



SEEKERS OF TRUTH

The Scottish Founders of Modern Public Accountancy

T. A. Lee

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in the Development
of Accounting Thought
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THOUGHT VOLUME 9

SEEKERS OF TRUTH: THE SCOTTISH FOUNDERS OF MODERN PUBLIC ACCOUNTANCY

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For Katy, Joe, Erin, and Tilly
Also seekers of truth

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PREFACE

The origins of this biographical history lie in an earlier project that researched a Scottish chartered accountant called Richard Brown (1856–1918) (Lee, 1996). The modern history of institutional public accountancy was three years old when Brown was born, and he was Secretary of the Society of Accountants in Edinburgh (SAE) at the time of its fiftieth anniversary in 1905. He wrote a history of accounting to celebrate this event and included brief biographies of early Scottish accountants (Brown, 1905). Brown was a remarkable man. He was born to a relatively poor tenant farmer south of Edinburgh, apprenticed to one of the leading founders of the SAE, and established one of the best-known public accountancy practices of his time. He was a major influence in the development of the modern public accountancy profession in the UK. When he died in 1918, the First World War was coming to an end and accountancy institutions such as the SAE were well established and internationally renowned. These matters were intriguing and suggested that further research was needed about the Scottish accountants who founded the first modern institutions of public accountancy in the middle of the nineteenth century. The result was a seven-year project and a number of publications.¹ The current text is a pulling together of these contributions and reflects further research of each founder. It has been written during a period that included the one hundred and fiftieth anniversary celebrations of the Institute of Chartered Accountants of Scotland (ICAS) in 2004.

DEDICATION

This biographical history is dedicated to the memory of a small number of public accountants who practiced in Edinburgh and Glasgow more than one hundred and fifty years ago. The formation of the Institute of Accountants in Edinburgh (IAE later SAE) in 1853,¹ and the Institute of Accountants and Actuaries in Glasgow (IAAG) in 1854, were significant events in the history of Scotland's determination to retain its separate identity within the United Kingdom of Great Britain and Ireland (UK). Today, Scotland's legal and bank systems remain independent from those of the remainder of the UK. It has a national parliament in Edinburgh in addition to representation in the UK parliament in London and the European parliament in Brussels. The direct descendent of the IAE and IAAG is ICAS, which has survived several attempts to merge with similar bodies in England, Wales, and Ireland.² The text identifies those men who created the SAE and IAAG and laid the foundation for the continuing success of ICAS.

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PART I

INTRODUCTION

ROYAL LICENCE TO PRACTICE

That the business of Accountant, as practiced in Edinburgh, is varied and extensive, embracing all matters of account, and requiring for its execution, not merely thorough knowledge of those departments of business which fall within the province of the Actuary, but an intimate acquaintance with the general principles of law, particularly the law of Scotland; and more especially with those branches of it which have relation to the law of merchant, to insolvency and bankruptcy, and to all rights connected with property: that in the extrication of those numerous suits before the Court of Session, which involve directly or indirectly matters of accounting, an Accountant is almost invariably employed by the Court as an aid in eliciting the truth.

These few words are printed in the royal charter of incorporation received in 1854 by the Society of Accountants in Edinburgh (SAE, 1854, p. 2). The charter confirms that a small number of public accountants in Edinburgh had persuaded Queen Victoria's Privy Council and Scotland's Lord Advocate of the indispensable nature of their professional services within the Scottish legal system. The charter in effect was a statement of a significant economic and political accomplishment. It granted an élite of Edinburgh's public accountants not only the right to practice and self-regulate as a professional group, but also to do so with the approval of the Queen and her national government. The charter was without doubt a major success in a long-standing battle to recognise Scotland's uniqueness within the Act of Union of 1707 that created the UK.

The granting of the charter signified that sixty-one members of the SAE became "one body politic and corporate" by command of Queen's Court of Saint James. The charter was dated the eleventh day of December 1854 and signed on behalf of the Queen by Henry John Temple, third Viscount Palmerston (1784–1865). Temple was educated at the University of Edinburgh and UK Home Secretary from 1852 to 1855 when he became Prime Minister. The "one body politic and corporate" was the SAE and the

charter included a statement that the Queen was "satisfied that the intentions of the Petitioners are laudable, and deserving of encouragement" (SAE, 1854, p. 2). The charter was not quite a blank check to practice public accountancy. However, it provided social closure for a small community of experienced professionals. They had been caught up in a socio-economic transition in the nineteenth century of considerable historical importance to Scotland in the twentieth and twenty-first centuries. The country was changing from an independent, de-centralised and predominantly rural nation to one that was a district of an industrial, urban and centralised UK. In addition, if there is belief in historical continuity,¹ the SAE foundation was a trigger for similar institutional events in major cities throughout the UK in the second half of the nineteenth century. In particular, it undoubtedly encouraged the formation of the Institute of Accountants and Actuaries in Glasgow (IAAG) in 1854 with a similar petition and royal charter emphasising a respected profession involved in services closely connected to the legal profession and courts of law. The Society of Accountants in Aberdeen (SAA) was instituted with a royal charter and twelve members thirteen years later. The Scottish formations also stimulated a chain reaction of public accountancy organisation and regulation throughout the English-speaking world.²

There have been numerous studies of the histories of the SAE, IAAG, and SAA.³ However, apart from brief biographical sketches in these publications, little has been written about the large majority of founders.⁴ This text attempts to fill this gap in the social history of the public accountancy profession. It contains a researched biography of every accountant identified with the foundations of the SAE, IAAG, and SAA.⁵ Each is a reconstruction from available archival and library sources. These include general historical and biographical sources that are not continuously cited throughout this text. References to specific matters such as schools, universities, and memberships of professional bodies are also not individually cited. Professionals include lawyers, ministers of religion, army and navy officers, and stockbrokers. Several sources with multiple publication dates are listed only in the bibliography. They include professional listings and trade and other directories. No biographical work can claim to be complete or absolutely accurate. As Jordanova (2000, p. 113) confesses:

I argue that the practice of history is a complex and messy business and that historians are necessarily eclectic and pragmatic in their methods. Hence I have not tackled the status of historical knowledge in what could be called a philosophical manner. Indeed, I have suggested that 'truth' and 'objectivity' may not be the most helpful concepts for our purposes, and that reliability and judiciousness are more relevant.

Every biography in this text attempts to trace the lives of the founder and his family as reliably and judiciously as the sources allow. Biographies are presented in the context of the SAE and IAAG formations and mid-nineteenth century Edinburgh, Glasgow, and Scottish society. It is hoped that this contextual material facilitates the reader's understanding of the institutionalisation of the public accountancy profession in Victorian Edinburgh and Glasgow, and the place of that process in the wider history of Scotland and the UK.

BIOGRAPHIES IN CONTEXT

This biographical history has its contemporary origins in the Act of Union of 1707. The merger of the crowns of England and Scotland meant that the Scottish ruling élite traded its parliament for free trade, a single currency, and superficial monitoring from the UK parliament in London. In other words, Scotland from 1707 was left to manage its affairs with its own banking, church, education, and legal systems. The endurance of this "centralisation-with-devolution" arrangement is its survival to the present day. In addition, an important benefit to the Scottish economy and society was the emergence of a professional class to manage these separate systems. Bankers, ministers, teachers, lawyers, as well as accountants organised, and thrived in Scotland while enjoying the advantages of an integrated economic society within the UK. In this respect, it is a matter of considerable surprise to read well-respected recent histories of Scotland and the UK such as Devine (1999) and Wilson (2002), as well as historical studies of capitalism (Hobsbawm, 1975), and find they make little or no reference to professions in the post-Industrial Revolution period. It is as if professions were unimportant or did not exist. Wilson (2002), for example, devotes the major part of a chapter on the Crimean War to Mary Seacole, a Jamaican lady who travelled to Balaclava to provide food and accommodation for wounded British troops having been rejected as a nurse for Florence Nightingale's (1820–1910) hospital at Scutari. Several pages reflect on army officers and journalists. Doctors, however, are referred to in one paragraph relating to vaccinations for smallpox. Much of *The Victorians* is centred on famous names such as Charles Dickens (1812–70), William Ewart Gladstone (1809–90), Charles Kingsley (1819–75), and John Stuart Mill (1806–73). History's hidden contributors appear forgotten.

One service occupation in particular established itself as part of the relative independence of Scottish professions. Public accountants evolved as

adjuncts of the legal profession in Edinburgh and merchants and stockbrokers in Glasgow. They became an institutionalised profession by the middle of the nineteenth century. The importance of this development is reflected in this text as a series of biographies. These relate to the accountants who founded the Institute of Accountants in Edinburgh (IAE)/SAE in 1853, the IAAG in 1854, and the SAA in 1867. The biographical descriptions reveal not only the lives of the founders but also their ancestors and descendants and aspects of their lives. The biographical tapestry is stitched with social connections that provided influence and power to fire the institutional process. The text is therefore not just a biographical history of Scottish public accountants in mid-nineteenth century. It is also a history dependent on networks of economic and social relationships.

The founding of the SAE and IAAG in 1853 and 1854 was not a series of events that can be characterised as a “hinge of history.”⁶ As their petitions for royal charters indicate, public accountants in Edinburgh and Glasgow were well established professionally by mid-century and many individuals had considerable experience in providing public accountancy services. However, specific events within the merchant community in London in the early 1850s provided a serious threat to their previously comfortable existence. The SAE and IAAG formations were reactions to these events and caused public accountants in Edinburgh and Glasgow initially, and throughout Scotland eventually,⁷ to become members of an enduring, successful, and self-regulating profession.

If there was a hinge of history to offer as associated with the SAE and IAAG foundations it was the 1843 Disruption and the Reverend Doctor Thomas Chalmers (1780–1847) that created the Free Church of Scotland separate from the established Church of Scotland. This schism in Presbyterianism had its roots in a centuries-old system of patronage in the Church of Scotland.⁸ Patronage meant that ministerial appointments were controlled by the Crown, local landowners and nobility, and certain town councils. More importantly, the Disruption was a serious blow to the power base of the ruling élite of Scotland. It was supported by many of the country’s professionals, including several SAE and IAAG founders. The year 1843 marked a watershed in a long-term redistribution of power from Scotland’s landowning upper class to its professional middle-class. In this sense, it greatly facilitated the foundation of the SAE and IAAG. Professionals such as accountants, actuaries, bankers, and lawyers were products of an educational system expanded and influenced by the Free Church of Scotland. They became essential contributors to the economy of the central belt of Scotland based on the innovations and productivity of the Industrial