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THE PLACE OF THE

SCIENCE OF ACCOUNTS

IN

Collegiate Commercial Education

A Paper Read at the Thirteenth Annual Meeting of the

AMERICAN ECONOMIC ASSOCIATION

University of Michigan, Dec. 28, 1900

BY

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[Reprinted from the Proceedings of the Meeting.]
THE REPORT OF THE COMMITTEE ON

UNIFORM MUNICIPAL ACCOUNTS AND STATISTICS

IS CONTAINED IN THE

PAPERS AND PROCEEDINGS

OF THE

THIRTEENTH ANNUAL MEETING

OF THE

AMERICAN ECONOMIC ASSOCIATION.

THE PLACE OF THE SCIENCE OF ACCOUNTS
IN
COLLEGIATE COMMERCIAL EDUCATION.

BY C. W. HASKINS, C.P.A.

Mr. President, and Gentlemen of the American Economic Association:

I am asked to address you on "The Place of the Science of Accounts in Collegiate Commercial Education." This title is worthy to head an exhaustive educational essay. For the convenience of a brief paper, we may say that it recognizes a place for the higher accountancy in the higher commercial education, and that it indicates the usual reformatory "stage of inquiry" as to what or where that place is.

Inquiry, to-day, is the attitude, in a special sense, of all economic thought. Acceptable leaders of affairs are they who "listen to the voices" and are not too characteristically dogmatic. Silent brain-forces, urged on by the shifting of conditions, are spreading their tents far over the borders of traditional authority. The right ordering of the march of modern material civilization, with its bewildering inter-relations of interests, is a living, breathing question, involving, day by day, a million-fold entanglement of ever new inquiries. And with the unravelling of these questions, extending from the adjustment of international commerce, down to the problem of auditing an auditor, our modern economics has set itself, I believe, modestly and patiently to deal.

Practical economics, in this listening and learning attitude, and scanning the horizon of the general welfare, has found a brother spirit in the teaching science; a
science at once conservative and cautiously progressive; notably in love with the past, but essentially solicitous of the future. And this coming together of the economic and pedagogical sciences is now taking the shape of a compact that what the one shall accumulate, the other shall disseminate; and thus we have the present movement for the higher commercial education.

This important subject of advanced commercial education, familiar to the nations of continental Europe, is least of all understood by our friends the English; while to the English, on the other hand, we owe the introduction into the United States of the profession of public accountancy. According to a recent review article by the Hon. James Bryce, the phrase "a commercial education" meant, in the England of but a few years ago, something "cheap and nasty;" and that it now means anything more respectable, is due, he says, "not to reflection on the part of Englishmen, but almost entirely to the example of foreign countries, and, in particular, of Germany, France and Belgium." Had Mr. Bryce been writing on specific education in accounting, he would doubtless have particularized also Italy; possibly also the Netherlands; and would, I think, have written France, with its bureaucratic "comptabilité," before Germany. To the three countries first enumerated, we also, in the United States, owe much of our interest in general commercial education; while on the other hand again, we are but little indebted to them for our knowledge of professional accountancy. On the whole, therefore, the question as to the place of accountancy in collegiate commercial education has not been answered in Great Britain, where, notwithstanding a sturdy Scottish and English professional accountancy, there was no general and comprehensive system of commercial education; it has not been answered on the
continent, where, notwithstanding otherwise admirable systems of commercial education, governmental bookkeeping has been too often the typical accountancy; and it must be answered in America, where conditions are evolving a profession of accountancy, side by side with a profession of economic administration.

I have often wondered what some Chaldaean schoolboy of the days of Abraham would have thought of such a condition of things. We are told by the young science of Assyriology that Babylonian education, at least seven thousand years ago, was entirely commercial. Professor Sayce, of Oxford, thinks that this education began at about the age of five years; and Professor Jastrow, of the University of Pennsylvania, says that whether preparatory to a governmental, religious, literary, or business career, it was commercial in character from beginning to end. Assyrio-Chaldaean education included a complete knowledge of the vast commerce of this commercial people; an art of accounting as advanced as their clay tablets would admit of; and a thorough knowledge of business law. Our belief in the progress of mankind is staggered as we listen to the faint words, "commerce, accounts and law," that fall through long milleniums upon this modern economic and educational questioning of ours. An outline of Chaldaean commercial law which I have in manuscript would almost seem to have been made from the precedents of our own times. Under "promissory notes," we read of abstract notes; of titled notes; of interest bearing notes, divided into those providing for the payment of the interest and those "containing debts remaining unpaid;" then of notes coupled with collateral contract, such as guaranty and mortgage—a mortgage, we are told, being always a first mortgage, and becoming "void upon payment of the debt." Business combinations are
divided into partnerships and joint stock companies; and we are told how they were formed, how they appointed their agents, and into what classes agents were divided and their legal powers and liability to third parties. The leasing of farm-lands, of water-lots, of houses, of all rural and urban properties was fully regulated; and all manner of payments, in money and in kind, in full, in part, in advance, with amount, date, and place carefully specified, were provided for. And all these, and the rest of a complete system of commercial law, were fully understood in the accountancy of those distant days.

We are attempting to answer this modern question in New York University. Our first thought was of a professional college of accountancy alone, which should cover all branches of the science and related studies, under university supervision and control. Then, as we became acquainted with this movement for the more general higher commercial education, and with the insistence of professional administration in the same direction, and the Council had consequently decided to add commerce and finance to our proposed curriculum, an alphabetical collocation was suggested of the words "accounts, commerce, finance," as giving a kind of ascending importance to the title of our new college. Finally, when the pivotal place of scientific accountancy was fully recognized, the euphonic arrangement, indicative also of the place of the science of accounts in collegiate commercial education, was chosen which has given title to our School of Commerce, Accounts and Finance.

This pivotal aspect of accountancy calls for serious consideration in the elaboration of curricula for collegiate, post-graduate and professional institutions of commercial education. Accountancy, indeed, is the viewpoint of economic administration; the "conning-tower"
of the ship in the battle of business. In the plotting of
the field, in the study of financial principles and meth­
ods of operation, the leaders of any business enterprise,
how small or great soever, and whether individual or co­
operative, private or semi-public, municipal or govern­
mental, ought always to be within ready reach of their
accounts, and to be able at any instant to "reference
back" to this central starting-point. Accountancy, in
its turn, as the vital gauge and monitor located at the
very soul-centre of affairs, must be able to answer intel­
ligently and instantly any question advanced from any
direction with regard to the past, present, or probable
future financial condition of an enterprise or of two or
more related enterprises. And the greater in magnitude
the enterprise and the volume of its business, and the
more complicated the relations, and hence the farther
removed from the grasp of the administrator in person,
the more imperative is the necessity for detailed scrutiny
and scientific control of financial accounts. And thus
has arisen among us an accountancy in the secondary
or higher educational sense, extending into an account­
ancy in the deeper scientific or post-graduate sense, and
further into a recognized public accountancy in the
strictly professional sense. And here, gentlemen, are
aspects of an important and importunate line of study
readily adjustable to every existing university system of
commercial or economic education.

If by the "place" of the science of accounts in this
education we understand its position in the curriculum,
as well as its importance as a study, I would refer again
to its easy adjustability; and I would add one word as
to the facility with which the embryotic accountancy
already found in our commercial courses may be ex­
panded to its just proportions. This science seeks not
so insistently a change of place in any educational sys­
tem as a due amplitude for the place already granted. Accountancy is a science, upon which is founded a recognizable profession on a plane with that of medicine, theology or the law. It follows then, that, keeping always in view the end or issue of any course of economic study, an enlargement and rounding out of the "accounting" now seen in European and American educational programmes will be at least a good continuation of a respectable beginning. I would therefore advocate, for the present, as my modest contribution to this day's consultations, not any radical change of place or relationship in this important study, but a broadening of conception of such character and magnitude as will bring within the sweep of the course, and within reach of our prospective professional public accountants and our future administrators and their assistants, a comprehensive knowledge, according to the various requirements of future individual calling, of the theory of accounts, of practical accounting, of the historical development of accountancy, of the higher auditing and intelligent investigation, revision and origination of methods of accounting, and of the relations of accountancy with commercial law and with municipal and general government.

I am somewhat loath, as a professional public accountant, and therefore a plain man of business, to offer advice which may seem to trench too closely on the peculiar province of the professional teacher, or to attempt the formulation of definitions that our lexicographers will yet gather better made out of the future writings of learned economists. I have been so often asked, however, to state what we mean by such expressions as "the higher accountancy," and what, with some degree of particularity, should be included in the study of this science, that I shall presume to venture one or two answering remarks in closing.
Accountancy is not bookkeeping; and the use of the qualifying terms "higher," "scientific" and the like, besides rendering our nomenclature less monotonous, enables us to emphasize this important distinction. "Un excellent teneur de livres," says the eminent author of *Manuel des Affaires*, "peut être un fort mauvais comptable." The routine writing up of account-books is an adjunct of financial and commercial activity with which the educated accountant must be thoroughly acquainted in its minutest details; but the phrase "an expert bookkeeper" is wholly misleading as to the aspirations of the informed and intelligent student of accountancy. He who understands the principles of this progressive, adaptable science would be able, under adverse circumstances, as the Chaldaeans did, to pick up a lump of clay and express thereon a recording system of his own. Let bookkeeping itself be studied in the light of accountancy, and you have, wherever the calibre of the student is equal to the condition, an originator of methods and modifications of methods of keeping track of accounts and complications of accounts, and of diagnosing diseases of business and prognosticating the course of financial conditions. Accountancy, upon occasion, enters an establishment and calls, first of all, it may be, not for books, but for some little dusty bundle of vouchers, or, perhaps, an out-of-the-way fact recorded in some corner of a private safe wholly outside the domain of the bookkeeper's knowledge. And thus, if necessary, it goes through the details of the entire enterprise, accumulating a knowledge of the vital conditions of income and outgo. Once the entire truth is known, accountancy is planted thereon as a rock, an impregnable fortress, and stands as a mathematical demonstration as unassailable as fate, an oracle to be consulted with sincerity and respect.
As to a definite course of instruction in accountancy, I shall only suggest that this study be closely correlated with courses in commerce and finance, and especially with commercial law and business administration; and that however crudely elementary its beginning, it include in its progress, or better, perhaps, from its first general conception, a philosophical grasp of the theory of accounts, of practical accounting, and of auditing. More specifically, the course ought to comprehend the principles and purpose of accounts; an examination of the various modern systems and books of accounts; a detailed description and illustration of the accounts of individuals; of partners; of commercial, financial, manufacturing, transportation and other corporations; of municipal accounts; of federal accounts; the study of receivership, trusteeship, executorship, liquidation; the making out of statements of affairs; the verification of balance sheets and statements of profit and loss; and the rendering of general and special reports. To these studies, New York University adds lectures in the history of accountancy; and also, on account of the favorable location of our school in the heart of a great city, as well as to accommodate certain legal requirements attaching to the profession of certified public accountancy, we have recommended to our students a coincident experimental study in the office of a scientific accountant. Our method of study is for the present founded upon the lecture system; I trust, however, the day is not far distant when the interest of pedagogical authorship will result in giving us a worthy series of text-books in accountancy adapted to use in the United States.
THE PAPERS AND PROCEEDINGS

OF THE

THIRTEENTH ANNUAL MEETING

OF THE

AMERICAN ECONOMIC ASSOCIATION

CONTAIN A DISCUSSION OF

COMMERCIAL EDUCATION.

These papers are: 1, The Relation of the Universities to Commercial Education, by Edmund J. James, Professor of Public Administration in the University of Chicago, sometime Director of the Wharton School of Finance and Economy of the University of Pennsylvania; 2, The Study of Economic Geography, by Lindley M. Keasbey, Professor in Bryn Mawr College (reported in abstract only); 3, The Place of the Science of Accounts in Collegiate Commercial Education, by Charles W. Haskins, C.P.A., Dean of the School of Commerce, Accounts and Finance, New York University.

These papers are followed by a discussion participated in by Frank H. Dixon, Secretary of the Amos Tuck School of Administration and Finance, Dartmouth College; William A. Scott, Director of the School of Commerce, University of Wisconsin; M. N. Baker, Associate Editor of The Engineering News, and others.
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