfully defending the landmark auditing case of *Ultramares v Touche* in 1931 [Lee, 2006b, pp. 108-112].

These conclusions, based on relevant analyses of a single letter, suggest that, when archival material exists, accounting historians can make considerable use of it, not only to inform accounting history, as in this case with ATN's public accountancy apprenticeship, but also to add a social context that creates greater understanding of the historical times as with travel options, postal services, and social activities. In this micro-history, the historical subject of ATN is a hidden voice who, within a social context, adds to existing knowledge of the Scottish public accountancy profession in the mid-19th century.

It is also hoped that this study encourages use of archival materials in private as well as institutional holdings. In this respect, as in the case of ATN and his son JBN, there is considerable benefit to be gained from tracing the ancestors of biographical subjects in order to determine whether there are private archival holdings available for research purposes.¹⁷ In this case,

¹⁷Readers interested in an earlier example of this practice in the research of early Scottish public accountants should refer to a study of one of ATN's contemporaries, George Auldjo Jamieson (1828-1900) (SAE 1854) [Walker, 1996b, p. 9].

a “Google” search identified an address and phone number that led to the Niven family archive.

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A STUDY OF THE IMPACT OF SPECIAL INTEREST GROUPS ON MAJOR TAX REFORM: AGRICULTURE AND THE 1913 INCOME TAX LAW

Abstract: Farmers have benefited from unique tax treatment since the beginning of the income tax law. This paper explores agricultural influences on the passage of the income tax in 1913, using both qualitative and quantitative analysis. The results show that agricultural interests were influential in the development and passage of tax/tariff laws. The percentage of congressmen with agricultural ties explains the strong affection for agriculture. Discussion in congressional debates and in agricultural journals was passionate and patriotic in support of equity for farmers. The quantitative analysis reveals that the percentage farm population was a significant predictor of passage of the 16th Amendment by the states and of adoption of state income taxes in the 20th century.

INTRODUCTION

Tax legislation is a political process, with taxes levied and collected both to raise federal revenues and to achieve social goals. Numerous researchers have addressed the forces influencing tax policy during the 19th and early 20th centuries. This study provides a different perspective by exploring the contributions and considerations of agriculture in the development of our modern income tax laws.

Looking at the results of current income tax laws, it appears that agriculture is considered a distinct sector of society when Congress debates tax policy. There are many examples of preferential tax treatment for farmers. For example, only farmers can use income averaging and elect the cash, accrual, or crop methods of accounting.¹ (Under the crop method, the entire

¹These and other tax advantages can be found in *Tax Angles for Special Tax-payers* by Commerce Clearing House and other books.

cost of producing the crop must be taken as a deduction in the year in which the gross income from the crop is realized and not earlier.) Comparing two individuals, one a farmer and one a non-farmer, the non-farmer, on average, pays more in federal income taxes than does a farmer with similar income. This disparity results mainly from the opportunity for farmers to convert ordinary income to capital gain and the use of the cash method of accounting. How did farmers get these tax privileges? Searching for the answer to this question should provide insights as to how special interest groups may gain advantages in the current debate over tax reform.

Several studies provide the theoretical background for this research. Hansen [1990] points out that party leaders have only one objective – election, and that politicians assume that voters will respond to changes in their incomes induced by the government – taxes. Further, party leaders have two major considerations in the formulation of tax policy. The first is to raise revenue for the government. Second, party leaders use tax policy to distribute burdens and benefits across the electorate. In the Hansen study and in this research, “a closer examination of these two characteristics yields a number of predictions about the forces that shape the politics of tariff [tax] revision” [Hansen, 1990, p. 531]. Two propositions follow: (1) political parties adopt ideological positions on tax policy that correspond to the impact on their partisans; and (2) parties amend their tax-policy positions to reflect changes in the proportions of voters upon whom the heavier tax burdens rest in order to reflect the relocation of the political center [Hansen, 1990, p. 534]. One of the applications of these propositions is that parties adopt ideologies that match the interests of their core supporters, as will be shown in the later discussion of the history of the tariff and income tax [Hansen, 1990, p. 535]. Epstein and O’Halloran [1996, pp. 301, 319] concluded that the interests that lobbied government for favorable policies and the political parties that mediated these demands did significantly affect tariff policy from 1877-1934. Political “parties affected the manner in which interests were translated into policy outcomes by aggregating interests through coalitional politics....” “With the adoption of the Sixteenth Amendment in 1913 the United States entered the modern age of special-interest politics” [Baack and Ray, 1985, p. 624]. The results of the present study will confirm the impact of one special interest group, agriculture, on the evolution of the income tax. These results emphasize the need to monitor tax-policy statements and lobbying efforts of special interest groups

as they attempt to shape platforms of political parties and tax legislation.

In his dissertation research, Holland [1978, p. 24] found that tax laws specifically directed toward agriculture developed slowly over several decades. He concluded that the evolution of the farm income tax laws began shortly after ratification of the 16th Amendment in 1913, which marks the beginning of the modern era of income taxation in the U.S. Holland asserts that the first tax law or regulation overtly affecting agriculture was allowing farmers to use the cash method in 1915. This paper will produce evidence that the actual story begins well before the 1913 ratification of the 16th Amendment and the 1913 Tariff Bill. In fact, the story begins in the 1800s and before. To understand how agriculture influenced passage of the income tax provision of the 1913 Tariff Bill requires considering taxes, tariffs, and agricultural movements of the 19th and early 20th centuries.

Previous researchers have traced the support for income tax provisions to regional (South and West versus Northeast), class (poor versus rich), occupational (working class versus wealthy), and social (i.e., Populist, Progressive, Socialist) arguments. While it would be difficult, if not impossible, to separate regional, class, social, occupational, and agricultural positions, this study will trace support for the income tax provisions to agriculture.

The contribution of this paper is an exploration of agricultural influences on the passage of the income tax section of the 1913 Tariff Bill.² A rather large body of literature exists concerning the development of U.S. income tax laws. Baack and Ray [1985, p. 607] trace the origin of the income tax to the War of 1812. Several studies have explained the forces for and against income taxes as based partly on regional and class differences. Congressmen from the Northeast opposed income taxes because their constituents were, on average, the wealthiest in the nation. Southern and western congressmen preferred the income tax over tariffs because of the undue burden the tariffs placed on their constituents. This study adds to this body of literature by exploring agricultural influences on the debates about tariffs and various forms of taxation.

²Many congressmen in the formative years of federal income tax legislation had agricultural backgrounds. Because of the relatively large percentage of farm population in 1913, it is reasonable to explore the influence of agricultural interests in the formation of the current tax laws.

A study of the impact of special interest groups on tax reform is important due to the discussion concerning major reform of the tax system generated by several events including the release of the final report of the President's Advisory Council on Federal Tax Reform, the presidential campaign, the debates over social security reform, and taxation of e-commerce. Now begins the speculation over the prospects for major reform and the resultant winners and losers under a reformed system.

The insights provided by this study will be based on three sources of information. First, a historical review of political, economic, and social activities of the 19th century is related to agricultural movements, taxes, and tariffs. This study provides a different perspective by exploring the contributions and considerations of agriculture in the development of our modern income tax laws. Second, primary qualitative research studies the influence of agriculture on the politics of taxes and tariffs by examining tax commentary in agricultural periodicals, the *Congressional Record*, congressional committee reports, and congressional hearings from 1909 to 1915. Third, statistical analyses further explore agriculture's influence on ratification of the 16th Amendment. Therefore, the primary research reported in the present study focuses on congressional activity between 1909, when the income tax amendment was sent to the states and the corporate excise tax was enacted, and 1915, when the cash method was allowed.

Immediately below are the research questions and the methodology, followed by a review of the literature. Next are the results of the primary qualitative research into the *Congressional Record* and agricultural publications. Correlation and regression results follow in the statistical analyses section. Summaries and conclusions are last.

RESEARCH QUESTIONS AND METHODOLOGIES

This study hypothesizes that agricultural interests influenced passage of the 1913 income tax law. The study's review of agricultural publications and the *Congressional Record* from this period confirms the widely held notion that agricultural interests, farmers and their congressional representatives, preferred the use of income taxes instead of tariffs to generate federal revenue. Did senators and representatives consider agricultural desires when debating the 1913 income tax law? The first research question is: did agricultural interests impact passage of federal tax/tariff legislation?

To research the first question, the *Congressional Record*³ and agricultural publications from the period 1909 to 1915 were examined. The following primary research section incorporates articles and commentary in agricultural periodicals of the period several years before and up to passage of the U.S. individual income tax with agricultural discussions in the *Congressional Record*. The purpose of the research is to note if farmers, farm advocacy groups, or agricultural periodicals attempted to monitor and influence federal legislation on tariffs and income taxes and if agricultural interests were considered in the debate on tariff/tax laws.

The researchers reviewed national agricultural publications for the period 1905 to 1915. The sample included all issues of *Farm Journal*, *American Agriculturist*, *Successful Farming*, and *The News and Farmer* for this period and all issues available for *Today's Farmer*, *Progressive Farmer*, and *Prairie Farmer*.⁴ These journals, for the most part, did not advocate or oppose the income tax directly. The debate in these journals mainly centered on tariffs, with some discussion of other taxes. The income tax is discussed as an alternative, possibly a favorable alternative, to current tariffs. Excerpts taken from these journals provide some insight into the presentation given to the tariff/income tax debate and how this debate was portrayed to the general agricultural audience. *American Agriculturist* (average weekly circulation in 1912 was 149,663) [*American Agriculturist*, February 17, 1912, p. 242] and *Farm Journal* (average monthly circulation in 1914 was 955,207⁵) gave the most space for discussion of this topic. *The News and Farmer*⁶ and *Successful Farming* (average monthly circulation in 1914 was 655,532⁷) also provided some coverage. *Today's Farmer*, *Progressive Farmer*, and *Prairie Farmer* focused heavily on production agriculture with little coverage of political issues. Quantitative analysis used correlation and regression in presenting correlations of percentage farm popula-

³ Investigation of the *Congressional Record* shows Congress held no hearings on the income tax issue from 1909 to 1915, and the only congressional reports were the income tax laws, which contained no specific mention of agriculture relevant to this research.

⁴ The research was limited by the lack of availability of early issues of some periodicals.

⁵ per telephone discussion April 27, 2000 with E.J. Rittersbach, vice president of circulation, *Farm Journal*

⁶ *News and Farmer* is no longer published and its circulation numbers were unavailable.

⁷ per telephone discussion May 5, 2000 with Dan Holland, vice president of circulation, *Successful Farming*

tion and per capita income tax paid in 1914 by state and year of each state's ratification of the 16th Amendment. Year of each state's ratification is also regressed on percentage farm population and per capita income tax paid in 1914 by state.

The second research question is: Did agricultural population percentages impact adoptions of states' income tax laws in the 20th century? Correlations of farm population percentage and per capita income by state in 1914 and year of each state's adoption of state income tax laws in the 20th century are presented. Year of each state's adoption of state income tax laws in the 20th century is regressed on farm population percentage and per capita income tax paid in 1914 by state.

HISTORICAL REVIEW OF AGRICULTURE AND TAXES

Brownlee [2004, p. 2] postulates that sweeping changes in the federal tax system have occurred only during times of great national emergencies – the constitutional crisis of the 1780s, the Civil War, World War I, the Great Depression, and World War II. He reviews these times of change and speculates on the prospects for radical reform in the future. What follows is a similar review, but with the focus on the impact of a special interest group – farmers.

Congress passed the first national tariff law on July 4, 1789. From that date until passage of the Underwood-Simmons Tariff Act of 1913, there were 58 U.S. tariff laws [Kip, n.d., pp. 21-27]. Tariffs provide revenues for the government and protection for domestic companies. The 1789 tariff was principally intended as a revenue-raising measure.

For much of this nation's history, farmers constituted a majority of the population; agrarianism⁸ or farm fundamentalism was strong. George Washington, Thomas Jefferson, Andrew Jackson, and Ralph Waldo Emerson were among the many individuals who manifested a special feeling for farmers and farming. Jefferson revered farmers and called farmers "God's chosen people." Jefferson was a less enthusiastic supporter of manufacturing interests in the U.S. and was willing to continue to import manufactured goods from England. Alexander Hamilton, on the other hand, supported the view that encouraging large commercial interests ultimately helped all other interests in the U.S. economy. The Whiskey Rebellion of 1794 is a good example of

⁸Agrarianism is the idealization of the American farmer. Agrarianism is the belief that rural life is the ideal life, that farmers are virtuous, hard-working, honest, and independent.

these two contrasting views and the reaction of farmers [Ratner, 1942, p. 37].

After 1812, tariffs helped the nation begin a transition from agriculture to industry. Republicans were strong proponents of tariffs for the protection of industries. Many of these industries were in their infancies, and protectionists considered tariffs necessary to help the foundling industries flourish. The period from 1830 to 1860 saw considerable changes in tariff legislation as parties in power changed. Businessmen in northeastern states and their Republican congressmen favored tariffs. The middle class and farmers opposed tariffs, and this was the general view of the Democratic Party [Ratner, 1942, p. 26]. Farmers opposed tariffs as economically detrimental to agriculture because the tariffs forced up prices of farm inputs, such as machinery, without equally protecting farm produce.

At the outbreak of the Civil War, Congress passed an income tax. Congressmen from the Northeast were vehemently opposed to the income tax. Representative Justin Morrill of Vermont, author of the Morrill Tariff Act of 1861, argued that the progressive tax rates were a sign of agrarianism [Witte, 1985, p. 69]. The Civil War led to increased tariff rates and expansion of the items on which tariffs were placed. Congress discontinued the income tax in 1872, but high tariffs continued after the war. Tariffs were highest on cheaper grades of products. "Thus an undue share of the taxes for the support of the national government and the payment of its enormous war debt was borne by the people of small means, among whom we must certainly class the agricultural population" [Buck, 1933, pp. 22-23]. Two important lessons were learned from the Civil War income tax experience. "The first was that the income tax generated an impressive amount of revenue...The second lesson was that the burden of the income tax fell only on a few states. New York alone paid about one third of the entire tax. Massachusetts and Pennsylvania each contributed about 13 percent" [Baack and Ray, 1985, p. 608].

Rise of Anti-Tariff Movement: During much of the 1800s, especially after the Civil War, pioneers moved west. Land opened up for expansion and farmers and ranchers settled the land. As the latter half of the 1800s unfolded, the powerful manufacturing interests in the Northeast lost much of their stranglehold on U.S. politics. Constituencies of new states consisted heavily of the working class, small-shop owners, and farmers [Ratner, 1942, p. 160]. Farmers often had few options as to where to buy inputs and supplies or where to sell produce. The tariff

situation further tightened the price/cost squeeze. Tariffs were generally placed on imported manufactured goods, such as farm machinery, while farm products competed on a fairly open world market. In general, farmers favored reduction or elimination of import tariffs on manufactured goods and tariffs on imported agricultural goods. Farmers complained that prices for their produce fluctuated according to the world market, while input costs were set unfairly high to put money in the hands of northeastern manufacturers. "The objection to the protective tariff seems to have been based upon the feeling that it was class legislation – that it taxed the farmer for the benefit of the manufacturer..." [Buck, 1933, p. 101]. "The farmers and workers upon whose shoulders the business groups attempted to place the tax load resisted, as best they could ..." [Ratner, 1942, p. 16]

These injuries gave rise to the Grange (or Patrons of Husbandry, see Table 1) in 1867. The intent of O.H. Kelley, founder of the Grange, was to form a nonpartisan fraternity to advance the position of farmers throughout the nation. The Grange did not receive much attention from farmers, however, until it addressed the political and economic issues of most importance to them. One of the items on the Grange platform was "...equitable revision of the tariff..." [*Farm Journal*, March 1909, p. 134]. The Grange also desired that Congress set up a national tariff commission, and that farmers hold positions on this commission [*Farm Journal*, February 1909, p. 25]. However, the Grange's foremost organized effort was to confront railroads and merchant middlemen.

Numerous branches of the Grange developed in the ensuing decade, predominantly in the upper Midwest. The Grange declined as an important power after 1880, but some of its policy objectives lived on in the Greenback Party, Farmers' Alliance, Populist Party, and Progressivism [Ratner et al., 1979, p. 267]. The Populist Party incorporated several of the platforms of the farmers' alliances, including the progressive income tax. The hard economic times, especially on farms, strengthened the position of the Populist Party [Seligman, 1914, p. 494].

These agricultural movements may have had some impact on tariff rates. In the latter half of the 1800s, tariff rates, as a percent of duties to total imports, were highest in 1868 at 46%. This rate declined to about 30% in 1873, dropping to about 20% in 1892. "The trouble with the whole tariff question lies in the growing sentiment at Washington that the United States is a manufacturing nation and not an agricultural country – Anything to promote manufactures, regardless of the effect on

farming" [*American Agriculturist*, February 4, 1911, p. 176]. The average tariff rate fluctuated from 20 to 25% until 1911. Once the national income tax became a possibility in the early 1900s, tariff rates dropped precipitously to a low of 6% in 1919. Rates later rose to about 15% in the 1920s, but never regained their pre-1900 importance [Taussig, 1931, pp. 527-528].

During a seven-year period in the 1870s, congressmen from heavily agricultural states introduced 14 bills proposing income tax legislation. Wealthy capitalists from the Northeast did not allow any congressional votes on these bills [Ratner, 1942, p. 148]. While the industrial powers of the Northeast were well organized and singularly focused, at least regarding tariffs and taxes, farmers were politically unorganized and had many different goals. Their numbers were great, but they were independent. Farmers raised many different crops (i.e., corn, wheat, hogs, oranges, potatoes). Due to diversity in operations, great geographic distances, and their independence, farmers seldom agreed on issues of importance and had even greater trouble cooperating in joint political activity. For example, southern farmers, even though they agreed with northern farmers on many issues, did not wish to forsake the Democratic Party for fear of giving northern Republicans too much power [Ratner, 1942, p. 167]. However, "the agrarian movement achieved political strength and consolidated that strength in the formation of the Populist Party during the 1880s and early 1890s..." [Baack and Ray, 1985, p. 611].

Given the previous problems of combining efforts for the common good of farmers, the rise of the Populist Party is evidence of the power of "pocketbook" issues, such as taxes, to unite members of an industry. In fact, the 1894 Tariff Act included a provision for a federal income tax, which would have resulted in the taxation of only about 5% of the population, most of whom were in the Northeast. Northeastern businessmen and their congressmen cited it as an attempt to rob from the wealthy. Populists responded that the wealthy gained their wealth at the expense of the poor and middle classes. Congress passed the income tax bill in hope of appeasing agricultural interests and Populists. The Supreme Court, however, in a five to four vote, cited the income tax provision as unconstitutional because it did not apportion taxes directly [*Pollock v. Farmers' Loan and Trust*, 1895]. Congressmen made numerous proposals for income taxes between 1895 and 1909, but none became law. All of these proposals were made by congressmen from the South and West [Blakey and Blakey, 1940, p. 8].

In the 1896 presidential election, William Jennings Bryan of Nebraska ran with Populist support, but the loss of the Populist candidates in the 1892 and 1896 elections was a blow to agriculture. Farmers and agricultural interests, while still a majority of the U.S. population, apparently did not carry the political clout needed to win presidential elections. The Populist movement lost much momentum and support after the 1896 election, but still carried some political influence well into the 20th century. "Traditional Democratic support came from the South. But the ultimate merger of the agrarian Populist movement with the Democratic party also suggests that during the 1880s and early 1890s support for the political objectives of the Democrats came from Midwestern agricultural states" [Baack and Ray, 1985, p. 611]. Two of the movements that came out of Populism were the Progressive Party and the Country Life Movement. Many Populists joined the Progressive Party in its push to reduce tariffs, implement a graduated income tax, and gain government control of railroads. The Country Life Movement had a shorter life than the Progressive movement. Country Life supporters were generally urban individuals with strong rural ties. Theodore Roosevelt was a Progressive and a strong supporter of the Country Life Movement. In 1908, he appointed a commission to investigate rural life and disclose hardships faced by farmers. The commission noted that there was a distinct migration of individuals from farms to cities and that farmers did not have the political influence of industrial and urban interests because farmers were unorganized [Ratner, 1942, p. 261].

Table 1 provides a summary of the important events depicted above. Several items are significant to note. The influence of agricultural movements, such as the Grange, is greatest during times of relatively high tariffs. The U.S. ended the Civil War with a deficit, inaugurating a period of higher tariff rates. After ratification of the 16th Amendment and passage of the U.S. income tax law, tariff rates declined and never again regained their previous high levels.

History Immediately Preceding Debate on the 1913 Income Tax Law: From 1900 to 1909, congressional debate flared over the questions of tariffs and taxes. Federal income tax proposals abounded. Congressmen debated how to frame these income tax proposals in accordance with the Constitution. Nelson Aldrich of Rhode Island, chairman of the Senate Finance Committee, was strongly opposed to any income tax provision. Instead, he

TABLE 1
19th and Early 20th Century Timeline

	Budget Deficit or Surplus (000s)*	Tariff Duties as % of Imported Value **	Agriculture and Tax Movements
1800	63		Most New England states tax some form of income.
1805	3,054		
1810	1,228		
1815	-16,979		
1820	-380		
1825	5,984		
1830	9,701		
1835	17,857		
1840	-4,837		Seven states adopt income tax due to recession.
1845	7,033		
1850	4,060		
1855	5,608		
1860	-7,066	16%	1861-1872, North uses income tax to support war effort.
1865	-963,841	38%	
1867	133,091		Grange founded.
1870	101,602	42%	1874-1878 Grange grows rapidly.
1875	13,377	28%	Independence Party represents Grange.
1880	65,884	29%	
1885	63,464	31%	decline of Grange
1889	87,761		
1890	85,040	29%	Bryan and other westerners support Populist Party, Farmers' Alliance, and Knights of Labor founded on platforms in St. Louis.
1892	9,914		Weaver runs for President.
1894	-61,170		income tax amendment to 1894 tariff act
1895	-31,466	20%	U.S. Supreme Court rules income tax unconstitutional.
1896	-14,037		Bryan runs for president.
1900	46,380	28%	
1905	-23,004	24%	
1909	-89,423		16th Amendment submitted to the states.
1910	-18,105	29%	
1913	-401		16th Amendment ratified by needed majority of states. Tariff Bill of 1913 includes income tax provision.
1915	-62,676	15%	
1920	291,222	6%	

*U.S. Department of Commerce, Bureau of the Census [1975b]

**F.W. Taussig, *The Tariff History of the United States*

designed a tariff bill that dramatically increased tariff rates.⁹ This move caused a severe backlash from Democrats and moderate Republicans. Conservative Republicans wanted to take the “wind from the sails” of the Populists and Progressives by proposing income tax laws. Taft, the Republican president, and Aldrich proposed submitting to the states for ratification of a constitutional amendment providing Congress the power to levy income taxes. Aldrich did this as a compromise measure in the hope that this amendment would ultimately fail, resulting in no income tax law [Ratner, 1942, p. 287].

Congressmen from heavily agricultural states continued to make income tax proposals in the years leading up to 1909, but all were effectively blocked by congressional Republicans. The Democratic platform of 1908 called for a federal income tax as part of the system to raise revenue and for the passage of an amendment to the Constitution to allow Congress to impose and collect income taxes. At the turn of the century, “Agriculture had undergone a relative decline in economic importance as urban manufacturing, commerce, and the service industries had increased their share of the national labor force and the national income” [Ratner et al., 1979, p. 253]. A division in the power of the Republican Party in 1909, however, provided an opportunity for passage of income tax legislation [Ratner, 1942, p. 273]. Due to a compelling speech by Senator Elihu Root, Congress passed a corporate tax bill instead of the individual income tax bill [Ratner, 1942, p. 290]. At least some amelioration was given to farmers as the final version¹⁰ was more favorable to farmers than Aldrich’s original proposal due to a “determined stand taken against Aldrich and his gang by the president” [*American Agriculturist*, August 7, 1909, p. 113].

After the elections of 1912, the Democrats held control of both houses of Congress. With this power and subsequent ratification of the 16th Amendment by the needed majority of states in 1913 (see Table 2), Democrats quickly submitted a federal income tax law. This income tax law also incorporated the corporate excise tax of 1909.

Table 2 provides some information on the above discussion and the data on which the resulting statistical analyses are

⁹Review of national budget deficits and surpluses of this time shows that the nation was operating at a deficit in both 1909 and 1913, but there was a surplus in 1911 and 1912 (see Table 1).

¹⁰The *News and Farmer* provided a comprehensive discussion of the proposed 1909 income tax law and its implications for farmers.

based. The regional split in Table 2 shows the low percentage farm population in some New England and Middle Atlantic states in 1910. Several of these states (Rhode Island, Connecticut, and Pennsylvania) with low farm populations either rejected the 16th Amendment or took no action. It is interesting that New York, with only a 10% farm population, was an early adopter of both the 16th Amendment and its state income tax. This is especially ironic as New York easily had the highest per capita income taxes paid. The table shows the year each state adopted an income tax up to 1942. This table provides the input for the correlation and regression analyses that follow.

TABLE 2
State Taxation Record and Farm Population

	Percent Farm Population in 1910*	Date of 16th Amendment Passage**	Year of First Modern State Income Taxes (up to 1942)***	Per Capita (\$) Individual Income Taxes Paid in fiscal year ended June 30, 1914#
New England				
Maine	33	03/30/1911		.113941
New Hampshire	24	02/19/1913	1923	.061527
Vermont	40	02/19/1913	1931	.027135
Massachusetts	4	03/04/1913	1916	.163556
Rhode Island	4	Rejected		.139847
Connecticut	10	Rejected		.139396
Middle Atlantic				
New York	10	07/12/1911	1917	.254368
New Jersey	6	02/04/1913		.131723
Pennsylvania	14	No action	1935	.189499
East North Central				
Ohio	26	01/19/1911	1931	.114332
Indiana	37	01/30/1911		.053525
Illinois	21	03/01/1910	1932	.202436
Michigan	32	02/23/1911		.188782
Wisconsin	39	05/26/1911	1911	.063155
West North Central				
Minnesota	40	06/11/1912	1933	.156847
Iowa	47	02/24/1911	1934	.043400
Missouri	41	03/16/1911	1917	.101313
North Dakota	64	02/16/1911	1919	.024158
South Dakota	64	02/03/1912	1935	.015709
Nebraska	53	02/08/1911		.057982
Kansas	49	02/18/1911	1933	.034661

TABLE 2 (continued)

	Percent Farm Population in 1910*	Date of 16th Amendment Passage**	Year of First Modern State Income Taxes (up to 1942)***	Per Capita (\$) Individual Income Taxes Paid in fiscal year ended June 30, 1914#
South Atlantic				
Delaware	28	02/03/1913	1917	.171158
Maryland	23	04/08/1910	1937	.163556
Virginia	52	No action	1916	.047634
West Virginia	45	01/29/1913	1935	.078259
North Carolina	64	02/11/1911	1921	.038264
South Carolina	64	01/19/1910	1922	.045780
Georgia	61	07/11/1910	1929	.042955
Florida	36	Rejected		.045320
East South Central				
Kentucky	56	02/09/1910	1936	.035836
Tennessee	58	04/07/1911	1923	.022518
Alabama	64	08/10/1909	1933	.029047
Mississippi	75	03/07/1910	1912	.010401
West South Central				
Arkansas	70	04/22/1911	1929	.013112
Louisiana	44	06/28/1912	1934	.062493
Oklahoma	62	03/09/1910	1915	.028546
Texas	59	08/16/1910		.041476
Mountain				
Montana	30	01/30/1911	1917	.063622
Idaho	45	01/20/1911	1931	.028506
Wyoming	36	02/03/1913		
Colorado	25	02/15/1911	1937	.147643
New Mexico	56	02/03/1913	1933	.033150
Arizona	42	04/06/1912	1933	.075804
Utah	33	Rejected	1931	.175933
Nevada	13	01/31/1911		.011476
Pacific				
Washington	23	01/26/1911	1929	.109362
Oregon	31	01/23/1911	1929	.131305
California	17	01/31/1911	1929	.233423

The states are divided in this manner to give a better view of income taxes paid by region of the nation. Average individual income taxes across the nation were \$.115869 per capita.

* U.S. Department of Commerce, Bureau of the Census [1913, p. 56; 1975b, pp. 24-37]

** Blakey and Blakey [1940, p. 69]

*** Blakey and Johnson [1942, pp. 3-4]

Individual income taxes paid contained in a letter from the acting secretary of commerce to the 63rd Congress, dated December 14, 1914; 1910 state census populations from U.S. Department of Commerce, Bureau of the Census [1975b].

As this secondary research shows, there is considerable evidence that the histories of agriculture, taxes, and tariffs are deeply intertwined. Whether this connection is strong enough to create an identifiable relationship between agriculture and tax/tariff legislation is the subject of the following qualitative and quantitative primary research.

CONGRESSIONAL RECORD AND AGRICULTURAL PERIODICALS

In 1909 and in 1913, the Senate debated two new tariff bills and proposals for an income tax. If Congress dropped tariffs as a major source of revenue, then another tax must take its place. The income tax was the major alternative to tariffs. In 1909 and 1913, the Senate debated proposed income tax amendments to tariff bills. In 1913, both houses debated the first income tax.

Before 1909, tariff revenues were important in financing the federal budget. Congress was under pressure, however, from several sides on the tariff issue as it related to agriculture. First, consumers called for repeal of the tariffs imposed on agricultural goods in order to reduce the cost of these goods. Second, some congressmen proposed imposition of higher tariffs on imported agricultural goods, such as hemp,¹¹ to bolster faltering farm prices. These congressmen primarily addressed goods grown in their home states. Third, congressmen from highly agricultural states proposed removal of tariffs on agricultural equipment needed by farmers.

The debate over use of tariffs for protection or revenue usually split along party lines unless constituents' interests were at stake. As noted by Representative Sam Rayburn of Texas, "...our Republican friends will find that they are dealing with a thinking and intelligent class, who can not be easily fooled by the trickery of the political orator" [*Congressional Record*, May 6, 1913, p. 1247]. Congressman Rayburn took exception to the use of tariffs as a protective measure. Texas' population was 59% agricultural in 1910 (Table 2). Nationwide, many farmers voted for Democratic candidates because of the party's platform position on tariffs. [Hibbard, 1902, p. 170].

Speaking for the other side, Senator Chauncey Depew (New York) was very much opposed to income taxation and argued against it on constitutional grounds [*Congressional Record*, May

¹¹ Senator Bradley proposed a tariff on the importation of hemp with the objective of helping hemp farmers of the Midwest. His oratory implies a strong alliance with these farmers [*Congressional Record*, May 4, 1909, p. 1703].

17, 1909, p. 2102]. Only 10% of New York's population lived on farms in 1910. During the imposition of the Civil War income tax, New York paid approximately 30% of the income tax paid by all states (North and South) [Seligman, 1914, p. 482, Table III].

News and Farmer [June 24, 1909] identified members of Congress for and against the law by name. Several *American Agriculturist* issues also named individuals pro and con on the tariff law. "The party line-up will, of course, be maintenance of the protective policy by the republicans and tariff for revenue only by the democrats" [*American Agriculturist*, March 27, 1909, p. 423]. In the Senate, the vast majority of the farm-state Democrats and Republican Senators Dolliver and Cummins of Iowa, Nelson and Clapp of Minnesota, Beveridge of Indiana, Bristow of Kansas, and LaFollette of Wisconsin, "popularly known as progressive republicans," voted against the 1909 Payne tariff bill [*American Agriculturist*, August 14, 1909, p. 129].

Agricultural publications mentioned Senator Porter McCumber of North Dakota, for example, who spent considerable congressional time analyzing various agricultural aspects of tariff legislation, including the impact on each agricultural product and debating at length the plight of the American farmer on several occasions. When *American Agriculturist* [July 31, 1909, p. 88] announced the proposed 16th Amendment in 1909, the publication noted that eastern states will probably be against the amendment with the rest of the country for it. During the years of agricultural publications and congressional debate examined here (1909 to 1915), the rhetoric often relied heavily on key values, such as fairness and patriotism, and the lack of solidarity of the farm vote.

"Fairness" Issue: The main issue of concern to farmers was one of "fairness." The general sentiment regarding the inequity of the tariff laws to farmers echoed in agricultural publications and in agricultural political parties. The popular slogan was "Tariff for all or tariff for none. A square deal" [*Farm Journal*, April 1910, p. 249]. The *American Agriculturist* [February 10, 1912, p. 260] reduced the tariff issue to a question of fairness.

The whole thing is simple. If the products that the farmers sell are to be admitted duty free, then the things the farmers buy must also be admitted duty free. If the products that the manufacturer makes for farmers and others are to be protected, then the products that the manufacturer and his workmen buy of the farmer, either in the raw or finished state must also be protect-

ed....The tariff must apply to one and all alike. It can't be one system for one half the people and another system for the other half. If tariff reform is to be undertaken, it must be on the principle that all are to be treated alike.

The concept of fairness also had its roots in economic concerns. Farmers were caught in a price/cost squeeze. The goods they purchased were protected manufactured goods subject to transportation costs (particularly railroads) and to middlemen's handling fees.

During the first decade of the 20th century, there was increasing resentment of tariffs by farmers. Farmers felt that their economic group suffered more than others: "To a greater extent than ever before the farmer is subject to conditions which he did not create and which he is powerless to control. The centralization of business of all kinds in the hands of the few, and in populous centers, has closed the little shops and factories and destroyed communal life in hundreds of thousands of villages and small towns" [*Farm Journal*, April 1910, p. 235].

Congressmen received letters and telegrams from their constituents asking for repeal of the tariffs. The *American Agriculturist* [April 17, 1909, p. 512] urged farmers everywhere to send a message to win the victory over the tariff.

According to Hibbard [1902, p. 135], it was common for farmers and agricultural organizations to petition Congress. Appeals, noted or included in full in the *Congressional Record* [April 1909, pp. 1354-1372], often focused directly on repeal of tariffs on specific farm produce: sugar, wool, wood, hides, and cigars. The *American Agriculturist* [April 29, 1911, p. 658] called on farmers to send letters to congressmen to maintain tariffs on trade with Canada. This appeal is made in several consecutive issues. The January 11, 1913 issue [p. 37] called on farmers to write their congressmen and enclose a copy of a petition calling on Congress to confer "justice in taxation" for farmers. The May 3, 1913 issue [p. 606] calls again on farmers to "Above all, act! And act quickly!" by sending a petition (provided in the issue) to their congressmen to prevent injustice to farmers in tariff reduction. The periodical asked that tariffs be applied to both manufactured and farm goods or lifted from both. *Farm Journal*¹² reiterated the Grange's platform of "Tariff for all or tariff

¹²Agricultural publications were not the only periodicals criticizing taxation for its detrimental effects on agriculture. An article in the *Journal of Political Economy* (Vol. 17, June 1909, pp. 354-362) determined that property taxes were harmful to agriculture.

for none" [May 1911, p. 320] and called on farmers to unite and write their congressmen [February 1910, p. 76].

One agricultural periodical subscriber summarized his perception of the tariff issue: "[t]he Democrats are more guilty than the Republicans. The Republicans are frankly prejudiced, insular and afraid. The Democrats, however, see the light, use it against their opponents, and yet lack the courage to push the knowledge they have to its only logical conclusion – absolute free-trade" [*Farm Journal*, May 1913, p. 330].

Patriotic Appeal: Support of agriculture often had patriotic appeal: "Civilization in all modern countries proves that agriculture is the basis of a nation...Under these conditions, American agriculture will feed not only our own people but Europe's population...and the American flag insure peace around the globe!" [*American Agriculturist*, May 10, 1913, p. 632]

Debate on the tariff bill was heated, and congressmen used patriotic rhetoric to support their positions. According to Senator McLaurin of Mississippi [*Congressional Record*, May 14, 1909, p. 2047]:

The farming people of this country do not ask that you give them any protection, when 'protection' is used in the sense of an opportunity or power to rob the masses of the people, or to take the money that belongs to others and put it into their own pockets; but they do ask an opportunity to devote the fruit of their labor to their own interest, their own protection, their own comfort, and their own welfare. They ask that you take off of them the heavy hand of what you call 'protection,' but what really, in fact, is an opportunity for extortion...The farmers of this country produce the provisions upon which all of us live. They produce the clothing that clothes us....

Senator McLaurin's home state of Mississippi had a farm population representing 75% of its total population. This percentage was significantly above the national average of 34.9% in 1910.

Ties to agriculture are evident in the following speech by Representative Hamlin of Missouri, a speech that proclaims the deleterious effects of tariff legislation on farming [*Congressional Record*, July 12, 1909, p. 4431]:

...I undertake to say that no man with a proper regard for the truth will deny that no class of people has been as persistently discriminated against in tariff legislation as has the farmer. I am his friend, and I am proud of

it. I was born and reared on the farm. I have plowed, I have planted, I have sown, I have reaped, and I know that the farmer literally 'earns his bread in the sweat of his face,' but I have never ceased to be thankful that I was born and reared on the farm...Therefore I believe that I know what the farmer wants, at least I know something of his condition and his relation to national legislation, and so long as I shall remain a Member of Congress I shall do what I can to see that he receives fair and equal treatment.

Senator Porter McCumber of North Dakota was not about to be left out of the patriotic call to arms in defense of farmers against tariffs [*Congressional Record*, July 14, 1913, p. 2400]:

And so I shall address myself first to you, the Democratic Party, with reference to your assault upon the American farmer. In this year 1913 you are about to commit a greater crime against the American farmer than has ever been perpetrated by any political party against any class of people during any period of recorded history. You are about to rob him of sacred rights which he has paid for through long years of toil, self-denial, and patient waiting. With violent hands you are about to strip him of every advantage which the changed conditions of home supply and demand were about to yield him. You have declared that he is an outcast in the land which he has made, the only one of all classes of American people who is not entitled to any consideration at your hands...My first question is, What crime has the American farmer committed against the Democratic Party that has awakened in the heart of that party this dire vengeance against him?...Let me ask another question: Is not the American farmer equal in intelligence to the American stonemason, bricklayer, carpenter, or plasterer?...I want to protest right here with all the earnestness in my power against the assumption which seems to prevail everywhere that the tiller of the soil is not expected to live on a plane of equality with the average person engaged in city avocations.

Senator McCumber was one of the most outspoken supporters of farmers during the early years of the 20th century.¹³ His home state of North Dakota had 64% of its population living on farms in 1910. Of the senators speaking for farmers, McCumber

¹³Senator McCumber supported the use of income taxes and here lambastes the 1913 Tariff Bill, not for its income tax provision, but for the effects of its tariffs on agriculture.

was from the state with the second highest percentage of farm population behind only Mississippi's 75%. Even these patriotic appeals were not enough to sway congressional votes toward the desires of farmers when farmers could not cooperate on political issues.

Solidarity: Due to geographic dispersion, differences in farm enterprises, and a strong sense of independence, solidarity as a political unit eluded farmers. The diverse interests of farmers made it difficult to build a strong community [*Farm Journal*, April 1914, p. 270]. "The farmer's interests have undoubtedly suffered most because of the absence of that solidarity that prevails in other fields of effort" [*Farm Journal*, November 1912, p. 539]. Senator McCumber also explained why the American farmer had comparatively little political influence [*Congressional Record*, July 14, 1913, p. 2398]:

Labor is organized into a great federation, the head of which appears before our committees, tells us what organized labor demands, sits in our galleries, and checks our votes, and we are afraid of him. The farmer is not organized; his interests are so scattered and the character of his products so diversified that he has been unable to organize a great national political society, and so you are not much afraid of him.

A comment in the *Farm Journal* [March 1911, p. 165] argued that farmers pay more than their share of taxes due to inadequate organization. "It is 'up to' the farmers, by organization, to save themselves and others from the effects of extravagance, corruption and injustice." Farmers deserved a "front seat at the political table," not "shoved into the back seats" nor "forced to accept what few crumbs fell from the politician's table" [*American Agriculturist*, May 7, 1910, p. 676]. As the tariff debate progressed, the discussion shifted to focus on what could replace tariffs as a primary revenue generator.

Alternative Forms of Raising Revenue: *American Agriculturist* published numerous articles about alternative forms of raising federal revenues, including tariffs, income taxes, and property taxes. Senator Moses Clapp of Minnesota provided a synopsis of the possible sources of revenue. Increased revenues could come from increased taxes on tobacco or liquor; or inheritance tax, property tax, income tax; or corporate tax. The taxes on tobacco or liquor did not meet with congressional approval. Therefore only the last four were viable options [*Congressional Record*,

July 1, 1909, p. 4008]. The inheritance tax, however, was given little consideration, and the major focus was on whether to tax income or property.

Concerning the income tax, Congress debated levying the income tax on corporations or on individuals. Dudley Hughes of Georgia was among the senators who proclaimed that a tax levied only on corporations could not be passed because of negative feedback from farmers who had incorporated their farms [*Congressional Record*, July 2, 1909, p. 4045]. Senator Cummins of Iowa (with a farm population of 47%) felt that there were enough farmers who had incorporated their operations to cause resentment of a corporate income tax law: "These small corporations have sprung up in every part of our country, and there are no exemptions in this provision" [*Congressional Record*, June 30, 1909, p. 3979].

American Agriculturist [July 24, 1909, p. 68], on the other hand, was much in favor of the corporate income tax:

The corporations are appealing to the farmers to assist in defeating this measure, pointing out that co-operative associations, creameries and other organizations having directly to do with agriculture will suffer. This comes with mighty poor grace from men who, with very few exceptions, have combined to wring from the farmers and the agricultural interests in general a larger proportion of their earnings than existing conditions warrant. They have combined to make the farmer pay larger prices for his machinery, his groceries, his dry goods, his fencing and everything else which he has to buy. The farmer is the creator of wealth. Corporations attempt to get this wealth from him, leaving simply enough for a bare living in most cases, with occasionally a few luxuries thrown in as a sop. The farmer is looked upon as legitimate prey for corporate interests. It comes with very bad grace, therefore, for the corporations to appeal to farming interests. Let them fight their own battles. Let them pay their just proportion of taxes.

Property taxes were also a possible source of federal revenue, although some congressmen felt that property owners were already taxed too heavily [*Congressional Record*, May 4, 1909, p. 1701]. According to Senator Charles Dick of Ohio [*Congressional Record*, August 5, 1909, p. 4958]: "In the United States the great [tax] burden rests upon the middle class, the small farm owners and small home owners." Senator George Sutherland of Utah [*Congressional Record*, May 17, 1909, p. 2092] spoke against property taxes "because it destroys the equality of taxation

and saddles the farmers with an undue burden.” Agricultural sentiment was strong against using property taxes to generate federal revenues. Taxes on property would have serious implications to those property-owning taxpayers who could not shift the increased cost of taxes to the consumers of farm products. Farmers had no influence in fixing prices as manufacturers did [Stewart, 1927, p. 69].

The average farmer earned well below the exemption amount provided in the income tax provisions. Therefore, most farmers would not be subject to income tax, certainly a reason farmers preferred income taxes to tariffs. In fact, few farmers paid federal income taxes in the first years of the tax because of the exemption levels and relatively low farm incomes.¹⁴

The August 28, 1909 issue of *American Agriculturist* [p. 167] provides considerable discussion on the proposed income tax amendment, including some history of how earlier attempts to enact an income tax had met with opposition from the eastern states. “In this country the wealthy people who habitually evade, so far as possible, every form of taxation, are bitterly opposed to an income tax.”

Congressional Backgrounds: Many congressmen of the era under study had ties to agriculture. As of the 1910 census, 34.9% of the U.S. population were farmers [U.S. Dept. of Commerce, 1975a, p. 457]. This percentage was down from approximately 50% in 1870. A cursory review of the biographies of the senators identified in the above discussions indicates that the average age of senators was about 55 years [*Biographical Directory*, 1989]. This would mean that these senators were born about 1855. In 1855, over half of the U.S. population was engaged in agriculture. Most of the vocal congressmen grew up in small-town, agricultural settings.

Table 3 lists the major farm supporters identified in the *Congressional Record*, their home state, and the percentage farm population in 1910. Most of these states had farm populations well over the national average, including four states with farm populations over 50%. Eight of the 11 states listed are west of the Mississippi. None of the states represented in Table 3 are from New England or the Middle Atlantic states listed in Table 2.

¹⁴“Few farmers pay income-tax: only twenty-nine farmers out of every thousand paid income-tax in 1923” [Stewart, 1927, p. 69].

TABLE 3
Strong Agricultural Supporters

Senator	Hometown	State Represented	% Farm Population
Joseph Bailey	Crystal Springs (MS)	Texas	59%
Thomas Carter	Pana (IL)	Montana	30%
Moses Clapp	Delphi (IN)	Minnesota	40%
Albert Cummins	Carmichaels (PA)	Iowa	47%
Charles Dick	Akron	Ohio	26%
Dudley Hughes	Jeffersonville	Georgia	61%
Porter McCumber	Crete (IL)	North Dakota	64%
Anselm McLaurin	Brandon	Mississippi	75%
George Sutherland	Springville	Utah	33%
William Thompson	Garden City	Kansas	49%
Representative	Hometown	State Represented	% Farm Population
Courtney Hamlin	Brevard (NC)	Missouri	41%
Sam Rayburn	Bonham	Texas	59%

Source: U.S. Department of Commerce, Bureau of the Census [1975b]
Biographical Directory of the United States Congress: 1774-1989 [1989]

Two of the most vocal supporters of farmers, Senators Cummins and McCumber, were from highly agricultural states, Iowa and North Dakota, respectively. In 1910, 47% of Iowa's population and 64% of North Dakota's population were agricultural. The repeated references to farmers in the *Congressional Record* show that congressmen considered farmers in the tax debates.

Summary of Qualitative Research: The qualitative research shows that agriculture was considered in the congressional income tax/tariff debates. If left to the designs of Senators McCumber and Cummins, early tax law and possibly current tax law, might be much more favorable to agriculture. Other congressmen, while not as vocal, gave notice that they too felt a kinship with agriculture or at least a concern for the farm vote. The number of congressmen coming from rural settings explains their strong affection for agriculture. The discussion of agriculture in the congressional debates was pervasive. Agricultural publications of the time also focused considerable attention on the debate between tariffs and taxes and whether taxes should be based on property or income. Congress decided to base the tax calculation on income, partially because property, much of which was

held by farmers, was already highly taxed. The agricultural magazines also encouraged readers to petition congressmen to favor farm interests. These letter-writing campaigns would have reminded politicians of the importance of the farm vote.

STATISTICAL RESEARCH RESULTS

The previous sections have shown qualitatively that congressmen considered agriculture in the income tax/tariff debate. This section explores this issue statistically and further introduces the possibility that individual states' votes on the 16th Amendment and adoption of state income tax laws in the 20th century were influenced by their percentage of agricultural population.

This study hypothesizes that the percentage farm population of a state will be a determining factor in adoption of the 16th Amendment. The factors analyzed were: percentage farm population of each state in 1910, year of the passage of the 16th Amendment in each state, year in which each state adopted state income taxes in this century, and per capita federal individual income tax in each state in the fiscal year ended June 30, 1914. Table 2 shows the input data for the statistical analyses.

A related area of interest is to study the adoption of state income tax laws in this century to see if the percentage farm population had an impact on increased reliance by states on income taxes for raising revenues instead of other forms of revenue generation. Another reason for including this factor is the diversity that existed among state taxation systems. Einhorn [2006, pp. 218-224] notes that by the antebellum era, there were two patterns of state tax structures, northern and southern, even though the government systems of the North and South were more similar than they had ever been. These differing state backgrounds may have influenced the adoption of the 16th Amendment. "Important to the new support for federal income taxation was the formation of an urban-rural alignment of middle-class citizens who favored state and local tax reform" [Brownlee, 2004, p. 49]. The economic depression of the 1890s caused more demand for services from state and local government and led states to look at adopting an income tax to bolster revenues [Brownlee, 2004, pp. 49-50]. A leader of one Grange recommended: "...that if the federal government by reason of the income tax can uncover millions that heretofore have been concealed, the states should likewise take up the matter and assess such wealth in order that the burden unfairly placed upon the farmer might be relieved" [*Farm Journal*, February 1914, p. 102].

Table 4 presents the results of correlation analysis.¹⁵ The results show that percentage farm population is significantly correlated with 16th Amendment passage ($p < .01$), the year in which states adopted state income taxes ($p < .10$), and with per capita income taxes paid by state ($p < .01$). In addition to being significant correlations, the levels of these correlations were notable. The negative correlations are as expected. As percent farm population increases, states adopted the 16th Amendment and their own state income taxes earlier. As mentioned above, percent farm population is highly correlated with per capita income taxes. Those states with higher farm populations tended to pay lower income taxes per person. Per capita income taxes paid by state significantly correlated ($p < .10$) with passage of the 16th Amendment in the anticipated direction, but not with the year in which states adopted state income taxes. The correlation between per capita income taxes and 16th Amendment passage is positive; states paying lower income tax rates passed the 16th Amendment earlier. In addition, the level of correlation and degree of significance between per capita income tax and 16th Amendment passage is not as great as the correlation and degree of significance between percentage farm population and 16th Amendment passage respectively.

Table 5 provides the results of regression analysis.¹⁶ In the

¹⁵Correlation analysis examines the relationship between two variables. Correlation coefficients can range from -1 to 1. The absolute value of the correlation is the level of the relationship. The sign of the coefficient shows if the two variables move in the same direction (positive sign) or opposite directions (negative sign). For example, if two factors change perfectly proportionately in the same direction their correlation would be 1. If they change perfectly proportionately in opposite directions, their correlation is -1. Two variables that are not correlated would have a coefficient of correlation near 0. The level of significance gives the odds that this relationship is the result of random occurrence. For example, in Table 2, percent farm population and 16th Amendment passage have a coefficient of correlation of -.437 and a level of significance of .002. This means that the two variables move moderately in opposite step with each other (-.437 is between 0 and -1), and the chances of this level of correlation happening randomly are about 2 in one thousand (.002). This would be designated $p < .01$. The negative sign indicates that when one variable increases, the other variable tends to decrease. In this case, earlier passage of the 16th Amendment (smaller years) is correlated with higher farm population, hence the negative coefficient of correlation.

¹⁶Regression analysis is another statistical method to analyze data. Regression analysis, when combined with supporting theory, as in our qualitative discussion above, can lend support to the theory that one variable affects another variable. In this paper, the theory postulates that percentage farm population is at least partially predictive of 16th Amendment passage and year of state income tax adoption. As with correlations, the coefficients in regression models show the relative direction of movement of the independent and dependent variables. Sig-

TABLE 4
Correlation Analysis

	16th Amendment Passage#	Income Tax Year[^]	Per Capita Income Taxes
Percent Farm Population	-.437**	-.269*	-.728**
	.002	.065	.001
	48	48	48
16th Amendment Passage		.224	.265*
		.125	.069
		48	48
Income Tax Year			.054
			.718
			48

Input data are from Table 2.

The first number is the correlation coefficient, the second is the degree of significance, and the third is the number of observations.

*significant to .10

**significant to .01

#Year of 16th Amendment passage was coded as follows:

1909=1, 1910=2, 1911=3, 1912=4, 1913=5, no action=6, and rejection of the amendment by the state=7.

This coding was used as it was felt no action was a more negative outcome than passage in 1913 and rejection was an even more negative outcome than no action. Thus, the possible outcomes formed an ordinal ranking.

[^]Income tax year was coded as the year that state adopted a state income tax law in the 20th century, with a maximum of 1942 for those states not adopting a state income tax by that year.

Sources:

Percentage Farm Population: U.S. Department of Commerce, Bureau of the Census [1975b].

Year of 16th Amendment passage: Blakey and Blakey [1940, p. 69]

Income Tax Year: Blakey and Johnson [1942, pp. 3-4]

Per Capita Income Taxes: letter from the secretary of the treasury to the 63rd Congress, 3rd Session, Senate Document No. 623, December 7, 1914 [U.S. Department of Commerce, Bureau of the Census, 1975b]

nificance provides the odds that this relationship would occur randomly. For example, in Table 5, model 2, as percent farm population decreases, states delayed passage of a state income tax to later years (negative coefficient). This relationship

TABLE 5
Regression Analysis
Model 1 Dependent Variable:
16th Amendment Passage

Independent Variables	Coefficient	t	Significance
Constant	5.506	5.758	.000
Percentage Farm Population	-.04127	-2.665	.011
Per Capita Income	-.002673	-.581	.564
Adjusted R-Square	.161		
F-Statistic	5.518		.007

Model 2 Dependent Variable:
Year of State Income Tax Adoption

Independent Variables	Coefficient	t	Significance
Constant	49.087	6.177	.000
Percentage Farm Population	-.308	-2.391	.021
Per Capita Income	-.0566	-1.48	.146
Adjusted R-Square	.076		
F-Statistic	2.932		.064

Input data is from Table 2.

Year of 16th Amendment passage was coded as follows:

1909=1, 1910=2, 1911=3, 1912=4, 1913=5, no action=6, and rejection of the amendment by the state=7.

This coding was used as it was felt no action was a more negative outcome than passage in 1913 and rejection was an even more negative outcome than no action. Thus, the possible outcomes formed an ordinal ranking.

Year of Income tax adoption was coded as the year that state adopted a state income tax law in the 20th century, with a maximum of 1942 for those states not adopting a state income tax by that year.

Sources: same as for Table 4

was significant to .021, meaning that the chances of this relationship occurring randomly are about 21 in a thousand. The adjusted R-Square of .076 shows that the two independent variables together explain about 7.6% of the variation in year of state income tax adoption. While this may seem minimal, R-Squares are often low for significant models due to the many possible unanalyzed systematic and unsystematic variables that might impact the dependent variable. The probability of the F-statistic (.064 for model 2) indicates the degree of significance of the relationship between the independent variables of the model and the dependent variable.

two regressions, the independent variables were percentage farm population and per capita income taxes paid by state.¹⁷ The dependent variables in the two regression models were year of passage of the 16th Amendment and year of adoption of the state income tax, respectively. In both models, percentage farm population was a significant predictor ($p < .05$) and per capita income taxes paid was not a significant predictor. This result is consistent with the correlation analysis. Both models were also significant overall ($p < .01$ and $p < .10$, respectively).

The conclusion of both the correlation analysis and the regression analysis is that percentage farm population was a significant predictor of passage of the 16th Amendment by the states and adoption of state income taxes in the 20th century and a stronger predictor than per capita income taxes paid.

SUMMARY AND CONCLUSIONS

The testimony in Congress during the years 1909 to 1913 indicates that congressmen did consider agricultural taxation. Legislators who considered agriculture in the development of the tax laws generally grew up in or represented states with a higher than average percentage of farm population. Perhaps there were no specific provisions that overtly favored farmers until 1915, as Holland states, but the mere existence of an income tax instead of tariffs or property taxes is the result of some dispensations to the farm population. Agricultural tax preferences may not have been necessary in 1913 because most farmers did not earn more than the exemption amount. From a U.S. population of 100 million, only 368,000 (.368%) filed returns for 1913. According to the 1913 definition of taxable net income, the average taxable net income of farmers in 1910 was \$2,194, well under the \$4,000 exemption for couples [U.S. Department of Commerce, 1975a, p. 99]. In 1935, only about 10% of the nation's farmers earned \$4,000 or above [U.S. Department of Commerce, 1975a, Table G756]. A need for agricultural tax preferences may have developed as farm incomes increased relative to the exemptions.

Farmers have benefited from unique tax treatment since the beginning of the income tax law. This special treatment may be explained by the following conclusions based on the qualitative and quantitative analysis. (1) Agricultural interests were

¹⁷These regressions are not intended to be complete predictive models of 16th Amendment passage and of adoption of state income tax laws. These regressions are only used to examine the effects of percentage farm population and per capita income taxes on the dependent variables.

influential in the development and passage of tax/tariff laws. (2) The percentage of congressmen with agricultural ties explains the strong affection for agriculture. (3) Discussion in congressional debates and in agricultural journals was passionate and patriotic in support of equity for farmers. (4) Percentage farm population was a significant ($p < .05$) predictor of passage of the 16th Amendment by the states. (5) The quantitative analysis shows that percentage farm population was a significant ($p < .05$) predictor of adoption of state income taxes in the 20th century.

As major tax reform is debated, the actions of special interest groups should be monitored. Today, as then, there are charges that the wealthy receive preferential treatment and the arguments are divided along political lines. According to Hansen's theory, political parties adopt ideological positions on tax policy that correspond to the impact on their partisans and amend their tax policy positions to reflect changes in the proportions of voters upon whom the heavier tax burdens rest in order to reflect the relocation of the political center. Modern groups may be as successful as farmers in securing preferential tax treatments. These successful groups will be the eventual winners under the reformed systems, while those with lesser voices will be the losers. A particular segment of the economy to watch is e-commerce. E-commerce is perceived as a threat to store-front merchants and state and local tax revenues. Could states with strapped budgets and businesses with a desire to see e-commerce taxed be compared to farm states and the economic interests of farmers in the early 1900s? The lesson to be learned from this work is that an industry could be similarly united to push for or oppose a major tax reform proposal today. For instance, if a tax on e-commerce were proposed, Internet merchants who constitute an even more diverse group than farmers would certainly unite to fight the new tax. Judging from the impact that farmers had on major tax reform, legislators should beware.

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ACCOUNTING FOR THE STAMP ACT CRISIS

Abstract: In 1765, the British Parliament imposed stamp duties on the American colonies, setting in motion the chain of events which ultimately led to the American Revolution. This paper analyzes the practicalities of the Stamp Act to provide insights into the way in which a tax instrument that was successful in one setting failed to achieve similar success in another. The reasons for choosing stamp duties as an appropriate fiscal measure, the colonial reaction to the tax, and the way in which the tax was accounted for by the British government bureaucracy are examined. The paper demonstrates the value of using an accounting lens to provide a more nuanced interpretation of the Stamp Act crisis.

INTRODUCTION

Taxation lies at the heart of the relationship between the state and its subjects and is intertwined with accounting. Its design is informed by accounting and its implementation creates new accountings for both the state and the subject. The purpose of this paper is to examine a particular incarnation of taxation – the imperial stamp duty imposed by the British Parliament on the American colonies briefly from 1765 to 1766, the demise of which is referred to as the “Stamp Act crisis.” The version of stamp duty imposed on the colonies bore strong resemblance to that in operation in Great Britain with some modifications to accommodate colonial conditions. By the middle of the 18th century, a stamp duty had become an accepted part of the tax landscape in Britain, and the administrative machinery by which it was collected was firmly established. In view of this, the vehement rejection of a similar impost by the colonists was not a response that was either anticipated or expected. The response by the colonists can, we argue, be partly attributed to inadequate design. The British government failed to consider fully the logistical difficulties that would arise in putting the stamp duty in place in a remote location.

As a precursor to the American Revolution, the Stamp Act crisis is an important object of study. Indeed, much has been written about it in terms of its broader political implications [Morgan and Morgan, 1953; Gipson, 1954; Morgan, 1973; Thomas, 1975; Bullion, 1982] and from the perspective of contemporary ideology [Bailyn, 1967]. We have, however, identified a gap in the literature as little has been written about the Stamp Act crisis from the viewpoint of its logistics. The questions of how it was to be administered, what problems were associated with its implementation, and how the proceeds were accounted for have rarely been addressed. In this paper, we consider the practicalities of the Stamp Act, its initial design, and the mechanics of its operation, so as to provide insight into a neglected aspect of the crisis and the method of accounting. This paper also makes a contribution to the literature relating to 18th century taxation in a colonial setting, another topic on which little has been written.

The focus of our examination is a set of accounts discussed below. These were drawn up in 1772, and provide clear evidence in an accounting context of the failure of the stamp duty to operate as planned. We consider these, together with other primary source documents, and formulate an additional explanation for the failure of the imperial Stamp Act. The episode highlights the difficulties in achieving action at a distance in a pre-modern setting. The set of audited accounts, contained in the National Archives, followed the return of unused stamped paper to Britain and relate specifically to the "American Stamp Duties" [N.A.: AO3/1086¹]. The main account, shown in Figure 1, is supported by a number of subsidiary accounts. In order to explain the way in which the final version of the Stamp Act was administered, we draw on these accounts, which raise a number of questions about the logistics of implementing the stamp duty. Although referred to in passing by a number of commentators, we have been unable to uncover any systematic attempt to unravel and explicate the 1772 American Stamp Act accounts, other than a description of its contents in Koeppel [1976]. The accounts provide a fascinating glimpse into the convoluted way in which the process of handling the stamped paper was managed between the various actors responsible for putting the Stamp Act into operation. Unfortunately, we have been unable to locate the underlying working papers and, as a result, some

¹An explanation of the references from the U.K. National Archives (N.A.) and the British Library (BM) can be found at the end of the paper for those unfamiliar with them.

of the entries depicted in the accounts cannot be verified or even explained.

A cursory examination raises some interesting issues to which this paper will refer; for example, the role of the warehouse keepers, one of unstamped goods and one of stamped goods. In addition, there is the matter of only £4,000 recorded as received for a tax that was predicted to produce significantly more revenue, the cancellation of stamped paper to the value of approximately £155,000, and the outstanding balances due from the stamp distributors in the colonies. All of these are evidence of the signal failure of the Stamp Act in America.

EXCURSUS: HISTORIOGRAPHY OF THE STAMP ACT CRISIS

Lamb [2003] stresses the importance of engagement with wider scholarship, not only within the accounting history field, but also beyond to areas in which general historical literature deals with issues of concern to the accounting historian. There is a rich and established literature around the Stamp Act crisis, and, at this point, it is apposite to clarify our contribution. Some of the documents to which we refer have not been prominent in the literature, in particular the accounts which we reproduce in this paper. The American historiography of the Stamp Act crisis remains dominated by the work of the Morgans, specifically *The Stamp Act Crisis: Prologue to Revolution*. Breen [1997, p. 14] notes that in 1957, Morgan “effectively shifted the focus of research from the metropolitan centre to the colonial periphery.” Consequently, as British historians busied themselves with remapping 18th century British politics and culture, American historians tended to ignore “the English side of the story.”

In the opinion of Hecht [1976], few aspects of the American Revolution have been more thoroughly studied. She divides into three streams the “vantage points” from which the Stamp Act crisis is viewed. The first considers the Stamp Act crisis as an essentially American phenomenon. Indeed, this is the approach taken by the Morgans and by Bailyn [1967], who examined the ideological arguments based on careful analysis of pamphlets and other literature. The second is a wider approach that considers the colonial events in the light of a broader imperial context as adopted in Gipson’s work [1954]. Finally, a number of historians approach the topic from a purely British perspective [e.g., Ritcheson, 1954]. Thomas [1975] conducts a microanalysis of British politics of the period. Langford [1976, p. 394], in a re-

FIGURE 1
American Stamp Duties General Account by Virtue of an Act of Parliament &c

The Charge	£	s	d	The Discharge The Net Produce	£	s	d
Parchment Paper & Blanks Received from Stationers to supply the Distributors	3,607	3	9	Paid into the Receipt of Exchequer	4000	-	-
Profit by Discount thereon	329	12	8	Salaries to Officers	117	18	1
Stamps for Ready Money	46	16	11	Incidents	371	16	11
D ^o to supply the Warehouse	218,729	17	2	D ^o	335	1	8
Damaged parchment paper etc				Goods Cancelled for Warehouse Keeper of Stamp Goods	155,040	11	6
1,485	9	10		The remaining Stock of the Warehouse Keeper of unstamped goods disposed of by order of the Commissioners	160	2	½
				Stamped paper for Almanacs delivered by Order of the Commissioners	17	17	8
				Balances due from the several Distributors as per folio 1	64,155	12	5 ½
	£224,199	—	4		£224,199	—	4

Source: N.A. AO3/1086

view of Thomas, proclaimed it the definitive account, and went so far as to say that “the story of the stamp act crisis will certainly not need telling again.” Breen [1997, p. 15] comments that, by the 1980s, there was evidence of an “interpretive shift” in studies of 18th century England, with revisionist accounts shifting the focus from “elite political life” to, for example, “the development and maturation of an impressive fiscal military state.”

Bullion [1982], again from the third of Hecht’s vantage points, focused on George Grenville. Langford [1985, pp. 897-898] reviewing this work in 1985, suggested that while Bullion offered more detail than his predecessors, “on most important questions...major conclusions have been reached and the permissible area of debate long since reduced to a minimum attainable on the evidence available.” We suggest that from an ideological, political, and constitutional perspective, Langford may well be justified in saying that the topic has been exhausted. We argue, however, that there is still room for a more finely grained analysis of events and outcomes through our exploration of the accounting evidence, particularly through the examination of contemporary accounting documents not previously traversed in detail in the literature. Rose and Miller [1992, p. 177] advocate consideration of how the “state is articulated into the activity of government, that is, the various elements, devices, techniques, knowledge, to make operable the tactics of government.” In our view, the failure of the Stamp Act can also be attributed to a failure to consider the detail of achieving action at a distance. In this regard, existing analyses of the Stamp Act crisis are deficient in that they fail to consider the logistical detail of how the Stamp Act was to work. They also fail to examine the specific items that were subject to the tax and the then-existing colonial taxes.

This paper redresses these omissions by examining the accounts, together with other primary source documents detailing the practicalities of the operation of the imperial Stamp Act. The outcome is a better understanding of accounting, particularly tax accounting, in an imperial context, and an explanation of the conditions under which a tax instrument successful in one setting may fail in another. Accounting historians are well aware of the neglect of accounts and accounting information by historians. As Napier [1991] notes, in the context of aristocratic accounting, historians readily draw on evidence of accounts but rarely provide detailed descriptions of them. An accounting lens can provide valuable, alternative explanations for events and

transitions.² It is not our intention to displace, or even disrupt, established views of the origins of and motivations underpinning the Stamp Act crisis. Rather, by using accounting evidence, we aim to present another factor previously neglected by historians to allow for an additional interpretation of the events. Much attention is given elsewhere to political rationalities in analyses of government, including the ways in which power is exercised and the role and extent of politics. Less attention is generally given to the actual technologies deployed in putting governmental operations into practice [Rose and Miller, 1990, p. 175].

This paper also sheds light on the nature of 18th century taxation in a colonial setting. The dearth of tax history in the accounting history literature has been discussed elsewhere [Lamb, 2003; Oats and Sadler, 2004; Noguchi, 2005]. The Stamp Act crisis represents an important episode in tax history. It highlights the difficulties in imposing an imperial tax across the globe at a time when communication mechanisms meant significant delays in relaying information between the center in Britain and the periphery in the colonies. Any tax is underpinned by accounting techniques and practices, requiring their deployment by both the taxing state and the taxed subject. The design of tax instruments is at one level driven by ideological considerations, but putting a new tax into place and making it work requires careful consideration of the practicalities of its operation and its impact on those actors whose job it is to make the tax work effectively.

This paper adds to the accounting history literature in three main ways. First, it adds to our understanding of accounting, particularly tax accounting, in an imperial context. Unlike Hooper and Kearns [1997], Neu [1999, 2000], Kalpagam [2000], Davie [2003], Bush and Maltby [2004], and Neu and Graham [2006], we are not concerned with the use of accounting to control the indigenous populations of colonies. The object of this investigation is imperial control over mid-18th century settler colonists. Similarly, while work that deals with accounting *in* colonial America, such as Baxter [2004] and Schultz and Hollister [2004], certainly exists, this paper is concerned with accounting *for* colonial America. Second, it sheds light on the conditions under which a tax instrument which is successful in one setting fails to achieve that success in another, a failure to achieve ac-

²Bryer [2000a, 2000b, 2004, 2005, 2006], for example, has shown that an accounting lens can be used to map the transition from feudalism to capitalism and has thereby added a new dynamic to the debate around the emergence of capitalist mentalities.

tion at a distance. Finally, the accounts drawn up by the British government some six years after the abolition of the stamp duty provide an interesting glimpse into the nature of government accounting in mid-18th century Britain. The accounts were not for the purposes of “calculating the loss” on this failed venture, but rather to reflect the stewardship obligations imposed on those responsible for the collection of the tax. This is consistent with the residual feudal mentality still extant in the mid-18th century. While changes were under way in accounting for profit-making ventures, in particular the adoption of double-entry bookkeeping, government accounts continued primarily to use charge and discharge.

We conclude that the British Government underestimated both the logistics of implementing a complex form of taxation across vast geographical distances and the strength of the resistance movement in the local setting. The story of the imperial Stamp Act is one of failure, and many explanations have been posited for this failure. This study proposes another, previously neglected, explanation, that the design of the operation of the Stamp Act was flawed and the impracticalities of its implementation contributed significantly to its downfall. Successful implementation of action at a distance requires a process of translation [Robson, 1992; Preston, 2006] which the British government failed to achieve.

The remainder of this paper is comprised of three parts. Part one begins with a short contextual review of the relationship between the American colonies and Britain. This is followed by an outline of both the rationale for the choice of stamp duty as a fiscal instrument appropriate to extract revenue from the colonists, and the accounting techniques by which it was brought into existence and its intended maintenance. Part two examines the colonial reaction to the tax and its subsequent repeal. Part three offers some insights into the way in which the short-lived Stamp Act was accounted for by the British government bureaucracy, leaving aside the wider philosophical and ideological debates which are, as noted above, dealt with adequately elsewhere.

BACKGROUND: TAXATION IN AND OF THE AMERICAN COLONIES

In 1700, there were only 200,000 inhabitants in the American colonies, but by 1770, its non-indigenous population had risen to over two million [Plumb, 1963, p. 124]. By the mid-18th

century, there were 13 British mainland colonies, together with eight island colonies in the western Atlantic and Caribbean Sea, each with representative institutions which enjoyed a certain commonality despite markedly different economic and social conditions. Each colony was separate from an imperial point of view and had different initial forms of constitution, although over the course of the first half of the 18th century, there was a tendency “towards assimilation of colonial governments to a single pattern” [Beloff, 1965, p. 448].

The governors of the colonies derived their functions from the sovereign and acted as heads of civil administration. Assemblies were elected as decision-making bodies, although “their legislative functions were subordinate to those of the Imperial parliament” [Beloff, 1965, p. 448]. By the 18th century, each colony was represented by an agent in London, men who knew Westminster and were able to act as parliamentary lobbyists. Beloff [1965] notes that British attempts to tighten imperial control had begun in the 1750s, but the Seven Years’ War³ intervened. Under mercantilist ideology, the reason for a colonial empire was to derive economic benefit from it so that regulation of trade was fundamental government policy. By 1763, however, increasing evidence of evasion signaled the need for an overhaul [Ritcheson, 1953, p. 544; Thomas, 1975, p. 44]. It was with this in mind that Prime Minister Grenville’s administration of 1763-1765 acted as it did in relation to colonial legislation. For Grenville, “it was a simple matter of justice that the eastern seaboard colonies who would profit greatly from a regulation of the new west and who would enjoy military protection from attack, should carry at least a share of the financial burden largely arising from services performed in their behalf” [Ritcheson, 1953, p. 545]. While the colonists did not deny the imperial right to regulate trade, they were opposed to the new rules regarding the prosecution of offences, particularly the increased use of vice-admiralty courts.

Rationale for Stamp Duties: Stamp duties were first introduced in Britain in 1694 and were a well-established and acceptable form of taxation by the mid-18th century. Hughes [1941] provides a comprehensive discussion of their introduction and development up to the period immediately preceding the Stamp

³The Seven Years’ War is referred to as the French and Indian War in America.

Act crisis.⁴ Blackstone [1766, pp. 312-313] described in his *Commentaries* the range and extent of British stamp duties. His list included items such as parchment or paper containing details of legal proceedings, licenses for retailing wines, almanacs, newspapers, advertisements, and pamphlets of less than six sheets of paper. After noting that the tax greatly increased the cost of mercantile and legal proceedings, Blackstone defended it as providing a means of authenticating documents and that made forgery more difficult.

Based on notions of fairness in taxation at the time, stamp duties were an appropriate and widespread form of revenue exaction. What is significant, in the context of this paper, is that stamp duties require the cooperation of the taxpayer who is responsible for ensuring that relevant documents and other dutiable items are appropriately stamped. The attraction of stamp duty as a revenue-raising measure to the state, compared to other forms of taxation, is further demonstrated by a debate that took place in the New York General Assembly [1766] during which James Delancey on August 6, 1755, said:

I have thought of three of the following: a poll tax of ten shillings or more on every slave from fifteen to fifty years of age, an excise upon tea and a stamp duty. The first cannot be thought heavy, as none but persons of substance possess slaves, and the tax will fall equally according to men's abilities; the second is a tax upon a superfluity of pernicious consequence to the health and purses of the people, and therefore a proper object of a tax, and the third [the stamp duty] will be so diffused as to be in a manner insensible.

Diffuse incidence was seen as a virtue of the stamp tax in that the burden was spread across a wider section of society. The individual burden was thus lower than the more targeted forms of tax aimed at the wealthy alone, such as land tax in Britain and slave taxes in the colonies. On the other hand, another administrative virtue of the stamp tax was its visibility; payment of the tax was denoted by a clear mark or cipher, an issue to which we will return later in the paper.

By mid-century, Britain had established a sturdy financial system, underpinned by "legions of new bureaucrats" (tax collectors and inspectors) as well as a "new consumer marketplace,"

⁴See also Dowell [1873], although he does not canvass the full range of stamp duties considering those such as on newspapers and playing cards to be aberrant and focuses instead on duties placed on legal documents.

developments which pre-date the industrial revolution and the increased prominence of the middle class [Breen, 1997, p. 19]. Breen argues that these developments fed into the “birth of a powerfully self confident British nationalism” (more narrowly, English nationalism) which can be viewed as a factor contributing to the eventual rejection of the Stamp Act by the colonists.

The Treaty of Paris of 1763 ended the Seven Years’ War. Bullion [1982, p. 12] suggests that the idea of colonial taxation began to be discussed informally soon after.⁵ In March 1763, the King wrote to Bute that “[t]he subject was new to none, having been thought of the whole winter.” The King also noted that “every branch of government” had considered the question of taxing America. In June 1762, Charles Jenkinson, Secretary to the Treasury, produced a paper entitled *Observations on the Money Faculties of the State* in which he demonstrated that the increased burden of taxation in Britain was £1,400,000 per annum. Consequently, he concluded that the government had no choice but to impose new taxes, but as new taxes diminished the revenue arising from old taxes, the nation’s capacity to meet debts “was very considerably impaired.”⁶ Discussions about the need for a new tax therefore revolved around accounting calculations of the quantum of the national debt, the existing burden of taxation in Britain, and the circumscribed potential to increase that burden further.

The Treasury decision relating to the taxation of America was not made purely on fiscal grounds. Commercial considerations also came into play; hence, Grenville’s statement to the House of Commons that the “great object” of the proposals was to “reconcile the regulation of commerce with an increase of

⁵The idea of Britain imposing a stamp duty on the colonies was not new; extension of the duty to the colonies had been suggested in 1722, 1726, 1728, and 1742 [Thomas, 1975, p. 69]. Sir W. Keith, exchequer-deputy governor of Virginia, had also suggested it to Walpole in the wake of the 1733 excise crisis, who rejected the idea, stating: “I have Old England set against me and do you think I will have new England likewise” [Dowell, 1888, p. 150]? In 1751, Henry McCulloh, a London merchant with land speculation in North Carolina, suggested a stamp duty for the colonies to Lord Halifax, the then-president of the Board of Trade, and, in 1757, submitted a scheme for a poll tax and a stamp duty [Ritcheson, 1953, p. 549; Thomas, 1975, p. 69]. In addition, one of the secretaries to the treasury, Samuel Martin, had, in 1759, recommended to Newcastle the imposition of a stamp tax on the colonists [Bullion, 1982, p. 12].

⁶Liverpool Papers [BM Add Ms 38334 f.233-238], quoted in Bullion [1982, p. 19]

revenue.”⁷ In Britain, there was a general acceptance of Parliament’s authority, and taxes were on the whole paid regularly (that is not to say there was no tax evasion). In planning to tax the colonies, resistance was anticipated as the government recognized that similar conditions did not pertain there. This awareness influenced the choice of tax instrument to be adopted [Bullion, 1982, p. 2]. Grenville and his ministers were acutely attuned to the need to secure colonial support for their decisions and that the prevailing mood in the American colonies was not receptive to imperial interference.

It was against this background that on March 9, 1764, Grenville announced his intention to levy a stamp duty on the colonies in a year’s time. This statement was made at the time of the passage through Parliament of the Sugar Act. Grenville stated that in delaying the introduction of a stamp duty, he was allowing the colonies to formulate alternative plans for raising revenue, although it seems that this was not made explicit to the colonial assemblies [Morgan, 1973, p. 24].⁸ In Grenville’s opinion, the Stamp Act was an appropriate basis for Anglo-American relations, putting British and colonial taxpayers on the same footing and establishing that America should rightly contribute to the cost of its defense [Lawson, 1980, p. 561].

One significant factor which may have led Grenville to choose a stamp duty for the colonies is the prior use of such taxes by the colonies themselves. Although not specifically discussed in Kozub’s [1983] wide-ranging survey of colonial taxes, a stamp duty was used in Massachusetts in 1755 and New York in 1757. The New York tax included a stamp duty of ½d. per copy on newspapers, against which James Parker protested [McA- near, 1941], drawing on the arguments of Swift in relation to the British newspaper stamp introduced in 1712 [Sadler and Oats, 2002]. Thompson [1969, p. 257] is of the view that there was little popular resistance to these duties, which may well have directly encouraged Grenville to use a stamp duty to raise colonial revenue. In addition, the use of stamp duties in the colonies was not confined to the mainland colonies. In Jamaica, a stamp duty was imposed from 1760 to 1763 to provide revenues to fund the militia in the face of a slave revolt [Spindel, 1977, p. 210].

⁷in a speech of March 9, 1765, Ryder Diary [p. 234], quoted in Bullion [1982, p. 2]

⁸Thomas [1975, p. 72] disputes Morgan’s assertion in this regard and is of the view that Grenville did not intend to seek the views of the colonies.

DESIGNING THE IMPERIAL STAMP DUTY

Having decided to adopt a stamp duty as the most appropriate form of tax in the colonies, it then became necessary to devise specific mechanisms by which it would operate. Miller and Rose [1990, p. 2] comment that through “apparently humble and mundane mechanisms” such as “techniques of notation, computation and calculation,” action at a distance can “incite, induce and seduce populations to behave in certain ways.”⁹ Robson [1992, pp. 691-693, 696], drawing on Latour [1987, 1988], discusses the development of accounting as inscriptions that enable action at a distance. He notes that relations between inscriptions and the things to which they refer are not unambiguous, and the extent to which they correspond is influenced by the distance between them. Co-location of representation and referent minimizes the need for “strong” explanations to achieve action, in part due to tacit knowledge shared by the actors. Action at a distance, on the other hand, is more problematic, and the greater the distance between the actor and the location in which the desired action is to take place, the greater the need for translation. Here translation suggests “movement or displacement from one context to another.” To act upon a remote site, networks are required to “gather, transmit and assimilate transcriptions.” Robson goes on to describe the features of transcriptions best able to achieve action at a distance, specifically mobility, stability, and combinability. Mobility is required since inscriptions need to be able to “move from the setting to actor and back,” an attribute of written documents which can be inspected and re-inspected. Stability ensures that inscriptions retain the relation to their referents without corruption. Robson notes, by reference to Hoskin and Macve [1986], that the development of special ways of writing such as alphabetic ordering “enhanced the ability of texts to record, reference and retrieve information.” The final property of inscriptions that facilitates action at a distance is combinability; that is, the ability to be combined and recombined “to establish new relationships.” Accounting, with its numerical inscription, is capable of playing an important role in achieving action at a distance. By quantifying, or ascribing monetary values to concepts, they can be combined to form a new concept.

In drawing up a suitable plan for the imposition of a stamp

⁹The term “government” here is used in the Foucauldian sense of the attempt to shape rational human conduct beyond its modern political meaning. See, for example, Neu [1999].

duty on the colonies, thought was given to the nature of the duties imposed in Britain, while some consideration was also given to the special circumstances of the American colonies, such as differences in legal systems and higher levels of poverty. The governors of the colonies were requested to produce an account of legal documents in use in the colonies. This information, together with the Massachusetts and New York versions of stamp duty, was used to assist in deciding to what the imperial stamp would apply (referred to as “heads of duty”) and at what rate. A table was drawn up showing the current British heads and rates of duty side by side with the colonial duties [N.A.: T1/433/141]. These accounts of the local position demonstrate the way in which inscriptions are gathered from their remote location, combined and recombined at the center, and used to design a plan of action to be put into effect back in the local setting.

Work began on the stamp bill in 1763, with two draft versions submitted to the Treasury for consideration on November 19, 1763. The version preferred by the Treasury was one drawn up by Thomas Cruwys, solicitor to the Stamp Office.¹⁰ Thomas Whately, joint secretary to the Treasury Board, presented a report to the Board outlining the features and rationale of the stamp bill. He stated that the rates of duty in the colonies were necessarily different to those in England as the same legal instruments were not always used in both places and, in some instances, a different rate of duty may be appropriate for the same instrument.¹¹

Whately’s report recommended two new heads of duty in the colonies. One was on Crown grants of land and the other on registration of conveyances and securities; that is, the registers themselves were taxed as well as the legal documents. In comparison with the duties in place in Britain, higher duties in the colonies were proposed for the system of registering transfers of land. In addition, for reasons that are not clear, the decision

¹⁰The other version was drafted by Henry McCulloh, who was largely in agreement with Cruwys as to the nature of the duties that should be imposed, but differed as to the use to which the funds should be put. Cruwys did not specify how the funds raised were to be deployed, whereas McCulloh apparently held strong views on this and believed the revenue arising from the stamp duty should be used “to provide presents for Indians; to pay rangers for frontiers; for the maintenance of the king’s forts and garrisons; to encourage settlers and settlements in frontier parts”; and finally, “to discharge the salaries of the kings [sic] governors and officers abroad” [quoted in Thomas, 1975, p. 71].

¹¹The full text of Whately’s report can be found in BM Add Ms 35910 f.310-323 and is partly reproduced in Hughes [1941] and Koepfel [1976].

was taken to subject documents in foreign languages (including newspapers) to double the rate of duty. There were to be lower duties in the colonies for legal proceedings and bonds in light of the higher levels of both poverty and litigiousness in the colonies. The rate of duty on retail licenses for the sale of ale, cider, and spirits was also lower than in Britain. Two items of duty which applied in Britain were not imposed in the colonies, specifically that on admission to corporations and that on indentures.¹²

The final bill was handed to the Treasury on January 24, 1764 [Thomas, 1975, p. 71]. As noted earlier, in deciding how the stamp duty would operate, to which instruments and objects it would apply, and to what extent, some consideration was given to the particular circumstances of the colonies. It is not possible merely to recreate rules and regulations that exist in another location. Success of regulatory control is dependent on its being tailored for the specific circumstances of the location of its operation.¹³ As noted by Robson [1992], the greater the distance from the center of decision making to the location of enactment, the more translation or information is required to overcome the difficulties of distance. Information about legal instruments in use in the colonies played an important role in the design of the stamp duties, in choosing which documents would be subjected to the duties, and how much tax would be charged on each.

One factor which was not taken into account in deciding what form an imperial tax should take, which is also a neglected area in the historiography of the Stamp Act crisis, is the extent to which the colonial assemblies imposed other forms of taxes, often with great ingenuity. It seems that the British government failed to consider adequately the nature of the other taxes in place or had been previously imposed in the individual colonies. Kozub [1983] documents the array of taxes imposed by the colonial governments and concludes that the “colonial forefathers” attempted in their design of tax instruments to measure the faculty or ability of individuals to pay the taxes. Indeed, several col-

¹²Other heads of duty remained largely the same and taxes at the same rates as in Britain. It was decided to retain the duty on admission to professions and degrees so as to “keep mean persons out of those situations in life which they disgrace” [BM Add Ms 35910].

¹³In a contemporary tax context, a growing body of research deals with this notion. See, for example, the work of the Centre for Tax System Integrity at the Australian National University (<http://ctsi.anu.edu.au/>) and *Law and Policy* (2007), volume 29, issue 1, which is devoted to the notion of responsive regulation in taxation.

onies imposed taxes actually designated as “faculty taxes” which were taxes on the assumed income of specific occupations. In Connecticut, for example, it applied to attorneys. Residents of Massachusetts, in particular, were heavily taxed compared to other colonies.¹⁴ The imposition of an imperial stamp duty then would impact unevenly throughout the colonies, which raised questions akin to those subsequently debated in the context of federal taxing powers.¹⁵

Grenville intended to introduce the stamp duty in 1764. In his budget speech of that year, he indicated that he considered the stamp duty to be the “least exceptionable because it requires fewer officers and even collects itself. The only danger is forgery” [Thomas, 1975, p. 74]. Clearly Grenville failed to appreciate the complexity of implementing the tax in the colonies and the extent to which it would inflame the colonists. Objections were raised during debate, however, and the progress of the bill was halted. Opponents suggested that the colonies should be apprised of Parliament’s intentions [Thomas, 1975]. The response from the colonies was a series of protests sent by the assemblies of Massachusetts, Pennsylvania, Connecticut, New York, North Carolina, Rhode Island, South Carolina, and Virginia.

As concern over the implications of a colonial stamp tax rose, the colonial agents met with Grenville on May 17, 1765 to clarify the position. There are several accounts by witnesses to this meeting, including one by Jasper Mauduit whose brother was present and who reported the meeting to the Massachusetts Assembly on May 26, 1765 [Morgan, 1973, p. 27]. Echoing Grenville’s 1764 budget speech, Mauduit stated that Grenville had suggested that, of the available forms of taxation, “the stamps was the most equal, required the fewest officers, and was attended with the least Expence in the Collecting it.” Recognizing

¹⁴There are a number of individual studies of the taxes in various colonies prior to independence. Gipson [1931, p. 721] examines the tax burdens on residents of Connecticut, which Jared Ingersoll said in 1765 was: “Eighty Thousand Pounds in Debt, Arrears of Taxes, that cannot be collected by Reason of the Poverty of these on whom they are laid.” Henderson [1990] notes the difference with respect to colonial taxation and subsequent state taxation between the Chesapeake and New England colonies, particularly Massachusetts and Virginia. He attributes these variations to differences in cultural and demographic factors, including the prevalence of slaves, which affected the types of tax instrument used in those colonies as well as the incidence of taxes.

¹⁵Crane [2006] discusses the first federal stamp taxes imposed in 1798, and their role in the downfall of the Federalists. Notwithstanding the grant of taxing power to the federal government, there were persistent concerns that some measures were too intrusive upon state autonomy.

that the preferred choice would be no tax at all, but given the necessity of imposing some form of revenue-raising measure, the colonies were expected to assent or request appropriate modifications. When one of the colonial agents asked for details of the heads of duty, Grenville apparently replied that "it was not necessary. That everyone knows the stamp laws here; and that this Bill is intended to be form'd upon the same plan." Benjamin Franklin proposed an alternative to the stamp duty as a means of raising colonial revenue in the form of a plan for a paper currency for the colonies. Later, in 1766, he reflected that "Mr. Grenville paid little attention to it [Franklin's alternative proposal], being besotted with his Stamp Scheme, which he rather chose to carry through" [Labaree, 1968, p. 48].

In another conference with four of the colonial agents on February 2, 1765, an attempt was made to forestall the implementation of the Stamp Act. By the time the bill reached its second reading on February 15, the agents presented colonial petitions against it, which were not, however, admitted into the House of Commons [Morgan, 1973].

It seems that there was a change in the underlying purpose of the Stamp Act during the 12-month delay in its implementation. On November 5, 1764, Whately explained to John Temple, Surveyor General of Customs for the Northern District of America, that finance was the motivation behind the bill. By February 9, 1765, once the colonies' objections to the new tax were known in Britain, he stated that "it establishes the right of Parliament to levy an internal tax on the colonies" [Thomas, 1975, p. 85].

The "peel of remonstrance which sounded across the Atlantic found an echo" in England where merchants were concerned about the ability of the Americans to pay their debts, which at the time were apparently in the vicinity of £4,000,000 [Dowell, 1888, p. 152]. "The Grenville ministry did not proceed with the Stamp Act in ignorance of colonial opinion, but thought the measure would be accepted without protest" [Thomas, 1975, p. 88]. We return to the question of the colonial resistance in the next section of the paper.

During the passage of the bill, 28 speeches were made by 18 different members; there were 55 resolutions and numerous alterations and additions which prolonged its passage by two days. There was no debate in the House of Lords, and the Commons was informed on March 8 that the bill had passed without amendment. Royal assent was received on March 22, 1765 [Thomas, 1975, p. 98]. After the third reading of the bill on February 27, Thomas Cruwys drew up the bonds for the stamp

distributors. Over 50 different duties were imposed, the highest being £10 on licenses for solicitors and attorneys. There was little opposition in either the House of Commons or the Lords; indeed, according to Burke, “[t]here scarcely ever was less opposition to a bill of consequence.”¹⁶ In addition, there was little indication that the tax would be as controversial as it subsequently turned out to be [Sosin, 1958].

In support of the contention that the act was carefully designed for colonial sensibilities, Thomas [1975, p. 99] notes five points which represent reasons why the measure should have been acceptable to the colonists:

1. the total tax to be raised by the bill was quite small;
2. the stamp duty was chosen as it was considered to be equitable in terms of its burden;
3. the detailed variations from the British duties at the time reflected careful consideration of the particular circumstances in the colonies;
4. the money raised by the tax was to stay in the colonies (although there was some confusion in this regard); and
5. it was to be administered by leading men resident in the various colonies.

The choice of a stamp duty to extract revenue from the colonists was sensible for Britain on a number of grounds. The impact of the tax was not concentrated onto one particular section, such as the wealthy, but was widely dispersed across a broad cross-section of colonial society. The design of the administration of the tax was also such that it required the active participation of taxpayers. Evidence of payment of the tax was highly visible, and, yet, because it was built into the cost of undertaking the transaction that was the subject of the duty, it could be interpreted as merely an increase in ultimate price compared to other taxes, such as the tax on slaves, which required payment without anything visible being received in return. These justifications seem reasonable on the face of it, but as will be discussed below, an interpretation of the accounts in Figure 1 suggest that the way in which policy makers envisaged that the stamp duty would operate was unduly complex and insensitive to the situation in the affected colonies.

¹⁶Edmund Burke’s “Speech on American Taxation” [quoted in Dowell, 1888, p. 150]. For the full text of this speech, see Langford [1981, pp. 406-462].

PUTTING THE STAMP DUTY INTO OPERATION

The administration of the stamp duty was to be tightly controlled by the British stamp commissioners. In presenting the final proposals for the stamp duty to the Treasury Board, Whately discussed the additional costs of administering the new tax, specifically “an increase in salary to the Secretary, the Receiver General and Comptroller, a small increase in salary to the first clerks of those officers, two additional clerks...[and] an additional porter to the warehouse and [almost as an aside] a warehouse” [BM Add Ms 35910 f.323].

It was recommended that the British authorities be responsible for the supply of all the stamped paper and parchment, and it was conceded that “the quantities...may be difficult to ascertain at first, but...will be easy to furnish afterwards.” This deserves a little more thought, bearing in mind the number of objects of this tax and the different denominations of duty potentially applicable, it is quite an understatement to suggest that the quantities may be “difficult to ascertain.” To determine what types of paper were to use for which transactions and to arrange for them to be stamped using one of 30 dies specially designed for the purpose was difficult enough. But then to further allocate these sheets among the 13 mainland colonies and the island colonies, all of which had different degrees of commercial sophistication, was an enormous accounting task. In addition to the calculation of the value of the stamps, the cost of the paper and parchment also had to be computed and marked on the paper. In this way, the government also controlled the price which taxpayers ultimately paid for the paper they were forced to use in order to comply with the tax.

It was intended that, at least initially, the paper be stamped in London and then transported to the colonies for dispatch to the various stamp distributors appointed in each colony. This may have been an interim measure to get the Stamp Act up and running. Certainly Benjamin Franklin indicated by letter of June 8, 1765 to his partner David Hall an expectation that a stamp office would be set up in Philadelphia for stamping paper for newspapers and almanacs in due course [Labaree, 1968, p. 65]. The stamps that were prepared for use for stamping colonial newspapers were of three values – halfpenny, penny, and two-pence. The design of the stamps consisted of a royal crown with the sword and scepter crossed at the back in the center of the stamp, surrounded by the garter with the inscription *honi soit*

qui mal y pense.¹⁷ Above the garter band was heraldic mantling with the word “America” at the top [Turner, 1941]. Figure 2 shows the purchase of blank paper and parchment from Tonson & Co. stationers, subsequently placed in the charge of the warehouse keeper of unstamped goods. The values at which these transactions were recorded appear to be historical cost.

FIGURE 2

**American Stamp Duties General Account by
Virtue of an Act of Parliament &c Tonson & C^o Stationers**

	£	s	D	1765		£	s	D
Parchment	488	8	-	Aug st 2 nd	By Warehouse Keeper of Unstamp ^t Goods	3,599	8	11
Paper Blanks & Printing Paper	3,118	15	9	Oct ^r 31 st	D ^o	337	7	6
Profit by Discount thereon								
Parchment at 12p ^f Cent	66	12	-					
Paper at 10p ^f Cent	263	-	8					
	3,936	16	5			3,936	16	5

Source: N.A. AO3/1086

Unlike Continental European incarnations of the stamp duty, such as in France where the government had a monopoly over the stamped paper and its supply, the paper for the British version was purchased by taxpayers, taken to the stamp office for stamping, and then used as required (e.g., overprinted as newspapers). This system could not feasibly be instituted in the American colonies without costly investment in the stamping equipment necessary to stamp the paper. In this regard, however, three colonies had previously levied their own stamp duties and presumably had the equipment in place to facilitate stamping there. This is one of the problematic operational features of the Stamp Act which exacerbated the resistance to it. Forcing taxpayers to purchase pre-stamped paper shipped from Britain provided a constant and visible reminder of the nature of the tax as an imperial imposition. Had the paper been stamped *in situ*, its visibility as an externally imposed duty would have been

¹⁷ the motto of the Order of the Garter, which can be loosely translated as “Shame on he who thinks evil of it”

diminished. In addition, the accounts in Figure 1 show that it was commercial stationers who provided the paper and that two warehouse keepers were employed in its storage and handling. These factors were additional cost and administrative burdens borne in Great Britain, but any ancillary benefits, such as business and employment opportunities, accrued to Great Britain. If the colonies themselves had been entrusted with the local procurement, stamping, and storage of paper, providing employment for colonists and furthering business in the colonies, there would have been some benefit in amelioration of the burden, and the stamp duty may have been better received.

For the purposes of the administration of the Stamp Act, the colonies were divided into nine districts, each with an inspector answerable to a new American Stamp Office of five commissioners in London [Thomas, 1975, p. 100]. The districts were subdivided into areas for which stamp distributors were responsible (see Figure 4). The creation of a new tax with its concomitant administrative structure provided opportunities for new roles. In the mid-18th century, patronage was the norm. Not surprisingly, therefore, ambitious men saw opportunities for profit and advancement in obtaining posts within the new administrative structure. Of paramount importance to the successful administration of the stamp duty was the role of stamp distributor. It was proposed that a head distributor be appointed in the capital of each province that "must be a responsible person and give large security." The head distributor would be charged with storing and distributing the stamped paper, collecting the appropriate tax, and remitting it to the British exchequer. Distributors were to be remunerated by an 8% commission on monies collected and were reimbursed for postage and carriage costs [N.A. T1/439 f.93].

There was some competition for the stamp distributor posts, which is a fairly clear indication that the violence of the resistance was not anticipated. Three Americans in London at the time secured posts – Colonel Mercer from Virginia, Jared Ingersoll for Connecticut, and George Meserve from New Hampshire. On May 14, 1765, Martin Howard Jr., a Rhode Island lawyer, wrote to Benjamin Franklin seeking his support for a post in the stamp office [Labaree, 1968, pp. 129-130]:

The English prints acquaint Us that it is probable, a *Native* of each Colony will be appointed Receiver of Stamp Duties. Should this be the Case, it may possibly fall in your Way, as you are an American, to recommend some persons for that purpose. If no other Connection claims

the Preference, I would ask your Friendship to name me for that office, or any other in the Stamp Office which you may think worth accepting..."

Sensitive to the possibility of resistance, these new distributors were proposed to be Americans to avoid inflaming colonists by imposing British tax collectors upon them. The appointment of Americans to the role of distributor can be interpreted as an attempt to form an actor network necessary to implement action in the local setting [Preston, 2006, p. 561].

In recognition that a large volume of the stamped paper would be used for legal matters, it was proposed to use the clerks of county and circuit courts to assist in the distribution of stamped paper to more remote locations. The distribution of stamped paper and collection of the tax would be overseen by inspectors, as it was in Britain, who would be empowered to travel across the colonies and act as auditors of the collection process. Inspectors were to receive a salary of £100 per annum, commencing on the day of leaving England, plus 20s. per diem to cover expenses of traveling in the course of their duties [T1/439 f.92].

FIGURE 3

Warehouse Keeper of Stamp Goods

1765	£	s	D	1765		£	s	D
Oct 31 st to Stamp goods received from the Teller	222,506	11	6½	Oct 31 st	By sundry consignments	172,586	11	1¾
				Sept 3 rd	Commissioners order paid receiver general for stamps	17	17	8
				1766				
				Oct 14 th	Do for parchment and paper cancelled	49,902	2	8¾
	222,506	11	6½			222,506	11	6½

Source: N.A.: AO3/1086

Figure 3 is the top part of an account which shows the receipt of stamped paper from the teller to whom it had been passed by the warehouse keeper of unstamped goods. Figure 3 also shows how the warehouse keeper of stamped goods dealt with the consignment of stamped paper received from the teller. Paper and parchment to the value of £172,586.11s.1¾d. was

consigned to the distributors appointed in the American colonies. The value of the paper and parchment in this account appears to be inclusive of the stamp duty. Figure 4 is an extract from a “distributors’ abstract” which shows how this first consignment of stamped paper was allocated among the various colonial distributors. For the purposes of this section, only the first five columns are relevant. Figure 4 serves to reinforce the complexity of the calculations required to achieve this result. Based on the returns previously provided by the governors of each colony as to the nature and type of transactions conducted at each location, decisions were taken as to the volume of each size and type of paper and parchment that would be required to meet the needs of each individual colony. The reason for the transfers from Montreal to Quebec and back (see Figure 7 for the contra entries) is not clear. The allocation of identical values of paper to Bermuda and the Bahamas would appear to be arbitrary and related to there being only one distributor responsible for both locations. This account of the consignments for each distributor shows the way in which combinability is brought into play as a feature of accounting inscriptions necessary to enable action at a distance [Robson, 1992].

Another potential sensitivity to be addressed in the design of the stamp duty was the way in which the proceeds were to be remitted to the British exchequer. Specie was in short supply in the colonies at the time, and there was concern that this duty would further drain the supply. It is not clear whether the original intention was to ship the proceeds of the Stamp Act back to His Majesty’s exchequer in Britain. The Act, when passed, required that the duties be paid in sterling values at 5s. 6d. per ounce of silver [5 Geo III: C12 s57]. The pragmatic response to these concerns was addressed by Whately as follows [BM Add Ms 35910 f.323]:

The expense and hazard of remitting the money to be raised by this duty may be saved, and the complaint of draining the country of money may be obviated by a transaction between the Paymaster General and the Commissioner of Stamps...

It was not until July 1765, however, that the Treasury Board ordered that receipts be paid over to the deputy paymaster of the army in America, with a series of credit transactions in England with the Treasury then reconciling the accounts of the offices involved [N.A.: T1/439 f.94]. In this way, the Treasury envisaged using accounting mechanisms to deal with the flow of funds

FIGURE 4
Distributors Abstract (Extract)

Distributors Names	Districts	Consignments			Transfers			Total		
		£	s	D	£	s	D	£	s	D
Jared Ingersoll	Connecticut	8,702	19	3¼	---	-	-	8,702	19	3¼
Geo ⁿ Meserve	New Hants	4,146	5	6¼	---	-	-	4,146	5	6¾
John Hughes	Pensylvania	11,852	15	8½	---	-	-	11,852	15	8½
Colin Drummond	Quebec	5,895	17	10¼	1,039	5	-	6,935	2	10¼
Col ⁿ Geo ^e Mercer	Virginia	9,684	-	2½	---	-	-	9,684	-	2½
John Mackenzie	Montreal	5,893	2	10¼	84	2	8	5,977	5	6¼
Archib ^d Hinchelwood	Nova Scotia	1,609	1	10¼	---	-	-	1,609	1	10¼
Will ^m Cox	New Jersey	5,412	7	11	---	-	-	5,412	7	11
Zachariah Hood	Marylands	7,428	1	5½	---	-	-	7,428	1	5½
Rob ^t Seaman	Grenada	3,975	5	9	---	-	-	3,975	5	9
Jacob Blackwell	West Florida	2,985	16	8½	---	-	-	2,985	16	8½
Will ^m Houston	North Carolina	7,446	6	5½	---	-	-	7,446	6	5½
Ja ^s McEvers	New York	12,934	11	11¼	---	-	-	12,934	11	11¼
Andrew Olivar	Boston New England	12,413	16	8¼	---	-	-	12,413	16	8¼
Augustus Johnson	Rhode Island	7,059	10	4	---	-	-	7,059	10	4
John Slater	Bermudas	1,986	-	8¼	---	-	-	1,986	-	8¼
John Howell	Bahama	1,986	-	8¼	---	-	-	1,986	-	8¼
Caleb Lloyd	Spanish Town Jamaica	15,781	2	4	---	-	-	15,781	2	4
Will ^m Oley	South Carolina	10,818	11	3½	---	-	-	10,818	11	3½
Will ^m Tuckett	Antigua	7,761	18	11	---	-	-	7,761	18	11
Will ^m Whitehead	St Kitts	7,820	4	11	---	-	-	7,820	4	11
Geo ^s Angus	Barbadoes	11,855	12	11	---	-	-	11,855	12	11
Tho ^s Grahame	Georgia	4,151	2	1½	---	-	-	4,151	2	1½
	East Florida	2,985	16	8½	---	-	-	2,985	16	8½
		172,586	11	1¾	1,123	7	8	173,709	18	9¾

Source: N.A.: AO3/1086

rather than the physical transfer of specie. Certainly this became a point of contention in subsequent protests, and the confusion as to whether or not the Stamp Act would be a drain on colonial specie [Sosin, 1958] arose largely because of delays in communication between the imperial center and the colonial periphery.

While considerable care had been undertaken in the design of the new measures to ensure they were appropriately adapted to colonial conditions, there were several potential problem areas, particularly for the fledgling colonial paper-making and printing industries. On February 14, 1765, Benjamin Franklin wrote to his partner in the *Pennsylvania Gazette* that: "I think it will affect the printers more than anybody" [Schlesinger, 1935, p. 66]. The tax on advertisements dealt a bitter blow for colonial newspaper advertisements, which generally cost from 2s. to 5s. local currency, and to which the addition of a 2s. stamp duty would then add, possibly putting advertising out of the reach of many businesses and so reducing the profitability of newspapers. It was expected that the duty on advertisements would be reduced to 1s. but, according to Benjamin Franklin, the reduction "slipt in passing the bill" [Labaree, 1968, p. 170].¹⁸ In a letter to his partner David Hall on June 8, 1765, he remained optimistic, however, that it would be altered, with other refinements, in the next sitting of Parliament. In addition, the Stamp Act required payment in advance of a security for the advertising duty by the printers before the stamped paper could be obtained as was the practice in Britain [Labaree, 1968, p. 65, fn. 3]. In a letter to a colleague on February 14, 1765, Benjamin Franklin said [Labaree, 1968, p. 68]:

Every Step in the Law, every Newspaper, Advertisement and Almanack is severely tax'd.... If this should, as I imagine it will, occasion less Law, and less Printing, 'twill fall particularly hard on us Lawyers and Printers.

In addition, there were problems with differences in the sizes and quality of paper used. For example, in Britain, almanacs were generally printed on foolscap paper sized 17x13½ inches, and it seems the original intention was to ship foolscap to the colonies pre-stamped for use in printing almanacs. In Pennsylvania, however, almanacs were produced using Demi paper

¹⁸It seems, however, that he was pragmatic about the tax and viewed it as an opportunity as well as a threat. He secured the post of stamp distributor in Philadelphia for a friend. He also ordered "100 reams of half-sheets of extraordinary size, the kind used by the *London Chronicle*, in the hope of avoiding the penny tax" [Labaree, 1968, p. 65, see also, Schlesinger, 1935, p. 67].

sized 20x15½ inches. It seems that Benjamin Franklin was able to intervene and have Demi sent instead, albeit of a lesser quality than the foolscap [Labaree, 1968, p. 171]. English paper was more expensive, which made the cost of complying with the Stamp Act even higher than just the tax itself [Koeppel, 1976, p. 58].

The requirement to have paper and parchment stamped in Britain and then shipped to the colonies was potentially devastating to colonial paper mills. In a letter printed in the *London Chronicle*, August 17-20, 1765, attributed to Charles Thompson [Labaree, 1968, p. 186]:

The paper mills, nursed with care and brought to so great perfection in this province [Philadelphia] must now fall, at the same time the business and trade of the Printers is ruined...

Having examined the motivation for the choice of tax instrument and the manner in which it was expected to be administered, the next part of the paper examines the colonial response to the tax. As mentioned earlier, one difference with this analysis, compared with other studies of colonial accounting, is that the Stamp Act was a failed measure. The colonial resistance proved strong enough to force the imperial government to withdraw the tax a mere six months after the commencement of its operation. Another difference is that this study considers all of the colonies rather than just the mainland colonies, which more adequately reveals the complexity of the colonial response.

THE COLONIAL RESPONSE

Breen [1997, p. 27] marks the 1760s as a turning point, prior to which the American colonists were fiercely loyal and saw themselves as a valued part of the empire, with equal standing to British residents. "They believed that the English accepted them as full partners in the British Empire, allies in the continuing wars against France, devout defenders of Protestantism, and eager participants in an expanding identity." A significant feature of the colonial response to the Stamp Act was the way in which it brought the disparate colonies together. The effect of British policy subsequent to the Peace of Paris had not been even throughout the colonies; for example, the Sugar Act of 1764 did not affect the southern colonies as much as it did New England or the port towns [Pole, 1973, p. 36]. One key difference with the Stamp Act was its universal impact; it affected all

colonies, all of which shared a mutual interest in opposing the measure. Colonial ministers preached resistance to the Stamp Act, drawing on philosophers such as Milton, Sydney, and Locke [Van Tyne, 1913]. Colonial assemblies met to produce various resolutions and petitions, while printed newspapers and pamphlets added fuel to the fires of resistance. This neither implies that the response was uniform nor that there was unanimity in the grounds for or against the tax.

In the British view, the right to tax was disassociated with the right to parliamentary representation since at the time only a small proportion of Englishmen themselves were represented [Beloff, 1965]. Brewer [1988, p. 375] notes that “the extent of tax resistance in those territories where the legitimacy of parliamentary jurisdiction was challenged” underlined the importance of “parliamentary consent in securing effective tax gathering.” The colonists distinguished between internal and external taxes and were prepared to accept external duties, the main purpose of which was to regulate trade. Internal taxes (i.e., those for the purpose of revenue raising) were considered to be the province of colonial assemblies. In evidence to the Stamp Committee of 1766, Benjamin Franklin, agent for Philadelphia, stated: “I never heard any objection to the right of laying duties to regulate commerce, but a right to lay internal taxes was never supposed to be in parliament, as we were not represented there” [Labaree, 1969, p. 137]. Earlier, in 1764, Franklin had said: “two distinct Jurisdictions or Powers of Taxing cannot well subsist together in the same Country. They will confound and obstruct each other” [Slaughter, 1984, p. 4]. There is some debate among historians as to how enduring the distinction between internal and external taxes was. Wood [1969] maintains that it was dropped after the Stamp Act crisis, whereas Bailyn [1967] sees it as part of a wider distinction between internal and external government. The Morgans [1953] were of the view that the distinction was never a popular one. Slaughter [1984], however, maintains that the distinction remained significant throughout the pre-revolutionary period and beyond because it was never really resolved.

News of the Act reached the colonies in April 1765 and, subsequently, a number of resolutions were passed opposing the Act, first in the Virginian House of Burgesses on May 30, 1765, followed by the other colonies. The stamp, which in Britain represented evidence of contribution towards the cost of state protection, discharge of an obligation, and acknowledgement of Parliament’s legitimate right to impose taxes, took on a different complexion in the colonies.

On October 7, 1765, the Stamp Act Congress was held in New York, attended by 27 delegates from nine colonies and culminating in 14 declarations of principle [Morgan, 1973]. The eighth of these stated that the “rights and liberties of the colonists” were subverted by the Stamp Act [Morgan, 1973, p. 45]. A memorial to the House of Lords from the colonists expressed concern on similar grounds; this was one of several memorials and petitions sent to various bodies in Britain [Morgan, 1973, p. 66]. The two fundamental “rights” referred to were the right to trial by jury and the right to “exemption from taxes but such as are imposed on the People by the several Legislatures in these Colonies” [Morgan, 1973, p. 66]. A petition to the House of Commons pointed out that there would be serious consequences for the commercial interests of Great Britain and her colonies should the Stamp Act be put into effect [Morgan, 1973, p. 67].

In addition to the resolutions and petitions formulated by the colonial assemblies, the American press was galvanized to report the news and to argue the colonial view. A number of newspaper articles and pamphlets were published registering the outrage of the colonies. Before 1765, “newspapers were relatively unimportant as agencies for moulding and reporting public opinion” [Dickerson, 1951, p. 454]. In the English press, on the other hand, while many were supportive of the colonial arguments, others considered the Stamp Act just and equitable. The various responses to the Stamp Act, both in the colonies and in Britain, are well documented elsewhere.

As well as the official action taken by the colonial assemblies, resistance to the Stamp Act comprised boycotting of English imports and action to force the resignation of stamp distributors [Morgan, 1973, p. 104]. The first manifestation of violence in the context of the latter of the two resistance strategies was in Boston on August 14, 1765, followed by Newport on August 29, 1765.

The Stamp Act further aggravated the growing antagonism toward heightened British interference partly because, as Schlesinger [1935, p. 65] pointed out, it was the printers, lawyers, and merchants who bore the brunt of the impost, and these were the people who “formed the most literate and articulate section of the colonial public”. David Ramsay [Schlesinger, 1935, p. 65] said:

It was fortunate for the liberties of America, that Newspapers were the subject of a heavy stamp duty. Printers, when uninfluenced by government, have generally

arranged themselves on the side of liberty, nor are they less remarkable for attention to the profits of their profession. A Stamp Duty, which openly invaded the first, and threatened a great diminution of the last, provided their united zealous opposition.

In the main, however, the colonies largely disregarded the Act although the formation of the Sons of Liberty, an “inter-colonial union for the purpose of resisting enforcement of the Stamp Act” [Morgan, 1973, p. 105], was complete by the end of that year. Fueled by the rhetoric of the Sons of Liberty, public opinion turned towards securing the resignation of the stamp officers prior to the starting date of November 1, 1765. By mid-August 1765, riots had commenced and spread throughout the colonies [Schlesinger, 1935, p. 72]. Schlesinger was of the view that it was the ceaseless propaganda of the press which kept the public mind at fever pitch. In a letter to the commissioner of stamps, dated October 12, 1765, one of the victims, John Hughes, stamp distributor for Pennsylvania, said “the printers in each colony, almost without exception, stuffed their papers weekly for some time before with the most inflammatory pieces they could procure and excluded everything that tended to cool the minds of the people.”

As previously noted, not all the colonies reacted in the same way to the Stamp Act, and in Pennsylvania, for example, Quaker conservatism prevailed and violent resistance was avoided [Newcomb, 1966, p. 272]. “Nova Scotia, alone of all the colonies on the seaboard, submitted without opposition to the laying of stamp duties. In her settlement there were no riots, no non-importation agreements and apparently, except for Liverpool, no murmurs” [Weaver, 1904, 58]. In most of the colonies, there was serious rioting when the stamped paper arrived, and some of the stamped paper was seized and burned. The officially appointed stamp distributors found themselves to be in such a perilous situation that they resigned en masse, with the exception of the distributor in Georgia, George Angus, who arrived well-guarded in Georgia with the stamps in late 1765. During January 1766, about 60 ships offloaded stamped paper in Savannah. This activity angered the other colonies and also those inhabitants of Georgia not resident in Savannah, “for their betrayal of American unity” [Koeppel, 1962, p. 10]. Learning that there was to be a mob march on Savannah, the governor dispatched the stamps out to a British warship. Koeppel records that the stamps were used in Quebec, Nova Scotia, Florida, and some of the West

Indian colonies, namely Antigua, Barbados, Grenada, and Jamaica.

Spindel [1977] analyzes, in particular, the reaction of the colonies in the British West Indies.¹⁹ On the whole, their response was moderate in comparison with the mainland colonies although, even in the West Indies, “the response of each colony was unique, determined by differences in history and environment.”²⁰ The government in the West Indies was similar to that in North America with some inevitable differences based largely on demographic factors, such as smaller populations and higher proportions of slaves. In addition, the chief executives in the West Indies enjoyed significant financial privileges and had powerful representatives in London. Other forces which underlined the differences between the Caribbean colonies and North American colonies included the “lack of cultural life, the scarcity of land, geographic isolation, a debilitating climate, and exposure to attacks from French and Spanish ships” [Spindel, 1977, p. 207]. Throughout the colonies, both mainland and island, stamp officials were attacked and abused, stamp distributors burned in effigy and their families threatened, and stamped paper was stolen and destroyed.

Numerous petitions were received from America and, in February 1766, the House of Commons appointed a parliamentary committee to inquire into the operation of the Stamp Act. Before the committee reported, Grenville was dismissed from office and, following some difficult negotiations, administration was formed under the Marquis of Rockingham for whom Edmund Burke acted as private secretary.

The depth of colonial resistance to the Stamp Act, albeit not uniform, rendered it impossible to enforce. It became clear to the new ministry that compliance with the stamp duty could not be obtained. The question arose as to whether, given that the Stamp Act was not self-enforcing as originally envisaged, mili-

¹⁹ In 1765, the British colonies in the West Indies were the Bahamas, Jamaica, and the lesser Antilles, comprising Anguilla, Antigua, Barbados, Barbuda, Dominica, Grenada, Montserrat, Nevis, St. Kitts, St. Vincent, Tobago, and Tortola.

²⁰ Reaction varied across the island colonies. Jamaica and Barbados, for example, showed only token resistance to the Stamp Act. In St. Kitts, however, the reaction against the Stamp Act was more violent. Stamped papers stored at a merchant's house were torched by a mob of some 300-400 people, and the stamp distributor, William Tuckett, was forced to resign his post. The St. Kitts authorities apparently made no effort to enforce the Act, and the *St. Christopher Gazette* was published unstamped throughout the period of operation of the Stamp Act [Spindel, 1977].

tary force should be used to secure compliance [Bullion, 1992]. Following the report of the parliamentary committee and subsequent debate, the decision was taken to repeal the Stamp Act. As Bullion [1992] concludes, “[w]hen their expectations of American acquiescence proved incorrect, the majority of the cabinet were too familiar with the difficulties of a military response and too unimpressed with the Stamp Act to favor a confrontation.”

The committee noted that insurrection had taken place in some of the North American colonies, and that the insurrection had been encouraged by resolutions of the colonial assemblies in the respective provinces. The committee resolved that these matters be put before the King with a request that he direct the governors of the colonies to find the principal trouble makers and punish them. The King was also to be asked to instruct the governors to recommend to the assemblies that recompense be made to those who had suffered loss during the insurrection. The committee resolved finally that “the Parliament of Great Britain had, hath and of Right ought to have, full Power and Authority to make Laws and Statutes of sufficient Force and Validity, To bind the Colonies and Peoples of America – subjects of the Crown of Great Britain in all cases whatsoever” [BM Add Ms 33030 f.74].

The merchants in the House of Commons were naturally foremost among the advocates of the repeal and, according to Namier [1966, p. 254], only “six only out of some 52” voted for repeal. On division, the resolution for the repeal of the Stamp Act was approved by 275 votes to 167, and the resulting bill repealing the Stamp Act was given royal assent on March 18, 1766.

The repeal of the Stamp Act by the Rockingham ministry should not be read as acceptance of the American view. Indeed, according to Thomas [1975, p. 33], the repeal came about because of “an unusual combination of circumstances, not through widespread support for the colonial cause. In the general context of British political attitudes towards America, it was a misleading fluke.” The repeal was accompanied by a declaratory act which set out the right of Parliament to pass laws binding on the American colonies [Plumb, 1963, p. 127; Beloff, 1965]. William Pitt had attacked the Stamp Act on the basis that England had no right to impose internal taxes in America, and its repeal has been attributed to his efforts [Dowell, 1888, p. 154]. In notes for a *Speech on the Declaratory Resolution*, Burke said [Langford, 1981, p. 47]:

The situation extended from between the Tropicks to the pole in such an Extent in such Situations and under such a variety of Circumstances, that it would be impossible to govern them all upon a plan of Government settled even there. Taxation the nicest part of Domestic polity, so that Had the Question been now before us to form a new Plan of Polity for our Colonies, it would be right totally to leave the affair of internal Taxation to themselves.

In the breadth of the duties encompassing nearly all legal transactions as well as newspapers and pamphlets, Grenville had impinged on “each nerve centre in American life at which either economic or intellectual activity was registered” [Pole, 1973, p. 42]. The anticipated revenue had been estimated at between £60,000 and £100,000 per year but, according to Dowell [1888], and as confirmed by the accounts in Figure 1, the actual yield was £3,000 in 1767 and £1,000 in 1768 plus a bitter legacy of resistance.

As noted by Preston [2006, p. 572] in the context of the Navajo, action at a distance may be well intentioned, here bringing the colonists into the imperial fiscal web, but may nonetheless “become a brutal fact to those upon whom it is enacted,” revealing a fatal mismatch between “global and local logics.”

THE AFTERMATH

Following the repeal of the Stamp Act, it remained to deal with the shipping back the unused stamped paper and parchment not destroyed in the disturbances. This process took some time with Figure 5, an expanded version of Figure 3, demonstrating how it played out. In October 1766, the stamped paper and parchment that had not been sent to America was ordered to be “made usefull [sic] to Britain” by having the stamp cut off so that it could be re-used [Koeppel, 1976, 15]. Figure 3 (repeated as the top half of Figure 5) is an extract from the account of the warehouse keeper of stamped goods charged with receipt of the returned paper from America. Following the repeal, this officer was discharged from his obligations by the cancellation of the stamps and removal of the paper into the hands of the warehouse keeper of unstamped goods.

Figure 6 shows that the paper was sold back to the stationer who had supplied it in the first instance to be re-used in Britain. This process took some time, consignments being delivered over the course of the period from 1767-1772.

FIGURE 5
Warehouse Keeper of Stamp Goods

1765	£	s	D	1765		£	s	D
Oct 31 st to Stamp goods received from the Teller	222,506	11	6½	Oct 31 st	By sundry consignments	172,586	11	1¾
				Sept 3 rd	Commissioners order paid receiver general for stamps	17	17	8
				1766				
				Oct 14 th	D ^o for parchment and paper cancelled	49,902	2	8¾
	222,506	11	6½	1766		222,506	11	6½
				Nov 29 th	Commissioners orders to discharge the returns same having been cancelled	23,924	12	6½
				1767 June 16 th	Ditto	19,533	10	8½
				Sept 8 th	Ditto	11,440	1	3¼
				1768 April 12 th	Ditto	39,848	6	6¾
				1769 Sept 26 th	Ditto	10,391	17	8¼
Returns from the several distributors	105,138	8	9¼			105,138	8	9¼

Source: N.A.: AO3/1086

Earlier, Figure 4 showed how the consignments of stamped paper were allocated among various colonial distributors. The remainder of this abstract, reproduced as Figure 7, shows which colonies collected the tax, which returned the paper and parchment, and which “misaid” it during the disturbances. The abstract shows cash received from the distributors in Quebec, Montreal, West Florida, Jamaica, St. Kitts, Barbados, and Georgia.

Finally on this point, the accounts in Figure 1 show that stamped paper to the value of approximately £155,000 was cancelled. Without the underlying working papers, it is not immediately apparent what constitutes this total, given that to the distributors’ abstract, returns totaled only £105,138. The difference may represent paper and parchment which had not yet been dispatched to the colonies.

FIGURE 6
Warehouse Keeper of Unstamped Goods

	£	s	D	1765	£	s	D	1766	£	s	D
1765											
Aug 2 nd	3,599	8	11	Oct 31 ^s	3,776	14			3,776	14	4½
Oct 31 st	337	7	6		142	19			17	2	8
	3,976	16	5		3,976	16					
1766				1767							
Oct 14 th	528	10	¾	Feb 10 th	385	1			385	1	5
Nov 29 th	158	13	¾	May 21 st	42	15			42	15	6
1767											
June 16 th	39	10	8	July 31 st	46	16			46	16	9½
1768											
March 24 th	184	8	3	Nov 7 th	30	6			30	6	9½
1769											
Sep ^r 26 th	36	10	-	1768							
				Feb 6 th	18	12			18	12	9
				June 3 rd	163	5			163	5	6
				Sep ^r 8 th	16	5			16	5	-

FIGURE 6 (continued)

	£	s	D		£	s	D	
				1769				
				Jan ^y 19 th	Ditto	51	14	3
				March 9 th	Ditto	31	7	9
				May 23 rd	Ditto	16	1	1½
				Sept 8 th	Ditto	17	11	-
				1770				
				Feb ^y 8 th	Ditto	41	19	4
				Aug ^t 16 th	Ditto	7	-	-
				16 th	Ditto	7	14	9
				1771				
				Jan ^y 15 th	Ditto	6	-	-
				April 6 th	Ditto	51	3	-
				1772				
				Feb ^y 14 th	Ditto	6	17	5½
	940	12	5		940			

Source: N.A.: AO3/1086

FIGURE 7
Distributors' Abstract (extract)

Districts	Cash			Returns			Transfers			Balances		
	£	s	D	£	s	D	£	s	D	£	s	D
Connecticut	---	-	-	6,793	8	4¼	---	-	-	1,909	10	11
New Hants	---	-	-	1,657	7		---	-	-	2,488	17	7
Pensilvania	---	-	-	7,950	10	9	---	-	-	3,902	4	
Quebec	316	10	8	4,437	4	2¾	84	2	8	2,097	5	3½
Virginia	---	-	-	4,948	6	7½	---	-	-	4,735	13	7
Montreal	273	3	9	2,587	15	9	1,039	5	-	2,073	1	¼
Nova Scotia	---	-	-	473	14	4¾	---	-	-	1,133	7	5½
New Jersey	---	-	-	3,552	8	6½	---	-	-	1,859	19	4½
Marylands	---	-	-	4,948	6	7½	---	-	-	2,479	14	10
Grenada	---	-	-	3,219	1	8½	---	-	-	756	4	½
West Florida	50	-	-	2,797	15	4	---	-	-	138	1	4½
North Carolina	---	-	-	4,966	11	7½	---	-	-	2,479	14	10
New York	---	-	-	181	3	-	---	-	-		8	
Boston New England	---	-	-	8,245	17	5¾	---	-	-	4,167	19	2½
Rhode Island	---	-	-	3,236	8	9	---	-	-	3,823	1	7
Bermudas	---	-	-	1,199	4	2¼	---	-	-	786	16	6
Bahama	---	-	-	1,986	-	8¼	---	-	-	---	-	-
Spanish Town Jamaica	2,097	2	-	5,953	12	4½	---	-	-	7,730	7	
South Carolina	---	-	-		11	3½	---	-	-	---	-	-
Antigua	---	-	-	5,486	8		---	-	-	2,275	10	¼
S' Kitts	8	13	6	4,100	3	11	---	-	-	3,711	7	6
Barbadoes	500	-	-		18	5	---	-	-	579	14	6
Georgia	45	-	-	3,820	6	7¾	---	-	-	285	15	5¾
East Florida	---	-	-	1,000	1	2½	---	-	-	1,985	15	6
	3,292	9	11		8	9¼	1,123	7	8		12	5½

Source: N.A.: AO3/1086

OBSERVATIONS ON THE STAMP ACT ACCOUNTS

The final account is shown in Figure 1. Aspects of that account remain unresolved. We have been unable to ascertain the nature of the two entries for "incidents," £371.16s.11d. and £335.1s.8d. respectively, but this possibly includes some element of compensation paid to distributors and ship owners who lost money during the disturbances. There were several petitions to Parliament seeking such compensation, but whether these would be reflected in the accounts is uncertain. One such petition related to damages of £55.10s. for additional expenses incurred as a result of having to unload stamped paper up-river from the port as a result of danger from the disturbances [T1/479 ff 223-224]. It certainly appears, furthermore, that the accounts do not include a bill from the solicitor of the Stamp

Office, Thomas Cruwys, for the drafting of the Stamp Bill.

As is clear from Figure 1, the accounts produced in 1772 are in charge-discharge form. This was the prevailing form for government accounting during the 18th century, not only in Britain but also in Continental Europe. It was not until the first half of the 19th century that attempts were made to standardize government accounts using double-entry bookkeeping [Edwards and Greener, 2003]. Lemarchand [1994, pp. 193-194] examines the transition to double-entry bookkeeping from charge and discharge in France during the 18th century and notes that mineral and metallurgy operations did not make the transition, most probably because they were, in large part, financed by the nobility and financiers for whom charge and discharge was a more familiar system. The essence of charge and discharge is stewardship accounting, based on the separation of ownership of capital and management and couched in terms of responsibility, accountability, and control. "The initial framework [of charge and discharge] was the control of those in charge of handling royal or seigniorial funds or in the running of the domain. This was much more than a method of bookkeeping, it was a way of rendering accounts." Charge and discharge goes beyond cash accounting; the accountant "takes charge of everything he receives, either at the outset of his management or during it. He is discharged for all expenditure made for the purposes of such management and then must settle the balance." The process was geared to ensuring the integrity of the accountant through the obligation to render a final account subject to auditing.

Lacombe-Saboly [1997, p. 271] examines the accounting systems of three French hospitals in the 18th and 19th centuries and finds that, in the pre-revolutionary period, the same model was used as that of French bankers and public accountants (i.e., charge and discharge). Movements in funds were recorded in monetary units, even where actually exchanged in kind. "The accounting organization seems to have been conceived for submitting accounts to the management committee and supervisors, and not merely for the gathering of information." Lacombe-Saboly concludes that the system in use satisfied the need for information. It was not used to record debtors and creditors in the way that private merchants accounts did, and it seems that the recording of receipts and expenditure was sufficient for the needs of the hospital management.

Similar features can be noted in the colonial Stamp Act accounts. In particular, for the final account (Figure 1), the charge is for the value that the stamped paper was expected to realize

on sale, not the cost of its purchase and the stamping process. The final account is also supported by subsidiary accounts showing the charge and discharge at other stages in the process.

Holmes [1979] examines government accounting in colonial Massachusetts and, as part of his analysis, considers the Treasurer's books of account from 1754. While underpinned by double-entry subsidiary accounts kept in the Italian method, the reports of the fiscal position of the colony to the legislature adopted charge-and-discharge format. Holmes corresponded with Yamey regarding his findings, who apparently tentatively confirmed that such accounts were unlikely to have been used anywhere in Europe by government departments at that time. It seems unlikely, therefore, that the underlying accounts for the Stamp Act would have been kept in double-entry form.

CONCLUSION

The attempt by Britain to levy a stamp duty on the American colonies is an extraordinary episode in fiscal history. Unlike other instances of tax-related rebellion [see Burg, 2004, for a comprehensive analysis], however, it concerned not domestic impositions but a new tax levied across vast geographical distances. Careful planning, sympathy with local conditions, and an attempt to enlist the support of the colonies in its execution may have assisted a successful implementation of the Stamp Act, but clearly these issues were not sufficiently understood by the British Parliament. The episode stands as an example of how a tax instrument which is successful in one setting will not necessarily have the same effectiveness when transposed into another. The tax displayed characteristics of a sovereign power as evidenced by the inspection regime by which it was enforced, and the potential penalty of death without benefit of clergy for those found to be forging stamps. The tax also, however, displayed characteristics of a disciplinary power, requiring taxpayers to be complicit in its collection.²¹ This holds true for the British version of the tax and explains in part its success at a time when other forms of taxation, specifically tax on incomes, were unthinkable. In the case of the imperial version, the government failed to enroll local actors to the extent necessary to make the tax work in practice at a distance.

By examining the literature, we have shown that the signal failure of the Stamp Act is due to a number of contributing fac-

²¹These concepts of power are derived from Foucault [1979].

tors. Some of these are discussed extensively in the existing literature of the Stamp Act crisis. For example, the British Parliament failed to appreciate that the relationship between Britain and the colonists was perceived in an increasingly different way by both parties. In the British view, the right to tax was disassociated with the right to parliamentary representation at the time when only a small proportion of Englishmen themselves were represented. Distinguishing as they did between internal and external taxes, the American colonists were prepared to accept duties whose main purpose was to regulate trade. They were far less inclined to accept a stamp tax regarded as an interference with their internal affairs. As a result of the differences in outlook, the British government underestimated the depth of the feeling against imperial taxation in any form. Communication delays rendered the implementation of the tax problematic and contributed further to the tensions in the colonies. Most importantly, the timing of the attempt to tax the colonies was misjudged. Had earlier proposals, made as early as 1720, been implemented, the colonists may not have been so quick to reject it, but, by 1765, a growing sense of independence meant that any form of taxation, no matter how carefully chosen, was bound to interfere with that trend.

In this paper, we posit an additional explanation for the failure of the imperial Stamp Act, which relates to the capacity of the chosen fiscal instrument to galvanize a violent resistance movement. We argue that the logistics of implementing a highly complex form of taxation across vast geographical distances were completely underestimated by Parliament, demonstrating the failure to enact action at a distance. Even with the full cooperation of the colonists, it would have been extremely difficult to manage the efficient operation of the Act and to reap the expected revenue. More careful consideration of the different economic and social conditions in the colonies and how these would impact the implementation of the tax may have led to a different design.

A number of features of the Stamp Act operations contributed to its rejection by some of the colonies. While stopping short of a counterfactual argument, we note a number of possibilities. Had the colonies been allowed to stamp their own paper (i.e., paper made in the colonies), the need to ship large bales of stamped papers across the Atlantic would have been avoided. The colonists would not then have been faced with such visible evidence of imperial interference and would have been deprived of the opportunity to demonstrate disapproval in such an in-

flammatory way. In addition, the costs of producing newspapers and other publications would not have been increased to such an extent. Another feature relates to the choice of objects to be taxed. Had the tax not been imposed on newspapers, pamphlets, and almanacs, the printers may not have incited resistance through the publication of inflammatory tracts.

Furthermore, had the British government paid heed to the way in which the colonies were taxing themselves, the overlay of stamp duties on items such as licenses to practice law or a profession, already subject to faculty tax, could have been avoided. Massachusetts, in particular, was heavily taxed at the time through a variety of different instruments.

Through the examination of primary source documents, this paper shows the way in which the British government bureaucracy drew up the accounts for the American stamp and demonstrates that it was not designed to “calculate the loss.” Rather the accounts are charge-and-discharge accounts which reflect the stewardship obligations imposed on those responsible for the collection of the tax, consistent with the residual feudal mentality still extant in the mid-18th century.

Finally, the examination of the accounts drawn up by the British government some six years after the abolition of the stamp duty provides insight into the nature of government accounting in the mid-18th century while underscoring both the unnecessarily complicated nature of administering the impost and the depth of its failure.

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CONTRIBUTIONS OF JOSEPH HARDCASTLE TO ACCOUNTING THEORY

Abstract: Joseph Hardcastle was one of the foremost authorities on subjects connected with the mathematics of finance and other topics in accounting in the late 19th and early 20th centuries. As a teacher, author, and leader in the profession, he figured prominently in the elevation of accountancy. Hardcastle is relatively unknown in the literature except for having the distinction of scoring the highest grades on the first CPA exam in New York in 1896. However, he was well respected during his time as one of the premier theorists in accounting and was awarded an honorary degree of Master of Letters by New York University. Because of his prolific writings, his teaching of future accountants, and his interactions with members of the Institute of Accounts, he had a strong impact on the “science of accounts,” the dominant accounting theory in the U.S. at the turn of the century.

Joseph Hardcastle, born in England in 1827, is probably best known for being one of only three individuals to pass the first Certified Public Accountant (CPA) exam in New York in 1896. Remarkably, he was just four months shy of his seventieth birthday and received the highest score of those that passed the exam [Flesher et al., 1996, p. 17]. However, Hardcastle was a regular contributor to various early journals about accounting in the U.S., and he became one of the foremost authorities of his time on the theory of accounting. Through an analysis of his articles, the goal of this paper is to reconstruct his theories and contributions to accounting thought and history, and to discuss these theories of accounting as related to the “science of accounts” that dominated accounting thought in the late 19th century U.S.

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This paper is organized as follows. After the introduction, a second section will include a short analysis of the functional approach in explaining the accounting profession in the late 19th century, with an emphasis on the specific knowledge and technical skills required by the profession. The third section will provide background information on Joseph Hardcastle, followed by discussion of Hardcastle's theories on accounting with comparisons to the literature of his time. A conclusion will summarize Hardcastle's contributions to accounting history.

INTRODUCTION

Carnegie and Napier state that it is important to understand the context within which historical events have occurred [1996, pp. 7, 22], and the importance of referencing key personalities who have contributed to accounting development. Since individuals as well as events create history, the study of individuals is crucial in understanding a profession, its history, and the success of its organizations. During the 19th century, many considered accounting in the U.K. to be more mature and established than in the U.S. The historical literature on 19th century U.K. is rich, especially with articles tracing the genesis of its professional accounting organizations and the men involved in forming them [Parker, 1983; Lee, 1996a, b; Edwards, 2001; and numerous others].

In reference to 19th century accountants in the U.S., Miranti [1990], as well as Webster [1954], discuss various participants in the emerging CPA movement. Other histories of accounting in the U.S. have included brief biographies devoted to individuals and their contributions to the development of the profession during the 19th century [Carey, 1969; Previts and Merino, 1998; Loeb and Miranti, 2004]. *The New York Certified Public Accountant* published short articles on the history of accounting in the State of New York starting in the late 1940s and ending in 1972. The New York Society's Committee on History, initially headed by Norman Webster, prepared these articles, which were reprinted in 1995 in *The New York State Society of Certified Public Accountants – Foundation for a Profession*. The majority of the biographies included were accountants whose careers were mostly situated in the 20th century, although three of the articles were on three prominent 19th century accountants – Hardcastle, Charles Ezra Sprague, and Charles Waldo Haskins. In addition, an article on Hardcastle by Flesher et al. [1996] was published in *The CPA Journal* and another on Anson O. Kittredge by Romeo

and Kyj [2000] appeared in the *Accounting Historians Journal*. There have also been published biographies of Sprague by Mann [1931] and Haskins by Jordan [1928].

Considering the number of individuals and the amount of progress accountants made toward professionalism in the 19th century U.S., there have been relatively few published biographies about the founders of the American accounting profession of that century. Accounting must be cognizant of the fact that “when professionalization is studied by following the process of differentiation among ideas, there is some risk of losing sight of the individuals...that shaped the disciplines” [Furner, 1975, p. 306]. Despite the shortfall of biographical work, much professional progress was accomplished in the 19th century U.S.

McMillan [1999] argues that the accounting profession was based upon the establishment of a “community of the competent” during the last two decades of the 19th century. Many leaders of the accounting profession sought to distinguish themselves as professionals by making the claim that there was a “science of accounts.” The idea of the accountant as a scientist dominated the profession’s early pursuit of professionalism. McMillan [1999, pp. 25-26] uses the term “community of the competent” to describe the efforts of the Institute of Accounts (IA) to obtain a level of professionalism for accountants. As Furner [1975, p. 1] states in reference to the professionalization of American social science during the period from 1865 to 1905, “In an age that honored science above other sources of wisdom, it became clear that people who established their ability to study society scientifically would command attention and influence the course of events.” Before the professionalization of accounting and the passage of the CPA law, the U.S. discipline had its indigenous leaders. Accounting members involved in the “science of accounts” and working toward the goal of professionalization included such prominent accounting educators and writers as Sprague, Selden R. Hopkins, E. T. Cockey, Kittredge, S.S. Packard, and Haskins [Romeo and Kyj, 1998, p. 37], as well as Hardcastle, the subject of this study.

Hardcastle’s contribution as a writer and scholar predominantly involved designing and improving bookkeeping systems and focusing on the principles upon which accounting was based. This is in agreement with McMillan’s [1998a, p. 121] suggestion that the late 19th century bookkeeper was more “interested in designing and monitoring new and efficient bookkeeping systems, than in developing and refining the idea of an

independent professional audit.” Hardcastle was instrumental in differentiating the body of knowledge necessary to study accounting scientifically. As one of the leading theorists in the IA, his articles commanded attention and influenced the course of events for the emerging profession. In the next section, the functionalist approach will be used to explain the evolution of professions in general and the development of the professional ideology of accountants in particular.

USE OF THE FUNCTIONALIST APPROACH

Sociological perspectives used in explaining accounting professionalism include the interactionist, the critical, and the functionalist approaches. The interactionist approach views professions as interest groups that strive to convince others of the legitimacy of their claim to professional recognition, including status and power [Haug and Sussman, 1969, p. 153]. Although professions possess the characteristics of autonomy, esoteric knowledge, and service orientation, they must deal with the client and the environment since their services and positions may not be accepted without criticism by others. By co-opting these interest groups, professions try to preserve their positions [Haug and Sussman, 1969, p. 153; Roth, 1974].

The critical perspective, which goes one step further, is based on Weber’s writings on the theory of bureaucratic administration and Marx’s critique of the capitalist mode of production [Willmott, 1986]. This approach analyzes the traits of the group within an economic and political context. Professional groups are seen as a means of achieving collective financial and social mobility by creating exclusive market shelters that set each occupation apart from the other [Parkin, 1979, p. 54]. By legitimate “friendly licensing” or “titles,” professional groups secure control over a specific market for intangible skills, a monopoly over their lines of work, and control over admission into the monopoly [Cairnes, 1887, pp. 66-67; Friedman, 1962, p. 147; Larson, 1977, p. 10]. Professions are seen as one of many interest groups competing for status and power within a larger social, economic, and political context [Willmott, 1986; Richardson, 1988; Chua and Polullaos, 1998].

Both of these approaches could very easily be applicable to numerous events and organizations in accounting during the 19th century. However, the authors feel that the interactionist and critical approaches, which differ from the functional approach in that specific knowledge and technical skills are not the

rationale for the group, are not as applicable in a discussion on an individual level.¹

The functionalist approach, the earliest sociological perspective used in explaining professions, views professionals as honored servants of the public who meet the needs of society because of the skills and attributes they possess. This view purports that organized professions undertake highly skilled tasks that are necessary for the assimilation and smooth operation of society. Organized professions can do so because of the defining characteristics and skills they possess [Carr-Saunders and Wilson, 1933, p. 397; Greenwood, 1972, p. 4]. These characteristics and skills include esoteric knowledge, independence, altruism, and self-discipline [Ritzer, 1972, p. 54]. The skills are supported by knowledge that has been “organized into an internally consistent system, called a body of theory” [Greenwood, 1972, p. 5], or what the accountants in the IA have referred to during the 1880s and 1890s as the “science of accounts.” Possession of skills requires mastery of the theory underlying those skills. Therefore, the acquisition of skills is a practical as well as an intellectual experience. Greenwood emphasized that on-the-job training is not enough; a formal education in an academic setting is necessary.

As corporations grew in the latter half of the 19th century, the need for consistent, independent, and better financial reporting increased concomitantly. The separation of the supply of capital and its management created a new and different market for the public accountant’s services. Leavitt [1896, p. 744], in his exposé on the professional accountant which appeared in several business magazines, stressed the difference between the “ordinary bookkeeper” and the “professional accountant.” He emphasized the investigative nature in the detection of fraud in the accountant’s work:

The professional accountant is an investigator, an inquisitor, a dissector, a detective, in the highest sense in which these terms can be used. It is his business to verify that which is right and to ferret out and expose that which is wrong; to discover and state facts as they are, whether plainly expressed by clear and distinct record, or skillfully concealed by distorted or falsified entries, or

¹Even though the authors elected to adopt the functionalist approach to explain the contributions of Hardcastle, this does not mean that this method has not been criticized in the accounting literature. For example, Robson and Cooper [1990], West [1996], and Willmott [1986] are among those who have been critical of the functionalist approach.

hidden under plausibly arranged figures, or, as in cases not a few, omitted from record entirely. This is his business to read the record, 'the hieroglyphics of accounts,' whether plainly or blindly written; to read, too 'between the lines'; and to interpret, rearrange, and produce in simple but distinct form, self-explanatory and free from mysteries of bookkeeping, the narrative of facts as they are, their relation to each other and results.

The smooth running of society, which is the goal of the functionalist approach, is subject to social and economic conditions. The separation of the functions of ownership, which is risk bearing, and the control function of management can result in situations that may be detrimental to the owners of capital if there is no goal congruence or control. Highly skilled tasks of professional accountants thus become necessary to ensure proper stewardship and control. This became especially important as the great merger movement in the U.S. began in the 1890s. In addition, innovative entrepreneurs like Andrew Carnegie began using advanced methods of accounting developed during the 19th century to secure an edge in running and buying businesses [Lamoreaux, 1985, p. 38].

These advanced methods of accounting called for conscientious, skilled, and experienced personnel in matters of accounts, corporate law, and auditing (fraud detection) far above the capacity of a counting-house bookkeeper of that time whose daily work was a repetition of the preceding day's work. Thus, a marked distinction was made between the function of a professional public accountant and that of a bookkeeper, creating a demand for professional public accountants. In the major cities of New York, Boston, Chicago, and Philadelphia, corporations, banks, and receivers were employing public accountants. Executors were also beginning to understand the advantages of employing experienced experts ["Advantage of Expert Accountants to Investors," 1894, p. 457]. But there was a major distinction between the professional accountant in the U.S. and his British counterpart; the U.S. was an unregulated environment. There were few regulations governing commerce and no federal or state laws requiring independent audits. In Britain, companies were legally required to go through an annual audit by the specific act of Parliament granting their charter or by acts regulating their particular industry. On the other hand, the phenomenal growth of the country and the different industries in the U.S. created an environment that called for efficient accounting systems. Modern, efficient, scientific accounting was the topic

of lectures at accounting meetings and the topic of articles in business magazines [McMillan, 1998a]. The emphasis was on the development of accounting systems for the different lines of business. What might be a good method of bookkeeping for one line might not be good for another.

By employing the functionalist perspective, which is characterized by the competencies and skills necessary for the emerging profession, the authors hope to demonstrate Hardcastle's importance in the establishment of the accounting profession in the U.S.

BACKGROUND INFORMATION

After Hardcastle graduated from the York and Ripon Diocesan Training School in 1847, his initial vocation, which continued for 17 years, was in education (see Appendix 1 for a short summary and timeline of his life). He taught at various schools and was also superintendent of schools in Belize, British Honduras for three years before immigrating to the U.S. His first position in the U.S. was as first assistant principal of Grammar School No. 38 in New York for six years [Committee on History, 1951, p. 127]. His background in education, as well as his considerable ability in mathematics ["Joseph Hardcastle, C.P.A.," 1899, p. 572], not only helped him in preparing his articles, which were written clearly, succinctly, and thoroughly, but also provided him with the impetus to become an accountant.

His accounting career started in 1864, when his first client was Peter Gilsey, who was involved in real estate. One of Gilsey's sons, a student of Hardcastle's, recommended that his father consult Hardcastle about a difficult mathematical income-tax problem requiring knowledge of sinking funds. The state income-tax commissioners accepted Hardcastle's recommendations, and, as a result, he remained Gilsey's accountant for approximately 42 years [Rice, 1951]. Thus, all of Hardcastle's experience in accounting occurred in the U.S., different from many of the U.K. accountants who emigrated to the U.S. in the latter half of the 19th century as already experienced accounting professionals, frequently Chartered Accountants. It is fairly apparent that Hardcastle was an employee of Gilsey rather than Gilsey a client of Hardcastle. Aside from Gilsey, the authors could not find any evidence of other clients of Hardcastle.

Hardcastle did not advertise his services as a public accountant in the accounting journals. He was not listed as a public accountant by Littleton [1942, p. 31] until 1898, after

he passed the CPA exam, nor was he listed as one of 122 public accountants published in the journal *Business* in 1896 ["The Public Accountants of New York City," 1896, p. 383]. Even though the first examining board was normally strict in denying prospective CPAs who did not meet the public accounting experience requirement, the New York State Board of Examiners was willing to recommend him for a waiver based on this experience to become a CPA [Committee on History, 1951, p. 125]. Since two of the members of the Board of Examiners, Sprague and Haskins, were members of the IA and were quite familiar with Hardcastle's work, the examining board doubtlessly held Hardcastle in high esteem.

The question then becomes, why did Hardcastle elect to sit for the exam if he probably could have applied for a waiver? The reason becomes more evident when one considers Hardcastle's background. Considered a scholar throughout his whole life, he was probably very confident not only of his accounting knowledge but also of his testing abilities. For example, as a young man, he won the grand prize of a three-year education scholarship for the York and Ripon Diocesan Training School for Teaching. He also won the position of principal of the head school in Belize, British Honduras by a competitive examination and subsequently rose to the position of superintendent of the whole colony. When he first came to New York, he obtained a principal's certificate by examination ["Joseph Hardcastle, C.P.A.," 1899, p. 572]. One can only speculate, but his background in writing technical articles, his experience at taking exams, his mathematics skills, and the positions he held in the IA may have created sufficient confidence for him to decline the waiver and opt to sit for the first CPA exam.

Hardcastle joined the IA, in which he was a charter member, in 1882; the New York State Society of Certified Public Accountants in 1897; and the American Association of Public Accountants in 1905. As a member of the IA, he made the first solo presentation in the history of the Institute, "The Origin of Calculations as Deduced from Languages," and made at least seven other presentations [Romeo and Kyj, 1998, pp. 51-55]. He was for many years chairman of the Institute's Committee on Lectures and also one of its first chief examiners. In this position, he was elected as a fellow in the plan to introduce membership grades within the IA ["Institute of Accounts of New York," 1887, p. 68]. Thus, he examined for admission some of the best accountants in New York City and helped establish standards

of entry into the profession [Romeo and Kyj, 1996, p. 12].² Through the positions he held, the lectures he gave, and the essays he wrote, he became one of the key players in providing the intellectual and scientific movement in which the IA flourished.

In addition, he was a lecturer at the Koehler's New York School of Accounts, and, in 1901, he was appointed to the faculty of the New York University (NYU) School of Commerce, Accounts, and Finance as professor of the principles and practice of accounts [Committee on History, 1951, p. 127].

Arguably, Hardcastle's greatest contribution to accounting lies in his extensive authorship of numerous theoretical articles and presentations published in the earliest U.S. accounting periodicals. Hardcastle helped develop the body of knowledge necessary for an emerging profession by identifying accounting, auditing, actuarial, and mathematics of finance issues affecting the professional accountant. Through an environment in which accounting was examined from a scientific approach, Hardcastle, as well as many other American accountants, was able to help expand the accounting knowledge to make it more effective and contribute to the growth of industry and commerce.

The first accounting journal in the U.S., *The Book-Keeper*, was started on July 20, 1880, and Hardcastle began contributing articles to this journal in 1882. By the late 1880s, he became a regular contributor to the journal *Business* and wrote monthly articles, probably for compensation, in that journal for many years. He became one of the leading advocates dedicated to promoting the "science of accounts" and elevating accounting to the rank of a profession.

His reputation was not confined to the U.S., for some of his articles were reprinted in London's accountant papers. He also received a very flattering notice in the *Ragionaria* of Milan, Italy, concerning his articles published in *Business* ["Notes on the Biography of Joseph Hardcastle, 1951"].

ACCOUNTING THEORIES OF HARDCASTLE

As mentioned previously, the establishment of the "community of the competent" dominated accounting during the late 19th century in the U.S. [McMillan, 1999]. One way Hardcastle

²The duty of the Examining Committee was to report to the Board of the Institute whether applicants met various qualifications – good moral character, proper experience requirement, and sufficient knowledge of accounting. The applicants were tested orally before the Examining Committee [Romeo and Kyj, 1996, p. 12].

became a primary proponent of the “science of accounts” is through his writing more than 65 articles published in various journals between 1880 and 1905 [Committee on History, 1951, pp. 128-132]. The functionalist perspective is characterized by the competencies and skills that become necessary in a rapidly changing economy. A discussion will follow on a survey of the accounting techniques written by Hardcastle, including actuarial concepts, depreciation, cost accounting, and other topics. Since many of these techniques are still applicable today, this section will help historians in discerning the origin of accounting theories developed in the U.S. Thus, one of the reasons for the study is to determine whether “it will be of assistance in deciding whether present practices have been adopted after a long period of trial and a careful evaluation of alternatives, or were the result of an unhappy string of accidents” [Wells, 1978, p. 36]. However, in many cases, it will be difficult to ascertain whether Hardcastle developed some of the theories himself or borrowed them from other accountants.

Actuarial Concepts: Hardcastle’s [1883a, pp. 17-20, 35-37] second published article, a lecture delivered before the IA and published in *The Book-Keeper*, was evidence of his advanced grasp of theories on actuarial concepts and interest on money. His numerous years of experience working as an accountant in real estate helped him to apply many of these interest concepts to accounting articles throughout his lifetime. For example, Hardcastle [1883b, p. 89] displays how to calculate the present value of a bond:

The present value of a bond = the yearly return from bond *times* the present value of an annuity for the number of years the bond has to run at the rate per cent. the investment is yielding us *plus* the present value of \$100, payable when the bond matures at the same rate per cent.

In the same article, Hardcastle [1883b, p. 89] then calculates the current value of the bond assuming that the coupons are cashed semi-annually:

...Thus a 7% bond due in twenty years, interest payable half-yearly, will be treated as a 3 ½% bond running forty years, interest payable yearly. In our solution we require two sets of tables: the one, giving the present value of an annuity of \$1 for a number of years, at different rates per cent.; and the other, the present value

of \$1, due at the end of a number of years, at different rates per cent.

A few years later, Hardcastle [1892, pp. 26-27] wrote an article in which he discussed and analyzed the use of a present value of an annuity and the computation of a sinking fund by using a comprehensive example. Because of his mathematical and accounting background in real estate, many of his articles on time value, bonds, etc. could, with minimal modification, be used in modern treatments of the subject. However, when he discusses the bookkeeping of bonds, there are some differences from today's accounting. Rather than debit or credit a discount or premium in a bonds account (he used both in his examples), he extends the total amount into a profit-or-loss account, charging the premium and discount to the income statement for the year the bonds were sold. He also, logically, considered the sinking fund as a contra-bonds payable account rather than as an investment [Hardcastle, 1892, p. 26]:

The sinking fund is a bookkeeping contrivance, by means of which we can easily tell how much has been provided toward payment of the debt, and it is an offset to the debt, so as to show by taking the difference between the debt and the sinking fund account the amount of the debt unprovided for.

In this article, he mentions depreciation for probably the first time. He states that if the money raised by bonds were used for a plant or other asset subject to depreciation, then an amount would be debited to the income statement:

Debit profit and loss with sinking fund, \$1366.66, and credit depreciation account with the same. If there is any objection, from the circumstances of the case, credit reserve account with \$1366.66, instead of depreciation.

Later, Hardcastle [1901b, p. 470] recognized that premiums on bonds do have to be amortized, although he continued to use the term depreciation:

Practically or theoretically, there is an equal periodical income coming in, part of which goes to the payment of interest on the investment, and part to the depreciation of the bond or of the lease – in the case of the bond to wiping out the premium of the bond, and in the case of the lease to wiping out the whole of the lease.

The issue of accounting for bond discounts and premiums was

debated for many years. Accountants either immediately wrote off the premium or discount, or, if not, they treated them as a deferred charge or credit. Accountants' theoretical attacks on these methods continued into the 1960s [Vangermeersch, 1996b, p. 380]. In the *Accountants' Index* [1921], articles concerning the amortization of discounts and premiums do not appear until approximately 1910, even though Sprague [1904, pp. 38-40] used the term in his text of lectures at NYU. In Sprague's text, which is a clear elucidation of nominal and effective rates of bonds, he acknowledges Hardcastle in the preface for valuable suggestions and assistance.

In the first of his 1887 articles, Hardcastle [1887a, p. 4] presented a table showing the equivalent effective rates of various nominal interest rates when calculated yearly, semi-annually, quarterly, monthly, daily, and every moment. Compound interest, as applied to loans and their calculations, is also discussed in later articles the same year [Hardcastle, 1887b, pp. 43-44, 66-67].

In January 1896, Hardcastle began another series in *Business* called "Sparks from an Accountant's Anvil." He emphasized the importance of completing the sales cycle before recognizing any gains or losses and the necessity of having knowledge of present value computations. He suggested "all transactions in bookkeeping should represent present values, except when they are in condition of transition" [Hardcastle, 1896, p. 36]. He continued in this series with examples of present value tables (p. 90), uses of perpetuities in accounting (p. 140), valuing leases, deferred annuities (p. 185), and the illustration of sinking funds (p. 229).

In 1898, Hardcastle [1898, pp. 753-756] discussed the effective rate of interest as used in an installment sale in which the payments are made over a ten-year period. Hardcastle determined the present value using tables and allocated the yearly payments between interest and reduction of the principal.

Depreciation: Hardcastle wrote five short articles in a series that relates to one of the earliest expositions on depreciation in the U.S. In the first article, in November 1896, Hardcastle [1896, p. 477] separated assets subject to depreciation into three categories:

1. The class from which there comes a regular income, which is assumed to be fixed, but at the end of some fixed time ceases, and yields a certain rate per cent.,

- either leaving a residuum (as a bond) or not (as a lease)...
2. The class of goods used in business, such as machinery, boilers, and furniture. They are subject to natural depreciation from wear and tear, and some of them depreciate from new inventions taking their place, or special improvement made in their line ...
 3. The class which consists of intangible goods, but which retain or lose their values according as the business with which they are connected is prosperous or otherwise, such as good-will, franchises, preliminary expenses (i.e., cost of organizing the business), etc.

It is interesting to note that it was not until the 1936 revision of "Uniform Accounting" published by the IA, that the term intangible asset appeared on the sample balance sheet [Vangermeersch, 1996a, p. 337]. In the same article, Vangermeersch also suggested that the first noted U.S. reference to intangible assets was in an editorial, "Intangible Values in Balance Sheets," published in the *Journal of Accountancy* in 1916. Dicksee and Tillyard never did use the term intangible in their 1906 text. Hardcastle [1897a, p. 49] wrote that he did agree with Dicksee that no harm could come by allowing goodwill to remain on the books of the business. Thus, it is not necessary for the goodwill account to be written down.

Hardcastle [1896, p. 477] was also aware of the risk associated with three categories of intangibles:

... The goods under these three classes all have a life more or less definite. Those under the first class have a definite life, and may or may not have a residuum; those under the second class have a life indefinitely definite, much like the life of man, i.e., have an average existence, but may be cut short in that existence, or with care and by circumstances may be extended beyond the average period, and the goods of this class have a residuum. The last is distinguished from the first and second classes by the goods under it having a very uncertain existence, which may be very short and is very long, but they have no residuum.

In terms of estimating depreciation, with the exception of certain intangible assets, Hardcastle [1896, p. 477] recommended an accelerated method of depreciation:

Experts have observed the normal life of various goods, and these have been given us: It has been assumed that

the depreciation is greatest in the earliest and least in the latter part of the life; it has likewise been assumed that the law of decrease in value is similar, except opposite to the law of compound interest. This law is called the law of diminishing balances.

His example and method of calculation is similar to the accelerated methods explained in modern textbooks. The depreciation for the first year on an asset that cost \$10,000 and using 5% would be \$500, the second year \$475, the third year \$451.25, etc. In the next article in the series, he presented tables with various rates to make the calculations easier [Hardcastle, 1896, p. 510].

Hardcastle's [1897a, p. 15] entry for depreciation at the end of the first year was:

<i>Profit and loss</i>	<i>\$1,500</i>	
<i>To depreciation fund account</i>		<i>\$1,500</i>

And the presentation in the balance sheet was:

<i>Cost of</i>	<i>\$10,000</i>	
<i>Written off for wear</i>	<u><i>1,500</i></u>	<i>\$8,500</i>

The depreciation-fund account is the same as modern-day accumulated depreciation and would increase each year by the amount of depreciation charged to profit and loss. Approximately a year later in 1897, Frederick W. Child, also a member of the IA, presented a paper to the Institute on the use of an account to accumulate and report depreciation reserves [Previts and Merino, 1998, p. 157]. Since Hardcastle and Child were members of the IA, there must have been interactions and discussions on this topic.

What makes these articles especially interesting is the thoroughness and clarity of the topic covered at a time when there was a lack of a clear definition of depreciation. Referring to court cases in the late 19th and early 20th centuries, Woodward [1956, p.73] suggested that "it was not established whether depreciation was an expense, or a distribution of income." Not until 1909 was there acceptance of the idea of depreciation as a cost of doing business; in fact, it was only accepted due to the U.S. Supreme Court's handing down its decision on the matter in *Knoxville v. Knoxville Water Company* [Woodward, 1956, p. 73]. Saliers [1939, p. 23], referring to the first income tax law of March 1, 1913, wrote:

...No uniformity of procedure existed, there was little known concerning the life characteristics of physical

property, and standard rates of depreciation were a thing of the future. Many distinctions now clearly understood were then but vaguely recognized. Depletion, obsolescence, and inadequacy had then received but scant consideration; since then volumes have been written to clarify and apply these terms. Although depreciation was recognized as expense, its part in the cost of manufacture and in the cost of producing services generally was not well understood.

Hardcastle [1899, p. 115] also suggested using depreciation and doubtful-account reserves before a division of profits is declared on partnerships:

Before a division of profits be declared the profit and loss account shall be debited with say 10 per cent. On diminishing balances on the fixed capital subject to depreciation and depreciation account credited with the same. The depreciation account shall in the balance sheet be always treated as an offset to the fixed capital subject to depreciation. There shall also be two reserve accounts – one the reserve account for doubtful debts, and the other the general reserve account. The former shall be credited with...percent of the debts owing the firm remaining unpaid arising during the term of which the balance is the closing up, as a contingent fund to meet bad debts; and the latter or general reserve account shall be credited with...per cent of balance remaining in the profit and loss and the profit and loss account debited.

Hardcastle treated the account on the balance sheet as an offset to the fixed capital subject to depreciation. In addition, Hardcastle [1899, p. 180] suggested allocating depreciation to a manufacturing company's cost of goods produced and to a trading company's expenses: "The depreciation of fixed capital in a manufacturing business is merged into the cost of the goods produced. In a trading business it becomes an offset to the profits." Two key concepts were developed in the texts and journals during the early 20th century. First, it was determined that a yearly deduction from the original cost of an asset should be made to allow for deterioration. Next, the modern-day components of depreciation – wear and tear, the passage of time, obsolescence – began to be recognized [Downey, 1996, p. 199]. Hardcastle [1896, p. 476] also discusses these concepts in his article:

But wear and tear are not the only things with which

we are here concerned. There is the danger of our goods becoming worthless for the purpose for which the goods are used, by reason of some new invention which puts the owner of it in such an advantageous position that the one without the new invention cannot compete in the world of trade with the one using the invention.

Appendix 2 displays a sample of U.S. books written in the 19th and early 20th centuries, and whether their authors mention anything about depreciation. Most omit the topic altogether except where it is mentioned as a term to reduce asset values. The exceptions are Kittredge and Sprague, both active members of the IA who would have had contact with Hardcastle.

Kittredge and Brown [1897, pp. 27, 61, 83] mention reserves for depreciation in their classification of accounts; however, they include it under the liability accounts. They do illustrate an account “reserve for fixtures depreciation” in which the debits and credits to the account are carried to a loss-and-gain account. Kittredge and Brown mention depreciation again, but are still not clear about the type of account since it is debited only at the end of the year when the books are closed. They also mention that in some factories “the percentage to be charged to orders is determined somewhat after the fashion above described, and then the amount is allowed to accumulate on the credit side of depreciation account.” This is the closest Kittredge and Brown come to a modern version of accounting for depreciation.

Sprague [1908, p. 58] has only one page on depreciation and calls the allowance account an “offset or an adjunct to the principal account.” It is used to present two different valuations when computing depreciation. He is not clear whether it is a depreciation expense, but Sprague does state that depreciation is not a liability.

Even though Hardcastle made no references to previous works on depreciation, there were numerous articles and texts written about the subject in both the U.K. and the U.S. during the late 19th and early 20th centuries. As indicated by the sample of books in Appendix 2, there was no accepted theory of depreciation. There were still discussions in the literature as to whether depreciation was a valuation of assets or an allocation problem [Brief, 1967, p. 37]. In addition, the “reserve account” was sometimes considered a liability account or a contra asset. For example, accounting authors such as Wilkinson [1901, p. 953], Teichmann [1906, p. 104], and Knight [1908, p. 192] all wrote after Hardcastle and still considered the “replacement reserve account” a liability, leaving the assets intact.

Hardcastle's theories on depreciation are not original, for apparently they build on an article in *The Accountant* written by Ladelle, published six years previously.³ Ladelle [1890, pp. 5-10] considered depreciation an allocation problem, disregarding market fluctuations. He also utilized a reserve account that would be increased each year by the amount of depreciation. This is an excellent example of where Hardcastle may not have developed any new procedures, but his articles were clearly a modern and comprehensive presentation of the topic. Hardcastle not only wrote on what he probably considered the most scientific approach concerning depreciation, but also expanded the discussion to include much more theory and examples.

Cost Accounting: Hardcastle, through the publication and presentation of his articles, was one of the leading cost accounting educators in the U.S. of his time. Some theories and concepts on cost accounting were obviously discussed in IA meetings because a few authors, such as Kittredge and Hardcastle, wrote about cost theories within a year or two of each other. Metcalfe, who wrote the classic text, *The Cost of Manufactures*, made at least one presentation to the IA and one to the American Society of Mechanical Engineers as early as 1886, titled "The Shop-Order System of Accounts," which was published in *The Office* in five segments [Metcalfe, 1886, pp. 10-11, 19-20, 30-32, 48-50, 64-66].

Many cost historians have neglected to reference 19th century American periodicals because they were probably not aware that these journals existed [Romeo and Kyj, 2000]. For example, Garner [1954, p. 341], unaware of American writers like Hardcastle and Kittredge, wrote nine propositions about cost history. Three of those propositions are presented below:

1. English cost accountants contributed a large proposition of the original ideas and procedures before 1900. After that date the American theorists and practitioners forged ahead of their British contemporaries, the latter never regaining their relative standing.
2. The third element of cost (factory overhead) was comparatively neglected in the period before 1900,

³Brief [1967, p. ix] considers Ladell's article as one of three "classic articles on the depreciation of a single machine." The other two articles were published later by Hotelling, "A General Mathematical Theory of Depreciation" (1925) and Anton, "Depreciation, Cost Allocation and Investment Decision" (1956).

but after that date more attention was devoted to it than to the other two elements of costs combined.

3. Industrial engineers, rather than cost or general accountants, took a more active interest in costing problems in the early development of the subject in this country.

A summary of Hardcastle's theories published in *Business* would indicate that American cost accountants also took an active interest in costing theory, along with the industrial engineers of the late 1890s. If Garner had been aware of the accountants operating in the environment of the "community of the competent" in the IA, he may have modified his propositions.

In the January 1898 issue of *Business*, Hardcastle started a series of comprehensive articles on cost accounting. Although he may not have originated many of the concepts, he refined and wrote of them in a lucid and comprehensible manner. In the first article in the series, he recognized that the cost of a manufactured item consisted of the following [Hardcastle, 1898, p. 28]:

Generally speaking, the cost price of an object to the manufacturer will be: Cost of the raw material entering into the object, plus the cost of the labor expended on it, plus all other direct expenses furnished for it, plus its proportionate share of the general expenses, the proposition being fixed in accordance with reason and experience.

He later defined general expenses as "all the expenditures rendered necessary by the wants of trading or a manufacturing business, which can not be directly imputed to any special operation of the business, and consequently must be equitably distributed over the total operations of a business house as the operations arise, or over the goods manufactured in a workshop or factory" (p. 221). He also classified general costs into two categories – those which concern the production and those which concern their sale (pp. 221-222) – as well as into fixed and variable, just as Metcalf had done 12 years earlier (p. 29):

1. Those which cannot be modified during a business term, i.e., between the making of two consecutive balance sheets, and which are considered fixed.
2. The variable general expenses, which may be at any time modified to the advantages of the business.

Fixed general expenses would include rents, taxes, insurance, management's salaries, depreciation, and subscriptions to

technical periodicals. Variable general expenses would include maintenance of fixed capital, commissions, gifts and presents, advertising, stationery, utilities, oils and lubricants, steel for tools, and wood for models. Even though he was considering a manufacturing company, his variable general expenses did not distinguish manufacturing and selling components.

Hardcastle then stated that the proportionate share of the general expenses must be estimated. He recommended the cost of the labor as preferable, since it is less fluctuating, for determining the base:

Also if the total general expenses for the month *are* divided by the total cost of the labor for the month, the quotient will give the amount of the general expenses for that month to go to each dollar of value of labor during that month.

The problem of using actual costs in determining the quotient, or the co-efficient as Hardcastle called it, was recognized in his article:

1. It implies that we should have to wait till the end of the month before we could obtain this quotient or co-efficient.
2. The irregularities in production will cause great variations in the co-efficient and consequently in cost price.
3. The cost price of an article when business was slack would be placed too high to allow a sale to be made, and our warehouse would be filled with like articles of different cost prices.

Hardcastle used a general expense account that was credited for the amount applied to the jobs as calculated by the co-efficient used. This account would also be debited for all of the sundry and other overhead accounts, including depreciation. At the end of the month, the two sides would be compared to determine the differences (pp. 293-294):

This is carried on for the whole of the business term, and the difference of the two sides will give the excess or deficiency of the estimation of the general expenses for the year, which excess or deficiency at the end of the term is carried into the profit and loss account.

The merchandise account was used as an account to represent finished goods and was debited with the direct materials, direct labor, and general expenses (p. 294). However, in an article

written three years earlier, Hardcastle (1895, p. 330, *emphasis added*) was more explicit in explaining finished goods and work-in-process:

We will assume that the finished goods are kept stored (*Store Account*), that semifinished goods are in the factory (*Factory Account*) and the raw materials in the warehouse (*Warehouse Account*).

Hardcastle gave examples of cost procedures similar to those used today. For example, cost of materials would be transferred from the warehouse account to the factory account (work-in-process) along with labor and other manufacturing costs, and cost of goods would be transferred to the store account (finished goods). His sales account would include both components of the selling price of the goods sold and the cost of goods sold transferred from the store account.

Hardcastle [1898, p. 222] was also ahead of his time in recognizing the importance of cost-volume-profit analysis. He showed great insight concerning the use of accounting information, especially the impact of fixed and variable costs on profits:

The great art of the manufacturer consists in increasing his output without increasing his fixed and variable general expenses, in order to lower the co-efficient for the general expenses and to keep down the cost price of the goods he sells. This art is tributary to accounting, which favors or trammels its proprietor according as it is well or badly ordered.

He was aware of the challenges a company faced in understanding overhead in order to compete effectively in the marketplace (p. 221):

The volume of the general expenses forms no small part of the cost of merchandise, and they are the part more likely to escape the notice of the manufacturer than the prime costs. For this reason it is necessary to place them, in a classified form, constantly before the manufacturer, the classifications being made according to the requirements of the business, so as to guide the merchant in the regulation of them, in order that he may produce at the least cost, and not be one to fall by the wayside in the competitive struggle for existence....The general expense account, or, rather, its subaccounts, require the closest attention, because of their complexity.

Hardcastle presented a comprehensive discussion with

examples of a manufacturer using process costing in the same series. He called it “continuous manufacturing of objects or of merchandise of the same nature.” The materials, expenditures for labor, and general expenses, by means of a coefficient, are entered into the journal, with the total of the three equaling the cost-price of the merchandise or objects produced (p. 434). He was also familiar with the problem of beginning and ending inventory for a work-in-process problem:

In these kinds of work, it is necessary to keep an account of the materials remaining on hand when the work is brought to a rest, for the material remaining will, in the next term of operations, be utilized, hence the necessity of an adjustment, to show the quantity of material used and the quantity remaining.

In addition, he discussed in elaborate detail the accounting for materials as they pass through various stages and steps.

Garner was not alone in ignoring a great source of cost theory by not knowing about the articles published in *The Office* and later *Business* by some of the great accountants of the 19th century. Wells [1996, pp. 228-229] suggested that allocation procedures were common in all branches of engineering in the period from 1880 to 1910, but rare in accounting journals, and that the pioneers of cost accounting were not accountants but engineers in the U.S. He also stated that it was a common belief that many of the problems of allocating overhead costs were discussed in the literature from the early 20th century and that most of the participants were American engineers. Again, Hardcastle most likely did not invent the theories and concepts he proposed. Fleischman et al. [1991] also disproved that possibility by demonstrating the existence of effective cost accounting systems in practice during the early part of the Industrial Revolution. However, Hardcastle’s series of articles in *Business* on cost accounting, even though written much later, may be one of the more comprehensive and clear discussions on cost theories written in the 19th century U.S.

Miscellaneous Topics: Hardcastle’s expertise included a strong history of accounting, a skill that is evident in his writings when he, on many occasions, mentions the origins of accounting terms and concepts [e.g., Hardcastle, 1882, pp. 336-338]. He also wrote a series of articles about the history of bookkeeping from the Roman age until the 19th century [Hardcastle, 1890] and gave a summary of the history of the IA [“Institute of Accounts,”

1889, p. 74]. Hardcastle [1899, p. 299] segmented bookkeeping into three periods: “the first, the period giving rise to single entry; the second, the period which gave rise to double entry; and the third, the modern period.” The last period also featured double-entry accounting, but it included all the new theory developed within Hardcastle’s lifetime.

In a discussion at the IA’s meeting in 1883, the subject for discussion for the evening was the necessity of the daybook and journal as the only proper connecting links between a transaction and the ledger entry. Hardcastle presented arguments in favor of “the voucher system. The only principal book here is the ledger. This is really an older system than the Italian, but it had its birth before the world could use it, or before the world wanted it” [“The Day-Book and Journal,” 1883, p. 90].

In correspondence to the editor in *The Office*, Hardcastle [1886, p. 46] discussed the calculation of purchase discounts. In a subsequent letter to the editor, he displays his background as a teacher by simplifying the calculation in the following rule: “Write the discounts as decimals, and subtract each one from unity. The product of the several remainders take from unity; then the result will give the compound discount expressed decimally.”

Hardcastle [1888, p. 15] wrote two parts of an article on prices and profits. After explaining the problems with estimating the value of stock too high or low, he suggests two rules for estimating the value of stock on hand:

For merchandise for which there is a ready sale, and which is in good condition, the estimate may be taken as that price which it would cost us to replace it. Merchandise here is placed as a representative of any circulating capital – but if the account represents fixed capital, the values should be the value to the firm, as a running concern, such as plant fixtures.

For merchandise not in a good condition, out of fashion, the value should be a break-down value, for this merchandise should be sold off at any price rather than be kept on hand, becoming less and less valuable, so as to deceive us in our financial showing.

These two rules combined were a rudimentary predecessor of the lower-of-cost-or-market method developed in the 20th century and incorporated into GAAP by Accounting Research Bulletin No. 29, issued in 1947.

In 1895, Hardcastle [1895, p. 155] called attention to the

problems of misclassifying capital accounts, or economic accounts as he called them:

Some persons go so far as to call the balance of the positive economic accounts liabilities, but the more enlightened accountants are beginning to see the absurdity of doing so, and make capital accounts distinct from the liability accounts.

Subsequently, after a discussion of the differences between English and American accounting, he listed various examples of “motions”; that is, rules reflecting why there are changes in accounts (p. 196):

The principal results of these motions may be stated thus:

1. We can increase assets at the expense of other assets.
2. We can increase assets by increasing our liabilities.
3. We can increase assets and increase our economic condition.
4. We can decrease assets by decreasing our liabilities.
5. We can decrease assets by decreasing our economic condition.
6. We can provide insurance to meet losses in assets.

This system of classifying accounts differs from the traditional one used by many American authors who still classified accounts as real, personal, and fictitious [Hatfield, 1908, pp. 67-69]. Hardcastle’s approach and analysis is similar to the proprietary theory developed and presented by Sprague [1880, 1889] and developed more fully in Sprague’s 1908 text [Previts and Merino, 1998, p. 154]. An amusing aside note about “The Algebra of Accounts” [Sprague, 1880] is a letter from Hardcastle to Sprague, published in *The Office*, correcting the phrase “by analogy” used for the terms debtor and creditor. In response to Hardcastle’s letter, Sprague pleaded amnesia to the use of the phrase [“Institute of Accounts,” 1889, p. 74].

In 1895, Hardcastle [1895, p. 330] suggested two accounts – a merchandise account which is debited with the original cost of goods and credited with the “cost of goods sold on the basis of the cost contained on the debit side of the account” and a trading account containing elements of selling prices, cost of goods sold, and expenses. It was not until the early part of the 20th century that the literature suggested separating merchandise, sales, and cost of goods sold into individual accounts. Many texts and articles combined all three of these accounts into one, thereby mixing sales with costs.

Some of the other topics in this series included the following: classification of accounts (p. 34), marginal utility (p. 233), misleading balance sheets, and revenue statements (p. 441).

In May 1897, Hardcastle started a series on “logismorgraphy” in the journal *Business*, a series which is based on an early theory of agency developed by Joseph Cerboni, the author of *Theory and Practice of Accounts* [Hardcastle, 1897b, p. 141, 1897c, p. 203]:

According to this theory, the persons concerned with a business form two general classes, those having to do with its management, and those outside the management, but having business relations with the owner of the business.

The first class comprehends those in the management of the business. These are subdivided into three functional classes, the proprietor class, simply called the proprietor, the administrator class, simply called the administrator, and the custodian class, simply called the custodian.

...all accounts can be contained in two collective accounts, the one giving the equity of the proprietor from the proprietor’s point of view, and which is called the Proprietor’s Account; the other giving the Agencies’ Account, from the agencies’ point of view and that both these accounts are concerned with the whole of the subject matter – i.e., the substance of the business, and nothing besides.

The basic premise of logismorgraphy involves dividing the various accounts into groups, then sub-dividing them even more as needed. Hardcastle’s command of languages, in this case Italian, is evident when he made a rebuttal to a logismorgraphy review in the *Accountants’ Magazine* (a Scottish journal) in the December 1897 issue of *Business*. The *Accountants’ Magazine* called them “Mr. Hardcastle’s theories.” Hardcastle replied, “They are not my theories; they are Cerboni’s theories, a man who has done more than any other man of the age for accounting” [Hardcastle, 1897d, p. 361]. He continued his rebuttal as follows:

Logismorgraphy is not a mere variation of Double Entry, but it is an extension of the ideas of accounting, and Cerboni, as another Luca Da Borgo, is the presenter of it to the accounting world. I am afraid that our Scottish friend knows nothing of the modern Italians and their accounting works, otherwise he would bow with re-

spect before them, and be ready to sit at the feet of their learned professor.

Shortly after these articles appeared, Sprague also wrote a few articles on logismorgraphy in *Accountics*. He was not as optimistic as Hardcastle; he felt that the logismorgraphic journals did not display the entries simply and clearly. However, he did propose that constructing the proprietor's account differentially and the agency account integrally were the two most indispensable developments of the theory [Sprague, 1898, pp. 73-75, 117-121]. This new Italian method was an example of how much Hardcastle and Sprague advocated the development of accounting as a science. As McMillan [1998, p. 28] mentions, "the ideal of the science of accounts had become a sufficiently profound reality to these men that they looked for new methods which could reveal new principles that had previously remained hidden."

Hardcastle's theory on treasury stock was many years ahead of its implementation in practice. Vangermeersch [1996c, p. 586] suggests that both Bentley in 1911 and Montgomery favored the asset approach in treasury-stock accounting, while W.T. Sunley, Jr. made a classic argument for the contra-equity viewpoint in 1915. Hardcastle [1899, p. 242] had argued that treasury stock should be a negative to the capital account in 1899, years before Sunley's contra-equity argument:

There is an account called treasury stock, which is often improperly considered as an asset, instead of a negative to the share capital account. It represents stock of the company, which the company either has not yet disposed of, or which, for some reason, after having once been issued by the company, has again come into its hands.

During the late 1890s, there was some disagreement about how organizational costs should be treated in the financial statements, either as an asset or expensed in the period incurred. Hardcastle (p. 243) suggested that organization expenses (he called them preliminary expenses) be gradually written off. He did theorize that they did not belong with the assets and should be a contra (negative) capital account.

Another topic of modern interest is Hardcastle's determination of extraordinary profits and how they should be handled for partnerships. His treatment of extraordinary profits and losses was to separate them from ordinary profit-and-loss items and utilize a general reserve account (p. 111):

Extraordinary profits and losses, i.e., such as do not

usually occur but are accidental in nature, shall as they arise be carried to the general reserve account. The remaining profit and loss should now be duly divided and carried into each partner's profit and loss account.

In the same article, Hardcastle determines that the book-keeping of a partnership is the same as that of a sole proprietor, with the exception of the mutual relations of the partners at the beginning of the partnership, the balancing of the books at the end of the period, and the dissolution of the partnership. Hardcastle [1901a, pp. 346-348, 386-388, 1901b, pp. 470-472] continued to write about partnership liquidation and depreciation in future articles.

Hardcastle wrote two *Journal of Accountancy* articles in 1905, and others for *Accountics* and the *New York Accountants and Bookkeepers' Journal* late in life. He was a prolific writer until his death in 1906. In addition to the numerous journal articles, Hardcastle [1903] authored a book which was a compilation of lectures presented for the aid of the students at NYU. The first chapter of the book integrates the personalistic theory-to-trustee accounting [Hardcastle, 1903, pp. 6-9]. Leon Hay [1961, p. 104] acknowledges Hardcastle, as do Gottsberger, Loomis, and Sprague, as setting "the pattern used by most authors down to the present time" in his discussion of executorship reporting. A book on "accountics" was purportedly in preparation at the time of his death. He died June 16, 1906, as a result of an accident when he was thrown to the ground by a horse and wagon in New York City ["Obituary," 1906, p. 232].

CONCLUSION

Drawing from the functionalist perspective, Hardcastle enhanced the profession by developing and disseminating the accounting competencies and skills necessary for the emerging profession. As one of the leading proponents of the scientific basis for the development of accounting theory, he helped provide the intellectual and theoretical skills necessary. His codification of topics such as actuarial concepts, depreciation, and cost accounting helped expand the accounting knowledge to the practitioner and, thus, made accounting more efficient and effective.

Hardcastle began his professional career in education, teaching for approximately 18 years in grammar and private schools. His second career, in accounting, lasted more than 40 years. Hardcastle's last six years combined both careers when he came back to education as a lecturer at Theodore Koehler's

School of Accounts and as professor of principles and practice of accounts at NYU. His writings demonstrate that his early career as a teacher and his background in mathematics enhanced his status as an accountant and educator. Many of his early articles were on building associations and time value matters related to real estate. Many, if not most, of the topics Hardcastle wrote about were practiced, discussed, or written about previously. However, few accountants had Hardcastle's gift of disseminating accounting information to the emerging profession in such a succinct, clear, and logical manner. He may have begun his career in teaching, but the teaching never left his career.

Because Hardcastle was aware of the accounting theory being developed in Britain, he could utilize and expand on theories developed there without deferring to the Company Acts to prejudice his writings based on the law. He also had an advantage over British accountants by being a prominent member of the IA and basing his theories on scientific reasoning in an unregulated environment. During the 1880s and 1890s, at the end of each lecture given to the IA, a discussion of the subject followed with accountants like Hardcastle, Sprague, Harney, Kittredge, and Packard participating, allowing the presenter to answer the questions.

In using the functionalist approach to explain professionalism and the contributions of Hardcastle, accounting professionals are viewed as honored servants of the public. Professionals meet the needs of society because of the skills and attributes they contribute to the assimilation and smooth operation of society. It was in this environment, the "community of the competent," that the accounting profession in the U.S. worked toward jurisdictional legitimacy by developing accounting as a science.

Because fields of professionalization constantly change over time [Larson, 1977; Abbott, 1988], skills solidly supported by knowledge became necessary in the rapidly changing economy of the late 19th century. The accounting profession continued to define and delineate its area of expertise into a body of theory with the help of Hardcastle. He continued to develop this "science of accounts" through his later years as he wrote monthly articles for *Business*, and later *Business World*, on a wide variety of accounting topics.

Even though Hardcastle wrote prolifically in accounting for almost a quarter of a century, he is relatively unknown today.⁴

⁴This statement is probably true for most 19th century accountants in the U.S. with the exception of Sprague and Haskins.

If it were not for his having the highest score on the first CPA exam, he would rarely be acknowledged in the literature. There are a few reasons for this. First, many early accounting authors took great liberties in borrowing ideas from each other. Many articles written in the 19th and early 20th centuries did not cite any sources, even though different authors such as Hardcastle may have covered the topic previously. Second, Hardcastle was not as politically involved as were many of his more well-known peers. Other than serving as chief examiner of the Institute and chairman of the Institute's Committee on Lectures, his political involvement in accounting was minimal. However, it is interesting that, recently, accounting historians have started to recognize the contributions of 19th century accountants who were members of the IA and who flourished in the environment that McMillan [1999, pp. 25-26] called the "community of the competent." Their contributions to the "science of accounts" are well documented [see Miranti, 1990; McMillan, 1998a, b, 1999; Romeo and Kyj, 1998]. Many of the journals in which Hardcastle wrote had a life of only a few years or are not readily accessible to accounting historians. Until recently, many of these journals have been almost totally ignored by those writing the history of U.S. accounting. Most of the articles in these early journals are not even listed in the first *Accountants' Index*, published in 1921.

However, Hardcastle did not go without recognition from his peers during his lifetime. A year before he died, NYU conferred upon him the honorary degree of Master of Letters and made him an honorary alumnus ["Joseph Hardcastle," 1906, p. 53]. The citation used to confer upon Hardcastle this degree in 1905 reads as follows [Jones, 1941]:

For the degree of Master of Letters:

JOSEPH HARDCASTLE, of the city of New York, Professor of the Principles and Practice of Accounts in the School of Commerce, Accounts and Finance of New York University.

Born and educated in England. Removing to America, he served as Assistant Principal in Grammar School 38. For forty years an honored expert accountant in this city, at the age of seventy, he was the first to receive the degree of Certified Public Accountant from the Regents of the State of New York. He has taken a prominent part in the elevation of accountancy to the rank of a profession. For many years a contributor to the periodicals of his profession and writer of text books recognized as

authoritative in their field. Teacher, author, and leader in his profession, he is recommended for the honorary degree of Master of Letters.

Hardcastle, a regular contributor to various early accounting journals in the U.S., became one of the foremost and respected authorities on subjects connected with the mathematics of finance and other general topics in accounting. Some of his writings on leases, bonds, depreciation, and cost accounting are very similar to today's theory with little modification. As a teacher, author, and leader, he figured prominently in the elevation of accountancy to the rank of a profession. He and Sprague may have been America's premiere 19th century theorists who developed and disseminated accounting practice and procedures to the practitioners to help the profession meet the demands of emerging markets.

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APPENDIX 1

Timeline of Joseph Hardcastle's Life

1827	Born April 22, in Skipton in Craven, Yorkshire, England
1840-1844	Attended Free Grammar School
1844-1847	Attended York and Ripon Diocesan Training School on scholarship
1847-1850	Appointed instructor at York and Ripon Diocesan Training School
1850-1854	Opened a private school at Peterhead, Scotland
1854-1855	Moved to Leith in Scotland
1855-1858	Principal and Superintendent of Schools at Belize, British Honduras
1858-1864	Moved to NY and within one month's time received a principal's certificate. Taught as the first assistant in Grammar School No. 38 for six years. Had under his charge two sons of Peter Gilsey.
1864-1906	Accountant for Gilsey Estate and Family
1882	Charter member of the Institute of Accounts
1896	Passed all four sections of the first CPA exam
1900-1901	Lecturer at Theodore Koehler's NY School of Accounts
1901-1906	Professor at NYU School of Commerce, Accounts and Finance
1905	Received honorary degree of Master of Letters, NYU
1906	Died June 16 as a result of an accident with a wagon on June 8, 1906.

Source: Committee on History [1951]

APPENDIX 2

Sample of Texts Written in the 19th and Early Part of the 20th Century and Their Comments on Depreciation

<u>Date</u>	<u>Title</u>	<u>Author(s)</u>	<u>Comments</u>
1909	<i>Modern Illustrative Bookkeeping</i>	Neal, E. Virgil and Cragin, C.T.	no mention of depreciation
1908	<i>The Philosophy of Accounts</i>	Sprague, Charles E.	see text
1899	<i>Bookkeeping: Large Business Houses</i>	Hoffmann, John V.	no mention of depreciation
1899	<i>Commercial and Industrial Bookkeeping</i>	Rowe, H.M.	no mention of depreciation
1898	<i>The Cleveland Accountant</i>	Crawford, J.M.	no mention of depreciation
1897	<i>The Self-Proving Accounting System</i>	Kittredge, A.O. and Brown, J.F.	see text
1897	<i>Teacher's Guide to the Practice System of Business Training and Bookkeeping</i>	Wells, Charles, R.	no mention of depreciation
1897	<i>Office Routine and Bookkeeping: A Method of Teaching the Science of Accounts</i>	Schwartz, George W.	no mention of depreciation
1890	<i>Exercises in Book-Keeping</i>	Peirce, Thomas	no mention of depreciation
1888	<i>Theoretical and Practical Book-Keeping</i>	Williams, Louis L. and Rogers, Fernando E.	no mention of depreciation
1887	<i>Smithdeal Practical Business Colleges</i>	Smithdeal, G.M.	no mention of depreciation
1885	<i>Nelson's New Bookkeeping</i>	Nelson, Richard	no mention of depreciation
1885	<i>Allen's Forty Lessons in Practical Double Entry Book Keeping</i>	Allen, George	no mention of depreciation
1884	<i>The Eclectic Complete Book-Keeping</i>	Mayhew, Ira	no mention of depreciation
1884	<i>Manual of the Elements Book-Keeping</i>	Royall, John P.	no mention of depreciation
1882	<i>Meservey's Book-Keeping</i>	Meservey, A.B.	no mention of depreciation
1878	<i>The New Bryant & Stratton Counting-House Book-Keeping</i>	Packard, S.S. and Bryant, H.B.	uses the terms depreciation to represent a reduction of value.
1868	<i>Theoretical Training in the Science of Accounts</i>	Packard, S.S.	no mention of depreciation

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AN ANALYSIS OF THE BURSARS' ACCOUNTS AT DURHAM CATHEDRAL PRIORY, 1278-1398

Abstract: This paper is based upon an examination of a selection of the bursars' accounts from Durham Cathedral Priory covering the period from the first extant account (1278-9) to the end of the 14th century. The accounts selected have been transcribed from the original documents and translated from Latin into English. A traditional focus of accounting historians in the medieval period has been on manorial accounting and the system of charge and discharge. This paper examines a series of non-manorial accounts and a variety of supporting accounting materials, analyzing them for evidence of the development and refinement of controls. After an introduction which reviews the background of the accounts and the extent to which they have been utilized for historical research, this paper describes the various sources of receipts and types of expenditure which are revealed. The format of the accounts is traced, and a review of total receipts and expenditure is conducted to gain an understanding of the overall financial position of the bursar's office. Next, the accounts are considered within the context of other accounting records to explore the financial controls in place. Finally, areas for further investigation and analysis are identified. The accounts selected reveal that actual receipts and actual expenditure were kept closely in tandem, and that an extensive network of other accounting material and documents allowing a system of cross-checks enabled auditors to ascertain the veracity and accuracy of the accounts.

INTRODUCTION

The bursars' accounts at Durham Cathedral Priory surviving from the period 1278 (the earliest surviving complete roll)¹ to 1400 number in excess of 250 separate items, including some items which exist in duplicate and others that might be called subsidiary accounts and schedules. The bursars' formal accounts

¹ Fragments dating back to c. 1240 have been found [Piper, 1992, pp. 36-39].

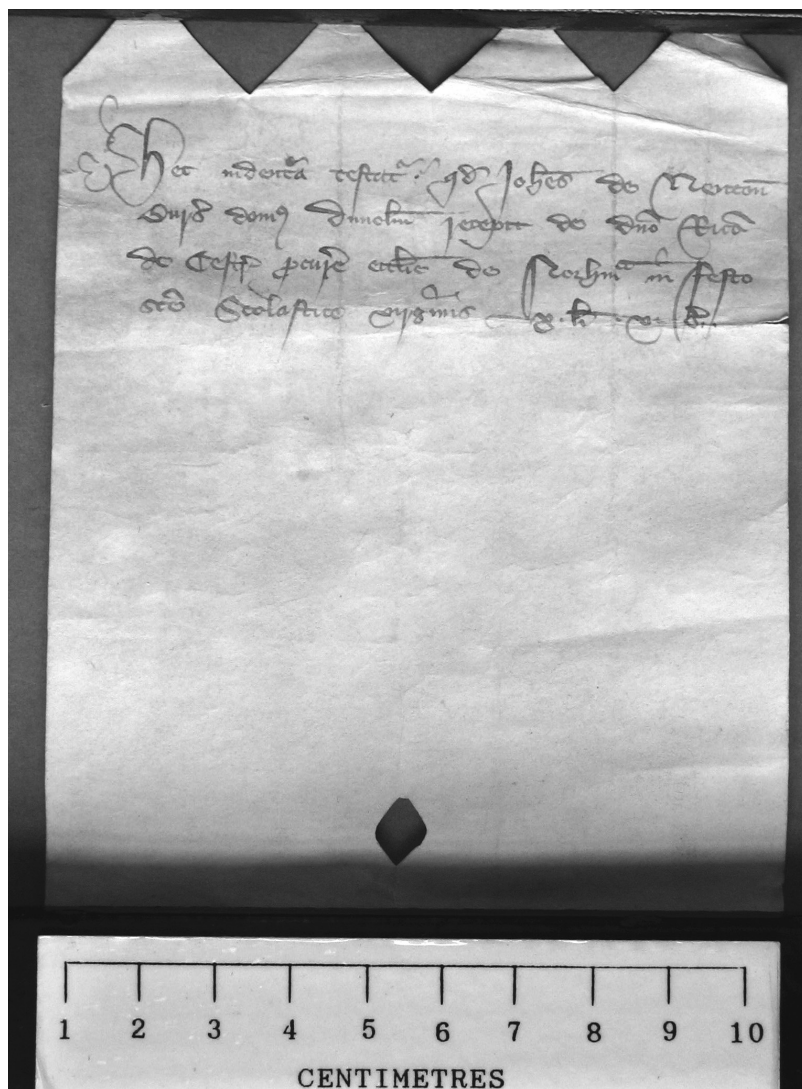
Acknowledgments: The author is grateful to the Chapter of Durham Cathedral for access to Durham Cathedral Muniments, and wishes to thank Dr. B. Dodds, Mr. A. Piper, and the two anonymous reviewers for their valuable comments and suggestions.

of the receipts and expenses of their office for this period cover some 85 years. These accounts and schedules vary enormously in size. Among the smaller items is an indenture issued in the year 1351-1352 witnessing the receipt of £10.5s. by the bursar from the proctor of Norham (Illustration 1) that measures barely four inches by six inches. The account-roll of 1379-1380 would count among the larger items, being 11.5 inches wide and over 21 feet in length. Extracts from these rolls, edited by Fowler, were published between 1898 and 1901. However his selection was influenced by his interest in building work, and the extracts have been criticized as unreliable in detail [Lomas and Piper, 1989, p. 7], of little use for economic or statistical purposes [Knowles, 1955, p. 315], and confusing rather than clarifying Durham Cathedral Priory's financial organization [Dobson, 1973, p. 251].

The accounts are written on parchment with legibility and completeness varying extensively between accounts. Legibility may be affected by the faintness of the ink or by damage due to damp and other causes. Even by the 1430s, it was noted that many of the records "*consumpti sunt, partim per pluviam, partim per ratones et mures*" (have been destroyed, partly by rain, partly by rats and mice) [Dobson, 1973, p. 3]. These factors have had an impact on the selection of records for review and transcription. The accounts for 13 individual years have been examined along with supporting schedules. This sample cannot claim to be scientifically selected; the incidence of survival prevented the selection of an account on a regular basis every ten years. Incomplete rolls or those whose legibility were more problematic were passed over in favor of those more immediately decipherable. The objective was to examine an account-roll not too far removed from each of the decade ends between 1280 and 1400. Although at the start of this period the selection is not so evenly spaced, from 1310 onwards the accounts selected are approximately ten years apart. A list of the accounts selected may be seen in Table 1. Additionally, a number of further accounts for consecutive years were examined in the expectation of gaining information on the treatment of balances carried forward from one period to the next.

The accounts are written in Latin and all monetary amounts are expressed in pounds, shillings, and pence (abbreviated as £., s., and d.). The Latin terms for these are *libri*, *solidi*, and *denarii*, and for halfpenny and farthing (one quarter of a penny) *obolus* and *quarterius*. One pound comprised 20 shillings and one shilling comprised 12 pence.

ILLUSTRATION 1
An Indenture from 1351-52



The bursar of Durham Cathedral Priory was one of a number of officials and obedientiaries of the house to whom was entrusted the overseeing or administration of a particular section of the priory's activities. Thus, the chamberlain was responsible for clothing the monks, and the sacristan for caring for

the altar vessels and supervising matters such as lighting within the church. Customarily in Benedictine houses, the officials or obedientiaries controlled certain streams of income sufficient to enable them to perform their role [Knowles, 1969, p. 109]. The details of such allocations are still available for a number of houses such as Abingdon Abbey [Moorman, 1945, p. 281] and Bury St. Edmunds [Snape, 1926, pp. 24-26]. At the conclusion of each period in office, each obedientiary was required to provide a written account or *compotus* detailing all monies received and expenses incurred. At Durham, accounting material survives from the offices of the bursar, terrar, cellarer, almoner, chamberlain, communar, feretrar, hostillar, infirmarer, and sacrist, as well as accounts from the manors owned by the priory; accounts for livestock and mines; accounts from proctors responsible for the administration of the priory's possessions lying further away in Scotland, Northumberland, and Yorkshire; and, finally, accounts from the cells or dependencies of Durham Cathedral Priory, such as the priories of Coldingham and Finchale.²

The bursar is described in the *Rites of Durham*, written in 1593, as controlling all the receipts and expenses of the house [Fowler, 1903, p. 99]. However, based on a review of the financial records, Dobson [1973, pp. 257-260] disputes this, although agreeing that the bursar did control over two-thirds of the total throughout the period between 1300 and the Dissolution. He also quotes the practice of the priors, when required to produce the overall accounts of the house, in delivering the bursar's roll alone. A more precise ratio will require future analysis of the other remaining accounting records of Durham Cathedral Priory.

The account-rolls of Durham Cathedral Priory provide a rich source of information for the 13th through the 16th centuries, and have provided an important foundation for a number of studies. The majority of these studies either concerned single issues or related to the period after 1400. Halcrow [1949] concentrated on the administration and agrarian policy of the manors of Durham Cathedral Priory. Dobson [1973] concentrated on the priorate of John Wessington (1416-1446) and the first half of the 15th century. More recently, Cambridge [1992] has focused on the building works of Durham Cathedral Priory between

²I am indebted to Mr Alan Piper for the use of the handlist which he has compiled listing the medieval accounting material found in the muniments of the Chapter of Durham Cathedral. Most of the information contained in this handlist is available at <http://flambard.dur.ac:6336/dynaweb/handlist/ddc/dcdmacces/>.

1339 and 1539; Dodds [2002] has focused on tithe and agrarian output between 1350 and 1450; and Threlfall-Holmes [2005] has used the accounts for an analysis of the purchasing strategies of the priory between 1460 and 1520. Elsewhere, detailed studies which draw upon surviving accounts to investigate monastic economy and administration include those on Bolton Priory [Kershaw, 1973], Canterbury Cathedral Priory [Smith, 1943], Norwich Cathedral Priory [Saunders, 1930], Westminster Abbey [Harvey, 1977, 2002], and St. Swithun's Priory at Winchester [Kitchin, 1892]. Additionally, accounts have been transcribed and published from Worcester Priory [Wilson and Gordon, 1908; Hamilton, 1910]. A more general survey of English monastic finance was undertaken by Snape in 1926, and, more recently, Knowles [1940, 1948, 1955] included an analysis of monastic administration, management, and finance in his histories of the monastic and religious orders in England.

From accounting historians, the output has been less prolific. As Jack [1966, p. 137] observed, medieval accounting has tended to be overlooked except in so far as the origins and early development of the double-entry system may be traced. Chatfield [1977, pp. 19-31], in his chapter on medieval account keeping, described both government and manorial accounting and the importance of the agency relationship. Harvey [1999] has analyzed the forms of written manorial accounts and identified three broad phases in the development of written manorial accounts (see below). Concepts of profit have been explored by Stone [1962] and Postles [1994], and arrears and the *excessus* balance have been examined by Postles [1981] and Noke [1994]. These studies have been overwhelmingly concerned with manorial accounts. This paper, in contrast, is based upon a series of bursars' accounts and related documentation.

SOURCES OF RECEIPTS AND TYPES OF EXPENDITURE

The various sources of receipts and types of expenditure are described to demonstrate the number and variety of transactions which required monitoring and recording. The major sources of receipts can be seen in Table 1. They may be classified into four types: rents, labor, and customary dues from tenants living on lands owned by the priory; tithes due from appropriated parishes; various other receipts; and, finally, borrowings.

The rents from lands, mills, and fisheries due to the priory from its estates appear to have fallen due twice a year at Pentecost and Martinmas, although a rent was not considered over-

TABLE 1
Extracts from the Bursar's Account Rolls of Durham Cathedral Priory 1278-1398:
The Components of Income

	1278-79	1292-93	1297-98	1310-11	1318-19	1329-30	1338-39	1349-50	1359-60	1368-69	1379-80	1389-90	1397-98
	£	£	£	£	£	£	£	£	£	£	£	£	£
Martmas Dues	205	299	309	336	356	258	325	312	326	351	347	350	351
Pentecost Dues	113	299	313	334	351	265	329	300	339	350	336	350	349
Sale of Tithes: inf. aq.	-	398	298	329	249	84	198	83	247	264	175	266	282
Sale of Tithes: ext. aq.	-	874	333	574	90	272	92	93	58	130	91	79	89
Various receipts	-	159	137	729	210	308	484	400	539	517	729	334	416
Bondagia	-	-	-	-	-	-	-	-	44	64	83	91	90
Operaciones	-	-	-	-	46	20	-	-	12	48	44	41	38
Borrowings	-	344	-	158	21	351	141	20	126	-	274	158	-
Receipts in advance	-	-	-	-	-	342	48	4	-	-	-	-	-
Other	585	-	-	-	-	-	-	-	-	-	-	-	-
Total	903	2373	1390	2460	1323	1900	1617	1212	1691	1724	2079	1669	1615
Arrears B/f	115	1368	2236	3700	17	1309	160	263	348	958	1427	1466	2032
Cash in hand	68	-	-	-	-	-	-	-	-	-	-	-	-
Total expected receipts	1086	3741	3626	6160	1340	3209	1777	1475	2039	2682	3506	3135	3647

Source: transcribed account-rolls, see text

due until the subsequent due date had arrived [Lomas and Piper, 1989, p. 11]. Pentecost is a moveable feast which falls seven weeks after Easter. Martinmas falls on November 11. Other receipts, such as *wodladpennies*, due at Pentecost and presumed to be in lieu of labor in the woods or loading or providing wood, arose on only one of the due dates [Fowler, 1900, p. 988; Lomas and Piper, 1989, p. 221]. With the exception of the years 1278-1279 and 1329-1330, the total due at Pentecost and Martinmas seems to have remained within a consistent band of £300 to £350.

However, tithe income, as might be expected, was more volatile. In each parish a tithe or tenth of all production was payable to the parish priest.³ Durham Cathedral Priory controlled a number of parishes and was entitled to their tithes, which were payable in kind, and the bursars' accounts reflect either the sale of the produce received or the sale of the right to receive the produce. Tithes *infra aquas* arose from the area between the Tyne and the Tees; those from further away were labeled *extra aquas*. The volatility of tithe income in the accounts reflects not only the fluctuations in harvests, but also decisions as to how much to sell and how much to consume.

Varie recepte (various receipts) included receipts from more distant lands administered by a proctor, such as those in Scotland and Norham; profits from the halmote and free courts; and sales of wool, corn, livestock, and wood. Again, *varie recepte* comprised a volatile source of receipts, a volatility which reflected decisions such as whether stock should be held or sold and the prevailing market prices. *Operaciones* and *bondagia* made their appearance in the accounts under their own headings as customary labor dues commuted for money payments.

Mutuaciones (borrowings) appear regularly throughout the accounts, again showing great volatility from year to year, as do *premanibus* (payments received in advance). Both on occasion form a significant proportion of receipts for the year. The accounts identify the source of the loan by the name or position of the lender but provide little other information as to the term and conditions of the loan. Some loans were raised internally from the prior and other officials of the house; others came from external sources such as those from the dean of York in 1292-1293 or from the wool merchant Thomas del Holme in 1329-1330.

³ Moorman [1945, pp.115-116] provides an outline of the origins of the system of tithing and of its rigorous enforcement.

The types of expenditure incurred by the bursar's office are summarized in Table 2. *Garderoba* (wardrobe) included expenditure on clothing for the monks' retainers and servants, and spices and delicacies for the refectory table. Purchases of livestock were listed by category: horses, cattle, pigs, lambs, and sheep. Purchases of grain included wheat, malt, ale, oats, peas, and beans. *Marescalia* comprised horse-related expenditure. *Expense necessarie* (necessary expenses) could include parchment, slippers, boots, locks, barrels, and serving vessels among other items; and *minute expense* (small expenses) included smaller amounts for items such as the carrying of letters. *Contribuciones* (contributions) reflected the demands of royal and papal taxation. Tithes expenses recorded the costs of collecting, transporting, and storing tithes. *Condonaciones* represented the waiving of amounts due to the priory from its tenants. Tallies typically comprised payments to the cellarer for the purchase of provisions for the sustenance of the brethren, and to the *servientes* (officers who supervised the manors on behalf of the priory) for the payments necessary in the day to day administration of the manors.

The categories of receipts and expense outlined above neither constitute an exhaustive list nor do they appear in every account-roll. On occasion, the headings change, but the variety illustrates the complexity and number of cash transactions entailed in the administration of Durham Cathedral Priory.

THE FORMAT OF THE ACCOUNTS

Harvey [1999, pp. 25-40] has analyzed the forms of written manorial accounts and identified three broad phases in the development of written manorial accounts: an early phase (c.1200-c.1270) with diverse forms; a second period (c.1270-c.1380) that featured great standardization and detail; and a final phase (c.1380-c.1530) in which the accounts are less detailed. This next section analyzes the form of the bursars' accounts at Durham Cathedral Priory, examining the titles given at the head of the accounts, the order of items within, and the use of headings and totals.

The title of an account could be written in a plain hand or elaborately on occasion. Illustrations 2 and 3 provide examples from the rolls of 1278-1279 and 1390-1391. The first existing account of 1278-1279 is headed "*Compotus W. de Norton a die Sancti Wilfridi in Hyeme anno gracie mcclxx octavi usque in diem Sanctorum Processi et Martiniani*" (The account of Walter

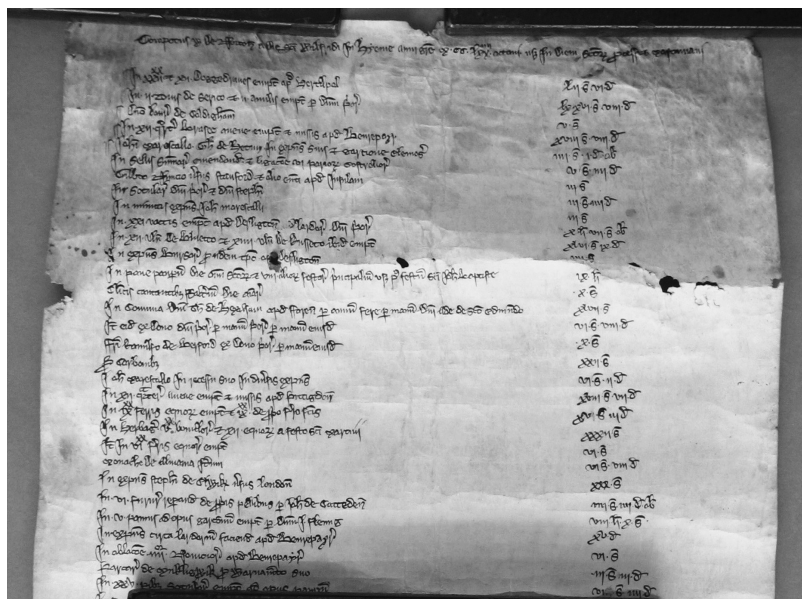
TABLE 2
Extracts from the Bursar's Account-Rolls of Durham Cathedral Priory 1278-1398:
The Components of Expenditure

	1278-79	1292-93	1297-98	1310-11	1318-19	1329-30	1338-39	1349-50	1359-60	1368-69	1379-80	1389-90	1397-98
	£	£	£	£	£	£	£	£	£	£	£	£	£
Garderoba	25	196	190	206	64	120	142	87	102	142	62	92	72
Wine	74	81	-	13	24	43	23	44	23	24	37	32	39
Livestock	50	82	29	102	19	106	78	49	63	41	158	18	25
Grain	8	77	30	164	125	478	186	79	282	411	464	330	611
Marescalia	7	4	20	33	15	34	46	18	19	35	32	40	20
Visitis: manors & cells	93	101	103	205	21	43	69	43	57	44	24	39	29
Alms and Gifts	20	47	27	44	32	16	8	11	24	32	23	35	17
Necessaries	7	152	24	n/a	10	70	107	23	53	151	124	220	55
Minute	5	1	6	7	3	5	2	2	3	5	6	14	5
Building	49	79	22	49	34	41	53	34	145	155	101	105	67
Fuel	13	40	20	38	14	22	18	16	11	15	18	17	15
Pensions & stipends	97	94	65	56	42	30	59	41	69	82	81	65	107
Contributions	50	41	4	-	-	-	58	1	30	1	45	-	9
Tithe expenses	-	3	29	14	6	-	6	17	1	7	4	-	-
Condonaciones	-	-	-	-	-	3	4	5	33	47	33	35	5
Debt repayment	20	378	103	694	386	384	286	50	169	138	100	152	101
Tallies	109	735	509	878	329	347	408	407	403	371	407	372	340
Other	421	34	82	107	-	91	8	-	-	-	-	-	-
Total	1048	2145	1263	2610	1124	1833	1561	927	1487	1701	1719	1566	1517

Source: transcribed account-rolls, see text

ILLUSTRATION 2

The Head of the Account-Roll of 1278-79



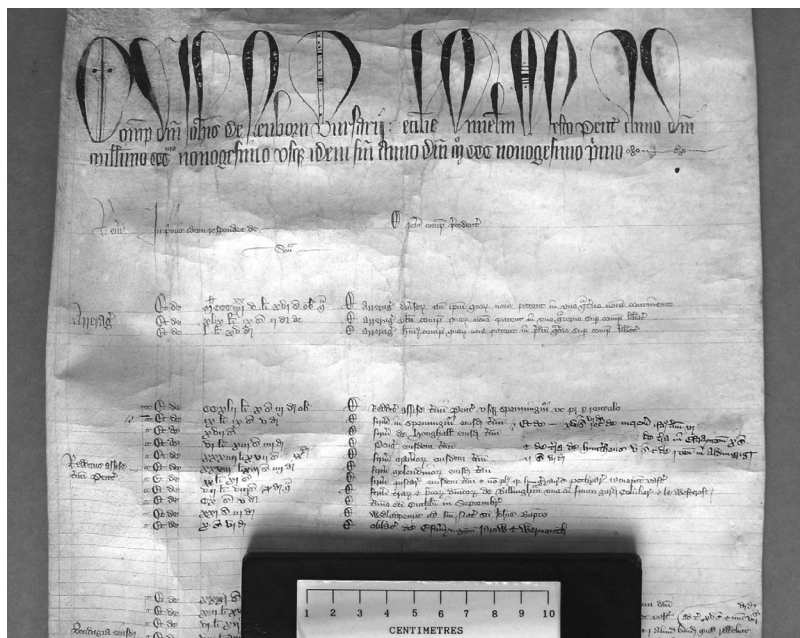
of Norton from St Wilfred’s day in winter in the year of grace 1278 to the day of Saints Processus and Martinianus).⁴ The next extant account lacks the start date of the account: “*Comptus fratris R. de Mordon Bursarii Dunelmensis die lune proxima post festum beati michaelis archangeli anno graciae mcc nonagesimo tercio*” (The account of Ralph of Mordon on the Monday next after the feast of the blessed Archangel Michael in the year of grace 1293), but it does specify that the person in whose name the account is prepared holds the office of bursar of Durham. This indicates a desire to aid those reviewing accounts to be certain as to what they were seeing, and to enable them to find the correct account more quickly. In later years, it is usual for both the start and end dates of the account to be given. The roll of 1310-1311 is entitled “*Comptus domini Thome de Hesswell bursarii a domenica proxima post festum sancti michelis anno domini millesimo cccx usque ad festum santi martini anno domini millesimo cccxi pro annum integrum et vi septimanas*”

⁴The Latin of the accounts is often in abbreviated form. In quotations from the account-rolls, apart from cash items where li, s, d, ob, and q have been retained, the Latin has been extended.

(The account of Dominus Thomas of Haswell, bursar, from the Sunday next after the feast of St. Michael in the year of our lord 1310 until the feast of St. Martin in the year of our lord 1311, for a full year and six weeks). Thus, it is clearly explained that this

ILLUSTRATION 3

The Head of the Account-Roll of 1390-91



account runs from October 4, 1310 to November 11, 1311 for a period in excess of a year.

The period covered by each account is typically for a full year, but if the office-holder changed during the year, an account was prepared up to the date of departure. This illustrates the personal nature of the office and of the associated accountability, in keeping with traditional charge and discharge statements. The office itself was not required to prepare accounts for a certain period on a certain date. For example, it seems that on January 9, 1317, only nine weeks after an account was rendered for the year to November 11, 1316, Alexander of Lamesley submitted another set of accounts for the nine weeks, having been replaced in office by John of Harmby who then presented a set of accounts covering the period January 9, 1317 to January 8, 1318. Account-rolls with a year-end of Martinmas

(November 11) are found regularly until 1360. Thereafter, Pentecost was common until 1374, Michaelamas (September 29) until 1388, and Pentecost again until 1398. The period covered by an account-roll often tends to reflect the date on which a bursar assumed office rather than a consistently imposed date.

Within the accounts can be discerned a gradual formalization. The first account of 1278-1279 commences with a list of individual expenses not grouped by category and not arranged in any apparent order. Foodstuffs, clothing materials, cash payments, travel expenses, livestock purchases are all itemized in a seemingly random order with an occasional sub-total. However, after approximately 130 entries, a heading *expense prioris extra* (expenses of the prior outwith the priory) does appear. Beneath this heading are listed the expenses incurred as he visited the priory manors, followed by a sub-total labeled *summa coquina extra* (total of external kitchen expenses). The account-roll continues with purchases of wine and fuel; some payments *pro pace facta* (for making peace, or settling a dispute); single entries for the payments of pensions and stipends at Martinmas and at Pentecost; and ends with *expense per tallias de maneriis et aliis* (expenses by tally to the manors and others). The expenses section concludes with *summa totalis expense* (sum of all expense). Receipts are then considered in a section which is much shorter than the expenses section and comprises only some 34 lines. This starts with *In bursa* (in the purse, i.e., cash left over from the account of the previous year), followed by a list of receipts some of which are evidently summarized totals and others individual amounts. The first receipt, *recepte per magnum cirographum* (receipts from the great chirograph⁵), relates to receipts of arrears. Unfortunately, the great chirograph has not survived, but it appears to have been a document upon which were recorded all arrears due to the priory. This is followed by *recepte de rotulo sancti martini* and *recepte de rotulo Pentecosti* (receipts from the rent-rolls of Martinmas and Pentecost). From the proctors of the estates in Northumberland and Scotland are received amounts with and amounts without a supporting chirograph. Then a total of receipts is given, followed by *et sic remanent in bursa* (and so there remains in the purse). Within the account, expenses have been totaled, cash held at the start of the account has been added to receipts for the period, and from this the total expenses have been subtracted to arrive at a cash total carried forward. These references to amounts held in the purse are not

⁵A chirograph is a formal handwritten document.

present in subsequent accounts.

The second extant account is from 1292-1293, has a grander and more florid title, and is more clearly ordered and makes much greater use of headings. The account deals first with receipts and then with expenses, a pattern repeated in all the subsequent accounts surveyed.

The roll begins by listing all the arrears and debts due to the house at the start of the period for which the bursar has responsibility for collecting. That these sums refer to all amounts due rather than to cash sums actually received is indicated by two factors. First the phrase, "*Idem reddit compotum de dccxlvi li iiiis viid ob de **omnibus contentibus** in cyrograffo usque in diem Sancti Martini anno domini mcc nonagesimo secundo*" (The same person, i.e., the bursar Ralph of Mordon, renders account for £746.4s.7½d. for **all the contents** of the chirograph up to Martinmas in the year of the lord 1292), relates not just to amounts received but for everything owed to the bursar's office. Second, at the close of the account when total expenses have been deducted from total receipts, which in the absence of other adjustments would leave a cash balance to be displayed and counted at the audit, a series of deductions are made including "£1,577.9s.3d. remaining on the great chirograph." This indicates that this amount was outstanding in the form of arrears at the end of the account, probably including some or all of the arrears due at the start of the account augmented by further arrears which had occurred during the year just past. The amount of arrears actually received is not shown directly as a receipt within the account. In fact, it is not possible to determine what proportion of the receipts relates to current year dues and how much to arrears. An indication as to whether the bursar's office was experiencing improvements or deteriorations in its credit control can be calculated by comparing the opening arrears balance due shown at the start of the account with the closing amount. An increasing balance showed a deterioration and a decreasing balance the converse. In the year 1292-1293, the net increase in arrears was some £811 which represented 34% of total new receipts due to be received in that year.

After arrears come the rents due at Martinmas and at Pentecost, tithes, receipts from the sale of wool and from the various courts held by the priory, and a number of loans. The receipts section ends with a grand total of all receipts.

Expenses at first sight appear less well ordered and labeled; only one heading *Tallie* is given. However, many of the entries appear as account headings in later rolls and, in fact, what is

shown here is an abbreviated set of expenses showing only the sub-totals of particular expense categories. Thus, we have entries for *garderoba*, horses, cattle, and traveling expenses, all of which appear regularly as subheadings in later accounts. There follow two sections disclosed and sub-totaled separately – the payments by tally to the cellarer, granator, and manor officials and the payment of debts of the preceding account.

The concluding section again subtracts total expenses from total receipts to state: “*Et sic excedunt recepte expensas in mdiiii^{xxvi} li xis xid*” (and so receipts exceed expenses by £1,596.11s.11d.). In the absence of further adjustments, this figure would have been the increase in cash which the bursar ought to have been able to demonstrate at the audit. However, the following phrase is found: “*De quibus se exonerat de*” (from which he, the bursar, excuses himself from). Typically, he excuses himself “*de mdlvii li ixs iiii remanent in magno cyrograffo*” (from £1,557.9s.3d. remaining on the great chirograph, the roll on which all arrears were recorded). Once all *exoneraciones* have been deducted (these totaled £1,587.8s.3½d.), the bursar is said to owe £9.3s.7½d., of which he could produce only 4s.10d. remaining in his purse, so he *debet de claro* (owes clear) £8.18s.9½d., which amount was *condonantur* (forgiven).

The accounts that followed tended to conform to the overall layout described above, with the occasional addition or removal of new or defunct categories of receipt or expense. The use of tighter definitions in the title – the name of the office-bearer, his office, and the period of account including the start and end dates and the length of the period – all illustrate a concern for greater precision. The use of standardized headings, in a consistent order, for specific categories of receipts and expenditure combined with the provision of sub-totals for each heading, and the adoption of a consistent form of *balancing off* at the end of the account, rendered the accounts more readily comparable from year to year. It also enabled a reviewer to identify more quickly unusual fluctuations and to appreciate more readily the net surplus or deficit position for the year. In this respect, the bursars’ accounts of Durham Cathedral Priory mirror some of the changes observed by Harvey in manorial accounts in that diverse forms were superseded by a standardized format, a change also reported by Saunders [1930, p. 152] at Norwich Cathedral Priory. A detailed comparison of accounting at Durham with that done at other houses would shed light on the extent to which monastic houses adopted similar forms or alternatively pursued their own individual standardized models.

THE FINANCIAL POSITION

Table 1 gives an indication of the amount of receipts which the bursar was charged with receiving. That amount was always in excess of £1,000 and at its highest in 1310-1311 reached £6,160. Total expenses (Table 2) were somewhat less volatile, ranging from just under £1,000 in 1349-1350 to £2,610 in 1310-1311. A simple comparison of the two amounts gives a surplus for each year as illustrated in Table 3 (line 3). The surplus averages £1,302, 45% of average receipts of £2,879, which would appear to show an extremely healthy financial position with a steady accumulation of cash.

However, if the arrears which the bursar did not receive in the year of the account are subtracted from total receipts due, a much lower level of actual receipts is indicated (Table 3, line 5). After expenditure is deducted from actual receipts, the revised surplus (Table 3, line 7) is well nigh eradicated, falling to an average of £23 or 1% of the revised receipts figure. Indeed, in six of the 13 years examined, receipts and expenditure are so finely matched that the surplus is £4 or less (0.25% of average receipts). The need to adjust for arrears has not always been appreciated. For example McKisack [1959, p. 305] quotes annual receipts of over £3,000 in the Durham bursar's rolls for 1293, 1295, and 1297, without deducting the large sums of arrears due from debtors which were carried forward from year to year and included each year within the total receipts figure.

One year (1389-1390) actually reveals a deficit, which also raises the question of how the bursar expended money which he had not received. Goods bought on credit were often reflected within receipts as *mutuaciones* as well as in the relevant expense category. This deficit may reflect an error in the accounts or a source of cash undisclosed in the accounts. The account itself notes "*Et sic superexpendit*" (and so he, the bursar, overspent), but no explanation is offered of how this has occurred. It must be assumed that the accounts contain an error or omission, or that the bursar had access to another source of funds, or that some items listed as expenses had not actually been paid, an occurrence noted elsewhere in manorial accounts [Postles, 1981; Noke, 1994].

Why do actual receipts and expenditure appear to be so closely matched? Alternative possible explanations for this are that either receipts were tailored to expenditure and adjusted to match expenditure needs or that expenditure was tailored to the receipts available to be spent. To advance this question, the

TABLE 3
Extracts from the Bursar's Account-Rolls of Durham Cathedral Priory 1278-1398
Overall Receipts and Expenditure

	1278-79	1292-93	1297-98	1310-11	1318-19	1329-30	1338-39	1349-50	1359-60	1368-69	1379-80	1389-90	1397-98
	£	£	£	£	£	£	£	£	£	£	£	£	£
Total Receipts Due	1086	3741	3626	6160	1340	3209	1777	1475	2039	2682	3506	3135	3647
Total Expenses	1048	2145	1263	2610	1124	1833	1561	927	1487	1701	1719	1566	1517
Surplus	38	1596	2363	3550	216	1376	216	548	552	981	1787	1569	2130
Arrears of and bad debts	-	1587	2359	3546	216	1375	215	473	410	937	1786	1615	2107
Total Actual Receipts	1086	2154	1267	2614	1124	1834	1562	1002	1629	1745	1720	1520	1540
Total Expenses	1048	2145	1263	2610	1124	1833	1561	927	1487	1701	1719	1566	1517
Surplus	38	9	4	4	0	1	1	75	142	44	1	-46	23
Borrowings	n/a	344	0	158	21	351	141	20	126	0	274	158	0
Repayments	20	378	103	694	386	384	286	50	169	138	100	152	101
Payments received in advance	-	-	-	-	-	342	48	4	-	-	-	-	-

Source: transcribed account-rolls, see text

fixed and variable elements of receipts and expenditure need to be considered. Receipts comprised many fixed elements – customary dues and rents, although increments were possible in the latter, and labor dues that could be commuted for a money payment. Tithes depended upon the quantity and quality of the harvest, although again the rights to tithes for a defined period could be sold for a fixed sum. Variable elements, which the bursar could control to a certain extent, included the raising of loans and the sale of the produce of the lands of the priory. The sale of tithes and the produce of the priory estates could also be sold *premanibus* (in advance) should cash be needed urgently. On the expenditure side, a certain minimum sum would be needed for the running of the house and the sustenance of its members, although this could perhaps be reduced by a concerted effort by the priory to live off its own produce. Investment in land improvement, new stock, and building work could be halted or deferred if necessary. The repayment of debts would reflect the terms of the agreement with the lender.

Over the period 1278-1398, there is considerable volatility around the average revised receipts (£1,600) and expenditure (£1,577) levels seen in the accounts selected. The range varies from £1,002 (1349-1359) to £2,614 (1310-1311) for receipts and from £927 to £2,610 for expenses with the low and high points occurring in the same years as those for receipts. The raising of debt and its repayment may throw some light on whether receipts or expenditure were the predominant force in any one account, the assumption being that increased borrowings and the receipt of income in advance might be necessitated by higher levels of expenditure. Alternatively, higher levels of unassigned receipts might enable the repayment of debt. For example, in 1329-1330, the borrowing of £351 and the receipt in advance of £342 might suggest that the raising of finance was necessary to meet expenditure commitments. Alternatively, the accounts of 1310-1311, which show a net debt repayment of £536, might indicate that surplus receipts were being used to free the house from debt. It may well be that the alternative scenarios suggested occurred in different years as the fortunes of the priory fluctuated.

Loans appear to have been used for short-term as well as longer-term funding. In the accounts of 1330-1331, for example, can be seen within a single year, both borrowings from and repayments to individual lenders such as John de Vescy and William of Hilton, suggesting these sources were used to cover short-term liquidity needs. The "*Recepte fratris Willelmi de*

Hexham" of 1330-1331 may be a chronological listing of items with periodic sub-totals which could have been an attempt to monitor cash flows during the year. An examination of a longer consecutive series of account-rolls, such as those covering the period from 1328-1340, and an analysis of receipts, expenditure, borrowings, and repayments therein may offer further insight into financial planning and cash budgeting at Durham Cathedral Priory. A review of other non-accounting material, such as the priory registers, may also provide background information on the financial state of the priory and the factors which may have led to changes in accounting practices. What can certainly be asserted at this stage, however, is that the finances reflected in the bursars' accounts were finely tuned to ensure that receipts and expenses were on the whole in equilibrium with a small surplus being generated. This fine tuning highlights the importance of adequate financial controls to ensure that income was maximized and that the necessary funds were available to meet expenditure needs.

CONTROLS

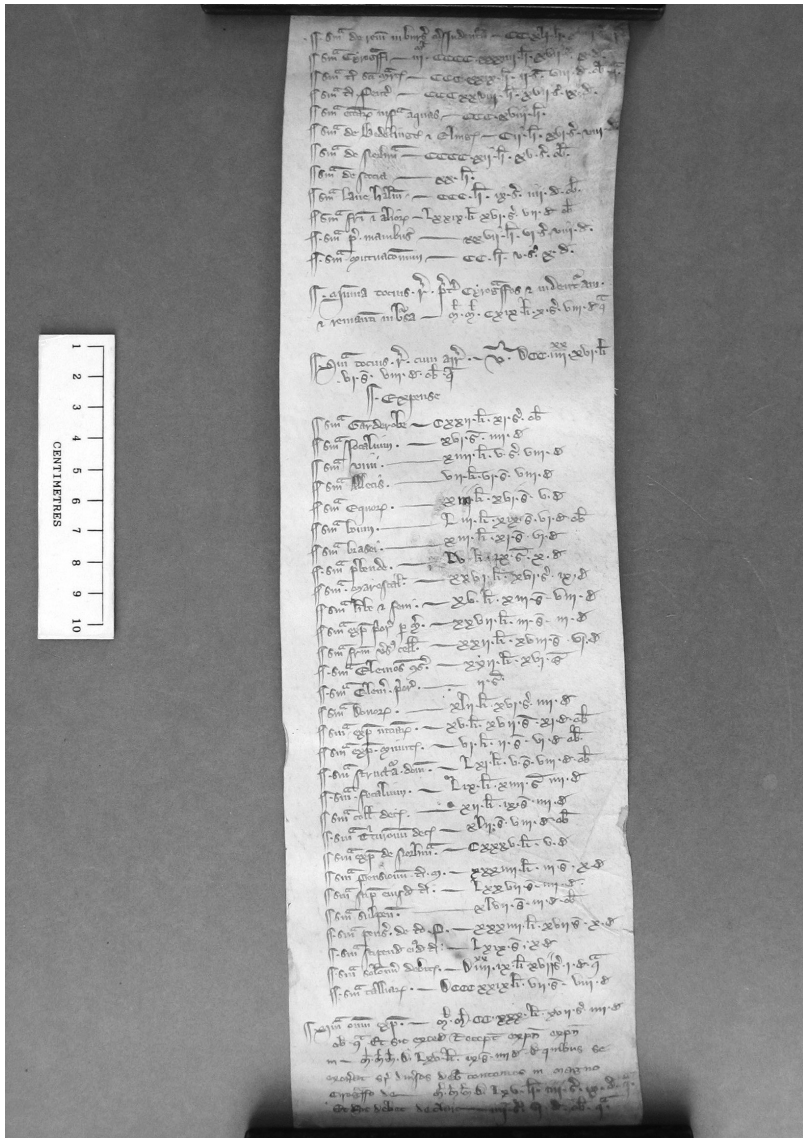
Controls within and around the account-rolls include the separate disclosure of different categories of items, the increasing precision in narrative description, the explanations offered for perceived variations from expected outcomes, balancing off, arithmetic accuracy, auditing, cross referencing to supporting schedules, and the monitoring of debtors and creditors.

The compotus rolls themselves constituted a financial control. The increasingly consistent format of the accounts, the regular order in which items were disclosed, and the use of sub-headings and sub-totals for each category of receipts and expenditure made the identification of missing categories easier and facilitated the comparison of amounts between years. Many of the account-rolls were many feet in length, and so it would not have been easy to gain an overall picture of a year's receipts and expenses at a glance. However, there survives a small indenture, some four and a half inches wide (Illustration 4), which comprises a list of all the sub-totals for an account. It has no title, but it evidently relates to the year 1313-1314 because its totals agree with the detailed account-roll for that year. It reduces the account for the year to 45 lines and would have enabled a reviewer to scan all the categories of receipts and expenditure and to form readily an impression of the inflows and outflows.

For a number of years, more than one copy of the account

ILLUSTRATION 4

The Summary for 1313-14



exists. The importance of retaining duplicate copies in different places was realized at an early date. The statutes of Prior Thomas of Melsonby of 1235 dictate that two copies of rent-rolls should be made so that if one be lost, the other might still be

consulted [Raine, 1839, pp. xxxix-xl]. It seems likely that at least two copies of an account would have been prepared, one to be kept by the officer rendering the account and one to be kept centrally. Where two accounts from the same year survive, they are not always identical. One may contain alterations perhaps made by the bursar, his scribe, or the auditors. Further detailed work may reveal the order in which different versions of the accounts were prepared, and which changes were made by the accountant and which imposed by the auditor.

Within the *compotus* rolls, it was felt necessary to highlight and disclose separately different categories of receipts and expense. In the 1292-1293 roll, loans to the bursar are included under *varie recepte*, whereas in later rolls, they are headed *mutuaciones*. Likewise payments received in advance are given their own heading of *premanibus* in later accounts rather than being included within the relevant receipts category as happened in some of the earlier accounts. Both of these disclosures were important as they represented prior claims on the future income of the house.

Within individual account categories, there is a trend towards increasing detail and more precise description. The 1310-1311 account discloses "45 quarters of oats bought, £7.17s.6d.," whereas an account of 1333-1334 provides not only the total price, £18.15s., of the 60 quarters of malt bought, but also the price per quarter of 6s.3d. This enabled auditors to recalculate the total and to assess more readily whether the unit price was reasonable.⁶

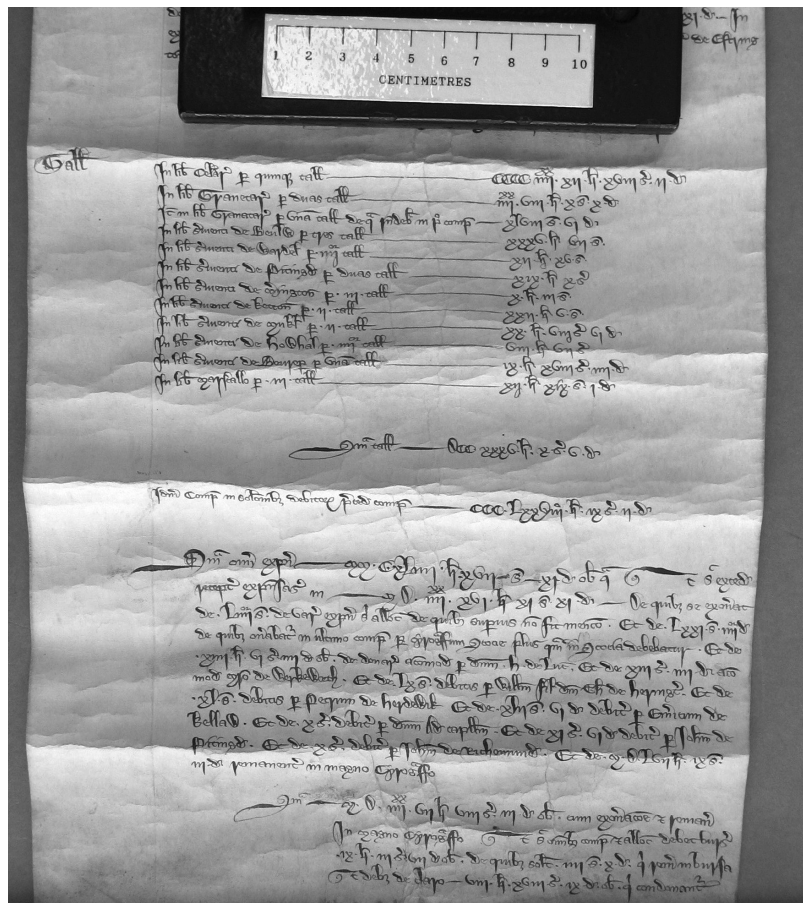
For items where there was an apparent shortfall, an explanation is often given on the face of the account. The phrase "*et non plus quia*" (and not more because) is frequently encountered. Thus, the 1310-1311 account states "£54.6s.8d. received from the tithes of the parish of Hesleden and not more because the tithe of Hesleden itself was sold for malt."

The balancing off at the foot of the account-rolls was done very much with the auditors in mind. Illustration 5 provides an example from the account-roll of 1292-1293. A total for payments was subtracted from a total for receipts, and the bursar was expected to be able to produce any surplus remaining or to explain its absence. These *exoneraciones* (explanations) in the

⁶The formulary of Beaulieu Abbey, which served as a guide for auditors, provides a table of standard costs for foodstuffs and clothing which could be compared to actual prices paid and received [Hockey, 1975, pp. 52-55; Harvey, 1999, pp. 26-27].

ILLUSTRATION 5

The Balancing-Off Section at the Foot of the Account-Roll of 1292-93



main took the form of arrears of income not actually received.

Once all *exoneraciones* had been offered and the bursar had acknowledged that he owed a certain amount, any portion of this amount which he could not deliver in cash tended to be condoned. In the 1292-1293 account, this *condonacio* is for almost £9, a significant sum, and probably not a level with which rigorous auditors would have been satisfied. It is the largest *condonacio* found in the accounts surveyed. Later *condonaciones* are for much smaller amounts – 26s. in 1297-1298, 28s. in 1310-1311, 4s. in 1318-1319, 7s. in 1329-1330, and 5s. in 1338-1339. Subsequently, *condonaciones* disappear and any amount

remaining is carried forward and appears as an opening balance in the receipts section of the following year's account. Thus, at the end of the 1349-1350 account, the bursar, John of Newton, "owes £74.18s.4¼d. for which he will give account in the next account-roll." This is confirmed at the start of the account-roll for 1350-1351: "the same renders account for £74.18s.4¼d. remaining from the closing balance of the account of the preceding year as appears at the foot of the same account." This may be seen as evidence of a tightening-up by the auditors. Properly kept and complete accounts should not require the *condonacio* of lost revenue or unrecorded expenses.

Arithmetic accuracy was of vital importance in presenting meaningful accounts, and a recalculation of the arithmetic of the balancing-off sections has not revealed any significant errors. However, other studies have revealed frequent arithmetical errors [Threlfall-Holmes, 2005, p. 31]. It could be that remaining accounts are not always the correct final version, or that errors have entered an account during careless copying from a correct version. The 1313-1314 roll includes the purchase of a *computatorius* for 6d. There is some doubt as to the precise definition of a *computatorius*, but it was likely to have been an item to assist in arithmetic calculations, perhaps a table or cloth marked with divisions for calculating totals.

That the accounts should have been audited is not in doubt. Innocent III (1198-1216) required the submission of annual accounts by the superior and officials of a house, and Gregory IX (1227-1241) included the requirement for these to be audited in his statutes of 1235-1237 [Knowles, 1948, pp. 57-58]. The efficacy of the audit would have depended on the knowledge and experience of those auditing. It seems likely that at Durham as in other houses, the accounts were heard and reviewed by a body of senior and experienced monks. The presence or at least knowledge of the prior is indicated by an occasional reference to him at the foot of the account where the *condonacio* is said to be by his authority. Some priors are said to have had good financial skills. Prior Richard de Hoton (1290-1308), for example, claimed to have augmented the revenues of the priory [Fraser, 1957, pp. 127-128].

The auditors' task was aided by the frequent use of references to subsidiary schedules and other accounts, directing their attention to the source of and breakdown for a figure as well as occasionally providing independent verification of the amount in an account prepared by a third party. In the 1310-1311 account, the phrase *visis perticulis* (according to the particulars)

appears some nine times in the expense section. Payments to and receipts from other priory officials could be checked with the amounts disclosed in their accounts. Thus, payments for expenses to the proctors of Norham and Scotland are described as “as shown in the account-roll of the proctor.” Payments to the manorial officials tended to be evidenced additionally by tally. The 1292-1293 roll includes “in payment to the manorial official of Pitlington by two tallies £19.10s.”

References to other supporting schedules are illustrated in the account of 1278-1279 which provides very brief details of receipts but directs the reader to the source of the information. Thus, receipts of arrears can be checked to the *magnum cirograf-fum*, the amounts due at Martinmas and Pentecost could be vouched to the *rotulus sancti martini* and the *rotulus pentecost*. Two such rolls survive from 1270 and 1273 [Lomas and Piper, 1989, pp. 21-29]. Detailed schedules listing the receipts from the sale of tithes survive for many years, and the totals from these correspond to the summarized totals included in the account-rolls.

Much of the emphasis within the accounts is on actual receipts and expenditure. However, the bursars also needed to be able to record and account for transactions which would be settled in future periods. Procedures were developed for the monitoring of both debtors and creditors – the listing, review, and updating of arrears; the writing off of irrecoverable amounts; and the periodic listing of all loans contracted by the house.

In the consideration of the financial position (see above), it was noted that there was a significant difference between the receipts with which a bursar was charged and the amount which he in fact received (the difference arising from opening and closing arrears). The accounts reflect a growing awareness of this distinction in that until 1297-1298, a single sum total of receipts, including arrears brought forward, is given. However, in the account of 1310-1311 and thereafter, two totals are provided at the conclusion of the receipts section of the accounts, one relating to all the receipts except the arrears from prior years and the other including all receipts due including the arrears from prior years.

As can be seen in Tables 2 and 3, the level of arrears exceeded £3,500 in 1310-1311. The monks as guardians of the assets of St. Cuthbert had a duty to gather and to protect his revenues, and thus, the monitoring of arrears was an important issue [Dobson, 1973, pp. 11-13]. Arrears were recorded on the *magnum cirograffum*. Between 1292 and 1318, this total appears

to have been included in the receipts due, which the then bursar was responsible for collecting. The total remaining on the *magnum cirograffum* at the end of the year was included in the *exoneraciones* at the end of the account. Such entries can be seen in the accounts of 1292-1293, 1297-1298, and 1310-1311.

The total amount of unreceived income for each *compotus* shows some striking features (Table 3, line 4) – a steady increase in arrears until 1318-1319, when a massive fall occurs; followed by an increase in 1329-1330, again with a subsequent drop in 1338-1339, after which a more or less steady rise is sustained until the end of the period. These fluctuations reveal changes in accounting practice. Whereas in previous years the bursar was charged with “all the arrears and debts contained in the great chirograph,” in 1318-1319, he accounts only for “receipts from the great chirograph” rather than the total amount of arrears. Consequently, at the end of the account under *exoneraciones*, he includes only the arrears arising from the current year. The reason for the change in accounting practice is not known. Perhaps it was felt that the inclusion of a large amount of old and perhaps irrecoverable debts was distorting the impression given by the accounts. As can be seen in Table 3, arrears dominated the receipts section of the accounts between 1292 and 1311.

However, after 1318-1319, there then seems to have occurred a reversion to the old accounting practice. By the time of the start of the 1329-1330 account, arrears have built up to £1,309, and the reference is to “*arreragiis contentis in cyrograffo*” (arrears contained in the chirograph) which sounds as though a new record of debtors has been opened and that the bursars are once again being charged with the full amount of arrears contained therein. The operation of a new record appears to be confirmed by references in the account of 1335-1336 to receipts “from the old and the new chirographs.” From the year 1335-1336, there also remains an indenture listing arrears received which shows that arrears as far back as 1315, presumably from the old chirograph, and also from more recent years between 1329 and 1333 had been collected. This suggests that these chirographs of arrears were maintained meticulously and regularly updated.

By the end of the period, the level of arrears has increased significantly. Total arrears are again being included rather than actual receipts. These arrears are identified with the name of the bursar during whose period of office they arose. Thus, the 1396-1397 account includes arrears from the periods in office of the current bursar, Thomas Lythe, and of his predecessors – John of

Newburn, Robert of Claxton, Thomas of Corbridge, and “John of Berrington and the others before him.” Thus, the policy of whether to include total arrears due, or the more recent arrears, or the actual receipts seems to oscillate, and by the end of the period under review, all arrears which have not been written off appear to be included within receipts once again.

Although arrears appear to have been left on the chirographs for long periods, a new approach of writing off irrecoverable dues seems to emerge in the late 1340s. An indenture headed “*Arreagia de quibus non est spes*” (arrears for which there is no hope), has survived from 1348. In the 1350-1351 account, new entries appeared in the *exoneraciones* section – decayed rents and waste rents. These balances are not entered into the head of the next account. Waste and decay were evidently considered irrecoverable as soon as they were identified.

Lists of individually itemized arrears, including arrears ordered by township for halmote court and rental arrears, survive from several years as do schedules itemizing the arrears actually received. These can be agreed with the main account-rolls. Likewise subsidiary schedules detailing the decayed or waste rents for a year survive, which again provide a detailed breakdown of the single figures included within the main account-rolls.

If the monitoring of arrears was important to ensure that all revenues due to St. Cuthbert were collected as far as possible, the monitoring of creditors or of borrowings was equally important to ensure that the house did not become overburdened with debt which it would be unable to repay. It can be seen that given the small surpluses run in most years, borrowings were an important and necessary source of funds. New loans were recorded under *mutuaciones* within receipts, and repayments were recorded under *soluciones debitorum* within expenses, but the compotus roll itself did not give an indication of the full extent to which the house was indebted.

Contemporary sources reveal that the house struggled with its level of debt. Prior William of Tanfield (1308-1313) temporarily withdrew assets from obedientiaries and used the proceeds to reduce debts [Cambridge, 1992, pp. 16-19]. An indenture of 1391-1392, evidencing the monies borrowed by Thomas Lythe, bursar, reveals a receipt “from the lord bishop of Durham under the common seal for the payment of old debts, £200.” In 1405, it was commented: “The goods, rents and incomes...have been so notoriously wasted that they no longer suffice to pay the usual debts and support the convent in all its necessities” [Dobson, 1973, pp. 250-251].

Lists of creditors remain from 1330, 1331, 1333, and 1343. The 1330 schedule starts with debts incurred by the bursar or house, some 70 to 80 items. This is followed by amounts due to manorial officials for the *superplusagia* (the excess of their expenses over receipts) on their accounts. Finally, debts incurred by the cellarers are listed by cellarer and year from 1307 to 1329, and a grand total of £1,277.4s.10½d. is given. This was a significant amount given that the receipts and expenses for the year 1329-1330 were £1,834 and £1,833 respectively.

Debts are not consolidated by creditor. For example, amounts due to the prior appear several times, indicating perhaps that these amounts were taken from a chronological listing rather than from a listing of individual creditors. These debts were carefully monitored as can be illustrated by an amount due to Thomas del Holme for £314.10s. which is listed in this 1330 account. Within *soluciones debitorum* of the 1330-1331 account, a sum of £156 is paid to del Holme, and in the list of debts compiled at the end of 1331, a new revised balance is shown. Further work on a greater number of accounts may allow a more revealing reconstruction of the net indebtedness of the house, clarify the need to raise debt finance, and identify attempts to control and repay the outstanding debt burden.

CONCLUSION

This paper has examined a sample of 13 accounts from the bursar's office covering the period 1278-1398. Sources of receipts, types of expenditure, and the format of the accounts have been described. An analysis of the accounts has allowed the calculation of the net surplus or deficit generated each year. This has revealed that once uncollected arrears have been excluded from receipts, the net surplus or deficit was of a very modest amount, and it appears that actual receipts and expenditure were very closely matched, indicating careful monitoring of the cash position. The accounts are largely concerned with receipts and expenditure, but an awareness of balance sheet issues is evidenced by the survival of schedules listing debtors and creditors. These and other schedules, accounts, and records provided a system of cross-checks, which enabled auditors, if they chose, to verify and confirm the accounts presented to them.

The preparation of this paper has also identified a number of areas for further investigation, including an examination of other accounts from obedientiaries, proctors, and manorial officials to ascertain the proportion of the total receipts and expen-

dition of the house accounted for by the bursar; more detailed comparisons of duplicate accounts to reconstruct their preparation and the audit process; an examination of consecutive accounts to draw out further information on the planning and cash management reflected in the bursars' accounts; a review of other original source material for this period, such as the priory registers, to seek information on the impetus behind accounting changes; and a comparison of accounting procedures at Durham with those of other houses for which records remain, such as Canterbury, Norwich, Westminster, Winchester, and Worcester.

The comment of Dobson [1973, p. 259] that the financial organization at Durham and other houses cries out for a thorough reassessment is still valid. This paper is very much an initial step in an area which offers scope for much further investigation.

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