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The use of education by the accounting professional bodies: a functionalist interpretation using an industrial relations model

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THE USE OF EDUCATION BY THE ACCOUNTING PROFESSIONAL BODIES: A FUNCTIONALIST INTERPRETATION USING AN INDUSTRIAL RELATIONS MODEL.

A thesis submitted in partial fulfilment of the requirements for the award of the degree of Master of Commerce (Honours) from THE UNIVERSITY OF WOLLONGONG by Rodger D. WISHART  BCom(Ind Rel) DipAccy

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To my wife Sue for endless hours of listening, reading and commenting. I cannot imagine a greater expression of love.
ABSTRACT

This thesis argues the accounting professional bodies (APB) consciously use education as a method of gaining power. Through manipulating education they are able to gain power over employers, power which they can convert into social rewards for the individual members. They are therefore using a variation on the collective action methods pioneered by trade unions.

The use of education was developed by accountants in Scotland in the mid-nineteenth century, because the Industrial Revolution first made the method viable there due to the coming together of a number of historical factors. Prime amongst these factors was that the newly emerging trade unions were indicating a viable model of collective action which the accountants were able to modify. Particularly, they could use education to protect the individual accountant in the workplace from employers who would react aggressively against any overt collective action perceived as confrontational.

The evidence, collected from the history of APBs in Scotland, England, Australia, Canada and the United States, suggests education provided a cover to deflect employer hostility. Further it is shown that the accounting professional bodies in the United States are today using education in a similar manner when they are calling for increased periods of accounting education.
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CHAPTER 1. INTERPRETING THE AIMS OF ACCOUNTING PROFESSIONAL BODIES.

1.1 INTRODUCTION - SETTING THE ARGUMENT.

This thesis argues that the organisations known as accounting professional bodies (APB) are nothing more than groups of people who act collectively with the aim of gaining social rewards which they could not achieve as individuals. Education provides a mechanism for collective action to achieve this aim and so has assumed an important place in the activities of these organisations.

Understanding the collective actions of a body of accountants might be thought to be straightforward. After all Anglo-Celtic societies contain many examples of organisations whose members act collectively in pursuit of specific aims. Amongst the commonest are those formed about particular occupations and known as professional bodies or trade unions.

The name "profession" has a long historical association with some occupations, with the church, medicine and law all being referred to as professions by the middle ages. However, researchers cannot agree what distinguishes a profession from other occupations and consequently there is no one accepted definition of a profession. The APBs refer to themselves as a profession and suggest they qualify for two reasons. Firstly, they claim, their members offer a vital community service for
essentially altruistic reasons. Secondly, members' skills are derived from a core of knowledge revealed through on-going research, a core which can only be acquired through a systematic course of study.

There are certainly some research foundations to support these claims with Parsons (1954), Wilensky (1964) and Millerson (1964) all identifying community interest and core knowledge as key determinants of professions. Equally there are other researchers who cannot find these factors in the occupation of accounting, and so claim it should not be considered a profession. For instance Stacey (1954), could find no evidence of the search for the core of knowledge, leading him to conclude (A)mong the vocations brought into prominence by the industrial revolution, accountancy was the only one whose growth and stature was for the most part unaccompanied by sustained research, either by its members or its professional organisations (p185).

Others have also questioned whether accountancy is a profession. Thus Hudson (1978, 104), whilst attempting an approach based on his observation that professions developed special "jargon", devised to communicate concepts between members, found accountants failed the test. Instead, he suggested they fall into the category of a "would-be" profession, his term for an occupational group whose members desire a high level of social benefits although they do not perform any particular service for the public good. Arguably, as Burrage et al (1990, 204) have concluded, the current theories on professions have, by being so problematic, outlived their usefulness.
For anyone intent on exploring the relationship between education and the APBs the lack of good theory on professions makes understanding difficult. Conversely, the discipline of industrial relations has good theoretical underpinnings to help in understanding trade unions, bodies which are close cousins to the professional bodies.

Accounting professional bodies share many features in common with trade unions since both have the ultimate aim of securing and maintaining benefits for their members. Apparent differences occur due to the occupational context which denies the APBs the ability to use the industrial methods commonly associated with trade unions. Chief amongst these is the restriction of the flow of labour to an employer, as occurs during a strike.

In reality, strikes are only one possible method of restricting the supply of labour. Bans which restrict daily or weekly hours of work, or conditions specifying how many workers are needed to do a defined task achieve the same purpose. Regardless of the method, central to the success of a trade union is the ability to command the loyalty of the individual worker, something which only happens if the trade union can protect them personally from employer retaliation. Commonly this situation is found in manually intense occupations simply because here many workers with common interests are concentrated and their numbers make them difficult
to replace in the short term.

Once the trade union gains effective control of the supply of labour, it has a relative power against the employer. As power can always be manipulated to gain and protect benefits, the two can be regarded as substitutes. Disruption to the labour supply invariably harms the employer quickly simply because labour cannot be stored, it is not a physical commodity but rather a time sensitive ability to transform the state of the goods and services sold to make profit. Thus any group which can organise to gain significant control of labour will achieve effective power against an employer. For their part employers are also seeking to control the same labour so inevitably confrontation results.

The occupation of accounting is rarely manually intense. Usually one or at most a small number of individuals are employed as accountants by an employer\(^1\). Even the principals of small accounting firms find themselves

\(^1\) The notable exception is seen in large chartered accounting firms which sell accounting as a service. Yet even here a number of studies have found relationships between employed and employers differ from the normal industrial pattern. Aranya and Ferris (1984) found accountants in chartered offices had attitudes to their employers significantly different from those in industry. Goetz et al (1991) suggested employees in chartered firms see themselves as passing through a learning phase on the way to being in practice for themselves. Employed accountants thus do not think of themselves as employees but rather as learners, using the employer for their own ends.

Other studies suggest that even if they wanted to, employees in these firms do not have an opportunity to organise simply because they are closely supervised. For example, in their survey titled *Accounting Practices*, the
in a relationship to the employer analogous to the employed accountant since they must compete for work against other accounting firms. The ramifications are that those involved in the occupation of accounting find they have to protect their personal interests in situations where direct industrial actions like strikes and bans are not feasible. Consequently they have had to find alternative methods of gaining collective power in situations where individual accountants are exposed to retaliation from employers.

Education provides one such method since it can deliver defacto control of the supply of accounting labour. Further it enables this control without being perceived as confrontationist by the employer. Education achieves this by providing a legitimate cover for the real power seeking activities of the accounting professional bodies.

1.2 THE TRUE AIMS OF ACCOUNTING PROFESSIONAL BODIES - REWARDS FOR THE INDIVIDUAL MEMBER.

Denied the ability to use direct confrontation with employers the accounting professional bodies have, since their beginnings, endeavoured to play down their desire to gain power as a way of providing benefits for

Financial Management Research Centre at University of New England found the average Australian accounting practice has 2.91 principals and 7.01 employed professional accountants (p9). With a ratio of 2.4 employees per principal the chance to organise without attracting attention is minimal.

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members and only members. Thus the accounting professional bodies are very careful when describing their own aims. Moreover as time goes on they have become more sophisticated and more adept at disguising their true aims. Constantly they tout the idea of accountants being a group driven by a desire to provide a service to the community. They admit there is a flow of rewards to them from the community for this service, but claim any benefits are incidental and mere compensation. Nevertheless the evidence points to accountants organising to gain and protect their interest in the flow of benefits. For instance, after studying the historical documents Kedslie (1990, 12) claims the records of the first accounting societies in Scotland leave "...little doubt that the professional accounting bodies were formed to protect the interests of accountants..." most particularly their own. Carr-Saunders and Wilson (1933) concluded the first English accounting body in Liverpool in 1870 was founded to protect those then in practice from the "...many persons styling themselves accountants who carried on a practice of a very doubtful character" (p212). For the reputable accountants such charlatans raised the threat of legislation being enacted which would control the entire occupation and threaten the flow of benefits to those who had carefully nurtured it over a period of time. Habgood (1994, 201) studied the same Liverpool group and decided they had a narrower aim, "...the protection of the character, status and interests of Liverpool accountants...".

Rarely are groups of accountants blatant enough to spell out the real
motivations for their activities. Nevertheless, in total, the evidence adds up to this being the case. Again and again groups of accountants provide a glimpse of their true aims. However, the common origin of much of the written evidence, means care must be taken when accumulating the observations.

In the late nineteenth century groups with similar interests frequently carried on a regular correspondence\(^1\). With ongoing communication with correspondence with other like minded groups. Thus it is little wonder the English bodies ended up with similar written objectives. These, from London are representative

to elevate the attainments and status of the professional accountants in London, to promote their efficiency and usefulness, and to give expression to their opinions upon all questions incident to the profession (Habgood 1994, 202).

At the least, they are carefully chosen words; just a hint of self interest but nothing which would alarm the employer class, otherwise engaged in the battle against the less circumspect trade unions.

In Australia the accounting professional bodies developed in a less class conscious and more independent environment than Great Britain. Thus an

\(^1\) Many groups such as the accounting professional bodies allowed for corresponding members as a separate membership class. In Australia the first accounting professional body, The Incorporated Institute of Accountants, Victoria admitted their first corresponding member from Adelaide, within a month of incorporation (CIA 1936, 13).
early proposal to form a local branch of the Society of Incorporated Accountants and Auditors, London was rejected in favour of a local body (CIA 1936, 10). The resultant Incorporated Institute of Accountants, Victoria (IIAV) was incorporated as a company limited by guarantee on 1st March 1887. Still the objectives were carefully worded and, taken as a whole, point to the interests of the members being paramount. Of their six stated aims the first two deal with raising the status of the profession of accounting and the last four concern the interests of members directly. This body was to become one of the forerunners of the present Australian Society of Certified Practising Accountants (ASCPA) and the original aims were reflected in those of the later body when in 1952 they adopted as their first objective:

(1) To support protect and advance the character status and interests of the accountancy profession generally and particularly of Accountants being members of the Society (ASCPA Handbook 1992a, 12103).

Despite their independent stance the Australian bodies followed the British precedent of carefully nurturing the image of a profession. It is one thing to act collectively, but unless the benefits can be directed they are useless. Image plays a central role in ensuring those who act collectively achieve the benefits.

1.3 CREATING THE PROFESSIONAL IMAGE AND THE LINK TO BENEFITS

All power seeking groups share the problem of "freeloading", which
occurs when a group's collective actions produce gains which then become available to non-members. The problem was highlighted during the Mathew's enquiry when it was pointed out that apart from those legally required to be registered to perform certain tasks, anyone at all can call themselves an "accountant" in Australia (Mathews Report 1990, 182). Consequently, the accounting professional bodies themselves have to find a way to restrict the benefits, won by their collective actions, to their own members.

Usually it takes the form of a campaign to associate benefits to the professional bodies themselves rather than to the profession as a whole. For the APBs the strategy is invariably to make the public believe membership is hard to achieve. Then by implication, if membership has to be earned and so is only open to a chosen few, they must be special and so deserving of benefits. For instance in a recent ASCPA booklet titled Achieve (1994, 3) it is stated:

To become a CPA - Certified Practising Accountant - requires hard work and determination. But the extensive benefits make it well worth the effort.

You can spend your life as just another accountant. Or you can become a CPA, with status, well accepted professional standing and a better income and lifestyle.

The accounting professional bodies then must be able to demonstrate they have some identifiable selection process by which the society at large can
identify those who are legitimate members of the profession. The "hard work and determination" implied in acquiring the education needed to join the ASCPA serves this purpose and helps define and maintain the accounting profession.

The professional accounting bodies are well aware education provides a barrier to entry to the profession, a restriction they actively encourage. Further, education can be held up to society at large as an identifiable boundary; those who are certified as being educated are acknowledged with a postnominal like CA, or CPA or ACA. Bearers of these distinguishing tags are deserving of a certain status, the rest are not. The professional bodies spend much effort maintaining this idea since it is the means of defining persons who can become members of the professional bodies. Thus the Australian Society of CPAs places great emphasis on the educational qualifications of its members:

As a CPA you'll find the doors are opened to every area in accountancy. It's the qualification that has become the benchmark by which all other accountancy titles are judged.

Certainly, the CPA can look forward to enhanced career and salary prospects. But to earn the CPA title, you'll have to be prepared to do considerable work and pass some stringently regulated examinations... (ASCPA 1994, 3).

The accounting professional bodies go further and specify that membership is only open to those with an approved tertiary education. Indeed, different grades of membership are based on level of education. For instance, to progress beyond the entry grade in the Australian Society
of CPAs:

1. You will need to be an Associate of the ASCPA. To qualify for this, you'll need an undergraduate degree accredited by the Society... Your Associate status will provide improved opportunities in both employment and remuneration, together with recognition within the accountancy profession...

2. You'll have to successfully complete the CPA Programme (ibid).

For the Institute of Chartered Accountants in Australia, tertiary education is also a prerequisite for basic membership as a "Registered Graduate".

The basic educational qualifications for entry to the Institute are: (a) a degree from any Australian university. OR (b) an approved degree or diploma of an appropriate academic standard awarded by a recognised educational institution AND completion of ...other subjects as required. (ICAA 1994, 5).

Full membership is then gained by passing a series of examinations during what is called the "Professional Year" or PY.

The PY is a very challenging yet satisfying course. It is a guarantee that the high standards of the profession are maintained and that the rewards of becoming a member are more than worthwhile (ibid, 1).

In summary then, to become a member of either of these accounting bodies a person first needs an approved university education. But once in, members are rewarded with better income and lifestyle, enhanced career and salary prospects. These rewards are held out by the professional accounting bodies as making any sacrifice needed to join worthwhile.
1.4 A PERSPECTIVE FOR ANALYSIS.

For the purpose of this thesis, it is necessary to establish the perspective from which the nexus between the accounting professional bodies and education is to be examined. Without an agreed perspective any piece of evidence is capable of a number of interpretations. For instance, the accounting professional bodies argue they are concerned with education since it is the thing which provides the individual with the skills and knowledge necessary to protect the interests of the public to whom accountancy services will be offered.

An alternative explanation, as advanced here, argues that education is a tool used by the professional bodies to gain power by restricting the

1 The ASCPA ensures all CPA candidates are made aware of the importance they attach to education. Through the CPA program candidates are informed education plus their degree are necessary preconditions for being able to provide a service to the community. In the compulsory Core 1 unit students are informed:

An extensive education process...ensures, within certain limits, that entrants...[can] continue to provide their clients with the service to which they are entitled [CPA Programme, (1991) Core 1, Australian Society of CPAs, Geelong, pM1.6].

The ICAA also places great importance on education as the justification for members' claim for special treatment. This can be seen in their Representation to the Governor-General for a Supplemental Royal charter on 8th December 1987 when they stated:

...the Institute has pursued aims and objectives...by fostering a high status of professional education and competence...and that this has enabled the Institute to provide the Australian community with persons appropriately qualified to discharge the responsible roles demanded of public accountants... [Institute of Chartered Accountants in Australia, Members Handbook, Volume 4, p21004.]
supply of accounting labour. In turn, this power is used to deliver the rewards desired by the members. Using this perspective the observations made about the link between the professional bodies and education assume different interpretations. Reconciliation between the two perspectives seems improbable since the accounting professional bodies actively discourage the idea of them being industrial organisations in any way comparable to trade unions. Yet this is the basis of the theory here advanced.

The accounting professional bodies argue they exist to promote the interests of society by ensuring that the highest standard of accounting services are available. They claim their members are the only ones who have the intellectual skills, honed by education, necessary to perform the tasks society should expect of an accountant. But they recognise that society wants verification of these skills. Hence the accounting professional body is able to put itself up as having the ability and the veracity to do this. After all, its members are all altruistic individuals who seek no personal reward beyond the betterment of society. In return for performing this task the grateful society is supposed to show its thanks by allowing the members the status of a profession which carries with it certain privileges and rewards.

Evidence supporting this contention can be seen in the writings of the accounting professional bodies. For instance in the first core unit of the
CPA program they hold a profession to be "...essential to the very functioning of society", and claim "society's principal business ...is conducted)... through professionals" (ASCPA 1991 Core 1, pM1.4)\(^1\).

The accounting professional bodies support the contention that education is central to being a profession, since it is the way of increasing and refining the core knowledge which all members need to carry out their essential social role. They argue education is the means of passing on the core knowledge to the next generation of members who in turn will be entrusted with this vital role. This intellectual core can be taken to be the central ingredient of the profession - the thing that makes a profession something other than a mere occupation. The importance of this core to the APBs can be seen in the ASCPAs first objective:

To develop the body of accounting knowledge and maintain the highest level of expertise and professional competence in the members of the Society (ASA 1990, 1).

The prospect of altruism as the driving force behind the educational activities of the accounting professional bodies is rejected in this thesis. Instead it is suggested that the social rewards are actively campaigned for. Education is manipulated as part of the campaign to gain control of the labour supply in the accounting occupation. This control brings power

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which can be used to force concessions from the society in terms of benefits for the members of the accounting professional bodies.

Since the evidence used to support this argument is the same as that used by the accounting professional bodies it is important to establish the perspective from which it is to be analysed.

1.5 THE THEORETICAL FRAMEWORK FOR ANALYSIS.

The philosopher Jacob Bronowski coined the phrase "the paradox of knowledge" to describe the phenomena common to all who seek understanding (1973, 356). By this he meant that as we look more closely at some phenomena, perhaps by using more precise instruments, we still can not come to an incontrovertible knowing of it. What we find is that while more facets of the thing are revealed the overall picture is still no clearer. We seem to be running after a goal which lurches away from us to infinity every time we come within sight of it. Further, we find that this occurs in every field we explore. Ultimately all knowledge could only be absolute if, as Bronowski suggests, we ourselves had God's view (p358).

Denied such an absolute viewpoint, we first must establish some theoretical framework which will provide context within which our observations make sense. Admittedly the interpretation given would still largely depend on the preconceptions and perspective of the observer. For
example, a person who believed in the supernatural may explain movement seen at night as a ghost. Conversely, a person with no such belief would probably suspect the presence of a burglar.

In the case of accounting education, several explanations could be advanced to explain, for example, an observation of an examination being difficult. The professional body might see this as proof of the complexity of the theoretical core of the accounting discipline. However an alternative explanation could be advanced to suggest a difficult exam means only the most able students can pass and be eligible to join the accounting profession. Same facts - different explanations, due entirely to the perspective of the observer.

1.6 THE FUNCTIONALIST PERSPECTIVE - AN OVERVIEW.

Functionalism is a theoretical perspective originally pioneered by Auguste Comte (1798-1857) and Emile Durkheim (1858-1917) (Giddens 1989, 695). It was taken up and developed by Talcott Parsons (1902-79) to the point where he thought functionalism offered a universal theory applicable to all areas of social life (Bilton et al. 1987, 569). Research by Hunter about 1910 and Jacobsen in the 1930s has suggested this as a possible basis for distinguishing man from other animals. They showed humans were the only animals able to base actions on expected outcomes, an ability linked to the development of the frontal lobes of the brain.
Central to a functionalist perspective is the belief that the driving force behind most human action is purposive and motivated by future goals. Intuitively this appears logical, as human beings have the power of preconception and so can base actions on expected outcomes. The sociologist Robert Merton suggested that when the outcomes are known or expected, they should be referred to as "manifest" outcomes (Giddens 1989, 697). However he recognised other situations existed in which outcomes are not obviously related to a particular action. In these cases he reasoned people do those things which they believe are the causes of the desired outcome. Merton referred to these as "latent" outcomes (ibid).

Functionalism provides a link between the activities of an individual and the outcomes to which those activities are aimed even when it is not obvious. This can be used when studying human actions since an observed outcome can be used as a starting point to explain the actions which produced it. Yet even this may not help explain the actions if they are driven by a latent outcome, especially if it is socially undesirable and so intentionally obfuscated. Equally the link may go unrecognised if the expected latent outcome is actually not linked to the action or even if it is not consciously recognised as such.

These constraints do not limit the usefulness of functionalism since any
researcher, provided they are aware, can interpret actions in relation to the desired latent outcome, rather than a stated manifest outcome. By extrapolating this understanding of what motivates the individual, the actions of a group can be understood.

1.7 FUNCTIONALISM AT INDIVIDUAL AND GROUP LEVELS.

Functionalism is based ultimately on the proposition that people are essentially rational and act on the basis of perceived self interest. Thus individuals may give up individual benefits so as to conform to the group norms provided they receive, or at least expect to receive, more from the group than they give up to be a member. Functionalism then allows for the actions of the individual and the group to be interrelated and come together to form a complete system.

In the case of the accounting professional bodies, the individuals have to make sacrifices in terms of the hard work and long periods of study needed to join. Then as members they can partake of the benefits accruing to the group due to the power they collectively control. Using the functionalist interpretation the individual members' activities may not make sense in terms of providing any benefit for the individual. However, these activities may make sense if they lead to outcomes which can be seen to be beneficial to the group as a whole. Thus the functionalist perspective can be extended to include individual actions motivated by an
outcome linked to a benefit for the group. In turn, the group will then be in a position to distribute some of the benefits to the individual.

Central to his functionalist sociological theory, Parsons (1951) proposed that the actions of any individual or collection of individuals must be structured and so conform to a recognisable pattern. By being structured, a social system is able to be organised to operate in the most efficient manner to achieve its goals. An important part of the structure is the way any society will establish various specialist sub-groups. Social classes are possibly the best known example of these sub-groups, although Parson's theory applies equally to any coming together of a group of people with a common purpose. Thus, there is a good theoretical basis for linking individual benefits to the outcomes sought by the groups of which they are members. However, the crucial point is that the individual actions are motivated by a desire to achieve personal goals. Group activities are therefore ultimately derived from individual goals.

In this thesis the focus is on the link between education and the accounting professional bodies. From the functionalist perspective it can be seen how, by controlling education, the group is able to gain power which can then be used to provide benefits for the individual members. Thus the group activity regarding education is in fact driven by the benefits the individuals expect to gain from supporting this course of action.
1.8 OVERVIEW OF THE ARGUMENT PRESENTED.

In an attempt to understand the use of education by the accounting professional bodies, three distinct lines of enquiry will be followed. Chapter two will examine the similarities and differences between professions and trade unions. Although both are made up of persons drawn from a single occupation, their historical origins were quite different. In British society professions evolved within a class structure which associated some occupations with certain classes. Consequently class is an inescapable and confounding factor in identifying the use of education by the occupational bodies. Because the upper class had greater social power they ensured some occupations were more rewarding for participants than others. Thus persons in an emerging occupation had the chance to claim a social niche for it, and if they could defend the claim they would gain the commensurate rewards. Accounting may have been based on ancient skills but the occupation of accounting was created as part of the Industrial Revolution, and the leaders in the early accounting groups were able to claim a social position for the occupation. They chose to identify it as a profession and their descendants have been defending the claim ever since.

However the technique of claiming to be from a superior occupation was used by the early trade unions, which were also creatures of the Industrial
Throughout decades of confrontation the unions had learnt that those trade unions whose members could claim a higher skills base were more readily accepted as negotiating partners by the employers. But this was not the only lesson learnt from the trade unions. More fundamental lesson were to use whatever methods were possible in a given circumstance and in particular to concentrate on those most likely to secure gains. Ideas about possible methods were available to the accountants from their contemporaries the emerging trade unions, and from the historically successful medical and legal professions.

It was ironic that from the trade unions the accountants learnt the importance of associating their occupation with the upper class professions, as this meant they had to actively disassociate themselves from the unions. Indeed they shun trade unions and anything remotely connected to them. Instead they actively create the image of accounting as a profession and seek to do those things and be associated with all things professional. Since professions had a long association with education and used it as a tool to gain and protect a desirable social position the fledgling accounting bodies did the same. Chapter two also sets out the theoretical basis of trade union activities showing they are driven by the desire to achieve gains for the individual members. Also the methods identified as being used by trade unions are examined as a basis for later comparison with the observations made about the accounting professional bodies.
Chapter three examines the social conditions accompanying the Industrial Revolution in the late eighteenth and early nineteenth centuries in Britain. It may have been the accompanying changes in manufacturing techniques which were most obvious, but it was to be the intellectual conditions made possible by the Scottish tradition of education which enabled the establishment of the first accounting professional bodies. The accountants who pioneered these bodies were in a position to capitalise on the educational traditions of Scotland and so adopted education as a smokescreen behind which they could establish groups aimed at gaining social benefits for themselves. The need to be devious was impressed upon them by the problems trade unions were creating for themselves by openly challenging the employers for power, the very thing the accountants craved for themselves.

The Industrial Revolution created the opportunity for collective action to be successful at the very time when the new manufacturing methods were shifting control of the work process to the employers with disastrous consequences for the workers. Great Britain at the time was a very class conscious society and employers reacted against collective action with great vigour. As a result there was real danger involved in being seen to be associated with trade unions. Alternative methods of forcing social reform through political action were in their infancy. As a result the trade union model would have seemed ambivalent to those in the occupation of accountancy interested in gaining and protecting the benefits the
expanding economy was providing.

Further the early accountants, surrounded as they were by examples of the more skilled trade unions and the legal and medical professions enjoying the biggest benefits would have realised they were in a good position to use education to their own advantage. After all the evidence is that most of the early members had a close personal contact with education, many of them at university.

Throughout this chapter the early accounting bodies are shown to have been attempting the use of a number of methods to achieve their aims. In particular they pursued statutory regulation, which if successful would give the accounting bodies control over entry to the occupation. Education was used as part of the campaign to convince the legislatures accountants were respectable and should be trusted with this power. When legal control over the occupation was not forthcoming the APBs changed to other methods to gain benefits. However in all cases education played a central part. Education is also shown to be the method favoured by accounting professional bodies in the former colonies of Australia and Canada.

Chapter four investigates the case of the use of education by the accounting professional bodies in the United States. The history of the accounting professional bodies was different in America from that found
in the British Empire countries. There the legislatures early on gave the APBs what amounted to statutory regulation. However education still found a place as a way to advance the interests of these bodies. By tracing the call for longer periods of accounting education it can be seen that education is a readily adaptable tool for this profession in the struggle for power.

Chapter five presents a summary of the thesis and the conclusions drawn from the material examined. Certain further lines of useful enquiry are outlined as are possible ramifications of the thesis here presented.
CHAPTER 2. LEARNING HOW TO ORGANISE AN OCCUPATION: TRADE UNIONS AND PROFESSIONAL BODIES.

2.1 INTRODUCTION.

It is known that accountants in all Anglo-Celtic countries form groups which consciously use collective action in an attempt to achieve benefits for members. However understanding the methods these groups use to achieve their aims is problematic. Part of the problem is semantic and is related to the use of the term professional. Sociologists have found this word is difficult to come to terms with because the bodies themselves seem to defy all attempts to fit within a theory. Consequently, understanding the relationship between accounting professional bodies (APB) and education has failed to make significant headway. It is suggested here that understanding may be advanced if the basis of the occupational grouping itself is examined, divorced from the connotations the term professional implies.

Professional bodies are one example of an occupational groupings of workers, another is found in the trade unions. Whether there is a substantive difference between these two is debatable, even though most sociologists do treat them as different types of entities.

Researchers find professional bodies to be enigmatic resulting in much
debate as to the role they have in society. Thus we find Elliot (1972) and Larson (1977) argued that professions are institutions thrown up by a society in response to a specific social need. Simultaneously, Braverman (1974) was arguing professions are occupation based groups created by class conscious persons as a way to defend and support their own social position. One model has professions created by the society, the other sees them imposed on society. Perhaps it is not surprising that no accepted definition of professions has yet emerged based on agreed identifiable elements.

2.2 THE PROBLEMS OF DEFINING A PROFESSION

In their landmark study *The Professions* Carr-Saunders and Wilson in 1933 avoided the problem of trying to define a profession altogether. Parsons (1954) also skirted the issue instead offering the features generally agreed by sociologists to be indicative of professions. Millerson (1964) replicated and expanded on Parson's work but still found problems, resulting in him commencing his study with the words

(O)f all sociological ideas, one of the most difficult to analyse satisfactorily is the concept of a profession (p1).

Parsons and Millerson at least identified a number of traits common to professions; traits most professionals agreed with, which was hardly surprising given the list was compiled following a survey of members of the professions themselves. Millerson found this list to be
(a) A profession involves a skill based on theoretical knowledge.
(b) The skill requires training and education.
(c) The professional must demonstrate competency by passing a test.
(d) Integrity is maintained by adherence to a code of conduct.
(e) The service is for the public good.
(f) The profession is organised (Millerson 1964, 5).

The acceptance of these traits, as a basis for studying professions, reached its zenith in the nineteen seventies when Johnson (1972, 13) found many sociologists uncritically accepting "...the essence of professionalism is...not concern(ed) with self interest, but with the welfare of the client". Johnson himself thought this was unsatisfactory and pointed to the number of restrictive practices carried on by professional groups which looked in fact "...rather like arrangements for making life easier for practitioners at the expense, one way or another, of their clients" (1972, 26). When confronted with the welfare argument a cynic might be tempted to suggest that those rare cases of apparently genuine altruism, like Mother Teresa, might be reconsidered if proof became available that there was no afterlife.

Two decades later it is hard to find a researcher who still believes the "public good" model holds for the accounting profession. For instance, from her study of the history of Scottish accounting professional bodies Kedslie (1990, 7-8) rejected the idea of them being philanthropic institutions concluding rather that
Accountants as a group are, after all, unlikely to have been greatly different from other emerging professions of the mid-nineteenth century,

most of whom at least mentioned self interest as a motivation for forming into a profession. As previously discussed in chapter one, the claim to a central core of knowledge as the basis for professions has also been attacked.

What is needed is a new way to look at the activities of professional bodies in general and the accountants in particular. One way would seem to be to view them as trade unions, since they share many characteristics in common with professional bodies. Or as Carr-Saunders and Caradog Jones found from their 1927 study "...professional associations and trade unions grade continuously into one another" (p75).

2.3 THE OCCUPATIONAL CONTINUUM: FROM PROFESSION TO TRADE.

If the English historic occupations of medicine and law are taken as examples of professions it is easy to show they have little in common with trade unions. At the other extreme, occupational groups can be selected which are difficult to label as either professions or trade unions. For example Carr-Saunders and Caradog Jones pointed to the problem of classifying "...highly placed civil servants and salaried managers in business" (1927, 66), men they thought should be regarded as
professionals yet worked in occupations not referred to as professions.

Anyone studying occupations is soon confronted with the familiar problem of semantics. Millerson (1964, 1) raised the issue when he suggested popular usage of the terms "profession" or "professional" have caused them to lose any precise sociological meaning. Thus he observed, the word "profession" is often used as a synonym for "job" or "work". Colloquially the word is often used in relation to a person wearing a suit or to distinguish between persons who earn money as opposed to those who participate in any activity for sheer enjoyment. Often the name "professional" is the slang name applied to sex workers.

Historical references show the name "profession" was in common usage in Britain prior to the Industrial Revolution, although the idea conveyed by the term has changed. In the United States, the idea conveyed by the name professional has also changed over time.

In the British context Argyris and Schon (1974, 146) offer an explanation of the origin of the idea behind the name. They suggest it came from the middle age idea of a priest or monk who professed religion or faith. Then as orders of priests evolved professing knowledge of health or justice the

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1 The Sydney Sex Workers Outreach Project (SWOP) publishes a regular magazine called The Professional aimed at keeping members of the "oldest profession" informed about the goings-on in their industry.
popular usage of the word evolved to mean a person with special knowledge. Compounding the idea of a profession, the original "professors" were supported by the framework of the church and so the concept of a body of professionals arose. Later, as medicine and law became secular occupations the names continued to be used, retaining the image of the respectable individual practitioner supported by an all-powerful church. In Britain the idea of respectability is central to differentiate occupations into professions or trades. Those activities the higher classes, that is those not needing to work due to their having "independent wealth", find attractive came to be known as professions. Occupations pursued by men needing an income to live were identified as lower class, and so less respectable as were their organisations, the unions.

In America the name professional was never associated with religion, and class structures based on feudal ideas like the respectability of land ownership never occurred. Consequently the term "professional" in American parlance, at least prior to the Civil War, was a term associated with the vocation followed to make a living. However the link between class, education and occupation have remained one of the few constants in classification of occupations as a profession or a trade.

2.4 CLASS AND THE SEPARATION OF OCCUPATIONS INTO PROFESSION OR TRADE.

Those who research occupations soon realise how intimately class is
related to the social rewards the individual enjoys. For anyone interested in explaining the activities of accounting professional bodies the factors leading to those rewards are indispensable. From a functionalist perspective it is reasonable to assume the leaders of those bodies were fully aware of these factors and were using them actively to ensure the accounting profession was accorded a high class. Education is clearly one of the main factors, yet the way it is interwoven with others can mask its use by the accounting professional bodies.

A number of attempts have been made since Carr-Saunders and Caradog Jones 1927 survey of England, to categorise societies into a number of classes based on education, occupation and income with varying degrees on success. As a method of classification it has been criticised since there is a lack of independence of the variables. For instance Montagna (1977) cited a number of studies showing the close correlation between class, income, education and occupation. Of them, most studies find education to be the most independent or to use Montagna's words "...a person qualified for an occupation by obtaining an education and, as a result of pursuing an occupation, he obtains income" (p31). At best it is a confusing relationship with most researchers unable to decide whether education is the cause of the class one is in, or vice versa.

Work done two decades previously by Lockwood (1958) illustrated the confusion. When studying the social position of clerical workers in early
nineteenth century Britain, he showed these "blackcoated workers" enjoyed considerable social advantage over manual workers since office work was seen as of much greater prestige. The actual jobs performed were no more intellectually based than most crafts and as he noted, "...education is almost incidental"(p106) to the occupation. Lockwood concluded cause and effect were probably the reverse of that generally accepted. He reasoned education played no part in the ability to perform these clerical tasks, but it was vital for appointment to these jobs, since it was related to class. He reasoned only the rich could afford to support their offspring whilst they were educated. Thus education was the mark of someone from the right social strata, someone who had a claim to status, someone who should be regarded as doing work of vital importance - in short a professional.

In 1927 Carr-Saunders and Caradog Jones faced the problem of classifying people in terms of their occupation as part of their survey. Initially in 1927 they decided education was an indicator of occupational status. However by the time of his next book Carr-Saunders had apparently decided that education was not the critical factor in the determination of class. Rather it was the possession of individual characteristics, supposedly developed as a result of education that distinguished the professional. Thus we find in *The Professions* (Carr-Saunders and Wilson 1933, 284) the claim that a professional possessed "specialised intellectual techniques, acquired as the result of prolonged training". Unfortunately unlike
education, these skills are not objectively measurable. Thus any occupational group, intent on claiming professional status for its members, could be expected to focus on education simply because it is objectively measurable. With society associating education with professional status, if you can show objectively that your members possess education, then the claim to be considered a profession is straightforward.

Conversely since the work of Carr-Saunders and Wilson, research has indicated a number of mechanisms whereby a professional body can influence the status a society accords its members. For example Daniel (1983) found society seems to rank the individual members of an occupation. Thus within Australia the partner of a major international accounting firm is rated above a medical general-practitioner and a medical specialist is more highly regarded if he practices in a teaching hospital than a country hospital (p18). Daniel also found the social position of the person surveyed can influence the perception of the class of an occupation. When asked, manual workers consistently placed the medical profession top, whereas company directors rate lawyers as number one (p120).

Other work has provided insight into the ways societies themselves determine the status to accord members of an occupation. It is realised societies change over time due to economic, technological, political and cultural pressures, all of which give rise to the need for new occupations.
But when these occupations first emerge the society has no basis for deciding the niche they should be placed in. Elliot (1972) has examined this problem and found there was an established pattern followed by all occupations wishing to become regarded as a profession. Part of this involves the members forming an association to represent their interests. Society allows this association to make a claim on an occupational niche, which they are awarded if they can defend it against all other claimants in the occupational market place. Taylor (1978) provides the following example which illustrates the process.

Technological development in England at the end of the nineteenth century led to mains power being connected to private homes and business. This caused a rapid expansion in the number of men trained as electrical power engineers. In 1913 a number of them acted to form the Electrical Power Engineers’ Association. Members were selected on the basis of the specialist education they had completed. In 1913 twenty one of them held a meeting "...for the purpose of raising the efficiency and general status of the profession" (Taylor 1978, 275). Taylor relates that they did not go on to become a recognised professional body because they adopted methods aimed at securing immediate benefits.

(T)hey soon commenced to act like other trade unions and soon demanded a six day, 48 hour week and time off for working on public holidays (ibid).
Their specialist education was used to claim professional status and was not resisted by society. However, once they were perceived to be using trade union methods, society amended the status accorded to them and reclassified them as a trade. Education is thus at least an indicator of the initial class into which an occupation should be categorised.

Armstrong (1987) and Puxty (1987) appear to add a twist to this class self-selection process when they suggest that the accountancy profession has a particular role in supporting the class system by helping the capitalist class segment and ultimately control the labour process. It opens the possibility of the accounting professional bodies being able to claim a class for themselves and having it supported by the employers.

Despite all the ideas on professions the fact remains that there is little accepted theory from which to understand the methods they use to gain the rewards their members demand. What is needed for this understanding is a framework such as exists for trade unions.

2.5 TRADE UNIONS

Trade unions, had a different although parallel history in both Britain and America. Flanders (1952, 10) suggests they only came into being once the water and steam driven machinery and the factory system created by the Industrial Revolution made collective action both feasible and necessary.
As the birthplace of the Industrial Revolution, Britain was the site of most of the major development of trade unions.

Prior to the Industrial Revolution, land owners had the power to deny peasants land, but they also needed peasant labour to work the land. Consequently a symbiotic balance of power developed. The introduction of new technologies from the end of the eighteenth century, during the Industrial Revolution, upset this balance since the control of the work process itself was able to be taken away from the working class. The result was that the upper class now owned and controlled the means of production, thus providing them with relatively greater economic control than had been possessed by the feudal land owners. With even less control over their own destinies the working class, who made up the bulk of the population, found themselves living in what Flanders (1968, 10) has described as "...conditions of economic and social anarchy." Out of desperation, these lower class workers were driven to attempt to recover some social power and collective action appeared to offer the best hope. Inevitably the new collective bodies, formed as they were about the lower class occupations or trades came to be known as trade unions. From their origins they were a challenge to the owners and so were treated with hostility.

From a functionalist perspective it can be seen that the actions of each class have been dictated by outcomes, manifest and latent. The upper
class employers sought control of the means of production since having it meant control of the state, and ensured them a comfortable life style. The lower class, conversely, steadily losing the little power it previously had, was forced to find new methods of gaining new power and protecting what little they had left. One of their only avenues to power came from acting collectively to combine their relative numerical superiority over the upper class. This was facilitated when the new technologies physically brought large numbers of workers together in the new factories.

Concurrently, the upper class came to realise the threat collective action in the workplace posed and acted to prevent it occurring. They used the full power of the state against any group which even appeared to be an organised attempt to improve their lot against the interests of their "betters". Whilst in theory it should have been easy for the working class to grab power by acting collectively, in practice it proved difficult, largely because they did not have any models on which to base their actions. The very rate at which technology was forcing social change meant that the older, understood, systems just could not cope with the new realities of industrialisation. Consequently for Great Britain the nineteenth century was a period of great social tension and unrest.

One indication of the changing disparity between workers and employers, can be judged from figures concerning the wages of Lancashire weavers. These fell from £1.25p per week in 1800 before the Industrial Revolution,
when the weavers personally controlled the weaving skills, to a low of 27p per week in 1830 once technology had transferred the skills to the control of the owners (Cherry 1981, 8).

To counter the perceived threat of collective action the owners arranged for passage of the Combination Acts of 1799 and 1800 through the Parliament. These acts sought to outlaw any steps which could have eventuated in the establishment of any sort of trade unions. They made it a criminal offence for any group of workmen in a particular trade to combine expressly to force change in wages and conditions. Despite these acts the social tensions caused by the relative shifts in power between the classes continued. In fact it was probably as a result of over reaction on the part of the state that the unions eventually gained legitimacy. During the early years of the 19th century the social unrest boiled over with numerous riots and demonstrations, culminating in 1819 with a massacre at Peterloo in which local militia and army detachments killed 11 people and injured some hundreds (Cherry 1981, 15).

In an attempt to sidestep the Combination Acts the workers formed "trade clubs" which could seek the desired end by different means. These clubs sought to portray themselves as social groups which just happened to draw their members from one trade. From a functionalist perspective these groups provide an example of a group claiming pursuit of a manifest outcome when their actions were really driven by a latent outcome;
collective power in an industrial setting.

Beside the trade clubs other bodies developed with the object of defeating the intention of the owner inspired laws. One such body sought to use a loop-hole in the Combination Acts, the test used to define the outlawed combines. This was that they specifically targeted workers combining based about any one trade. Thus the General Union of Trades in Manchester in 1818, and the National Philanthropic Hercules in London in 1819 were able to form, as they escaped the "one-trade" test of the Acts. Flanders notes (1968, 15) that both soon collapsed probably due to the leaders' lack of organisational skills. The lack of experience in running, and the lack of understanding of the nature of, what were after all, new types of organisations proved to be a problem for many parties at the time. Not even the owners had come to grips with the new social models which were emerging. Thus in 1824 a Bill to repeal the Combination Acts passed through Parliament in London almost by accident. The proposers of the Bill put up an argument suggesting trade unions were a reaction to the repression represented by the Combination Acts; repeal them and the unions would die out. Apparently without debate or even a division the Bill was passed on the voices. It proved to be a false argument as the precursor of a union movement soon began in the free environment and was soon too powerful to be suppressed.
2.6 THE DISCOVERY OF COLLECTIVE ACTION METHODS.

From the confused reaction of the employer class in the case of the Tolpuddle Martyrs in 1834 came a demonstration of the possibilities of collective action. Following the repeal of the Combination Acts the employer class was finding it difficult to prevent the rise of organised labour. Thus when a group of semi-literate agricultural workers looked like they were organising the employers managed to have them charged with "administering illegal oaths" (Flanders 1968, 12). Upon conviction they were sentenced to seven years transportation to the colony of New South Wales. Following public outcry, including street demonstrations, the government of the day relented and the labourers were returned and became class heroes. Collective action by sections of the lower class had proven it could be used as an effective industrial method.

However other methods of occupational collective action were trialed by the trade clubs. One consisted of appealing directly to Parliament for laws which would support the clubs' aims by regulating entry to particular trades and callings, essentially to persons acceptable to the clubs. The justification offered was that through long established custom and by apprenticeships the journeymen then in the trades had ensured the skills base which made for more efficient workers. Restrict the occupation to skilled men and the employers as well as all society would be better off. From a functional perspective it can be argued that any control on entry
to a trade would reduce competition and so lead to increased wages and
conditions, the very antithesis of what the employers wanted. Whilst doing
this the skilled workers were creating new classes of workers, by
distinguishing those with skills from the unskilled. Class had always been
central to British society and the way it led to power and benefits was well
understood. Power in any society can only be obtained at the expense of
some other group. Thus any group which acted collectively to secure
power meant it had to be given up by another group. The employer classes
understood collective action by labour was a threat even though in the
absence of good theoretical models they were not able to devise strategies
to beat it. Intuitively they knew about power and all its ramifications and
any actions they perceived could reduce theirs were strenuously resisted.
Inevitably the least sophisticated of these methods were the quickest to be
identified and attracted the greatest retaliation.

By the mid 1830s other types of organisation were developing and
pioneering new ways of gaining social power. One of the more successful
was the Chartist movement. It had broader interests than just those of the
labouring class although its agenda of social reform was of particular
appeal to workers. Their "Charter" demanded universal male suffrage,
equal electoral districts, voting by secret ballot, the abolition of property
qualifications for MPs, and annual parliamentary elections. Beside the
working class the Chartists counted large numbers of skilled artisans and
small masters plus other assorted idealists.
In Scotland Chartism struck a responsive chord. Thus in 1837 a group of workers in a Glasgow cotton mill went on strike in support of the "Charter". Following the strike five participants found themselves sentenced to seven years' transportation. Oakley (1948, 67) suggests it was a lenient sentence for the time, and was indicative of changing community attitudes.

Chartism was also one of the earliest forms of mass collective action in England. In 1838 over 100,000 Chartists demonstrated on the streets of Manchester. The following year they gathered a petition with some one and a half million names for presentation to Parliament. Its rejection led to a riot in Newport where 10 people were shot and 50 wounded.

Chartism eventually fell apart due to internal disagreements and splits about the best methods to use to achieve their aims. However it had established in the British psyche the possibilities of collective action. Further it had generated many social ideas which were taken up by later groups.

In England Cherry proposes that the events of the 1830s and 40s, together with an economic boom in the 1850s, led the employers to adopt more sophisticated methods of dealing with workers' groups. These involved dealing favourably with the more respectable unions and negotiating where possible rather than risk interruption to production. He claimed
Average real wages rose by anything up to a third between 1850-75, and the lion's share went to the most skilled workers, the new "aristocracy of labour" who were most unionised and who dominated organised labour in general (Cherry 1981, 27).

By the mid nineteenth century all the elements were then in place for groups to succeed by the use of collective action.

2.7 THE THEORETICAL BASIS OF TRADE UNIONS

2.7.1 The Work of Beatrice and Sidney Webb.

Perhaps the most widely known industrial relations theorists were Beatrice and Sidney Webb whose reputations were made when they published their book *Industrial Democracy*, in 1897. So profound were their insights that their work is still one of the cornerstones of the discipline today. To use Richard Hyman's words, "...it is difficult to name any subsequent work with the breadth of vision and theoretical insight to stand beside the Webbs' pioneering study" (1971, 3).

Barbash (Adams 1991, 32) put the Webb's work into historical perspective when he pointed out that previously no-one had done any serious analysis of trade unions. Hence no one understood what a trade union was, what form it should take, what its functions were, or even what it could or should do. In part *Industrial Democracy* was published due to the success of an earlier book *The History of Trade Unionism* which Beatrice had published in 1894. This book had proved to be very readable due, in part,
to the fact that George Bernard Shaw had rewritten at least some parts of it (Cole 1945, 70). On page one of that book Beatrice provided the first attempted definition of a trade union:

(A) Trade Union, as we understand the term, is a continuous association of wage-earners for the purpose of maintaining or improving the conditions of their employment.

With little modification this definition would also apply to the accounting professional bodies. They are certainly continuous associations and although it may be disputed whether they should be called wage earners, members all derive income from the provision of accounting services. From a functionalist perspective they are seen to exist due to the conscious effort of members using them to obtain and protect the conditions of their employment. Of greater interest here is that the Webbs identified the methods trade unions use to achieve their purpose.

2.7.2 The Methods Used by Trade Unions.

The Webbs identified three principal methods used by trade unions and suggested they can be linked to specific types of trade unions. They recognised trade unions find they do best when they mould the methods to the circumstances. Clegg (1976) later argued all three are actually variations on the one method which ultimately aims at the regulation of the terms under which labour is made available to an employer. The first method the Webbs called unilateral trade union regulation, the second
collective bargaining and the third statutory regulation.

Under unilateral regulation the trade union formulates its own set of rules outlining the terms and conditions under which members will accept employment. It is usually only seen in craft oriented unions where there is an identifiable core of substantial skills which takes some time and effort to master. Typically the union designates certain work at the core of a trade to be of such a nature that only an artisan possessing certain skills can perform it. By linking the possession of these skills to the benefit of society they attempt to remove direct control from the employer without direct confrontation. Typically it takes the form of the trade union imposing rules restricting the number of apprentices or learners permitted to acquire these skills. Commonly a union will announce a rule to the effect that each master craftsman can only have one apprentice. By its nature this method really only works where there is a core of skills which has to be acquired. This method is most successful where the number of such craftsmen is limited so that the employer could not get a benefit by refusing to abide by the union's rules. For employers unilateral regulation involves giving up some measure of control over their workforce, a thing to which they would only agree if the benefit outweighs the cost. The benefit is that by abiding with the arrangement the employer gets access to the skills with little disputation.

Collective bargaining, an extension of unilateral regulation, is a method in
which a set of rules governing employment is developed in consultation with the employer. For successful operation this method necessitates that both the employer and the employees have access to a measure of power over the other which makes it worthwhile for both to negotiate.

It is most often used when a significant number of similarly skilled workers have the same employer. In these circumstances the employer is unlikely to be able to find sufficient similarly skilled workers in the short term to replace any workers whom he might choose to dismiss as the ultimate sanction. Thus there is an incentive to negotiate with the present workforce, rather than try to get around them. For the leader of the workers this method delivers a measure of power provided the workforce can be organised to follow the union and withdraw their labour in a planned fashion. By its nature this method is very limited in a situation where there is only a small number of employees with certain skills in each workplace, since the employer can usually attract the needed skills without incurring a prohibitive expense.

Statutory regulation involves the legislature enacting legally binding rules to govern either the entire relationship between the parties or some part of it. Since the legislature has the capacity to enforce compliance it is a method which holds great attraction in those circumstances where one party can gain an advantage from any such regulation.
2.7.3 Factors Determining the Method to Use.

For trade unions the method which can be used depends on the circumstances, and as these constantly change so do the methods used. Usually a trade union will employ a number of methods simultaneously to make gains wherever and whenever it can. Thus whilst strikes can be used against a particular employer in a single factory setting, they are useless when trying to gain social benefits from a government. For example in Britain in 1925 the government, faced with an economic crisis, advocated general wage reductions. The unions responded inappropriately, eventually resorting to a general strike in 1926. Their actions certainly denied labour to the employers who, although allied to the government, were not able to change government policy. As a result the strike failed to achieve its aims since the workers were not able to directly bring pressure to bear on the government through the secondary means of their employers.

Traditionally strikes have been the most effective method trade unions could use. By denying labour to the employer they produce quick outcomes. Walker found (1970, 59) this to be important for trade unionists who tend to be pragmatically concerned with immediate results even at the expense of harming the longer term relationship with an employer.

However the very success of the strike causes employers to react strongly
against those they perceive as being able to organise to use this method.
Whilst those directly involved in strikes may have evolved ways to limit
the damage to themselves, third parties are often entangled. Often the
interests of the overall society are threatened through this third party
mechanism, interests which it is the role of government to protect.
Needless to say employers invariably invoke the claim that damage will
occur to society unless they are supported in their battle against striking
unions. Aware that governments can invoke irresistible force the more
sophisticated unions avoid confrontationist situations which lead to the
intervention of governments.

For the individual worker the confrontation accompanying a strike results
in the employees' loyalty being torn between the employer and support for
fellow workers. This effectively limits strikes to those situations where the
workers collectively can protect the individual members from possible
retaliation by the employer. Such situations only occur when the
employees are concentrated in such a manner that they can be effectively
organised by the trade union to counter pressures from the employer.

Though the methods used may be modified, the theoretical rationale of
trade unions is still as described by the Webbs. They are permanent
organisations which exist to maintain and improve the employment
conditions of their members. To achieve this they need to gain some
control over the factors that can effect their wages and conditions, that is
they need to acquire some power within the relationship they have with those who are the source of the desired benefits.

Because of the nature of the accounting occupation, accountants are rarely employed in such numbers that they can provide effective support to each other during periods of confrontation with the employer, especially as the nature of accounting means a business can continue for a prolonged period without specialised accounting services. Thus a group of accountants is rarely able to use the threat of withdrawal of labour as a credible threat to an employer. The accounting professional bodies have therefore needed to develop methods to control the supply of labour to an individual employer, something they have only been able to achieve through gaining control of the total labour supply into the occupation. It is suggested here that education has provided the vehicle for this to occur.

2.8 THE SPECIAL POSITION OF THE ACCOUNTING OCCUPATION.

Braverman(1974), Goldstein(1984), and Armstrong (1985) have all sought to explain the industrial position of accountants. All recognise accountants are not in a standard employer-employee relationship. Like all employees accountants owe their personal livelihood to an employer, but they are also the ones who develop the mechanisms used by owners to control the work force. Two implications arise from these ideas.
Firstly the professional accounting bodies could only have developed following the changes bought about as part of the Industrial Revolution. The advent of mass production created the need for massive capital, only possible with a corporate business structure able to pool the contributions from many shareholders. This necessitated the preparation of accounting reports for many owners not otherwise able to be kept informed of the operations of the enterprise. The Industrial Revolution also brought with it the factory system under which masses of workers had to be controlled in the one workplace. This necessitated the development of cost accounting as a way to plan and control operations. Together these reporting and controlling functions created the expansion of the occupation of accounting from the late Eighteenth century. Large numbers of workers identifying with a common occupation, in this case accounting, is the necessary precondition to be able to gain power by collective action. After all, these same conditions lead to the formation of the trade unions.

Secondly, accountants from their special position vis-à-vis employers would have become aware of the most successful methods for controlling workers and vice versa. That is, it also allows for them to have gained an understanding of the methods used by trade unions to fight the owners. Further they would have gained an understanding of the methods which would be least likely to incur the wrath of the owners. The implication is that an occupational grouping of accountants could be expected to be
sensitive about their appearance. Having seen, at close quarters, the reaction of employers to groups who appeared prepared to use confrontationist methods, the accountants could be expected to ensure their associations bore no resemblance to trade unions. Claiming to be something different, can be seen to be part of this strategy. After all the earliest trade unions had a history of using just such a method when they claimed themselves to be corresponding or benevolent societies.

For the accountants the historic success of the occupations they worked in closest proximity to must also have been of great importance. Since Carr-Saunders and Wilson (1933) first noted the proximity of accounting to legal practice, others have developed the idea of the accounting profession developing from law. Habgood (1994) modified the argument, suggesting that the lawyers considered accounting to an inferior branch of law and so refused accountants membership of the legal professional bodies. Yet from their positions working closely with lawyers the accountants were in a position to appreciate the rewards possible from collective action. To use Kedslie's words:

(A)ccountants as a group are, after all, unlikely to have been greatly different from other emerging professions of the mid-nineteenth century and by that time they would have been able to perceive the advantages which other groups had acquired through professional formation (1990, 7-8).

Working in close proximity to lawyers would also have exposed them to
the discussions arising from the 1834 Select Committee on Medical Education and then the 1854 Royal Commission into legal education. After all it is only human nature to discuss "shop", the day to day issues going on about you. From these sources the main lesson was that education was central to the success of both the medical and legal professions, both of which had gained self regulation of their occupations and so ensured commensurate benefits to members.

2.9 THE LESSONS AVAILABLE FROM THE MEDICAL PROFESSION.

Three lessons were available to the accountants from the historical experiences of the medical profession. The first was how to restrict entry to a selected few. Any group can gain more if it can select those it has as members. The best possible situation for an occupational group is to have the state control entry whilst giving the professional body defacto control of the day to day activities of the profession.

A second lesson concerned the generally touted idea of a sacred core of knowledge. Most professions historically found it necessary to at least create the image that there was a sacred core of knowledge they had been entrusted to nurture. From the medicos the lesson was that the core could be dispensed with under the right conditions. Given that the accountants have always found it difficult to even define their particular core knowledge, any chance to dispense with it would be worthwhile. Due to
their success at controlling entry by the use of education, the medical profession was able to dispense with the need to be concerned with a core of knowledge. For those promoting the emerging accounting professional bodies the example was available, and the proven method only had to be adopted and modified.

The third lesson concerned the way education could be employed to distinguish grades of persons in an occupation and so dissect the occupation, enabling a professional body to seize the major portions. For the accountants this provided a model for the use of entrance tests to restrict membership. Most professions shared the problem of not being education providers in their own right. This meant they could not directly control the flow into the first stage of the occupation. By establishing a hurdle into the inner-sanctum of professional body membership they could, in effect, gain control over enough of the professional activity to control it entirely. Education, which can credibly be touted as a measure against quackery, provides the mechanism.

2.9.1 Using Education to Restrict Entry to the Medical Profession.

Amongst the earliest examples of the use of education to control entry to an occupation can be traced to medicine in China. Needham (Merson, 1981) claims records show entry to medical practice was dependent on success in examinations as early as the fifth century AD. By the eighth
century AD specialist medical colleges had been established to prepare students for these examinations. In the western world the medical profession was also one of the first groups to use education as a method to control entry.

The Encyclopaedia Brittanica tells us Oxford and Cambridge universities were started by the Roman Catholic Church in the thirteenth century as training institutions for the clergy. Monks intent on entering healing orders trained in medicine, but unfortunately for the Church, medical practice was very lucrative. Millerson (1964, 262) relates the attempts by the Church to stop monks from using their training for personal gain. Thus a number of prohibitions and papal decrees sought to have the monks return to their spiritual duties by prohibiting them acting as physicians. Later they were forbidden to use treatments which involved the shedding of blood during surgery. To overcome this monks sought the assistance of secular apothecaries to provide medicines, and barbers to perform operations. Inevitably these assistants gained sufficient knowledge to practice on their own. Records show the barber-surgeons in London had formed themselves into a Barbers' Company about 1308. It was to be some four centuries before surgery became a respectable occupation in its own right. Physicians on the other hand were initially accepted into the Grocers' Company sometime after its formation in 1345. By 1518 these physicians had gained sufficient status to be granted a Charter by Henry VIII to become the Royal College of Physicians of London.
Following the split with Rome, Oxford and Cambridge universities became part of the Anglican church. Then as an anti-catholic measure the state decreed that only graduates from one of these Anglican controlled universities could become members of the Royal College of Physicians. Even though there was no specified education for a physician at the time, the College under royal patronage effectively controlled the profession. Arguably this control was incidental to the greater aim of denying the papists any respectability they might earn by providing medical help for the general populace. Beyond this, the Anglican church had no real interest in controlling the affairs of the profession.

With entry to the profession being restricted to "approved" persons, that is those with an Oxbridge education, the need for other entry restrictions would appear unnecessary. However, other restrictions did apply; examinations imposed by the College itself. Elliot (1972, 30) characterises them as a formality since they were brief, oral, conducted in Latin and covered the classical languages and a few fields of medicine.

From a functionalist perspective these examinations can be explained as a way for the College to control entry to the profession. Elliot summed up the reason for examinations when he said "...they ensured that only men of the necessary social standing gained access to the profession" (ibid). It was one thing to be an Anglican but quite another to be the sort of person
the members of the medical profession would want as a colleague.

2.9.2 Sidestepping the Core Knowledge of a Profession - The Royal College of Physicians.

The evidence from the medical profession shows that a group, having gained control of entry by whatever means, will not actively pursue knowledge. For over two hundred years entry to the Royal College of Physicians was restricted by educational requirements, during which time it did not pursue any medical core knowledge. Carr-Saunders and Wilson (1964, 70) claim the College was certainly concerned with the image it projected during those two centuries but "...it was not until after the middle of the seventeenth century that it began to contribute to the science of medicine." The lack of concern about medical knowledge is further seen from the absence of any pressure from the College to have "their" universities teach the latest medical knowledge. Thus no significant changes occurred to the Oxford and Cambridge medical courses until the mid-nineteenth century.

On the other hand great advances had been made in medical knowledge and were being taught in many continental and Scottish universities. Ferguson (Meikle 1947) relates the advances being made in Scotland by William Hunter (1718-83) at the University of Glasgow and who is credited with making the toast
May no English nobleman venture out of the world without a Scottish physician, as I am sure there are none who venture in (p147).

The situation in England continued so that by the early nineteenth century there were two distinct groups in the medical profession. One group held the respect conferred by membership of the Royal College of Physicians, but a second group educated at the "wrong" institutions did not. The dividing line between the "real" College-member physicians, and the others was strictly along educational lines. But the reality was that many of the alternative physicians had educations based on formal medical courses of a practical nature. In 1832 a group of them came together in Worcester to form the Provincial Medical and Surgical Association (PMSA). Elliot (1972, 38) noted how the PMSA from its inception, had stressed their link to the knowledge core, due to the practical university education its members needed for membership. However the PMSA also displayed a desire to gain statutory protection, of the sort enjoyed by the Royal College of Physicians, when they began lobbying parliament to give special recognition for members who were working under the Poor Law Act of 1834 and the 1836 act requiring registration of births and deaths.

1 In later years this body changed its name and reformed itself into the British Medical Association.
2.9.3 Using Education to Control an Occupation.

The use of education to control an entire occupation, even those parts beyond the direct interest of the professional body is provided by the case of the apothecaries. Apothecaries belonged to an ancient occupation, which had gained a charter to become the Society of Apothecaries (SA) in 1617. They gained a respectable social niche during the time of the plague when their members remained to look after the sick "...whereas the physicians mostly retired to the country" (Carr-Saunders and Wilson 1933, 73).

Unlike physicians, apothecaries were not required to have a university education. In itself this presented a handicap since, as Elliot (1972, 37) suggests, to be taken seriously they needed to be able to distinguish themselves from quacks. Consequently they instituted a system of written entrance examinations for membership along with a training scheme for potential members. The justification for the training and examinations being that it would ensure members of the SA had a measure of competence. However it must also have occurred to those organising the SA that in a time when quackery was rife, strict entrance examinations would afford all members some credibility within the society at large.

The extent to which the PMSA and the SA resented their social position inferior to members of the Royal College of Physicians can be seen from
their actions. Both constantly promoted the image of their members whilst agitating against the restrictive entrance policies of the College. After all the physicians enjoyed the statutory protection the other groups craved, and would have supported had it also protected them. Unfortunately for both they were the ones being denied the social benefits because of this legislation.

The agitation from the SA and the PMSA eventually led to the 1834 Select Committee on Medical Education. During this enquiry the sinecure which the College had achieved was revealed when a witness tried to justify the need for an education from Oxford or Cambridge. He said medical practitioners needed classic learning and a general cultivation of the mind, so that they would not be at a loss when in the great houses that their duties would bring them to (Elliot 1972, 34).

Given that in 1834 there were only 113 members of the College it might be suggested that this exclusive education policy had more to do with protecting their privileged position. However, it is also of interest to analyse in terms of labour market theory which suggests that the most efficient physicians, measured in terms of success in alleviating suffering and disease, would have survived in the market place.

If the critical factor for practitioners was the acquisition of the core of
medical knowledge, supposedly acquired during formal education, then those with the practical degrees from other than Oxford or Cambridge should have possessed more marketable skills and so succeeded. The fact that the PMSA and SA members were still interested in gaining admission to the Royal College of Physicians indicates that membership still carried desirable benefits. Further the benefits must have emanated from the College's ability to control the accepted education rather than any central core of knowledge.

Even if the lessons from the enquiry into medical education had been lost on those interested in promoting an accounting profession, the 1854 Royal Commission into Legal Education could not have been missed.

2.10 LESSONS FROM THE LEGAL PROFESSION.

Millerson (1964, 16) claims law was the first secular occupation to be consciously organised about formally structured bodies, in the form of the Inns of Court. These embryo professional bodies developed to support the interests of men making a living from the legal occupation. Records show one of the methods employed regulated entry to the profession by excluding all except those who were clones of those already practising law. Thus in 1425 the Gubernator of Lincoln's Inn was quoted as explaining that the high cost of gaining a legal education was a virtue because it ensured that "...the students are sons of persons of quality,
those of inferior rank not being able to bear the expense" (Elliot 1972, 30).

Their control over entry was eventually institutionalised, first by the Inns of Court then later the Law Society gaining the right to run the qualifying examinations for practice in the United Kingdom. Pearce et al., (1987, 10) relate how, despite government attempts to break this as a legal monopoly, it still exists as a de facto monopoly today.

In Britain attempts to make legal education the province of the universities has largely failed because of the legal professional bodies' refusal to recognise any entrance tests other than those they controlled themselves. Thus, despite London University (from 1826) and Oxford and Cambridge Universities awarding law degrees from the mid Nineteenth century, the Law Society refused to allow these universities' graduates' exemptions from their own admission requirements, because they were the things providing control over the profession.

One other lesson was available to the interested observer from the cases of the British legal professional body. In the middle of the nineteenth century the law society faced an enquiry into professional education. From the responses made to the 1854 Royal Commission into legal education their disinterest in education, other than as a means to gain social respectability, is apparent. During the enquiry the lack of competency of some members offering legal services to the public was
raised as a criticism. In response the Law Society argued that surviving the competition needed to build a practice constituted sufficient proof of legal competence. However there is cause to doubt this assertion. From his studies, Elliot (1972, 40) concluded a successful practice was more likely related to good social connections and independent wealth, and so favoured those of "correct" background. Nevertheless the Law Society apparently decided there was a need to respond to the critics and so agreed to introduce some legal instruction, controlled by them, but only on a voluntary basis. Law degrees were still not accepted since to do so would mean giving up some control of entry to the profession. After further public disquiet, in 1872 the Law Society relented a little and introduced compulsory entrance examinations for the bar, but still within their control. With this system providing good control on the supply of entrants into the profession there was no need for any reliance on education as a filter.

2.11 CONCLUSION: THE LESSONS FOR ACCOUNTANTS.

Those who organised the first accounting professional bodies recognised that employers would be hostile if they appeared to be a trade union. As a result they dressed themselves up as something different, something that would not pose a threat to employers. The adopted ploy was to present themselves as professional bodies, held together by a mutual concern about the standards of education of their members. Thus even whilst
working towards the manifest outcome of gaining power to further the ends of the individual members, they could present themselves as allies of employers. By being able to plausibly claim a common concern about the skills possessed by accountants, the accounting professional bodies could avoid confrontation with the overwhelmingly more powerful employers. Education thus became a means to an end, the way to control the supply of accounting labour. Accounting professional bodies are therefore really only a variation of an occupational grouping with members acting collectively to gain power used to deliver social rewards to the individual members.

For any group examples of successful ways to achieve and use power are invaluable. Thus the examples provided to those accountants interested in forming professional bodies as a way to achieve social benefits can not have been lost. And the lesson to be learnt from the medical and legal bodies was to use whatever methods were feasible. Legal protection as gained by the Royal College of Physicians was the best. How else could less than a gross of members keep many times their number from controlling the occupation of medicine. Also from medicine the lesson of the way to use education, or at least examinations as an indicator of it, to distinguish those with understanding of the intellectual core of an occupation. Beyond this the medical professional bodies also showed that gains could be made by having acts of parliament reserve certain tasks for members, later named statutory regulation by the Webbs.
Similarly, the history of the legal professional bodies showed the benefits for a profession able to restrict entrance. Although the actions of the law society may be characterised as contempt for formal education they had successfully demonstrated that a professional body could use education and the associated examinations for their own ends.

By observing the success of the newly emerging trade unions, members of the occupation of accounting could see the advantages of collective action. They could also appreciate that the very nature of accounting precluded the use of trade union methods. However by the middle of the nineteenth century the long established professional bodies in medicine and law had been forced to reveal how they had used alternative methods to achieve the same ends as the trade unions. In particular they had shown how education could be adapted as a respectable social method of using collective action. All that was needed was a certain juxtaposition of factors to enable accountants to do the same. Since these factors first came together in Scotland, that was the setting for the establishment of the first successful accounting body.
CHAPTER 3. THE RISE OF ACCOUNTING AND THE HISTORICAL DEVELOPMENT OF ACCOUNTING PROFESSIONAL BODIES IN SCOTLAND, ENGLAND, AUSTRALIA AND CANADA.

3.1 INTRODUCTION.

In previous chapters the desires of members of the occupation of accounting to obtain social benefits has been established. Further the genesis of the ideas concerning possible ways to achieve these aims has been suggested. This chapter will examine the historical origins of accounting and the accounting professional bodies which evolved in Scotland and later in other, English speaking countries.

The first organised groups of accountants did not start off with the expectation that education would provide the only method they could use to achieve their aims. Rather they regarded education as a useful adjunct in winning statutory recognition from the State. Only after the British legislators had refused the accounting bodies the same level of statutory control that had previously been given to medical and legal bodies was education promoted to a more central part of the strategy. Thus the use of education in the struggle for benefits was something that evolved and developed over time, as circumstances permitted.

For education to be usable, two social factors needed to come together
in the one place at the one time. For the accountants the critical juxtaposition of these factors occurred in Scotland in the middle of the nineteenth century, during the Industrial Revolution. The first was that the new mass production manufacturing techniques created the demand for a large number of men with accounting skills. The response to this demand led to a critical mass of accountants sufficient to sustain a permanent occupational group.

The second factor accompanying the Industrial Revolution flowed from the new ideas being generated and modified by various groups then emerging in the society. Workers and would-be social reformers were at the vanguard in using these ideas for their own ends. Many of the ideas found expression in developing industrial methods of collective action. Although few were viable for use by accountants due to the structure of their occupation, some of the new ideas could be combined with the methods developed over a long period by the medical and legal bodies to overcome the deficiencies.

These circumstances came together in Scotland and so that country provided the setting for the establishment of the first accounting professional bodies. Most importantly Scotland had a long tradition of education being fostered by the Presbyterian church. Consequently there existed a public attitude of respect for education and educated people and the bodies they set up.
3.2 THE INDUSTRIAL REVOLUTION.

The Industrial Revolution was accompanied by far reaching demographic changes throughout Great Britain as new technologies spread. Stonier (1983, 112) took the example of Bradford to show the pattern. From a village of maybe several thousand in 1800, Bradford grew to over 100,000 persons by 1850. Over the next quarter century it probably grew another 50% as factories were set up to take advantage of the local coal and water used to power the machines. Simultaneously rural workers were being displaced by machinery. For example, hand loom operators were being forced to give up their small scale rural based operations. The result was a major displacement of workers from traditional agrarian production to the newly possible manufacturing. It was a trend which was repeated throughout the British Isles and continued for at least a century. Carr-Saunders and Caradog Jones (1927, 39) quote figures showing that whereas 25 percent of the male adult population were engaged in agriculture in 1851, only about 10 percent were by the time of the 1921 census.

But the Industrial Revolution was more than just machinery. Stonier (1983) suggests the real revolution was in the appreciation of information as a commodity. Along with the change in manufacturing systems came a need for educated information operatives to control the new systems.
Because Scotland had a social infrastructure conducive to education, an intellectual climate emerged which was the stimulus for the Industrial Revolution.

The importance of the Scottish intellectual atmosphere can be judged by considering the many Scots whose names are still well recognised. Thus Adam Smith the political economist (who held the Chairs of Logic and Moral Philosophy from 1751 to 1763 at Glasgow University), Thomas Reid the philosopher, and Robert Burns and Walter Scott were all read well beyond the British Isles.

Of more significance to the development of collective action, was the move of the Welsh social reformer Robert Owen to Scotland. After becoming a partner in a cotton mill at New Lanark to the east of Glasgow in 1800, he set about what he described as a "socialist" experiment. This involved offering fair working conditions to employees. He refused to employ young children, instead providing a school for their education, establishing a co-operative store selling goods to workers at cost and restricting the hours of work. Palmer (1962) claims Owen was against the promotion of class antagonism:

he had no sympathy with attacks on the rich or attempts to foster class hatred... (but)...emphasised the value of the cooperative ideal...(p244).
Owen went on to play a seminal role in both social reform in Scotland and the trade union movement in England.

On the technology side, Scotland was the place in which James Watt developed his steam engine in 1768, J.B. Neilson developed the blast furnace in 1828, and James Nasmyth invented the steam hammer in 1842. Scots were also making a name in medicine following William Hunter's work in anatomy and surgery at the University of Glasgow.

Still other Scots worked overseas and took what Oakley (1946, 29) describes as a "love of learning" with them. James McGill went to Canada where he made a fortune which he then used to establish the university bearing his name. Princeton University was founded by a group of Scottich emigrants as a training college for Presbyterian ministers. Alexander Bell invented the telephone in America in 1876 at the time Andrew Carnegie was creating one of the first modern corporations.

The Scottish intellectual environment encouraged thinkers from other

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1 Owen later took his ideas to America during an attempt to found a utopian society at New Harmony, Indiana between 1825 and 1829. On his return to Great Britain he settled in Manchester where he became a strong influence in the early trade union movement, being elected leader of the Grand National Consolidated Trades Union in 1833. This Grand National failed just as previous attempts at collective activity had because there was a lack of understanding about the subtleties and complexities of using collective action to gain and use power.
parts of the United Kingdom. Thus, Henry Bessemer came from London to experiment in the steel mills of Clydeside, where in 1856 he discovered the steel making process which bears his name.

As a result of these advances, the Scottish economy expanded steadily and at a faster rate than in England. Reports presented to the House of Commons show that between 1710 and 1866 the Imperial Revenue collected from Scotland rose 2500 per cent, whilst for the same period England only increased 800 per cent (Scott-Moncrieff 1948, 50).

3.3 THE INFLUENCE OF THE PRESBYTERIAN CHURCH ON THE ATTITUDE TO HIGHER EDUCATION IN SCOTLAND.

Much of the stimulus for intellectual development in Scotland emanated from the Presbyterian Church or Kirk as it is known to Scots. Thanks to the educational philosophies of the Kirk, Scottish society developed with an attitude of respect for education.

The Scots had historically been an aggressively independent and self sufficient people mainly due to the geography of Scotland which made communications difficult for much of the small population, especially in the Highlands. From the time of Julius Caesar up to the attempts by proselytising Catholic monks few had much success in reaching and establish bases in all but the major population centres. And attempts to
impose Catholicism by the Scottish Queen Mary failed for the same reasons.

All this was to change when the Scottish zealots John Knox and George Wishart, indoctrinated by the teachings of John Calvin, commenced their ministry. John Knox proved himself to be an inspirational preacher with political acumen, able to engender anti-Catholic sentiments whilst building up a reformist church. Consequently by the time Mary fled to England in 1567 the Presbyters (or Presbyterians) as the Scottish Calvinists became known, had become a well organised and powerful institution in Scotland.

The central precept of Presbyterianism was what the *Encyclopedia of Religion and Ethics* (1971, 247) calls the "...absolute sovereignty of God". This rejected the notion of any intermediary, as the Catholic Church had claimed to be, between God and man. The Presbyterians believed in a church whose function was to provide a framework to assist people to know God. For the smooth operation of this function, educated laity were needed to administer assemblies of worshipers and lead worship, functions which necessitated them both reading and interpreting the scriptures. More importantly, since nothing was to stand in the way of a direct relationship between man and God every individual had to be provided with the education needed to understand God's word. Education was thus a priority since it was the means to people studying the Bible for themselves and so not being reliant on the skills of intermediary monks and priests.
(T)he Reformers believed themselves to be possessed of a system of doctrine so near to the absolute truth that it...has only to be fully known in order to be accepted by intelligent and educated men.

To achieve this Knox advocated that every parish should have its school, every considerable town a grammar school and there should be universities in certain important cities. These ideals were backed up by the passage of the Scottish Education Acts of 1641 and 1696 which saw the state paying for education (Kedslie 1990, 96). Beyond this, Presbyterianism promoted moral dealings between men whose responsibilities were to ensure, by their deeds and example of hard work, that they lived a moral life making the most of all the gifts God had given them. Mepham (1988, 5-6) concluded the Scottish were the first to believe one could be "called" to pursue a business and so use the position to display the virtues of thrift, education, prudence, sobriety and self control. The combination of education and business provided a fertile environment in which capitalism could thrive.

3.4 HIGHER EDUCATION INSTITUTIONS IN SCOTLAND.

Universities had been established in the lowland cities of Scotland as training institutions for bands of monks originating from Ireland in the West and the Continent to the East. Consequently by the time Martin...
Luther nailed his petition to the door of the church in Wittenberg in 1517, so sparking the Reformation, Scotland already had three centres of higher learning: St Andrews University (founded 1412), Glasgow University (founded 1451) and King's College in Aberdeen (founded 1494).

In the sixteenth century the Presbyterian Kirk emerged and encouraged the establishment of two new higher education institutions; Edinburgh University (founded 1582) and Marischal College in Aberdeen (founded 1593, later to amalgamate with King's College in 1858).

Thus by the commencement of the seventeenth century Scotland had six higher education institutions. The significance of this can be seen from a comparison with England which then had just two universities; Oxford and Cambridge. Further the Scottish universities were free to all whilst those in England were restricted to men of means. As Meikle (1947, 128) comments, universities were places for training and education in Scotland at a time when they were still being used to define class in England. As a result, respect for education had become established as the norm in the Scottish society of the mid nineteenth century.

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1 The contrast is enhanced when it is considered that the total Scottish population was probably only one eighth that of England. Although the Moderator of the Church of Scotland estimated the population in 1755 to be 1,265,380 (Meikle, 1947, 49) no comparable figures exist for England. However by the 1881 census Scotland had a population of 3.7 million whereas England had 25.9 million (Carr-Saunders and Caradog Jones, 1927, 1).
3.5 ACCOUNTANTS AND OPPORTUNITY: LINKING GROUP AIMS TO HIGHER EDUCATION.

From the Industrial Revolution and Scottish education, accountants in Scotland in the middle of the nineteenth century found themselves in possession of the necessary and sufficient conditions to use collective action for personal gain.

In Scotland anything associated with institutions of learning carried the stamp of respectability. For instance Scott-Moncrief (1948, 93) has shown that schools and academic institutions were a favourite endowment for successful businessmen. Since education was respectable it could be safely used as a collective action method by a group of accountants intent on gaining benefits even if the members were dispersed in the workplace.

Thanks to the Scottish education system, many accountants had received a recognisably superior education. As Stewart (1986, 26) noted:

of the 180 men who became members of the Edinburgh Society before 1879 ... 45 are known to have been educated at Edinburgh Academy and 16 at the (Royal) High School.

At the time these were the city's leading schools. However the accountants also had a close connection to higher education, one that made it a natural method to use to claim they were special. Stewart noted the number of references about the foundation members being
educated, at least in part, at university. "Admittedly not many seem to have graduated, so the references must have been to attendance at one or other of the law classes" (Stewart 1986, 27).

Nevertheless the connection to university education was taken up and within ten years of their start, the Society of Accountants in Edinburgh made attendance at these university law classes compulsory in 1862. The Institute in Glasgow which followed soon after made the same ruling. It was not necessary to obtain a degree, just attending the university was enough to provide the link to education which was to become such an important method of gaining power for the accounting professional bodies.

The importance of this requirement can be judged from the fact that at the time formal education for a vocation, as understood today, was unknown. Would-be accountants, like those in most occupations, learnt on the job. Further this situation still existed a century later when Millerson (1964, 197) drew attention to the lack of formal accountancy subjects offered at universities in the 1960s. Then in 1974 Braverman (1974, 298) offered an explanation. He showed accounting was no more than a craft. The only tools necessary for an accountant were pen, paper, and ledgers. As a result accounting was what he referred to as a "total occupation". By this he meant accounting did not involve any application of intellectual skills, there being no room for variability in outcome. Any two skilled
accounting craftsmen would, by competently following the same accounting procedures, arrive at identical answers.

Based on Braverman's analysis, on-the-job training was all that was needed for an accountant. If a structured accounting course run at a university added anything to the skills of an accountant it would have emerged within a century. The fact it did not supports the assertion that higher education imparted little in the way of a superior training. However, since it could be used by the accounting professional bodies for their own ends it was cultivated and promoted.

Once the accountants in the major Scottish cities had pioneered the use of education its use spread to other places, initially England but later to the English speaking colonies and America. In all jurisdictions education was to prove cumbersome and problematic yet it always played a leading part in any gains made.

3.6 THE HISTORY OF THE VOCATION OF ACCOUNTING.

The practice of accounting is ancient. Durham (1983) claims to have identified a form of bookkeeping being used by the Greeks in the fourth century BC. Carr-Saunders and Wilson (1964, 208) suggest accounting has been in continuous use in England since at least 1131 when the Rolls of the Exchequer first systematically recorded financial transactions.
However whilst it is easy to find evidence of the accountant's art, it is difficult to track the history of accounting as an occupation since individuals who would today be recognised as accountants, cannot be readily identified in historical records. Further, accounting has always been practiced in, what today is considered to be, the tertiary sector of the economy. Until relatively recently this sector has always been numerically small. For example, Braverman (1974, 295) points out that in nineteenth century Great Britain, the 1851 census classified only eight-tenths of one percent of the workforce as "clerks". Obviously not all clerks would have been involved in accounting related tasks, so overall the number of accountants must have been small. Compounding the problem, prior to the 1921 British census there was not a separate heading for accountants. Before then the generic term "clerk" was applied to most people who worked in an office, even quite senior managers.

Without a general consensus, all manner of names were used to describe office workers. Thus it is common to find nineteenth century documents referring to "writers" in contexts suggesting they were people working out of legal offices performing tasks which would now be considered accounting. Brown (1905, 202) notes the name "accomptant" being used interchangeably for the same individuals. Even "merchant" or "businessman" could have applied to accountants since historically this title was given to anyone who relied on their intellect to make a living.
The interplay of class, occupation and education can readily confound anyone studying organisations like the accounting professional bodies, especially when the overlying historical connotations of the words are not appreciated. An indication can be seen in the modern usage of the term "tradesman". Nowadays this would connote a skilled worker, one who has completed a course of recognised training. However in the nineteenth century any man using tools was apt to be referred to as a tradesman, a term more related to the class of the worker rather than his skill level.

3.8 THE CREATION OF THE OCCUPATIONAL PROFESSION OF ACCOUNTING.

The social changes wrought by the industrial revolution made the ability to control technology the fundamental decider of wealth and position. Whereas prior generations of land owners associated education with culture and refinement, as befitted the position in society their birthright had dictated, later generations found education was very much a commodity. But not just any education. The education which provided economic power was the practical sort, that which led to the skills needed to run the new technology. This opened up the possibility of a new "professional" class, one founded on the possession of acquired skills rather than on birthright.

One indication of the change from birthright to educational professionalism can be seen from the statistics on Cambridge University
graduates in the nineteenth century. These reveal that the proportion of graduates claiming to be going into the non-occupational, that is, professional field of "land-owning" steadily declined just as those going into the educational professions of administration, banking and business increased steadily (Elliot 1972, 51).

Amongst the economic imperatives created by the Industrial Revolution was the demand for men with special skills and abilities, usually best learned in the rigorous academic environment offered by the universities. Possessors of these skills came to regard themselves as professionals due to the place society accorded them. Whether the body requires members to have undergone a particular education, as a condition of entry is immaterial. Without society's sanction for a special position they have nothing other than their own claim to be treated differently.

The historical evidence shows accountants carefully cultivating the image of a "profession" as part of a strategy using collective action to make gains for individual members. Without a respectable class image, using methods identified with trade unions would be very risky. Carr-Saunders and Wilson (1933, 209) and Lewis and Maude(1952, 30) see the connection to respectability as significant. Indeed they, like many others, suggest the first accounting bodies in Scotland were formed as an extension of the respectable upper class legal bodies. Kedslie (1990) details the way the legal bodies rejected accountants who they considered...
as social inferiors. Without an alternative credible claim to members of a respectable class the first organised groups of accountants ran the risk of being considered as of the same lower class as those workers found in trade unions.

3.9 THE SCOTTISH ACCOUNTING PROFESSIONAL BODIES.

The social conditions conducive to the formation of permanent accounting professional bodies came together initially in Edinburgh, for it was there in 1853 that the first professional accounting body started. The conditions may well have come together elsewhere in early times. Stewart (1986, 1) for example, has found evidence of associations of accountants in Italy from the 16th century onwards. However, since they did not survive as permanent entities it would be incorrect to regard them as the first accounting professional bodies.

Accounting must have been a recognised skill in Edinburgh by the seventeenth century as one George Watson, born there in 1645, was sent abroad to Holland for part of his education,

for his further improvement in merchandising and particularly for his learning book-keeping, which then was a very rare accomplishment (Brown 1905, 183).

Later records show accountants practising in the 1680s at the New Mills Cloth Manufactory of Haddington some 10 miles east of Edinburgh
Kedslie (1990, 97) quotes an advertisement placed by the Edinburgh City Council in 1705 notifying the council had appointed John Dickson to be Master and Professor of the Science of Book-holding. Records suggest that prior to the industrial revolution demand for accounting services was probably not great. Thus Habgood (1994, 4) records a Liverpool gentleman who describes himself as a "mercantile accomptant and dealer in tin plates".

3.10 THE GENESIS OF THE FIRST ACCOUNTING PROFESSIONAL BODIES.

The first step towards the formation of a professional body of accountants in Scotland occurred on 17th January 1853 when Mr Alexander Weir Robertson wrote to fourteen practising accountants asking them to meet in his chambers to discuss "...some definite arrangement for uniting the Professional Accountants in Edinburgh". Robertson came from a family of lawyers and so would have been familiar with the legal professional bodies which then regulated all aspects of the practice of law in Scotland. Both his father and grandfather had held high government legal posts as Writers to the Signet, and his brother was a judge (Stewart 1986, 143).

Brief (1986, 50) points to the selective nature of Robertson's invitation by noting that The Edinburgh and Leith Post Office Directory of 1852-3 listed 123 persons calling themselves accountants and yet only 14 were invited, of whom eight actually attended. Kedslie (1990) and Parker
(1986) both suggest this exclusive behaviour was caused by Robertson's desire, not for the creation of an altruistic body of accountants, but rather of acting to protect the bankruptcy income then so lucrative for these particular accountants. Yet even if this was the initiating motive, once the group formed it soon clearly expanded its interests as shown by events at a later meeting.

On 31st January 1853, 47 potential members heard Mr Archibald Borthwick speak. His comments reveal a broader set of objectives and also show some thought had been given to possible collective methods which might be used

   After referring to the various important duties which the accountants practising in Edinburgh were called upon to discharge, he said he presumed there could be no difference of opinion as to the expediency of endeavouring by such an Association as that now proposed to have those important duties entrusted only to those who were qualified by their education and business acquirements to fulfil them with credit (Brown 1905, 203).

Identifying "important duties" for which accountants were paid and then having them entrusted "only to those who were qualified by their education" fits the Webb's description of the unilateral trade union regulation method. The proposal to oversee the qualifications of people allowed to perform these duties can be seen as an attempt to regulate the supply of accounting labour. It also demonstrates that from their start, education had been identified as having a place in their attempt to gain
power. After all, as previously noted, a large proportion of the early membership had been educated at either the top schools of their time or at university, or both.

Later in his speech Borthwick outlined the use of the statutory regulation method when he stated the objectives of the proposed accounting body were to:

apply for a Charter of Incorporation conferring on the Institute the usual powers and privileges (Brown 1905, 203).

Thus from the start the true motives of the accounting professional bodies can be identified as they sought to gain the special privileges they felt their members were entitled too. Kedslie (1990, 62) refers to the importance of having a Royal Charter as it would "...certainly increase the status of the new Institute and lend weight to its opinions...".

The Society of Accountants in Edinburgh was incorporated by Royal Charter in 1854. The charter allowed the designation "Chartered Accountant" to be used by members (Stewart 1986, 10). At a meeting of the Council of the Society on 16th December 1863 the possible use of this term was demonstrated when a proposal was put to have the Scottish Lord Advocate insert the word "Chartered" before the term "Accountant" in certain legislation (Kedslie 1990, 63). It was rejected, but it was clearly an attempt to have legislated control over accounting given to the
On February 7th 1855 the Institute adopted a set of By-Laws. Amongst the most far reaching were those dealing with entry standards. Apart from the foundation members all others would be admitted after sitting entrance examinations following a period of apprenticeship. There can be no doubt that this examination acted to restrict entry, since the Institute's minutes show in one year only 83 of 130 who had completed apprenticeships attempted the entrance examinations (Kedslie 1990, 187). In 1886 the Chartered Accountants' Students' Society of Edinburgh was established.

In 1855 the Institute of Accountants and Actuaries in Glasgow was also incorporated under a Royal Charter. The associated Glasgow Chartered Accountants' Students' Society was formed in 1899.

The Society of Accountants in Aberdeen gained its incorporation in 1863. By 1903 the Students' Society of Aberdeen was created. Both the Glasgow Institute and the Aberdeen Society applied for, and were granted, the right to use the post-nominal designation "chartered accountant" or CA, a right which the Scottish groups retain to this day.

The importance of the link between higher education and the
respectability it afforded these accounting professional bodies can be judged from the following. By the mid eighteen sixties accounting professional bodies had formed in the three Scottish cities of Edinburgh, Glasgow and Aberdeen all of which have a university in close proximity to the commercial centre. However no accounting body formed in Dundee, which at the time was a major commercial centre, sometimes referred to as "Scotland's Second Commercial City", due to the development there of jute spinning machinery (Meikle 1947, 91). Significantly the university there, St Andrews, is located 12 miles distant from the town centre across the Firth of Tay.

The importance of the university connection is further highlighted from the case of the Scottish Institute of Accountants which was formed in 1881 with the intention of providing provincial accountants in Scotland with an alternative to one of the three city based bodies (Stewart 1986, 21). It soon failed and disappeared, apparently without trace.

To consolidate the link with learning both the Edinburgh Society and the Glasgow Institute established libraries for members soon after their formation. However they were apparently not used very much, Stewart (1986, 28) noting complaints made to the council of the Glasgow body in 1867 claiming only three members had used their library on average since 1860. Nevertheless they were symbolic of the link to learning and so remain to this day. Interestingly most of the detail about the early years
of the Scottish accounting professional bodies can be traced to one book, *A History of Accounting and Accountants*, written by Richard Brown CA, and published in 1905. For a period about the turn of the century Brown had been honorary librarian for the Edinburgh Society.

In 1892 the three Scottish accounting bodies formed a General Examining Board to ensure uniform examinations for entry to the profession. During 1951 the Glasgow and Aberdeen groups surrendered their Charters and the Edinburgh Society changed its name to form the Institute of Chartered Accountants of Scotland. Presently this body employs teaching staff to instruct students in accounting as an adjunct to the requirement that they attend university classes in law, accountancy and economics (*A Short History*, undated, 1).

### 3.11 THE ENGLISH ACCOUNTING PROFESSIONAL BODIES.

The first accounting professional body started in England within a few decades of those in Scotland. Evidence suggests that their formation was motivated by the same aims as their predecessors. The first steps in the organisation of the profession in England occurred on 25th January 1870 when the "Incorporated Society of Liverpool Accountants" was registered. Its stated objects "...were the protection of the character, status and

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1 Although undated the pamphlet details events from 1979 and was sent by the Institute of Chartered Accountants of Scotland in 1994.
interests of Liverpool accountants..."(201).

Later in 1870 on 29th November the Institute of Accountants in London was formed. Their stated object was

to elevate the attainments and status of the professional accountants in London, to promote their efficiency and usefulness, and to give expression to their opinions upon all questions incident to the profession (Habgood 1994, 202).

By their actions both groups made no pretence of concern for the public interest but rather were motivated by self interest. For instance both the Liverpool and the London bodies ignored the broader accounting issues, instead concentrating on the image which would delineate their social position. This manifested itself in strict entrance standards which ensured few men were actually admitted. In Liverpool only 32 members were on the roll by 1880.

For the London Institute anyone who had been in practice for five or more years and who passed an oral examination was admitted to membership. Habgood (1994, 203) notes strict entrance standards and high entrance fees kept membership numbers low and eventually led unsuccessful applicants to start the Society of Accountants in England in 1872.

The Manchester Society of Chartered Accountants was formed in February 1871 with the stated purpose of promoting and protecting the interests of the profession in the Manchester area (ibid).
In 1877 the Sheffield and District Society of Chartered Accountants was established. Its stated objectives were

to increase the efficiency and usefulness of professional accountants; to protect the interests of its members; to express opinions upon all questions relating to the profession; and to do all such things as may be necessary for the attainment of these ends (ibid 204-5).

The Institute of Chartered Accountants in England and Wales (ICAEW) came into being as a result of the amalgamation of the above five English accounting bodies established between 1870 and 1877. Its aims were, like its constituent bodies, to advance the benefits of members. The ICAEW started on 29th November 1878 when the Council of The Institute of Accountants advertised in the *London Gazette* that they were about to apply to Parliament for leave to introduce a Bill for the incorporation of the Institute. In their advertisement the Council invited representatives of all the known English Societies, and other interested parties, to confer with them so that the Bill would be framed so as to promote the interests of the profession generally. The resultant Bill was introduced to Parliament in early 1879 but was withdrawn before being voted on. Later the Institute applied for a more usual Charter for Incorporation which would provide some measure of recognition under the existing Companies Act. Whilst not giving the same legal recognition that would be possible under a dedicated Act, this was the best they could do. This Charter incorporated the existing Societies into one body to be known as The Institute of Chartered Accountants in England and Wales (ICAEW). It was granted
Within this Charter can be identified the earliest English attempts to use education as a means of regulating entry to the profession. Whilst the Charter allowed for the members of the sponsoring societies to be admitted en masse, all other applicants had to have been apprenticed for five years. Apprenticeships restricted the supply of accountants when members abided by the ICAEW rules which prohibited more than two pupils per member (Millerson 1964, 69).

In this respect the ICAEW acted just like the trade unions who imposed apprenticeship schemes, justifying them as a way of ensuring a supply of competent tradesmen when the real motive was to restrict the labour supply. However the accounting bodies, not wanting to be associated with anything remotely trade union, sought to create the impression of themselves as anything but an industrial force. Thus they needed to show some credible motivation for their collective activity. Claiming to be independent service providers whose accounting competency could be verified by this new association provided just the cover. Thus many of their activities could be disguised as those of a professional body acting to ensure its members had gained admittance after proving they possessed suitable levels of skill and competency sufficient to provide a necessary service for the public.
The desire for the legislated right to control the occupation of accounting is obvious from the actions of the Institute. As explained by the Webbs in relation to trade unions, any group soon realises the ultimate source of power is delegated from government through legislation, by what they called statutory regulation. Unfortunately for the ICAEW legislated control had been rejected by the Parliament, so the next best thing was defacto control over entry, or at least over those who the public would recognise as offering those services. This is clearly demonstrated from the meeting called by the Institute on 25th May 1893, when a resolution was carried which resolved

that it is desirable to promote legislation which shall restrict public accountancy to existing or future Chartered Accountants. That if legislation cannot be obtained, then it is desirable to legislate to protect our title of "Chartered Accountants" (Brown 1905, 243).

In furtherance of this aim the Institute between 1893 and 1896 made a number of attempts at gaining legislative protection. After a number of attempts failed, the strategy was abandoned and alternative ways of gaining power were explored. However all the alternatives still relied on the claim that the member-accountants were deserving of a special social status due to their education.

Over and over again the ICAEW can be seen claiming their members were the repository of all accounting wisdom thanks to their education. Thus the Institute continually offered advise on accounting matters to members
of Parliament and made representations on any Bill coming before the Parliament. Brown (1905, 234) records that by this means the Institute succeeded in having changes made to The Bankruptcy Act 1883 which would enhance the employment of recognised accountants.

The Institute's image was boosted when they were able to get Parliament to agree that a representative of the Institute should be on the Inspection Committee of Trustee Savings Banks established under the Savings Bank Act of 1891. It was the first legislative recognition of an accounting professional body in the United Kingdom.

Later other gains were made, including in 1896 when the ICAEW suggested amendments to the Companies Bill, and made representations to the Registrar of Friendly Societies about potential problems relating to Building Society accounts. They also suggested desirable rules to be drafted under the Judicial Trustees Act 1896. These methods led to some small victories as in 1899 when the Institute was successful in suggesting amendments to the London Government Bill to the effect "...that at least one of the auditors shall be a qualified professional accountant..." (Brown 1905, 244).

On 29th December 1885 the Society of Accountants and Auditors, was formed when a licence to incorporate was issued by the Board of Trade. Like the Institute, it sought to gain legislative protection for its members,
and also used education as a means of restricting membership. Its Memorandum of Association (MA) is very revealing since it sets out the aims and even the methods proposed to be used to achieve them:

To provide a central organization for accountants and auditors, and generally to do all such things as from time to time may be necessary to elevate the status and procure the advancement of the interests of the profession (Brown 1905, 245).

Doing "all such things...necessary" to procure the "interests of the profession" (read members) certainly sounds like an aim. Then in the second sentence the MA provides the method to be used

To provide for the better definition and protection of the profession by the system of examination and the issue of certificates (ibid).

The next part of the MA could well have been taken straight from one of the Corresponding Societies, bodies who carefully sought to appear to be anything other than a trade union.

To provide opportunities for intercourse amongst the members, and to give facilities for the reading of papers, the delivery of lectures, and for the acquisition and dissemination, by other means, of useful information connected with the profession, and to encourage improved methods of book-keeping (ibid).

The fourth and fifth sentences would be recognised by the Webbs since they could have been taken directly from a trade union.
To watch over, promote, and protect the mutual interests of its members.
To assist necessitous members, and the widows and children of any other dependent kindred of deceased members (ibid).

The last part of their MA describes the methods the Society of Accountants and Auditors intend to use.

To apply, petition for, or promote any Act of Parliament, Royal Charter, or other authority with the view of the attainment of the above objects or any of them (ibid).

The Society also provided for candidates for membership to be admitted at one of three levels; Fellow, Associate or Student. For admission as an Associate a candidate needed to be in practice as:

a public accountant or a principle clerk to a public accountant, or an accountant in the service of the Government..., or of a corporation or public body, and ...have passed an examination or examinations as the Council may, from time to time...determine (Brown 1905, 247).

Clearly this does not set an absolute standard, and there is no need to prove competence other than to have remained employed in the field. The wording of the examination requirement likewise is not absolute, rather the Council reserves the right to impose an examination or examinations as it determines.

Central to all the claims for the control of entry to the occupation is one constant theme, that the accounting professional bodies are in the best position to protect the interests of the public by ensuring all entrants to the
occupation are suitably qualified. The test for this was held up to be the completion of an appropriate education. And since the decision on what is appropriate is complex the professional body had a justification for its existence.

Elliot (1972) has done much work on this issue and has concluded much the same. He noted the place of education in delineation of a group calling itself a profession, not necessarily as a positive element, in the sense of ensuring members have particular knowledge, but rather as a way to keep out those who may discredit the profession. As Elliot (1972, 112) said

(A)ny group with pretensions to professional status cannot afford to be seen as a refuge for the unqualified.

From his work Elliot was to show how later in the professionalisation process, qualifications started to be claimed as an essential requirement for entry. Also, over time, these entry routes become institutionalised as society accepts the professional body as the legitimate arbiter of what is an appropriate education.

3.12 THE AUSTRALIAN ACCOUNTING PROFESSIONAL BODIES.

Before the discovery of gold, Australia was little more than a penal colony. The factors which had come together in Great Britain and enabled the establishment of accounting professional bodies were just not present.
Notably there were not sufficient accountants to form any viable group.

Then in the space of a decade, from 1850 to 1860, the population grew from 400,000 to over a million (Hagan 1977, 9). Many of the immigrants were what today would be called economic refugees, persons fleeing the harsh industrial conditions of Great Britain. Inevitably some had been involved in collective activity of the earliest trade unions and brought well developed ideas concerning how to organise labour. For example in 1852 a group of workers fleeing England following involvement in strike activities started a union. Their English union, the Amalgamated Society of Engineers, had contributed funds for their escape and as they travelled to Australia on board the *Frances Walker* they resolved to form an Australian branch of this union (Lamprati 1984, 224). It went on to become Australia's longest surviving trade union, and is now known as the Amalgamated Metal Workers Union.

From the capital injected by gold finds and the population increase due to the fortune seekers, the Australian economy rapidly expanded so creating a demand for accounting services. In turn this demand was partially satisfied by immigrant accountants from Britain, many of whom were members of an accounting professional body. Once the number of accountants in the colony was sufficiently great the first Australian groups formed.
Thus in December 1885 Charles Cooper, who was a member of the Society of Incorporated Accountants and Auditors, London, called a meeting of Melbourne accountants with a view to forming a branch of that body in Australia. Although the proposal was rejected, those in attendance called a further meeting for 12th April 1886. On that day there met

eighty gentlemen, all practising public accountants, in response to an invitation: to consider the propriety of establishing an association of those having kindred interests in their common calling and desire to place their profession on a higher plane than it had previously occupied in public esteem (ASCPA 1992a, 11021).

From that meeting "The Incorporated Institute of Accountants of Victoria" (IIAV) was established. Following a number of mergers and amalgamations it was to form the Australian Society of Accountants, which recently changed its name to the Australian Society of Certified Practising Accountants.

Given the influence of the English accounting bodies it is not surprising to see the similarities between the IIAV and its progenitors. Thus the interests of the members by the creation of the "professional" image is seen in point (a) of the IIAV's constitution:

(a) To aim at the elevation of the profession of Accountants by the dissemination of professional knowledge and the inculcation of sound practice.
In (b) they hint at the method, the creation of an image as a body with strict entrance requirements demonstrated by passing examinations. No mention of higher education which at the time was very restricted.

(b) To increase the confidence of the banking mercantile and general community in the employment of recognised Accountants and Auditors by admitting to the Institute such persons only as shall in future save as hereinafter provided pass satisfactory examinations in the theory and practice of the work and by the prevention of illegal and dishonourable practices (CIA 1936, 12).

Unlike the Scottish situation very few men were able to attend the University of Melbourne which was still a small institution, having only been founded in 1857. Prior to 1873 when the first discipline specific, Law Faculty, was established it only offered generalist educations, principally in the classics.

In the absence of any real chance to restrict entry to university graduates, the IIAV turned its attention to gaining what the Webbs would term statutory regulation. The history of the IIAV shows this pursuit of legislative protection, and if it was not to be had directly then they hoped for defacto legislative recognition, just as the ICAEW had achieved in England.

In the book *History of the Society*, released to commemorate the seventy-fifth anniversary of the Australian Society of Accountants, the
attempts made by the Institute to have changes made to legislation of interest are described. Like their English predecessors they lobbied Members of the Colonial Parliament. This resulted in a clause being inserted into an Act of the Victorian Parliament to the effect that municipal auditors had to have "acceptable" professional qualifications. The Institute saw this as a great victory as evidenced by the comment in 1891, when the Annual Report stated

(I)t is gratifying to know that, for the first time in the history of British legislation, the formal recognition by an Act of Parliament of the professional status of accountants was secured (ASA 1962, 27).

Apparently efforts to secure passage of legislation which would provide for the registration of accountants was frequently considered by the IIAV’s General Council. In the Seventy Fifth anniversary book it is suggested the efforts were presented as a concern for the protection for the public, but that it was "...nevertheless felt that registration would also give added status to the profession"(ibid, 42).

A similar determination to achieve legislative protection can be seen in the other Australian accounting professional bodies. In their 1936 Jubilee Year Book the Commonwealth Institute of Accountants noted

(In the period 1907 to 1922 in practically every State, efforts were made to obtain legislation on behalf of the accountancy profession, and in several States Bills were actually introduced into
Parliament. No tangible results, however, were achieved in any instance (p41).

Once again the true concerns of the professional bodies are revealed when the "tangible" results are seen to be the legislation itself. Evidence of harm to the public good are not forthcoming despite the constant reference to it.

The active pursuit of legislative protection appears to have been dropped by the professional bodies in the 1920s and 1930s. Problems caused by the depression, when members were more interested in basic survival may have been the reason. However, following the Second World War the bodies once again turned to this tactic. Central to the claims was that the accounting professional bodies were the one group who could protect the public interest. However, as previously, no evidence was presented to show the need for this protection. Surely some examples of an accounting professional body actually having acted to protect the public could have been found. It would certainly have strengthened their case before the legislature.

Nevertheless the asked-for legislative protection was partially achieved. First New South Wales (in 1945) and Queensland (in 1946) passed legislation to provide for the registration of accountants in public practice. However this was not enough for the accounting professional bodies who immediately started to press for Federal legislation.
Apparently the legislatures were not impressed by further claims, as in 1962, the Society\(^1\) noted

(Negotiations to secure registration have continued...over several years, but so far it has not been possible to secure the passage of legislation which, in the view of the General Council, is essential for the protection of the community and for the establishment of the legal status of accountants which flows from their responsibilities to the community. It is a vital factor also in the organization of the profession on a planned basis (ASA. 1962, 47).

Similar calls, stressing the professions desire to protect the public in Australia have continued since, but all without success. Nevertheless the professional bodies continue with the attempt to gain whatever support they can.

Whilst the campaign for legislative backing was underway from the time of the formation of the Australian Society of Accountants in 1952 changes were being made to the membership entrance requirements. Initially entrance examinations were administered by the ASA more or less open to anyone. Then ad hoc exemptions started to be made for candidates who had passed recognised courses of study at a university or college of

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\(^1\) The Australian Society of Accountants (ASA) came into being on 13th October 1952 when a Certificate of Incorporation was issued in Canberra. The ASA was formed by the amalgamation of two predecessor bodies, the Federal Institute of Accountants and the Commonwealth Institute of Accountants, both of whom had earlier arisen from predecessor accounting bodies.
advanced education. Consequently by 1964 "...due to dissatisfaction with
the standards of accountancy education" a visiting American Fulbright
scholar Professor Vatter was commissioned to enquire into the educational
needs of Australian accountants (ASCPA 1992a, 11025). Following
Vatter's report membership was restricted to graduates from 30th June
1966, subject to certain provisions for existing candidates enrolled for the
Society's entrance examinations.

The need to protect the public interest was also used as a justification for
accounting standards. Since 1985 the two professional accounting bodies
have had a great deal of influence in this area. This comes from them
appointing the members of the Public Sector Accounting Standards Board
(PSASB). The PSASB along with the Australian Accounting Standards
Board (AASB) whose members are appointed by the Federal
Attorney-General, recommend standards which if accepted, gain legislative
backing. Whilst it is not direct backing for the accounting professional
bodies it adds to their legitimacy as public service bodies, which is after all
what they claim to be. Further, the means of producing the standards
should not be an issue provided good standards result. However the call
for changes displays the real motives driving these bodies.

The 1993 Annual Report of the Society of CPAs comments that both of
the Australian accounting professional bodies are pressing for changes.
On page 6 they start off rationalising the desirability of merging these
bodies to form one standard-setting body, since it would be more efficient and save business costs.

(T)he Society along with the Institute, has for some time supported the establishment of one accounting standard-setting body for all accounting entities. This move would ensure greater efficiency and a more comprehensive and co-ordinated approach to the development of accounting policies. Significantly for business, such a move would undoubtedly lead to reduced compliance costs.

Then in the next paragraph the real motives can be seen, when they state

(W)hile such a merger is in the interests of the profession as a whole, it is, however not without its negatives. Since accounting standards were given the backing of law in 1985, the profession's control over the development and issuing of accounting standards for companies has been substantially reduced. The fact that the AASB and PSASB have worked closely together has enabled us to maintain a significant degree of influence.

Such comments show that the latent outcome driving their actions is to have control over the actual accounting standards setting process, for that would be defacto legislative backing for the professional bodies themselves. Expressed another way it is an example of the statutory regulation model proposed by the Webbs as a trade union method.

3.13 THE CANADIAN ACCOUNTING PROFESSIONAL BODIES.

The first professional accounting body in North America was founded in Canada in June 1879. At that time the Association of Accountants in
Montreal (AAM) sought and was granted incorporation under Statute of the Province of Quebec. Unfortunately for the accountants, the legislators were not prepared to grant real control over the occupation of accounting to this group. The Articles of Incorporation registered as part of the incorporation provided for applicants to be at least twenty-one and have served as a clerk or apprentice with a member of the Association. They also had to pass an examination as determined by the Committee of the Association. However no sanction was provided which restricted any non-member from offering accounting services. Thus the AAM had no real control of entry into the occupation and so were denied the benefits possible from statutory regulation.

On 1st February 1883 an Act of the Legislature of Ontario incorporated The Institute of Chartered Accountants of Ontario (ICAO) modelled on the lines of the ICAEW and stressing the educational qualifications of members. However as the AAM had already found, the legislators were loath to delegate any real power over the occupation of accounting:

The Legislature, which at that time consisted largely of representatives of the rural population of the Province, was exceedingly suspicious of anything which looked like an attempt to secure "class legislation"; and some of the most important provisions of the Act had to be modified. That the Charter was granted at all at that time was probably due largely to the fact that its objects were stated to be distinctly educational; the Legislature took no account whatever of existing conditions, with a view to granting any definite status to men engaged in the practice of accounting, and for the reasons already mentioned refrained carefully from allowing any exclusive privileges, or attaching any
official functions to the profession of an accountant (Brown 1905, 253).

The lesson for the ICAO was that gains could be made by claiming an interest in education, even if it was really only a guise for their power-seeking activities. If they had continued to explore the use of education they may have avoided creating a problem for themselves.

Initially entry to the ICAO was based on a vote of the membership, that is good character, rather than by proven competence. By 1891, within eight years of incorporation they found the number of members had fallen off sharply. From an enquiry conducted into the reasons for this, they found that the majority of those who had joined the Institute at its inception found no advantage to themselves by continuing as members. For the individual, membership carried no benefit since to the public it did not imply proven skills or competence, that is it did not possess a desirable image. As a solution the Council decided that the best way to increase the status of members was to base entrance on a skills test. To this end, they amended the bye-laws so that no member should be admitted until he had passed a series of examinations. From then on membership of The Institute could be seen by the public to imply competency as an accountant. By this method

The Ontario Institute...by persistently placing itself before the public, and making known the nature of the tests required to enable a man to style himself a Chartered Accountant... eventually
Later accounting professional bodies established in Canada avoided making a similar mistake. Institutes of Chartered Accountants were established in Manitoba in 1886 and Nova Scotia in March 1900. Entry to either of these was based on the passing of a series of three examinations. Once again this can be seen as an attempt to limit entry whilst gaining social approval and status, by the use of education.

3.14 CONCLUSIONS.

From the time of the Industrial Revolution, when accounting emerged as a distinct occupation, developed to meet an economic need, education can be seen to have helped accountants gain benefits. From a study of their historical activities it is apparent the early accounting professional bodies wanted legislators to give them the statutory power to regulate accounting. After all this had been granted to the professions of law and medicine, occupations accountants regarded as their intellectual equals. When this proved to be unachievable, at least in a manner the accountants deemed acceptable, alternative methods were tried.

Education was an essential element for the success of the collective activities of the accounting professional bodies since it provided a way to overcome the problems caused by the accountants lack of concentration
in the workplace. From the trade unions which emerged during the Industrial Revolution, the accountants learnt that gains could be made by a group able to restrict the supply of labour to an employer. It took the accountants a long time and was only one method they attempted.

However the use of education proved capable of producing consistent gains. Using education allowed the accountants to remain socially respectable and did not provoke a backlash response from employers.

In Scotland it was the coming together of the social attitude of respect for higher education with a large enough number of men deriving a living from accountancy services during the Industrial Revolution which enabled the first accounting professional bodies to succeed.

In America quite a different pattern of usage of education can be seen to have occurred. There different social attitudes allowed statutory protection to be granted to accounting professional bodies early in their history. Nevertheless education has found a place in the activities of the American accounting professional bodies, as can be seen in the following chapter.
CHAPTER 4. THE AMERICAN ACCOUNTING PROFESSIONAL BODIES: THE USE OF EDUCATION ONCE STATUTORY REGULATION IS ACHIEVED.

4.1 INTRODUCTION

The accounting professional bodies (APB) in the United States of America developed in quite a different social environment than those in Britain, Australia and Canada. From the days when America was still a British colony, there was a willingness to grant statutory regulation to various occupational groups. As a result the APBs gained legal protection and effective control of accountancy, the very things their counterpart bodies in Britain had argued they needed to regulate the occupation for altruistic aims. However the American evidence suggests the APBs want regulation for more than idealism.

In America, from the moment they had control of entry, the APBs acted to restrict the number of persons able to supply accounting services. Their activities are consistent with the idea that by restricting supply benefits can be made to flow to the individual accountant, just as predicted by trade union theory. The evidence shows the American APBs using education as a method to provide this restriction on supply. Further education can be shown to have been used continuously as a central part in the campaigns to achieve the aims of the APBs.
4.2 DIFFERENT SOCIETY: DIFFERENT ATTITUDE - THE DEVELOPMENT OF PROFESSIONS IN AMERICA.

At least part of the difference in attitude to the grant of statutory regulation between Britain and America may be attributed to the connotations of the terms "profession" and "trade" in each society. In Britain these terms related directly to class, whereas in America they were associated with the respectability of occupations.

Commons (1909) argues that in America class consciousness did not gain a hold in the American psyche until well into the eighteenth century, by which time some occupational groups had been granted statutory protection. For instance the "Shoomakers of Boston" were granted a Charter of Incorporation by the Colony of Massachusetts on 18th October 1648. In applying for the Charter the Shoomakers had justified the need for them to regulate the trade since damage to the public interest was being caused "...by occasion of bad ware made by some of that trade" (Commons 1909, 57).

Then over the next century a form of occupational class consciousness developed. By the late eighteenth century permanent trade unions, formed by employed workers had established and begun to use confrontationist tactics in an attempt to gain benefits for members. By conducting strikes they identified themselves as having interests contrary to their masters and so created discord in what Commons calls the "primitive American
The masters responded by forming their own organisations, and by dint of better contacts with the legislatures, ensured trade unions had little influence on the conduct of any occupation, whilst the masters were able to gain legislative protection for their own interests. Due to the unfavourable legal environment, throughout the nineteenth century, many trade unions and their members had faced the courts because of their collective activities. The upshot was that the public was presented with the simplistic idea of two sorts of occupational organisations; good ones formed by masters interested in protecting the community, and bad ones formed by selfish workers.

With this social background it is not surprising the first APBs in the United States adopted different tactics than those previously used in the British Empire countries. In America an occupational organisation which bore no resemblance to a trade union had a chance of being granted legislative protection. Thus the accountants consciously set about showing they were in a "respectable" occupation. Central to this was the use of the term "professional" which had come into general use by other occupational groups in law and medicine for much the same reasons. Education was used in the creation of this professional image.

4.3 FORMATION OF ACCOUNTING PROFESSIONAL BODIES IN AMERICA.

The American Association of Public Accountants (AAPA) was
incorporated in New York on 20th August 1887. From the start it claimed to be about representing the respectable members of the accounting occupation. By stressing their interest in education they associated themselves with the respectable elite of the community, those with the wherewithal to have their offspring educated.

To convince the populace of their concern for education and to establish a public perception of their members as possessors of high level intellectual skills, the AAPA started its own school of accounts in 1892. It then negotiated with the Regents of the University of New York to have graduates of their accounting school recognised by the university (Brown 1905, 271).

Unfortunately in the laissez-faire American labour market the graduates of the AAPA's own school did not possess enough advantages over any other person selling accountancy skills, and the school failed as a commercial provider of education. Undeterred the AAPA, in 1894, proposed a Bill providing for the professional education of accountants. It was presented to the New York State Legislature in 1895, but failed to get sufficient support when first voted on. However a second attempt was made in 1896 and this time was successful. This Act provided that any American citizen over twenty one years of age, resident or working in the
state of New York,

and who shall have received from the Regents of the University a certificate of his qualifications to practice as a public expert accountant, shall be styled and known as a Certified Public Accountant (Brown 1905, 272).

Because of the links previously forged with the university the AAPA found itself running the education program leading to the award of the Certified Public Accountant (CPA) certificate. This plus their having sponsored the Bill, amounted to recognition that they were a "good" respectable professional body. Thus the AAPU found itself with defacto legislative control of the occupation of accounting in New York. However it also demonstrated the benefit of stressing educational credentials.

Williams (undated, 38) found that the passage of this first CPA law in 1896 gave formal accounting study a great impetus. By 1924 all states and territories had enacted laws giving recognition to CPAs. However it was only in 1929 that New York passed the first legislation formally requiring a college education as a prerequisite for the CPA certificate. Education had thus provided the accounting professional bodies with a method of controlling entry to the occupation as it simultaneously gained social respectability. Equally important it did this whilst providing a guise for those activities aimed at gaining benefits for the members.
4.4 BEYOND STATUTORY REGULATION: THE CONTINUING USE OF EDUCATION BY AMERICAN ACCOUNTING PROFESSIONAL BODIES.

Having gained effective control of entry to accounting the American bodies adapted education to gain more benefits for members. The evidence is contained in the story of the calls for extra accounting education. Further, just as the British groups had previously found, education lent itself to obfuscate the true aims of the accounting groups, as it could be adapted to provide a cover for the struggle for benefits for members. The evidence is contained in the justifications offered for the need for extending the education needed to successfully practice accounting.

4.5 CALLS BY THE AMERICAN ACCOUNTING PROFESSIONAL BODIES FOR INCREASED EDUCATION.

4.5.1 Pre-World War II.

The call for an increase in the duration of accounting education can be traced back to 1927 when Littleton wrote an article titled "University Education for Accountancy" which appeared in the December edition of the Certified Public Accountant. This was the official journal of the American Institute of Accountants, a forerunner of the AICPA. His call was for an incremental rather than a radical change to accounting education. Of significance is the timing, coming as it did at the time the
legislature was in a mood to require accountants to have tertiary education. Thus in 1929 the New York legislature passed a law requiring a college education as a prerequisite for the CPA certificate (Williams undated, 38).

In his article Littleton had argued education was to "...pass on experience" and "...to train minds to function smoothly and rationally." For the accountant he believed that this would take "...a five-year program of college work." He arrived at this figure from his belief that accounting required

two years of predominantly liberal arts work, two years of work with a major emphasis on business courses, and a fifth year in the how and why of accounting, report writing and other specialized subjects.

Littleton's call did not lead to the establishment of any five year degree programs. Indeed an inspection of the professions' own journals for the two years from December 1927, shows he did not even gain support within the profession. Then following the 1929 stockmarket collapse the accounting professional bodies were focused elsewhere and education was relegated to a minor priority. In particular the attention shifted to responding to politicians who were holding accountants at least partly to blame for the collapse. By 1933 the accounting bodies appeared to be fully focused on responding to the legislative actions being mooted by the Congress. With the setting up of the Securities and Exchange Commission
(SEC) their actions obtained a focus.

The SEC had been established by the Congress to oversee the Securities Act of 1933 and the Securities Exchange Act of 1934, both of which were introduced in response to legislative weaknesses implicated in the economic crash of 1929. Whilst neither of these Acts imposed direct control over the accounting profession, they were perceived by accountants as threatening more coercive legislation (Granof 1992, 77). Granof characterises the professional bodies actions as being consistent with a "battle" to resist federal regulation of the accounting profession.

4.5.2 Post World War II.

In April 1952 the AICPA established the Commission on Standards of Education and Experience. Amongst its recommendations was that a professional academic program was needed to prepare a student for a career in public accounting. It went on to suggest this would require a full five years at university. Recognising the problems of imposing a fifth year for an undergraduate degree, the Commission suggested that the curricula should be adjusted so that the principal areas in accounting and the specialized subject matter would be presented at a postgraduate level (Williams undated, 39). By 1952 a number of universities had post-graduate accounting programs available which could provide a mechanism for five years of accounting studies. Whether it was viable to
push for a five year education for accountants remained problematic.

Williams claimed one major impediment for the accounting professional 
bodies was that they had no real idea of the demand for extra accounting 
education. There was simply a lack of good data about the numbers of 
persons actually pursuing more than the minimum amount of accounting 
education. As a result the AICPA decided to do their own surveys, which 
they commenced in 1956-57. Table 1 provides the results of the AICPAs 
five year surveys. The trends which they reveal became significant for the 
AICPA in 1969-70 and are discussed later.

Table 1. From (Williams, undated, 50)
Comparison of Bachelor's to Master's Degrees in Accounting.

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Bachelor's Degrees in Accounting Conferred</th>
<th>Bachelor's Number</th>
<th>Percentage of Bachelor's</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-57</td>
<td>10,069</td>
<td>414</td>
<td>4.1%</td>
</tr>
<tr>
<td>1961-62</td>
<td>11,436</td>
<td>511</td>
<td>4.5</td>
</tr>
<tr>
<td>1966-67</td>
<td>15,692</td>
<td>1,024</td>
<td>6.5</td>
</tr>
<tr>
<td>1969-70</td>
<td>21,354</td>
<td>1,083</td>
<td>5.1</td>
</tr>
<tr>
<td>1971-72</td>
<td>25,065</td>
<td>1,385</td>
<td>5.5</td>
</tr>
<tr>
<td>1973-74</td>
<td>29,770</td>
<td>1,806</td>
<td>6.1</td>
</tr>
<tr>
<td>1979-80</td>
<td>42,712</td>
<td>3,456</td>
<td>8.1</td>
</tr>
</tbody>
</table>

During 1959 two things happened that impacted on accounting education.
Firstly an authoritative report commissioned by the Carnegie Foundation, was published by Gordon and Howell. Closely following Pierson (1959) published a work on the same topic. These works were instrumental in creating an environment in which business education was under close scrutiny. In it they stressed the importance of business for America and recommended that it was a discipline that should be taught at universities. This supported the position of the accounting profession which had been calling for just this for accountants.

Also in 1959 the AICPA Council formally resolved that a degree, which would then have taken four years, was to become the necessary prerequisite for candidates sitting the CPA examination. Simultaneously they resolved that a postgraduate degree was desirable for a career in public accounting and that this should become an aim of the AICPA as soon as it was feasible (Ijiri and Sunder 1991, 1). Of note is that the justification given for this call was that the specialist core of knowledge needed for a successful career in accounting was too great to be presented in the space of a four year degree (ibid). Unfortunately for the AICPA other researchers came to different conclusions.

Research by the Carnegie Foundation in the late 1960s found that new teaching methods meant it would actually be possible to shorten the time taken to complete the core of any degree "...by from one to two years" (Carnegie Foundation 1971, 11). At the same time work by sociologists
Randal Collins (1972) and Harry Braverman (1974) were questioning whether the core knowledge for a profession should or could actually be acquired by formal education. Their work indicated that whilst there was certainly an identifiable core of essential knowledge, education had more to do with the process of professionalisation. They argued formal higher education was primarily a way of raising the status of an occupation in the consciousness of the community. Thus, any call for extra years of education has more to do with the profession's own wants, rather than any actual shortcoming due to the limits imposed by, for example, a four year degree.

With the basic assumptions about the need for tertiary education as a means of acquiring the core of knowledge under attack, the American Institute of CPAs (AICPA) responded by arranging their own research. No doubt hoping they could find support for extended length degrees, the AICPA commissioned two academics, Roy and MacNeill, to conduct a study aimed at identifying this common body of knowledge that supposedly needed five years to impart. Needless to say their 1967 report, titled *Horizons for a Profession*, did conclude there was a significant core of knowledge which could only be acquired by a course of organised study. In response the AICPA established another committee charged with, amongst other things, to produce a curriculum which would cover the common body of knowledge identified. This Committee on
Education and Experience Requirements for CPAs was chaired by Roy Beamer. When it is considered it was made up of AICPA members, it is hardly surprising that it came down with a recommendation that backed the education policy of the Institute. Thus recommendation three stated,

3. At least five years of college study are needed to obtain the common body of knowledge for CPAs and should be the education requirement...

The Beamer Report is also important for other things. For one it set out a five year program in terms of 150 face-to-face teaching hours, which led to the call being for "150 hours" rather than the less specific "five years". Secondly and of greater significance, the Beamer report nominated a starting date for the five year degree requirement as recommendation four:

4. The states should adopt the five-year requirement by 1975...(Mister et al. undated, 90).

Of themselves such calls and recommendations are useless unless they are backed up with action. For the AICPA the problem was that they did not control the educational institutions who would have to implement the extra education. Lacking such control the best they could do was to bring pressure to bear to influence the colleges and universities. This could be achieved by inducing potential accounting students to demand 150 hour/five year accounting courses rather than the then four year courses. To encourage support for their proposals the AICPA set about creating inducements for students to demand five year degrees.
Unfortunately, for the purposes of the AICPA, information about possible inducements just did not exist. Nevertheless in May 1969, the Council of the AICPA adopted as policy that candidates who had completed a degree based on the 150 hour model would have the usual requirement for practical accounting experience waived (Williams 1989, 4). The effect of this would be that the 150 hour/5 year degree would then become the quickest route to the CPA; five years of study as against the alternative four year degree plus two years work experience. Unfortunately for the AICPA, this did not achieve the desired effect because the real issue was cost-benefit not time. Mister et al (undated, 91) surveyed all the pertinent studies and concluded there is no real evidence to show incurring extra costs by way of education leads to an increase in income. They found only one study which indicated graduates of masters' programs, that is persons who have undertaken more than a minimum accounting education, are promoted to manager and partner more rapidly.

Thus the AICPA found itself once again lacking evidence to support their contentions. In this case they were without good cost-benefit evidence and so were left with a proposal which, although it appeared to make sense at face value, ran into trouble later on when put to the test. In time this lead to the AICPA failing to attract the level of support needed to make prospective accountants demand the extra year of study in exchange for the experience requirement. Then lacking student demand there was no good reason for colleges and universities to add an extra year to
accounting degrees, especially since education is very much a commodity in a free market driven by normal supply and demand imperatives.

At the May 1969 AICPA Council meeting it was realised they had been forced to make policy based on guesswork. Consequently they decided to form the Commission on Professional Accounting Education (CPAE) hoping it could at least find support for the five year decision. However as they "...collected evidence, the scarcity of relevant information became readily apparent" (Madison and Meonske 1991, 53). Thus the Institute found itself in the position of having a discredited policy which in turn was central to a broad strategy designed to give this accounting professional body control of the main method by which they could limit entry to the profession.

Following their failure to gain effective control of accounting education the AICPA entered a period of general inertia, and in some respects retreat, from which it still has not recovered. After all, justification of the need for a five year degree to acquire the core of knowledge had been found wanting by the widely circulated and respected Carnegie Foundation. Of greater importance was the absence of any employer demand for five year accounting graduates. In fact as shown in table 1, the AICPA surveys which had been indicating an increase in demand for post graduate accounting up till 1966-7 were by 1969-70 starting to show a decline.
In hindsight the AICPA can be seen to have acted hesitatingly and possibly irrationally. For example they simultaneously allowed a four year degree even as they advocated the need for five years of education. Information on five year degrees was certainly available if they had cared to look for it. The results of the first AICPA survey showed about 4.1% of 1956-7 accounting graduates had masters degrees and so had completed at least five years of study. Had there been any real evidence that the extra year gave these accountants an edge, employers would have been able to detect it. The fact that no market driven demand emerged is strongly indicative of the absence of clear proof of any benefit from a fifth year. Evidence that the AICPA did not really believe in the need for a five year education can be seen from their actions in not making it a prerequisite of sitting the CPA examination. Despite these contradictions they pressed on with the argument about the need for extra education.

4.6 THE ACTIVITIES OF THE AMERICAN ACCOUNTING ASSOCIATION.

Running parallel to and often in tandem with the AICPAs actions on accounting education were the actions of the American Accounting Association (AAA). As a professional body the AAA had different aims from the AICPA and faced different problems. For one thing their membership was primarily drawn from accounting academics rather than the practice community. As a body of teachers rather than practitioners
the AAA had from their establishment a different view about accounting education than the AICPA. Available evidence suggests accounting academics, concerned for their status, favoured a push for a five year degree as a counter to the possibility of shortened courses which were being suggested.

During a 1974 Symposium called by the AAA to consider the future of accounting education some of the comments made by the panellists reveal the main concerns underlying the thinking of the AAA membership. Gerald Cleveland, raised several issues related to accounting education. His first concern was for the "..image of accounting education held by other educators in other fields..." (Ferrara 1975, 2). Later he spoke disparagingly of the "problems" that could be caused by "...small private schools (which would) be responsive to demands based on current needs" (ibid, 4) especially if they reduced the period for a college education from four to three years as recommended by the Carnegie Commission report. Another panellist James Edwards raised the same issues when he spoke of the "...hostile environment" (ibid , 7) in which accounting has been taught. He continued that some faculties, due to the Carnegie report, had already downgraded accounting to the extent "...it is difficult to determine whether or not some accounting courses have any accounting content" (ibid). Edwards added that an appropriate accounting curriculum would produce a student who would "...be in great demand in this market in which we find ourselves..." (ibid, 10). Such an assertion appears at odds
with those like Cleveland who saw the demand driven schools as a problem. However, at least the AAA recognised the need to obtain some hard information on which to base an education policy. Unfortunately, for the AAA, they had already committed themselves to the idea of an underlying core of accounting knowledge, so failing to learn from the problems this belief had generated for the AICPA.

Thus the symposium ended by passing a consensus recommendation to the effect that the AAA should "(A)ppoint a select task force...(to mount a study)...designed to determine, develop and test the content of the "accounting core"..."(Ferrara 1975, 224). Consequently by 1974 the AAA was still concerned with the core of accounting knowledge.

4.7 THE SECOND ROUND OF ATTEMPTS TO HAVE 5 YEAR/150 HOUR DEGREES ACCEPTED BY AMERICAN UNIVERSITIES AND COLLEGES.

In May 1987, the AICPA Council returned to the 5 year/150 hour issue when it announced

applicants for membership of the AICPA after the year 2000 (must) have 150 semester hours of education including a baccalaureate degree or equivalent (Ijiri and Sunder 1991, 1).

This time however, as Ijiri and Sunder (ibid) point out, the stated reason for the 150 hour requirement had changed. Now the AICPA was arguing that the extra study was needed to provide the accountant with the background to be a generalist. Core knowledge was no longer
mentioned, and in fact the argument had shifted to the point where it was being argued there was a need to restrict time on actual accounting subjects. This is seen in the illustrative program issued by the AICPA Education Executive Committee in 1988. This noted:

(T)he educational preparation of the CPA should consist of an appropriate balance between technical and general education. Not more than 40 hours of a 150-semester-hour program should be devoted to accounting topics beyond elementary accounting. This should include those hours taken for a limited specialization. A maximum of 50 hours is recommended for business-related subjects and a minimum of 60 hours for the general education component of the program. The following ranges for the three components of the illustrative program are offered as guidance:

<table>
<thead>
<tr>
<th>Component</th>
<th>Hours Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Education</td>
<td>60-80 semester hours</td>
</tr>
<tr>
<td>Education in Business Administration</td>
<td>35-50 semester hours</td>
</tr>
<tr>
<td>Accounting Education</td>
<td>25-40 semester hours</td>
</tr>
</tbody>
</table>

(AICPA 1988, 24).

Whilst elaborating on this program the AICPA Vice President - Education, Rick Elam, stated "...students should receive college credit, in unspecified general education rather than technical accounting subjects" (Madison and Meonske 1991, 55). He went on to justify this by saying the AICPA doesn't know what CPAs would be doing in the year 2000 or beyond. Madison and Meonske point out that the AICPA call allows: "...credit for basket weaving, dissecting frog (sic), and even Jane Fonda workouts will satisfy the additional education requirements. Nothing is excluded..."(Madison and Meonske 1991, 55). It begs the question that if the experts in the AICPA do not know what will be required in terms of future CPA requirements how can they be sure that 150 hours of college education will be needed.
4.8 ACCREDITATION AS A MEANS OF GAINING EXTRA ACCOUNTING EDUCATION.

One area in which the AICPA has sought to influence education is via their ability to specify the minimum education required for admission. As part of their renewed push for five years of study as the minimum for membership the AICPA embarked on a campaign to persuade universities to offer five year accountancy courses. But the problem was universities have historically been reluctant to allow outside bodies to dictate educational policies to them.

Indeed as Crittenden (D'Cruz and Langford 1994, Ch12) has shown, universities historically have only flourished when they have gained control over their own educational outcomes. No university was about to establish a five year accounting program just on the say-so of the AICPA. Yet to survive the universities needed to be realistic. If five year accounting courses became the norm, those universities without one would have difficulty in attracting students. In turn this would threaten the funding so necessary to survive. Thus the AICPA needed a way to get the universities to introduce five year programs without them seeing a threat to their autonomy. In 1974 the AICPA chose to do this through a means disguised as a need for higher standards. To support the call for the 150 hours/5 year programs in 1974 the AICPA established the Board on Standards for Programs and Schools of Professional Accounting. This
board was charged to identify those standards that, when satisfied by a school, would justify its recognition by the accounting profession. Particularly, attention should be given to the criteria for the school's curriculum which would be appropriate for a professional program in accounting (Board on Standards etc. 1977, 1).

This *Final Report* included a number of recommendations designed to ensure the standards, once identified, would be reached. One was that a minimum of five years of university education was needed for a professional program in accounting. Of greater significance was that they recommended, that to ensure standards were maintained, specific standards for professional accounting programs were to be established and maintained through an "accreditation process" (Williams 1989, 7).

Accreditation was not a new idea, it had been carried on in business schools for a long period by the American Association for the Collegiate Schools of Business (AACSB). Thus its use was well understood by the professional bodies as well as the academic institutions.

### 4.9 THE ACCREDITATION OF APPROVED COURSES.

In 1976 the American Accounting Association's Committee on Accounting Education was asked "...to prepare a statement of standards for accreditation of a diversity of accounting programs at the baccalaureate and postgraduate levels" (ibid). In April 1977, the
committee issued its report entitled *Standards for Professional Accounting Education*. The Committee noted that

Adaptable as the curriculum may be to a variety of structures, completion of the total professional accounting curriculum cannot be accomplished in less than five years and may require more time (Williams 1989, 7).

Some doubt can be raised about the conviction the Committee held when making this statement. Surely if they really believed in the need for the five years they would have based accreditation standards on this. Instead they were making suggestions about the accreditation standards for four-year baccalaureate programs and master of business administration programs with accounting concentrations. As justification for this, the Committee went on to state that such accreditation should not be for professional accounting programs (ibid). It appears as if the Committee wanted the AAA to give approval to accounting degrees that this same Committee were arguing could not possibly contain "...the total professional accounting curriculum."

In 1977 a joint AAA/AICPA Committee to Establish an Accreditation Body was established. Following much negotiation it was decided that the AACSB; which had been accrediting business schools for a long period, should be asked to administer an accounting accreditation scheme on behalf of the professional bodies. Subsequently the AACSB established
a subcommittee on accounting accreditation. This subcommittee recommended that the AACSB with the participation of the accounting profession, undertake the establishment of standards and develop an accreditation process for accounting programs to be implemented for the 1979 AACSB annual meeting. These recommendations were approved and accounting programs at 18 institutions were accredited by April 1982 (Williams 1989, 7).

Whether or not the accreditation scheme achieved what the professional bodies hoped for is debatable. They were trying to get universities to offer five year/150 hour accounting programs and so success would be when all universities had such programs in place. From the table (over page) it is apparent that this did not occur, at least not in the first ten years of the operation of the accounting accreditation scheme.

From the first part of the table, it can be seen that of the 301 surveyed only 80 (27%) had a five year program in place. Further, of those 133 schools with plans to institute a five year accounting course, only 47% planned to do so within 10 years. Put another way, these figures show after a decade of accreditation still only a minority of universities would have the prescribed five year/150 hour minimum accounting programs.
Table from (Williams 1989, 47)
Five-Year Programs of Professional Accounting Fall 1987.

<table>
<thead>
<tr>
<th>5yr program available</th>
<th>AACSB Total</th>
<th>Non-AACSB Accredited</th>
<th>Accredited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>80</td>
<td>61 (37%)</td>
<td>19 (14%)</td>
</tr>
<tr>
<td>No</td>
<td>221</td>
<td>106 (63%)</td>
<td>115 (86%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>301</strong></td>
<td><strong>167</strong></td>
<td><strong>134</strong></td>
</tr>
</tbody>
</table>

Programs Expected were none exists

<table>
<thead>
<tr>
<th></th>
<th>AACSB Total</th>
<th>Non-AACSB Accredited</th>
<th>Accredited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 2 years</td>
<td>14</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Within 5 years</td>
<td>48</td>
<td>21</td>
<td>27</td>
</tr>
<tr>
<td>Within 10 years</td>
<td>40</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Not within 10 years</td>
<td>31</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>133</strong></td>
<td><strong>52</strong></td>
<td><strong>81</strong></td>
</tr>
</tbody>
</table>

A different viewpoint emerged from a study conducted by Shimerda and Lewis (1983, 91) in 1983. Their work found that of 156 AACSB schools they surveyed, only 26% had opted for actual 5 year programs. However 75% of universities had compromised by first awarding an undergraduate degree for 4 years of study, as they had previously done, followed by a master's degree for the 5th year of study, thus bringing the total to 150 hours. No real changes had occurred yet these institutions were able to report having complied with the accreditation standards.

A more telling statistic on the influence of the professional bodies is shown from the fact that of the 156 schools surveyed only one had
actually dropped the four year accounting program. Another 150 of the schools offered both four year and a five year programs with the students free to choose. Shimerda and Lewis noted that apparently a majority of students in these schools opt to complete the fifth year of accounting. This "getting around" the APBs provides more insight into the intention behind the longer education.

By 1983 there were many practitioners who had, by one means or another, achieved five years/150 hours of accounting education. If it had given them an edge it would have emerged for all to see. In the absence of any advantages in return for the extra investment in education the motives behind the call came in for attack. Thus a resistance emerged to counter calls for additional accounting education.

4.10 RESISTANCE TO LONGER DURATION ACCOUNTING DEGREES

In 1989 Doyle Williams as chairman of the Accounting Education Change Commission reviewed a number of trends that were emerging in relation to accounting education. Although he does not state it directly, his paper was very much about pointing to worrying trends that the profession needed to address. For one thing he noted that, as a proportion of all degrees awarded:

the number of bachelor's degrees awarded in accounting in the ten-year period from 1969-70 to 1979-80 doubled. As the data indicate, there was a shift away from other fields toward
This can be seen in the following table.

Table 5 from (Williams undated, 49)  
Undergraduate Accounting Degrees Compared with Total Bachelor's and First Professional Degrees.

<table>
<thead>
<tr>
<th>Year</th>
<th>Bachelor's &amp; First Professional Degrees Conferred</th>
<th>Bachelor's Degrees Conferred in Accounting</th>
<th>Percent Accounting Degrees</th>
<th>Percentage Increase in Accounting Degrees in Ten-Year Intervals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-57</td>
<td>338,436</td>
<td>10,069</td>
<td>3.0%</td>
<td>-</td>
</tr>
<tr>
<td>1961-62</td>
<td>420,485</td>
<td>11,436</td>
<td>2.7</td>
<td>52.7%</td>
</tr>
<tr>
<td>1966-67</td>
<td>562,942</td>
<td>15,692</td>
<td>2.8</td>
<td>55.8</td>
</tr>
<tr>
<td>1969-70</td>
<td>798,070</td>
<td>21,354</td>
<td>2.7</td>
<td>-</td>
</tr>
<tr>
<td>1971-72</td>
<td>894,110</td>
<td>25,065</td>
<td>2.8</td>
<td>119.2</td>
</tr>
<tr>
<td>1979-80</td>
<td>929,147</td>
<td>42,712</td>
<td>4.6</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Schultz (1989, 32) claims that the AAA was so concerned about this trend that they formed a committee to consider the professional environment that accounting graduates could be expected to be working in. Quickly the Committee found that the growth in number of graduates entering the profession far exceeded the general growth in the American population. In fact the number of accountants had increased from 476,000 in 1960 to 1.1 million in 1983. Further these figures were reflected in the numbers of accounting graduates. From 1961 to 1980 the number of graduates with either a bachelor's or master's degree in accounting increased from 11,100 to 55,150 per annum. However the trend slowed between 1980 and 1985 with the number only increasing

Over the twenty five year period until 1980 there had been an overall shift toward the study of accounting. Whilst the number of graduates in general had increased 2.75 times the number for accounting graduates was 4.24 times. For the accounting professional bodies this implied that the rewards to the individual members would decrease unless the economy was growing fast enough to absorb the extra accountants. The profession had little influence on the economy and so needed to slow the rate of supply of accountants. Education provided such a means yet could not be openly manipulated towards the desired end.

Another concern Williams hinted at came from the fact that accounting was producing relatively fewer postgraduate students than other disciplines. The implication was that it was in danger of not being taken as a real profession if it could not show that there was serious study at all levels in the universities. Introducing the following table he noted:

(this) table ...shows that, in other fields, bachelor's degree recipients are four to five times as likely to receive a master's degree than students in accounting.

Table 2. from (Williams 1989, 41)
Master's Degrees as a Percentage of Bachelor's Degrees

<table>
<thead>
<tr>
<th>Field</th>
<th>1979-80</th>
<th>1982-83</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Disciplines</td>
<td>32.1%</td>
<td>29.9%</td>
</tr>
<tr>
<td>Business &amp; Management (excluding accounting)</td>
<td>36.2%</td>
<td>35.7%</td>
</tr>
<tr>
<td>Accounting</td>
<td>8.1%</td>
<td>6.7%</td>
</tr>
</tbody>
</table>
However the situation was even worse than these figures suggested. By themselves these figures could be interpreted as showing that there was great potential for postgraduate accounting education. Unfortunately, as Williams showed, (see table below) the reality was that the proportion of postgraduate accounting students appeared to have plateaued at around eleven and a half percent, a mere third of the comparable figure for other disciplines.

Table 3 from (Williams 1989, 41) Comparison of Bachelor's to Master's Degrees in Accounting.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Bachelor's Degrees in Accounting Conferred</th>
<th>Number of Master's Degrees in Accounting Conferred</th>
<th>Change</th>
<th>% of Bachelor's</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971-72</td>
<td>23,800</td>
<td>2,200</td>
<td>-</td>
<td>9.2</td>
</tr>
<tr>
<td>1972-73</td>
<td>26,300</td>
<td>2,700</td>
<td>22.7%</td>
<td>10.3</td>
</tr>
<tr>
<td>1973-74</td>
<td>31,400</td>
<td>3,400</td>
<td>25.9%</td>
<td>10.8</td>
</tr>
<tr>
<td>1974-75</td>
<td>35,400</td>
<td>4,300</td>
<td>26.5%</td>
<td>12.1</td>
</tr>
<tr>
<td>1975-76</td>
<td>39,900</td>
<td>4,700</td>
<td>9.3%</td>
<td>11.8</td>
</tr>
<tr>
<td>1976-77</td>
<td>44,760</td>
<td>5,620</td>
<td>19.6%</td>
<td>12.6</td>
</tr>
<tr>
<td>1977-78</td>
<td>46,000</td>
<td>5,670</td>
<td>1.0%</td>
<td>12.3</td>
</tr>
<tr>
<td>1978-79</td>
<td>48,800</td>
<td>5,640</td>
<td>-0.5%</td>
<td>11.6</td>
</tr>
<tr>
<td>1979-80</td>
<td>49,870</td>
<td>5,280</td>
<td>6.4%</td>
<td>10.6</td>
</tr>
<tr>
<td>1980-81</td>
<td>49,320</td>
<td>5,520</td>
<td>4.5%</td>
<td>11.2</td>
</tr>
<tr>
<td>1981-82</td>
<td>50,300</td>
<td>5,570</td>
<td>0.9%</td>
<td>11.1</td>
</tr>
<tr>
<td>1982-83</td>
<td>51,950</td>
<td>5,810</td>
<td>4.3%</td>
<td>11.2</td>
</tr>
<tr>
<td>1983-84</td>
<td>53,020</td>
<td>6,330</td>
<td>9.0%</td>
<td>11.9</td>
</tr>
<tr>
<td>1984-85</td>
<td>51,980</td>
<td>5,910</td>
<td>-6.6%</td>
<td>11.4</td>
</tr>
<tr>
<td>1985-86</td>
<td>No data available for this year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1986-87</td>
<td>48,030</td>
<td>5,580</td>
<td>-5.6%</td>
<td>11.6</td>
</tr>
</tbody>
</table>
Overall the situation facing the accounting practitioner bodies in relation to the call for increased years of education was not good. Not only was there no market demand emerging for extra education, attempts to induce students to undertake it was failing. But even beyond these trends, was the fact that the number of students opting for post graduate work in accounting was falling behind most other disciplines. In turn this was a potential threat to the argument that accounting was a profession with a theoretical core which could only be passed on in a university.

Even within the accounting profession there was dissension about the five year requirement. The fight to have the 5 year/150 hours requirement for CPAs implemented has had relatively little success. By 1983 only four American states had introduced legislation requiring five years/150 hours of accounting education as a prerequisite to sitting the CPA examination - Colorado, Florida, Hawaii, and Utah. However the Colorado legislation was rescinded before implementation. Five years later in 1988 there were still only four states - Hawaii, Florida, Utah and Tennessee with legislation requiring five years of education before registration as a CPA (Williams 1989, 7).

Madison and Meonske (1991) have argued that the 150 hour requirement has been introduced without any real plans to ensure that accountants receive a better education. Rather they thought it was a response to criticisms of the general quality of accounting practice made in the United
States Congress. The 150 hour education was part of the response by the AICPA which was claiming to be undertaking a restructure of the accounting profession in the name of "self regulation". Requiring 150 hours of college education for applicants sitting the CPA exam by the year 2000 could be held out as an example of an action designed to improve the standard. Madison and Meonske added the suggestion that the other interested accounting bodies, the Federated Schools of Accountancy (FSA), and the American Accounting Association, supported the AICPA due to their own self interest. After all, the accounting bodies had been attacked in the Congress after the 1929 stock market collapse and had then managed to escape legislative control by appearing to impose greater self regulation. Education is one thing accounting bodies have always found they can credibly point to as proof of their concern for a broader society, not just their members. In this case it was employed as part of what Granof (1992, 77) refers to as the "battle" to resist federal regulation of the accounting profession. However it is only one of many indications of education being consciously used by the accountants, and always with the benefits of members as the ultimate goal.

A constant theme can be identified in the statements of the AICPA in relation to education. No one statement is conclusive yet the consistency of the sentiment adds up to education being consciously used to further the professionalisation aims of accountants. For example, the Beamer Committee hinted that five years of accounting education would enhance
the professional status of the accountant. This occurred when they quoted the Commission on Professional Accounting Education with some approval as stating

increasing the education requirements is expected to improve the perceived standing of accounting as a profession and, accordingly, to attract higher calibre students, such as those now pursuing law, engineering, and medicine. The ability to enter public accounting with only a baccalaureate degree causes the profession to be perceived by some as less prestigious than other professions (Mister et al. undated, 90).

Mister et al, whilst studying aspects of the call for 150 hour degrees, concluded

(I)t seems reasonable to assume that the desire to enhance the status of the accounting profession played an important role in the move toward five-year programs (ibid).

In 1973 the Board of Directors for the AICPA hinted at the use of education to push the professional image in a statement which said in part:

(T)he Institute strongly endorses any action which provides...strong professional programs. As one way, and perhaps the preferable way, of achieving an increased emphasis on the professional dimension of the discipline, the Institute endorses and encourages the establishment of professional schools of accounting at qualified and receptive colleges and universities (Williams undated, 40).

Edwards (Ferrara 1975, 10) suggested the response of the accounting profession should be based on the model of professionalisation adopted by law, medicine and theology within universities.
An AICPA established Commission on Auditor's Responsibilities chaired by Manuel Cohen (usually referred to as the Cohen Commission) released its report in 1978. Amongst its conclusions was that there should be separate professional schools of accountancy. The report justified this call by arguing that separate schools would provide more in-depth and practice oriented education. However the fact that the report saw fit to mention that accountants should be educated in separate schools "...just as lawyers are educated in law schools that have a separate and distinct identity from other schools in the university", is significant and suggests the desire to appear to be a profession of equal standing to law (and medicine) is compelling (Cohen 1978, 89).

Wheeler writing in 1991 took up the argument when he linked accounting education to professional status, rather than to an educational outcome, when he stated that a four year liberal arts degree is the minimum desirable for entry to postgraduate study in law or medicine and that "(I)t would be a disservice to the accounting profession to require less" (Wheeler 1991, 132). Despite all the activity generated in relation to a five year accounting degree, their are those in the profession who oppose it.

**4.11 OPPOSITION TO FIVE YEAR ACCOUNTING DEGREES.**

Available evidence suggests that the call for a five year degree is not
universally accepted in the accounting profession. For instance the CPAE has noted the "...lack of commitment to implement a postbaccalaureate requirement among the interested groups in the profession is generally acknowledged" (Madison and Meonske 1991, 53).

They go on to suggest that even other groups representing practitioners have questioned the need for the 150 hours. For example the Pennsylvania Institute of CPAs Council on May 10th, 1994 passed a motion not to implement it. Earlier it had been rejected by groups in New York and other states. Informal polls conducted amongst professional CPAs in Chicago, New York, Cleveland, Columbus, Cincinnati, Toledo, Indianapolis and Washington DC have all voted against supporting the 150 hour requirement. In some instances an obvious division has occurred between the AICPA and its membership. Thus in one case, after conducting a poll of members concerning the 150 hour requirement the AICPA announced that 83% were in favour. However the members present felt strongly that this announcement totally misrepresented their feelings. As a result the balloting process used has been challenged before the courts (ibid).

Much resistance to the five year degree can be sheeted home to the professional bodies themselves. Instead of ensuring their actions were consistent with their rhetoric they have by their activities allowed the idea to gain currency that they are really using education to control the
profession to the detriment of the employer. For example, the AICPA sponsored Cohen Commission released a report which concluded that the desirable education for an accountant would be a four year liberal arts degree followed by a three year professional postgraduate accounting degree (Cohen 1978, 89). Seven years of education would certainly limit the supply of potential accountants entering the market which would please those currently practising accounting. However the failure to stop such calls can be counterproductive for the profession if it leads to the impression that five years is just a start. Possibly this fact explains the reluctance of states to follow the recommendation to its conclusion. Thus Hawaii (one of the four states which has endorsed the 150 hour CPA requirement) allows the substitution of one month of experience for each semester hour of college credit (beyond the bachelors degree), for those seeking CPA registration (Madison and Meonske 1991, 55).

For the American accounting professional bodies the five year campaign has been dogged by the old problem of lack of evidence to support their calls. If anything the evidence seems to contradict their claims in regard to the need for more education. One of the most credible studies on the relationship between on-the-job performance and level of education in the USA was conducted in 1988 as part of the President's Council on Integrity and Efficiency. One of their conclusions was that "job performance at the entry level was not different for auditors with graduate degrees as opposed to those with only undergraduate degrees" (ibid).
Statistics also suggest employers have failed to see any benefit in employing accountants with extra years of education. If anything the figures indicate a move away from the employment of postgraduate degree holders. AICPA data shows that from 1972 to 1988 the number of bachelor's degree entry level staff increased by 245% whilst the masters degree holders only increased by 2%. The AICPA itself has seen this trend reflected in the numbers of candidates sitting the various CPA examinations across America. Thus whereas in November 1975, 15.6% of these candidates held a postgraduate degree, by May 1989 this figure had fallen to 9.5% of candidates (ibid).

However another trend was starting to emerge, one which shows the limits beyond which the AICPA cannot push its actions to force extra years of education. Madison and Meonske compared the situation in those states that have introduced a five year degree requirement with the other states. They found that the five year degree seems to have had a marked effect on the pattern of employment. For example whilst an average 33% of 4 year degree holders gain employment in small public accounting practices (defined as having between two and nine CPAs, including partners), in states with a five year requirement the figure has dropped to 22% in similar small practices. Madison and Meonske suggest that in the five year states there is evidence that the pool of CPA recruits is decreasing and it is these small firms which are having the greatest trouble in competing. As to the students themselves Madison and
Meonske note that it appears difficult to attract students to a fifth year without a noticeable marketplace reward. They note that there is no evidence that recruiters are offering extra salary to attract post graduate degree holders. However they note there is evidence that in Florida, were the 150 hour requirement became law in 1984, some students are already switching to finance or computing or other accounting related fields with four year degrees. If employers start to recruit from this field then the five year requirement will have proven to be counterproductive.

The other constraint faced by the AICPA is that they do not in fact represent all those making a living from accounting in America. The reality is that only a minority of persons classifying themselves as accountants or auditors are CPAs let alone members of one of the professional bodies. Further not all CPAs are members of the AICPA or the state equivalents. Thus Previts (1991, 36) reports that in 1991 AICPA membership totalled over 300,000 and Paige (1991, 14) quotes the total number of CPAs to be 400,000 in 1989. However the US Department of Labor figures show that in 1984 there were 882,000 civilians employed under the classification "Accountants and Auditors" (Bulletin 2253, 1986, Table 2, 44). Creation of the image of representatives for the entire profession is relatively easy in the absence of anyone with an interest in contradicting their claims. However it might be argued that the non members are content with their lot and perceive the social clearing price for their labour is equitable.
4.12 CONCLUSIONS.

Building on this success the American accounting professional bodies then moved on and adapted education as part of a new campaign to gain more benefits for their members by restricting the supply of persons entitled to offer accounting services to the community.

The campaign focused on attempts to require potential entrants to the accounting profession to have ever increasing periods of education. Initially the American bodies justified the need for extra years of university or college by claiming that the knowledge required to be an efficient needed a minimum five years to acquire. Whilst this was only a one year increase on the four year degree previously demanded, it would restrict the numbers of potential accounting graduates.

Unfortunately for the accounting professional bodies there was simply insufficient information for them to sustain this campaign. Further, most of the research relating to their claims was not supportive and they were unable to gain the support of employers despite a campaign extending some three decades. In consequence they changed the basis of their justification to the more specific need for accountants to acquire the theoretical core of accounting knowledge.
In changing their strategy the American accounting professional bodies revealed the weakness of their position in calling for longer periods of education for accountants. Despite much rhetoric they were unable to produce any evidence to support their call. More worrying, their attempts to produce statistics to support their positions was backfiring. It was suggesting there was not an extensive core of knowledge worth researching.

Also the accountants found that mere calls to extend the period of a degree were not successful in the absence of employer support and this was not happening. What they needed was a method to force this on the universities. Once again education was to provide a method via the accreditation process.

The professional body formed by the academic accountants in America, is the American Accounting Association. It readily supported the call for a five year degree for accountants. However the evidence shows the AAA was motivated by the prospect of extra employment for accounting academics. From their history the AAA is seen to be, like all other accounting professional bodies, interested in securing benefits for members, and using education for this end. However the stresses and tensions involved in the battle have manifested themselves in a schism now obvious between the practitioners and academics. Education may
have had as much wrung from it as it can possibly provide in the way of supporting the individual members of the accounting profession.
CHAPTER 5. SUMMARY AND CONCLUSIONS.

5.1 THE REASON FOR THE EVOLUTION OF ACCOUNTING PROFESSIONAL BODIES.

This thesis has examined the relationship between education and the accounting professional bodies (APB) in the English speaking world. The evidence suggests these bodies were created by men, acting with deliberate intent, who aimed to improve their individual lot in society. To achieve this aim they needed a way to gain power to use against those who purchased accounting services and were in a position to dispense the rewards they desired. Only through power could the individual accountant extract more of these desired rewards from the employer. Yet the nature of accounting practice gave the accountant no obvious way to power, at least not before social changes wrought by the Industrial Revolution occurred.

5.2 CHANGES DUE TO THE INDUSTRIAL REVOLUTION.

The practice of accounting, as a systematic way of keeping track of economic transactions can be traced back many centuries. However APBs have only been known to exist since the mid-nineteenth century. The conclusion is that the APBs were not just associations of men sharing a vocation and coming together to discuss issues of common interest. Rather the APBs were opportunistic associations formed once circumstances permitted during the Industrial Revolution.
At that time a number of factors came together which made permanent accounting bodies viable entities. Firstly, as new manufacturing techniques caused the economy to expand, demand for accounting services grew and the number of accountants increased to a point were they were numerous enough to sustain a body to look after their interests. However more was necessary for the establishment of APBs. Unless the individual accountants perceived that tangible benefits would accrue to them there would be no point in joining and supporting an APB. Obviously they could not gain these benefits themselves or they would have, so the conclusion is that the APBs held the prospect of gaining something beyond the grasp of the individual.

The extra factor which made the APBs viable also accompanied the Industrial Revolution. It was an intellectual and social climate which generated an acceptance of new ideas. Amongst these were that workers could, by acting collectively, gain power which could be exchanged for social rewards.

However, still one more factor was necessary before the APBs could succeed, the knowledge of how to go about converting the potential into the desired benefits. Once these factors came together the first APBs soon emerged and succeeded.
5.3 THE FIRST ACCOUNTING PROFESSIONAL BODIES.

The evidence shows that the Scottish accountants who joined together to form the first accounting professional bodies in the mid-nineteenth century did so with the intention of achieving benefits which eluded them as individuals. As has been shown in this thesis, their actions were driven by a desire to protect the standard of living they had achieved thanks to the economic progress made during the Industrial Revolution.

As intelligent men with a clear outcome in mind, they realised collective action could be used to achieve aims beyond their individual capacities even though they did not, at the time, appreciate just how to go about it. Coincidentally other occupational groups were in a similar position to the accountants and were experimenting with various methods to gain power. At the time the Industrial Revolution was forcing great social changes as a consequence of the rearranged demographics forced onto the populace by the need for the new factories to have a work force concentrated in the one place. This concentration was essential for the establishment of the trade unions which were prepared to use confrontationist collective action methods.

For the accountants however, the possible models of collective action being tested all about them only had to be studied for them to find a method suitable to their own circumstances. Clearly the trade union model
had major drawbacks. Admittedly the trade unions were making great gains along the lines the APBs hoped to achieve. However, the employers were showing they could exact revenge on isolated individual workers, the very situation most accountants were in. On the other hand the model provided by the well established professions of law and medicine was attractive.

Unfortunately for the accountants the medical and legal bodies had developed over centuries and enjoyed statutory protection which was not easily obtained. Nevertheless education was central to the success of the earlier bodies partly because it helped them claim they were respectable.

In the nineteenth century accountants were acutely aware of the implications of respectability. In Britain class was based on it, in Scotland it was central to the teachings of the Kirk. Consequently it was a major factor in determining social reward and was deeply rooted in the social structure. Simplistically, respectable people were entitled to greater social reward and since education was a marker of class, by extension any group able to show a link to education was able to claim greater rewards. Accountants were able to nurture and manipulate the link to education for this end, thus education gained a role in accountants achieving their aims.

5.4 REFINING THE USE OF EDUCATION AS A METHOD OF COLLECTIVE ACTION.

The use of education was not newly developed by accountants. On the
contrary other occupational groups had long been using education. Those in medicine and law had used it for centuries as part of a strategy aimed at making them appear respectable.

On the other hand the methods used by trade unions were making seemingly quick gains. However the structure of the occupation of accounting made it impossible to use the trade unions' confrontationist methods. Further they could never hope to make long term social gains once they were identified with the lower class occupations represented by trade unions.

What the accountants needed was to be able to deny they were trade union even as they used collective action to gain social power. Being able to claim to be a respectable profession would provide the needed cover. Education was a pointer to class and respectability so could be used for the purpose.

The best possible situation for the accounting professional bodies would be if they had the legal right to regulate the supply of labour to the occupation. The trick was to achieve this without jeopardising their respectable image, for this was the only barrier to protect members in the workplace. After all, the individual members must have recognised the danger direct confrontation posed as they had many recent examples of the way the employers and their allies running the state dealt with groups
appearing to use collective actions to gain power.

From the medical and legal professions the accountants could see the benefits possible from statutory regulation. As education could be used as part of a campaign to impress their respectability on legislators it was obviously of use to the APBs. Also by being seen to be concerned with education the accountants could defuse any employer claiming they were a trade union. After all, the state was run by people identified as members of the upper class due to the education which was the mark of the landed gentry and the rich as only they could afford it for their sons. Education then provided an ideal solution for the APBs since it at once enabled the accountants to claim respectability whilst providing a mechanism for controlling entry into the occupation.

5.5 SCOTLAND: THE CRADLE OF THE APBS.

Due to some quirks in history Scotland turned out to be the place where APBs first succeeded. With a sparse population and difficult terrain Scotland was isolated from the social influences of Europe and England. Even the Holy Roman Church developed largely independently, establishing their own universities for the education of monks and clerics. As a consequence when local reformers, inspired by John Calvin, established the Presbyterian Kirk, an educational infrastructure already existed.
Because of the Kirk, Scottish accountants, most of whom had received a superior education, found themselves establishing a collective body in a community which was accepting of new ideas and regarded education as the attribute of a person worthy of respect. By manipulating the opportunities afforded by the coming together of the ideas of collective action from trade unions and respectability due to education they were able to establish a successful "professional" body.

Once the mechanisms of collective action had been refined in Scotland they soon spread south into England and later to the colonies of Australia and Canada.

5.6 DIFFERENT ATTITUDES: DIFFERENT LEGISLATION.

Wherever accounting professional bodies have developed in the Anglo-Saxon world they can be seen to use education as a method to control entry into the occupation. Slight variations in its use are noted but overall the way it is used in each place can be explained by the power-seeking trade union model. Any differences can be explained as being due to the social background in these countries. Thus whereas in Scotland legislators were prepared to allow members of APBs to distinguish themselves by the use of the letters CA, in England this was rejected. In Canada also the legislatures refused to grant state protection for the accounting professional bodies. Nevertheless in all these
jurisdictions the APBs have fought ever since for legislative backing, which has consistently been denied to them.

In the United States the accounting professional bodies developed in a different legislative environment and were granted legislative recognition from their earliest days. However education was still central to the activities of the American APBs. From an examination of the use of education by these groups it is apparent they developed it as a collective means of restricting the supply of accounting services to the community. In turn this left those accountants already in the market able to command higher rewards for their services. In other words the American APBs have used education as a method of gaining benefits for members just as their predecessors did on the other side of the Atlantic, even if in different circumstances.

5.7 CONCLUSIONS.

At the end of the day our society is best served by the optimal allocation of resources amongst all its members, something which is constrained if professional bodies subvert it for their own ends. Certainly, as Hilmer (1993) found, the issues are complex but in the final analysis the evidence
shows that these bodies are restricting optimal allocation. For equitable distribution to occur the real needs for an occupational efficiency must be identified. By understanding the pressures being brought to bear on accounting education by the professional bodies, society will be in a better position to discount these pressures and so decide the education needed for those in this occupation to fulfill their social function.

With the accounting professional bodies real motives exposed in relation to education, the collective activities of members in regards to many other activities should be examined. Specifically activities in relation to the accounting standard setting process would appear a prime candidate. However the influence they have gained over the universities would also appear worthy of research.

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1 For a discussion of the economic harm done to a society by the monopolistic practices of professional associations see Lees, D (1966) The Economic Consequences of the Professions, Institute of Economic Affairs, London.
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