

LOOKING IN THE REARVIEW MIRROR: THE IMPORTANCE OF ACCOUNTING HISTORY



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What is Behind Us?

- We often hear about transforming Theory and Practice. But before anyone can transform theory and practice, you have to know where theory and practice are now, **and how they got that way**. You first need to **look in the rearview mirror**. What is behind us?
- We need to be concerned with accounting history.

What is History?

- What are historical facts?
 - Facts are made significant because the historian determined they were significant
- Do facts really speak for themselves? Not Really.
- “The facts...have still to be processed by the historian before he can make any use of them: the use he makes of them is...the processing process.”

Benefits of Accounting History

- There is an intellectual advantage in knowing history. The Roman Cato said, “We remain forever ignorant if we ignore the lessons of the past.”
- Students can use accounting history to get a better grasp of the rules.
- Appreciation results in a pride in the profession.
- A knowledge of causal factors results in greater understanding of present methods.
- History is aesthetic. These are the best articles in accounting journals.

The Foundation

- Accounting history needs to be at the foundation of any attempts to change.
- **Accounting history is important** and you need to start every research project with where old ideas came from and you need to teach your students how our current practices and organizations became what they are today.

Importance of Accounting History

- My focus today is on the importance of accounting history. Everyone doesn't need to be an accounting historian, but everyone does need to read accounting history.
- What events led to changes in practice? In America, most significant changes in practice have been the result of large frauds or turning-point cataclysmic events in the economy (sometimes called a "creative irritant"). Is that true in other countries?

Upon Whose Shoulders Do We Stand? (and Other Questions)

- Who, in terms of individuals and organizations, are responsible for past changes? **Upon whose shoulders are we standing?**
- Can a knowledge of past changes be used to initiate future changes?
- What resources can be used to conduct historical accounting research? Answers to these questions will be explored in this presentation.

Primary Sources

- When I refer to accounting history research, I am referring to the use of primary sources.
- Primary sources are the original source materials for historical fact.
- **Primary sources** are tangible materials that existed at the time the historical event was taking place and aid in describing the event.

Examples of Primary Sources

- Primary sources include eyewitness accounts, diaries, letters, ledgers, journals, financial statements, newspapers, photos, wills, business records such as invoices, inventory lists of households, inheritance inventories, tax assessments, and court decisions.
- Of the ancient documents that have survived, the vast majority of them are accounting artifacts.

Secondary Sources

- **Secondary sources** are the end products of the study and use of primary materials. Historians have added their own interpretation.
- **Secondary sources** are produced by referring both to primary works and other secondary works.
- Textbooks, monographs, and journal articles are generally classified as secondary sources.
- Knowledge of secondary evidence can permit the history researcher to concentrate on “surprise” findings that differ from secondary sources.
- **Secondary sources could be wrong.**

What You are Trying to Do

- To summarize your task as an accounting history researcher, you are trying to analyze primary sources in hopes of creating a secondary source.

Are Primary Sources Consciously or Unconsciously Transmitted?

- **Consciously transmitted material** was designed to be used by future scholars. It includes memoirs, court testimony, published annual reports, and some taped interviews. These may be biased.
- **Unconsciously transmitted material** is evidence that is not looking to be judged by posterity, which includes most accounting and other business records.
- Most empirical research is based on public reports, while hidden reports may tell a more truthful and understandable story.

Internal Criticism

- Is the real meaning different from the literal meaning (usually not a problem with journals and ledgers, but might be with financial statements)? Can evidence be used with confidence?
- Was the writer in a position to deal with the subject in question?
- Looks for the biases of the author, and how much time had elapsed since the events.
- What was the intent of the author and what was the audience to which the evidence was intended?
- Includes examination of corroborative evidence.

Analysis and Synthesis

- The simple presentation of evidence is not enough. A description of old account books without an attempt to deal with their broader significance is not really a history.
- The researcher must digest the evidence thoroughly, use the work of other scholars, and **venture into some generalization or conclusion.**

Implotment

- From whose view is the history to be written?
- Each plot is written in a different style and rhetoric, even though sources may be the same.
- For example, Christopher Columbus in 1492:
 - **Columbus**: Conquered new territory, Discovery
 - **Accountant on board**: Revenues exceeded costs
 - **Priest on board**: Converted the heathens
 - **Arawak Indians**: Plague, theft, murder, kidnapping.

Accounting History Research: What to Look For

- 1. Look for the influence of the environment and changes in societal needs on accounting. Look for something that differs from current use, or that differs from country to country, and then explain why the environment of the time caused the difference. (Barter accounting)(Muskrat Accounting used muskrats as currency).
- 2. Look for diffusion of accounting innovations—through time, and country to country.

What to Look For--Continued

- 3. Look for effects of accounting changes on the environment (Pensions in the USA).
- 4. Look for causes of accounting changes. What are the pivotal factors precipitating accounting change? One hypothesis: accounting practice changes only as a result of a strong external pressure such as a stock market crash, high inflation, or a major scandal (the creative irritant).

More What to Look For

- 5. Oral and video histories (a database for others; SEC Historical Society does this).
- 6. Development of larger accounting firms.
- 7. Development of academic accounting (Country or state focused, or school: Ole Miss, London, Illinois, Cal-Berkeley).
- 8. Rediscoveries (see Richard Brief article in TAR).
- 9. Biographies (more on this later).
- 10. Something that tells a story (Micro-history).
- 11. Events and accounting (Jubilees, centennials).

Events and Accounting

- Look for accounting-related stories to accompany Jubilee Celebrations, such as centennials, bicentennials, major anniversaries of organizations and journals. (AAA 75th, MSCPA 100th, AACSB 90th, NASBA 100th, IIA 50th, and 60th, CPA Exam 100th, Tax Law 75th, etc.).
- Anniversaries of well-recognized authors and their works would fit this category.
- Writing about authors poses the challenge of identifying from whence the author drew inspiration and ideas, or whether the ideas were original.

Micro-Histories

- Examines isolated subjects, such as a small business or local accounting firm, to learn about the larger universe.
- Micro-histories view people not as a group, but as individuals who should not be lost in anonymous crowds. Such projects make for a good story.
- Micro-histories focus on the margins of power and less on the center points of history.
- Documents the history of everyday life, such as a single obscure accountant. Provides a view of inconsistencies in cultural and social systems.

Biographer—Metaphoric Portrait Painter

- A life put on record is inspiration to others
- Biography as accounting history is worthy of research (Academy's Thomas Burns Award).
- History is the story of individuals: “Great nations rise and fall because of human decisions.”
- “Every lasting institution is the lengthened shadow of a person.” – Norman E. Webster
- Biographies can be of “bad” and “good” people.

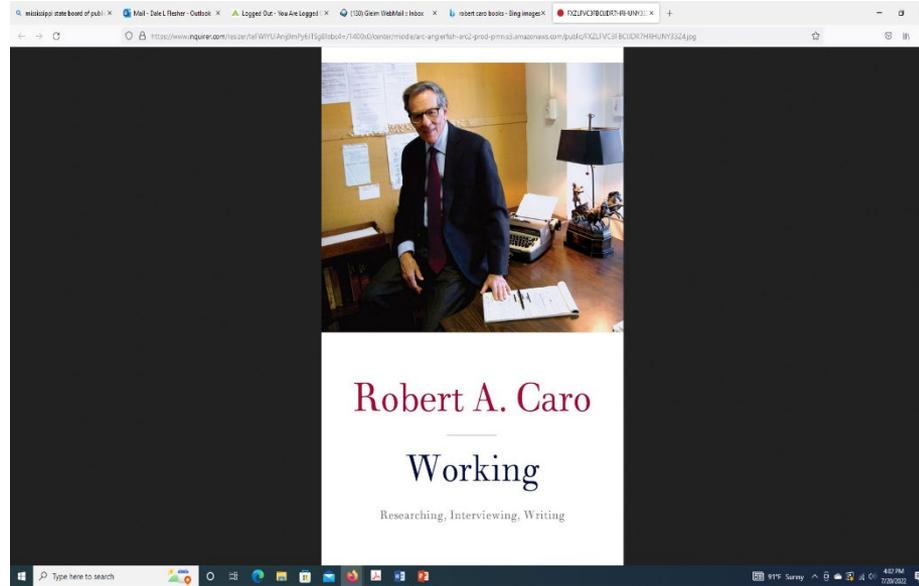


Problems in Biographical Research

- Lack of material
- Abundance of material
 - Robert Caro says “you have to turn every page.”

Robert A. Caro—Biographer

Read This First



Data Sources for Biography

- Published works (contrast later work with early work)
- Unpublished (sometimes unfinished) manuscripts
- Recollections of friends, family, co-workers
- Letters, Diaries (Check eBay and WorldCat)
- Autobiographies - great sources of information for a biographer, but they represent the life the subject remembers vs. the life actually lived
- Some sources are frail and will crumble
- Handwritten sources are difficult to read
- Unswerving curiosity is a must



Researching Published Sources

- Worldcat; Ole Miss Library Digital Collection (eGrove)
- Accountants Index (now digitized at Mississippi's National Library of the Accounting Profession), JSTOR, Deloitte Digital Collection (at Ole Miss), Who's Who, State pubs.
- Obituaries (including in accounting journals)
- Newspaper indexes (*New York Times* Index since 1851; *Wall Street Journal*)
- Biography Indexes, Who's Who, D.A.B.
- Accounting Halls of Fame, Association Yearbooks (such as AICPA thru 1947), AICPA Newsletters (since 1923)
- [Newspapers.com](#), [Genealogy.com](#), [Ancestry.com](#), [NewspaperArchive.com](#) (\$20 monthly). An array of databases helps.

Free Newspaper Resources

- Chronicling America (1777-1963)
(<https://chroniclingamerica.loc.gov/>)
- Google News Archive
(<https://news.google.com/newspapers>)
- State, Public, and University Libraries
- Indiana State Library one of the best
(<https://newspapers.library.in.gov/>)



Library or Company Sources

- Library archives sometimes available on WorldCat.
- Business archives are often decentralized.
- Companies may have personnel files.
- www.ancestry.com and www.genealogy.com.
Also, www.ellislandrecords.org . Includes passports, census records, ship manifests, draft registrations (R. Emmett Taylor in 1930s).
- Freedom of Information acts to access records in government agencies.

Interviews

- Not always reliable, but necessary (including interviews with living subjects who may try to hide things from you).
 - Corroborate.
 - Some available on [SEC Historical Society](#) website.
 - Question witnesses and interviewees with [skepticism](#).

Techniques

- Avoid **PRESENT MINDEDNESS**--the temptation to couch the subject's decisions, deliberations, etc. based on YOUR knowledge of the future – remember, the subject does not yet know his or her future.



A Caution

- A biography is not a collection of facts
 - Should have theme and plot
 - Ideally, one “stages” events in the subject’s life in an interesting manner, without changing the historical accuracy in any way.
- Assistants can rarely be used
- Do due diligence for gaps in subject’s life.
 - Example of British Poet

Writing History & Biography

- Comment should be made about the societies that created the individuals.
 - Individuals are not separate from their environment.
- The historian, too, will be influenced by his or her own environment when interpreting the facts.
- The more a historian comes to terms with his own biases, the better he or she can write an accurate history without social influence.
- Two heresies in writing history are:
 - Cut-and-paste history without meaning or significance
 - Propaganda or historical fiction

Summary of Accounting Biography

- The great lesson of biography is to show what people can do; a life put on record acts as an inspiration to others.
- Biography as a type of accounting history is worthy of research effort.
- In shaping a biography the writer has the responsibility of portraying a person for posterity.

History and Judgment

- Woodrow Wilson stated that the study of history develops “the invaluable mental power which we call judgment.”
- The reader of history can read about new concepts with a critical eye because he or she has a historical context in which to place the new concepts, and is able to resist indoctrination and propaganda.
- History enables the independent mind to criticize the attitudes that misread the present from ignorance of the past.



We Need the Substance of Accounting History.

- We need the substance of accounting history, and we need the historical thinking that informs rational judgments.
- Why study accounting history? To gain the habits of mind and the intellectual tools that are required to be a free thinker.
- Accounting will be different in the future, probably much broader based. It will also be better if the lessons of the past are incorporated into the process of change.

History's Hourglass

- Remember the message of the Academy's Hourglass Award. When the sand has run through to the bottom, you flip the hourglass over and **the past becomes the future.**
- We need to be concerned with accounting history.
- When we teach accounting history, we teach not only what happened in the past, but how to reason, how to weigh evidence, how to analyze continuity and change, and how to assess contending ideas.
- Thank you!