The genesis of professional organisation in English accountancy

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Abstract

The organisation of accountants in Liverpool, London, Manchester and Sheffield during the 1870s has not been subject to exhaustive historical investigation. This paper analyses the first organisations of accountants in England in the context of theories of jurisdictional boundaries, occupational conflict, the creation of labour market shelters and social closure. It is shown that the Bankruptcy Act, 1869 disturbed the division of labour between accountants and lawyers and threatened the status of established accountants by encouraging competition from lesser practitioners. The study illustrates that the organisation of accountants in Liverpool was instigated by lawyers anxious to establish a medium for negotiating the boundaries of bankruptcy work with local accountants. In London, Manchester and Sheffield (and partly in Liverpool) organisation concerned the protection of established accountants from interlopers and was actualised by erecting market shelters and the imposition of exclusionary closure. Organisation was a device for the institutionalisation of occupational difference and protecting market advantage. During the 1870s the occupation of accountant was bifurcated into professional practitioners, marked by the badge of organisational membership, and less reputable individuals who were denied it. It is also contended that inter and intra professional conflict are pervasive themes in professional organisation and that individual actors were significant to engineering formation processes.

Keywords: Professions; Accountancy; England; Organisation; Nineteenth century

Given the flourishing academic interest in the history of the accountancy profession both within and beyond the accounting discipline, it is surprising that the formation of the earliest organisations in England during the 1870s has received little attention. Institutional configurations in England were significant to subsequent patterns of organisational development in both the UK and overseas and had implications for the future complexion of intra-professional politics in British accountancy (Shackleton & Walker, 1998, 2001).

This paper seeks to occupy a void in the literature by analysing the formation of the Incorporated Society of Liverpool Accountants (1870), the Institute of Accountants in London (1870), the Manchester Institute of Accountants (1871) and the Institute of Accountants in Sheffield (1877).1 The motives for the organisation of accountants in these cities are examined by reference to prevailing theories of professionalism. The study commences

1 In addition to these local organisations, the Society of Accountants in England was formed in 1872. This was a national organisation whose archives are missing (see Boys, 1994). The Society is not included in this study.

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with an excursus into current theoretical approaches, then outlines existing explanations for professional organisation in English accountancy, and subsequently presents historical evidence pertaining to the context and specifics of institutionalisation. The significance of the findings for understandings of occupational organisation as a feature of professional jurisdiction, conflict, labour market shelter and social closure is discussed in the conclusion.

1. Tracking diversity in the dynamics of professional organisation

Historical studies of the accountancy profession have moved far beyond the confines of functionalism, ventured towards critical interpretations of professional behaviour and increasingly focus on the identification of diversity in occupational experiences. It is now accepted that there are manifold paths to professional status and considerable historical variation in occupational projects. This is reflective of broader paradigmatic swings in the sociology of professions. Following the retreat from functionalism revisionists of the ‘critical’ 1970s and 1980s emphasised monopolisation, power and the role of professions in the class system. Subsequent historical studies of a range of occupations in different spatial contexts (especially continental Europe) identified professionalisation trajectories not easily accommodated within blanket and Anglo-American theorisations. Post-revisionist studies of professions now emphasise a ‘comparative approach’ substantially rooted in historical analyses (Collins, 1990; Freidson, 1994, pp. 2–8; Walker, 1999). It is envisaged that the identification of multifarious experiences across nations and occupations will inform broadly conceived and grounded theorisations of professionalism. Following the retreat from functionalism revisionists of the ‘critical’ 1970s and 1980s emphasised monopolisation, power and the role of professions in the class system. Subsequent historical studies of a range of occupations in different spatial contexts (especially continental Europe) identified professionalisation trajectories not easily accommodated within blanket and Anglo-American theorisations. Post-revisionist studies of professions now emphasise a ‘comparative approach’ substantially rooted in historical analyses (Collins, 1990; Freidson, 1994, pp. 2–8; Walker, 1999). It is envisaged that the identification of multifarious experiences across nations and occupations will inform broadly conceived and grounded theorisations of professionalism. This richer contextualisation will also render visible the interfaces between professionalisation and economic, social, political and cultural developments (Collins, 1990, p. 22). According to Freidson the ‘strategy of analysis’ therefore emphasises the particular, investigating occupations as separate empirical instances, not “as specimens of some general, fixed concept” (1994, p. 26). Further:

By expanding the universe of occupations on which we have detailed and systematic data, and by analysing them as individual, historic cases, we could establish the ground for catholic comparisons that we lack at present. … Such a portrait is certain to be richer and more varied than that abstract essence toward which the traditional literature aimed, but, in being so, it is likely to be more faithful to reality (ibid., p. 27).

Studies of the dynamics of professionalisation in accountancy over the last decade have tended to confirm the imprecision of metatheories of professions. This is particularly the case in relation to the main concern of this paper, the establishment of organisational structures. Compare, for example, the diverse motivations for institutionalisation revealed in recent discussions of the profession in nations such as Belgium (De Beelde, 2002), Brunei Darussalam (Yapa, 1999), China (Hao, 1999), Greece (Caramanis, 1997), Japan (Sakagami, Yoshimi, & Okano, 1999) and Nigeria (Uche, 2002). Theories of social closure have been a dominant theme in the study of the accountancy profession. These too, have confirmed the desirability of greater conceptual plurality. On the basis of their studies of accountants in late nineteenth century Victoria, Chua and Poullaos (1993, 1998) suggest that a nuanced theorisation of Weberian closure is required: one which recognises that professionalisation projects are more complex than the headlong pursuit of monopolistic control and collective social mobility. Detailed analyses reveal the need to capture diverse closure strategies, variation in the extent to which market control is aspired to and achieved, and the complexity of state–profession relationships. This diversity is apparent in other studies. For example, Ramirez has related the institution of the Société académique de comptabilité in 1881 as an instance of “proto-professional closure resting on credentialism” (2001, p. 396) and The Compagnie des experts-comptables de Paris in 1912 as the manifestation of an attempt to create a professional elite. McMillan (1999), has argued that the organisation of the Institute of Accounts in New York in 1882 represented an attempt (in accord with the
dominant scientific ideal) to institutionalise a ‘community of the competent’ and gain market advantage on the basis of superior knowledge claims over uninstructed practitioners. Annisette (1999), by contrast, has illustrated how the first professional organisation in Trinidad and Tobago in 1964 was motivated by the antithesis of closure and comprised an attempt, supported by a newly independent state, to open the vocation to those excluded under the former colonial regime. This variety is inevitable given that “there is no pattern of social closure around an occupation that is not inflected by the latter’s past, its specific activity and typical context of performance or, ...by the political context within which closure is obtained” (Larson, 1990, p. 27).

Criticism of closure theory as an explanation for professional organisation has also featured in recent studies by important contributors to the sociology of professions. Freidson (1994, pp. 80–91) has contended that a broad conception of occupational control over work based on the ‘labour market shelter’ offers greater illuminative potential. For Freidson closure is essentially conspiratorial, too heavily rooted in the analysis of class and inequality. It is a concept not sufficiently sensitive to the possibility of different motives for pursuing market control. These may range from aggressive efforts to achieve monopoly by activating strategies of exclusion, to attempts at preserving and securing advantageous positions in the labour market in order that established professionals can pursue careers in an ordered environment. The creation of shelters involves disturbing the market as the occupation seeks degrees of control over the supply of labour services. At its extreme the shelter may take the form of a state sanctioned professional monopoly. A less comprehensive form of control is achieved when an organisation is established to identify those practitioners (members) whose labour is to be protected. Such organisations also comprise important bases for the preservation and enhancement of market control through their facilitation of collective action and the construction of qualification systems.

Indications that closure theory by itself inadequately captures the complexities of professional organisation are also evident in the predecessor to the current study. Walker (1995) employed both critical and conflict paradigms to accommodate the causes of the formation of the first institutes of accountants in mid-nineteenth century Scotland. While critical analysis emphasised the socio-political character of organisation and post-formation opportunities for the imposition of closure practices, it was conflict theory that illuminated the circumstances compelling institutionalisation. The formation of professional organisations in Edinburgh and Glasgow was not instigated by a desire for raising status, gaining new privileges, promulgating monopolies and thereby achieving collective social mobility. Rather, organisation was about mobilising accountants whose elevated status and claims to occupational superiority were challenged by belligerent outsiders in the form of a powerful, London-based mercantile interest group. Organisation also served to enhance group consciousness and identity during clashes of ideologies with hostile parties. More recently, Carnegie and Edwards (2001) also perceive the formation of the Incorporated Institute of Accountants in Victoria as displaying elements of social closure and episodes of intra-occupational conflict. Although colonial accountants were anxious to distinguish themselves from clerks and bookkeepers by establishing a professional body, the organisation was instigated in response to the proposed establishment of a London-controlled outpost in Melbourne. This threatened local accountants, aroused sentiments of Australian nationalism and resulted in a determination to establish a body under the control of local practitioners.

Conflict, at the inter-professional level, also features significantly in Abbott’s (1988) statement on The System of Professions: “It is the history of jurisdictional disputes that is the real, the determining history of the professions. Jurisdictional claims furnish the impetus and the pattern to organizational developments” (p. 2). While his model emphasises the centrality of work and departs from a focus on the components of professionalisation such as association (pp. 112, 314), Abbott recognises the importance of organisational attributes in the pursuit of jurisdictional
claims (1988, pp. 70, 82–3). In relation to accounting Abbott discusses skirmishes on the border between accountants and lawyers, the diminishing jurisdiction of the latter and work-shifts within the boundaries of the accounting domain (ibid., pp. 25–6, 94, 267–71). Abbott’s thesis, though subject to criticism (see Macdonald, 1995, pp. 14–17), has informed recent historical studies of the accountancy profession (Maltby, 1999; Sikka & Willmott, 1995). In particular, commentators have utilised Abbott’s theory to observe jurisdictional disputes between the professions of law and accounting (Dezalay, 1991; Pong, 1999). Abbott’s own inter-professional case study of solicitors in England covers the period from the mid-1870s to the 1950s (1988, chap. 9). In the current study we explore the dynamic relationship between lawyers and accountants during the 1860s and 1870s—a formative period in the organisation of the latter.

By providing an empirical analysis of four instances of organisation within the occupation of English accountancy, this study presents an opportunity to investigate potential diversity in occupational experiences and the relative potency of the aforementioned theories of institutionalisation which have dominated recent analyses: social closure, labour market shelters, conflict and professional jurisdictions. Before embarking on such an analysis of the first accountancy organisations in England during the 1870s, the extant literature concerning these institutes is examined.

2. Explanations for professional organisation in England

When the 50th anniversary of the Institute of Chartered Accountants in England and Wales (ICAEW) was celebrated in 1930, *The Accountant* suggested that, like many other ‘great’ historical events, the precise causes of the organisation of local accountants were shrouded in mystery. The journal merely identified “a common spirit” among accountants to organise (supplement 17.5.1930). Official histories, often prepared for centennial celebrations, such as those by Howitt (1966), Hopkins (1980) and Margerison (1980) have been more expansive. Some insights to the formation of the Incorporated Society of Liverpool Accountants in 1870 and the Sheffield Institute of Accountants in 1877 may be gained from the texts prepared to commemorate 100 years of activity (Hargreaves, 1970; Hoe, 1977). There are no such publications which relate specifically to the Institute of Accountants in London (formed 1870) or the Manchester Institute of Accountants (1871).

Several of the standard texts on the development of the profession in England offer little beyond noting the organisation of local societies. The less than flattering account of the emergence of the profession in England contained in Brown (1905) is of this character (also Green, 1930, pp. 200–1). The only detail provided in this work refers to the “considerable difficulty” which attended organisation in Liverpool (ibid., p. 235).2 Stacey’s (1954) account of the formation of the professional bodies in England is substantially based on that offered in Brown. Stacey emphasised a causal relationship between the emergence of industrial society and professionalisation in England. Only when economic maturity attained such a pitch as to create a nucleus of public practitioners were the conditions right for the organisation of accountants (ibid., p. 23). For Stacey, confirmation of his determinist explanation is provided by the fact that the first organisations appeared in the large commercial and manufacturing centres.3 The localised character of the societies formed in Liverpool, London, Manchester and Sheffield was, claimed Stacey, also emulative of organisational structures in Scotland (ibid., p. 23). The mimetic nature of professional organisation in England has been emphasised by

2 An observation not borne out by the findings reported in this paper.

3 Economic determinist explanations emphasise the ‘obvious’ significance of industrialisation to the emergence of professional organisations in individual centres and are extremely problematical. The first organisation to be established in Scotland was in Edinburgh, not recognised as a major manufacturing city (Walker, 1995, 2000). In England the first organisations were formed in Liverpool (the major commercial centre and trading port of northern England) and London (the pre-eminent centre of commercial and financial wealth; Rubinstein, 1977). Note also the absence of local organisations in important centres of industry such as Birmingham and Leeds.
other researchers (Macdonald, 1985, p. 548; Lee, 1996b, p. 177).

Other commentators on professional organisation in England rely on earlier works such as Brown and Stacey (Parker, 1986, p. 20). Jones (1981, pp. 67–8) follows Howitt (1966) and refers to the formation of the London Institute in the context of the need to regulate a profession whose social and economic interests were increasingly threatened by the intrusion of unscrupulous individuals. In his seminal paper Willmott concurs with Jones that professional organisation in London “followed a series of scandals that had brought accountancy into serious disrepute” (1986, p. 566). The object of organisation among London accountants was to differentiate themselves from the unprofessional and gain control of the market for accountancy services. As the foregoing suggests, Jones and Willmott, in common with most other writers (such as Howitt, 1966 and Hopkins, 1980), devote attention to the institute established in the metropolis in 1870. The three societies of accountants formed in English provincial towns are marginalised in most analyses. This is especially unfortunate in the case of the Liverpool society because, as will be illustrated, this body was significant in shaping the localised structures of those organisations formed in its wake.

More commonly, scholars have noted specific legislative events as inducing the organisation of accountants in England. Carr-Saunders and Wilson (1933, p. 210) identified the Companies Act, 1862 and the Bankruptcy Act, 1869 as instrumental in “the emergence of the professional accountant in independent practice”. Carr-Saunders and Wilson contended that the latter piece of legislation was a catalyst to organisation in Liverpool and was followed by similar behaviour in other urban centres:

In 1870 an association of accountants was founded in Liverpool, and other associations quickly followed. These associations represented reputable practitioners; but we hear at this time of many persons styling themselves accountants who carried on a practice of a very doubtful character, and thus made it apparent that some form of professional regulation was required (ibid.).

For Macdonald (1995), tracking the organisation of English accountants assumes some significance as an example of a professionalisation project. Institutionalisation represents the inauguration of such projects. In his 1985 contribution (p. 547) Macdonald, like Carr-Saunders and Wilson, refers to the significance of companies and bankruptcy legislation to the formation of local societies of accountants in England. However, a decade later in The Sociology of the Professions Macdonald uniquely, and without reference to its basis, suggests that the Companies Act, 1867 was significant (1995, p. 191). He also mistakenly asserts that the local organisations were amalgamated as an Institute of Accountants in England in 1872 (p. 109). Macdonald contends that it is difficult to explain why organisation commenced in England 17 years after Scotland though in his 1984 study (pp. 187–88) he posed a hypothesis on this subject which invites further study. Given the increasing presence of accountancy as a case in the sociological literature, it is appropriate to offer a deeper historical analysis, correct some misconceptions and provide the explanations sought.

Boys (1994) was closer to the mark when reiterating the centrality of the Bankruptcy Act, 1869. The opportunities presented by this statue for the appointment of accountants in England and Wales as creditor-elected trustees meant that “many unscrupulous and unskilled persons solicited for such appointments and the resulting dissatisfaction reflected badly on competent accountants, who, in order to protect their reputation and to distinguish themselves from the unqualified, started to form professional societies” (ibid., p. 10). In Walker (1995) it was also argued that professional organisation in England should be understood in the context of legislative developments pertaining to bankruptcy and insolvency and the socio-political reactions these engendered among occupational groups. It was also suggested that the character of professional formation in England required further scrutiny as a likely element in a continuum of organisational developments which commenced in Scotland in 1853. In accord with accepted wisdom, it was suggested by Walker (1995), that the imposition in England of
the Scottish system of bankruptcy administration by trustees through the Bankruptcy Act, 1869, was the catalyst for professional organisation in England. However, this assertion was made with the following caveat: “The extent to which accountants in England organized during the 1870s in order to protect their occupational status and gain socio-economic advantage over the expected (and realised) influx of unqualified applicants for trusteeships following the introduction of the “Scotch system” of bankruptcy administration is deserving of further investigation” (1995, p. 304). This paper presents the results of a further investigation.

At about the same time as this assertion was made the author of a major work on the history of insolvency also contended that changes in the law of bankruptcy were instrumental in the organisation of the accountancy profession in England (Markham Lester, 1995, pp. 5–6). In their survey of the literature on the history of the profession in Britain, Matthews, Anderson, and Edwards (1998, p. 60) have also called for the further study of the early English accountancy bodies.

The time appears ripe, therefore, for a more rigorous historical analysis of early professional organisation in England. Thus, the paper now examines the likely reasons for the formation of the local societies in Liverpool, London, Manchester and Sheffield during the 1870s. In pursuing this subject reliance is placed not only on the surviving archives of the local organisations, but, in accord with the need to examine organisational developments within their political, occupational and spatial contexts, also on parliamentary papers, the record of parliamentary proceedings, legal journals, contemporary texts on insolvency, and local and national newspapers.

3. Bankruptcy and the jurisdictions of accountants and lawyers

Given its likely importance to the organisation of accountants during the 1870s, it is necessary to explore developments in bankruptcy legislation in mid-Victorian England. Applying Abbott’s theory, these events had the potential to disturb occupational jurisdictions in bankruptcy work and to incite inter professional conflict between accountants and lawyers.

3.1. Accountants and bankruptcy administration in England during the mid-nineteenth century

According to Markham Lester “Victorian England seems to have been preoccupied with insolvency” (1995, p. 1). This concern was well founded. During the 1860s losses from bankruptcy and similar arrangements could amount to £30m per annum (p. 300); almost 4% of GDP (Mitchell, 1988, p. 828). Aside from its implications for the operation of commerce, the prevalence of bankruptcy was a wider social concern and this was reflected in popular culture. Weiss (1986) has described bankruptcy as ‘The Hell of the English’, the nightmare of the middle-classes, due to its stigmatised association with failure, poverty and diminished morals. Not surprisingly, the workings of the laws of bankruptcy and insolvency frequently occupied the attention of interest groups, policy-makers and legislators during the nineteenth century:

Between 1817 and 1883, three royal commissions, at least ten parliamentary select committees, and one special Lord Chancellor’s committee, studied the problem of bankruptcy and recommended remedial measures. The eighty-year period between 1831 and 1914 ... saw the introduction of almost one hundred bankruptcy bills in Parliament. Nearly a third became law (Markham Lester, 1995, p. 2).

Particularly important to accountants in Victorian England was their role in the administration and management of insolvent estates under this shifting body of legislation and the potential impact on their livelihood of proposals for legislative change.

From the passing of Lord Brougham’s Bankruptcy Act in 1831 until the 1860s, the administration of bankrupt estates in England was founded on state control, or ‘officialism’ (ibid., pp. 40–59). Under this system the Lord Chancellor was empowered to appoint six salaried
commissioners who were vested with extensive powers over the judicial administration of bankruptcy. The Lord Chancellor was also responsible for appointing a number of ‘official assignees’ whose function was to perform the detailed management and distribution of bankrupt estates (Markham Lester, 1995, pp. 81–86; Weiss, 1986, pp. 42–3; Walker, 1995). These officials of the Courts of Bankruptcy, of whom there were 10 in London and (from 1843, when the system was extended to the counties) 16 to 18 in district bankruptcy courts, were chosen from among merchants, brokers and accountants (Markham Lester, 1995, p. 82). Official assignees were remunerated on a scale commensurate with the amount of assets they realised. The Bankruptcy Act, 1831 and its identification of accountants as potential assignees gave accountancy in England ‘its first professional boost’ (Napier & Noke, 1992, p. 34).4

From the late 1850s ‘officialism’ was criticised by the increasingly vociferous commercial interest (Markham Lester, 1995, pp. 123–133). The system of official assignees was perceived as expensive (the cost of administration being disproportionate to dividends received by creditors) and at variance with the notion that the management of the bankrupt’s estate should be the responsibility of those who had the greatest interest in it, that is, the creditors. The demands of the business classes were partly satisfied when the Bankruptcy Act, 1861 introduced a greater measure of creditor control. Under this Act the assignees elected by the creditors were to assume greater responsibility for the management and distribution of the bankrupt’s assets while the official assignee was to retain powers of inspection, supervision and audit (ibid., pp. 133–146).

The 1861 Act did not, however, quell criticism of the system of bankruptcy administration in England. By mid-decade the Mercantile Test described the statute as a failure (23.1.1864, 23.4.1864). Escalating cost, the encouragement of fraud under trust deeds, and demands for greater creditor control, featured large in the deliberations of a House of Commons Select Committee on the Bankruptcy Act, convened in 1864 (Report; Weiss, 1986, pp. 45–6). The chambers of commerce argued that bankruptcy administration should reside wholly with the creditors (Markham Lester, 1995, pp. 146–151). The Scottish system of management by creditor-elected trustees, paraded as an exemplar of the efficient working of creditor control since the late 1850s (Kinnear, 1858; Moncreiff, 1865; Robson, 1870, p. 10), was recommended by the Select Committee for adoption in England and Wales (Walker, 1995).5 This would also constitute a major advance in the assimilation of commercial laws within Great Britain (Mercantile Test, 5.11.1864, 2.2.1866; Walker, 1995). Public bills were introduced in 1866 and 1867 to implement this system but pressure of parliamentary time and a change of government prevented the passing of legislation.

By the end of the 1860s discontent with the 1861 Act was widespread and demands for reform from the commercial and mercantile communities intensified (Routh, 1870, pp. 8–9). As one public accountant in Liverpool put it “there can be no doubt that the Act of 1861, and the machinery it provided, has signally failed of its purpose. It was designed in the interests of the creditor; it has in fact advanced, in too many instances, the dishonest purposes of the debtor” (Kemp, 1870, p. 7; Routh, 1870, p. 8).

In March 1869, following consultations with representatives of the commercial lobby, the Liberal Government introduced a Bankruptcy Bill which, it intended, would “go to the very root of the matter, and reform the system altogether” (Hansard, 5.3.1869, p. 776). Much to the satisfaction of the banking, mercantile and commercial communities, this legislation provided for the abolition of official assignees and their replacement by the Scottish system of creditor-elected trustees (Banker’s Magazine, April 1869, p. 426; Robson, 1870, p. 12). In introducing the Bill the Attorney-General stated: “The great merit of the

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4 Among the accountants who benefited from such appointments, was William Turquand, who was later to become the first President of the ICAEW (Matthews et al., 1998, p. 32; Markham Lester, 1995, p. 82).

5 The Mercantile Test reported that the cost of winding-up a bankrupt estate as a proportion of assets was 50% in England and 13.5% in Scotland (2.2.1866).
Scotch system was its simplicity; the absence of officialism; allowing the creditors to administer the estates in bankruptcy by themselves, and in their own way without interference” (Hansard, 5.3.1869, pp. 780–1). The Bill was the subject of comparatively little parliamentary debate and entered the statute book in August 1869.

For Markham Lester (1995, pp. 155–69) the complexion of the 1869 Act, particularly its enshrinement of creditor control, reflected the influence of the organised and articulate middle class in mid-Victorian politics. Local and national chambers of commerce had prioritised bankruptcy reform during the 1860s and became powerful lobbies for the articulation of the views of leading businessmen who were also creditors in larger bankruptcies. Through the decade these men and the organisations which represented them consistently demanded greater control and cheapness in insolvency administration. The Scottish system was identified as offering these advantages. The content of the Bankruptcy Bill, 1869 indicated that “the government went out of its way to meet the desires of the business community” (ibid., p. 160). Government and Parliament had become so receptive to the demands of the commercial interest that the objections of previously influential groups in framing bankruptcy legislation, such as the legal fraternity, were not heeded.

As well as being seen as a victory for the business classes and a reverse for lawyers, the Bankruptcy Act, 1869 was perceived as opening a wealth of opportunities for accountants in England. The notion that accountants should assume a major role in the management of bankrupt estates had been mooted before the 1869 Act. One pamphleteer noted in 1858 that accountants were frequently and successfully engaged under voluntary schemes of insolvency administration. Hence, “If our professional accountants can wind up estates promptly and economically, why cannot the creditors be allowed to select such accountants” (Advice to the Embarrassed, 1858, p. 56). In 1877 the Comptroller in Bankruptcy was to recall how, during the 1860s, the chambers of commerce had argued that bankruptcy reform would be best effected by replacing unremunerated creditor assignees by a paid accountant as trustee (General Report, 1877, p. 13). A number of witnesses before the Select Committee of the House of Commons (among them accountants) in 1864 expressed a preference for the appointment of competent, professional accountants to manage bankrupt estates in place of official assignees or solicitors (1864, pp. 108–9, 171, 250, 263). It was observed that respectable accountants dominated trusteeships in Scotland. In 1865 George W. Hastings, LLB, General Secretary of the National Association for the Promotion of Social Science, an advocate of Scottish bankruptcy administration, urged the introduction in England of “faculties” of chartered accountants as existed in Scotland. This would enable creditors “to lay their hands upon men to whom they could entrust with perfect security the conduct of bankrupt estates” (Transactions, 1865, pp. 233–4). Hastings observed that only instructed practitioners entered the professional organisations north of the border. Membership of these bodies offered “a guarantee of the qualifications and respectability of the trustee” (ibid).

The Attorney-General accepted such views. On introducing the Bankruptcy Bill, 1869 he envisaged that the system of creditor-elected trustees would encourage greater professionalism in the management of bankrupt estates in England: “In Scotland the effect of the system had been to call into existence a number of persons who made the office of trusteeship a kind of profession, and they succeeded in proportion to their diligence, capability, and trustworthiness” (Hansard, 5.3.1869).

While the 1869 Act established that any person could be selected as a trustee, most commentators assumed that the Attorney-General had accountants in mind when framing his legislation. Although businessmen might have the requisite experience to conduct the affairs of the bankrupt, the variety and complexity of the tasks confronting the trustee would engender a reluctance to accept a position requiring knowledge of law and which was “so irksome, and involving” (Routh, 1870, p. 21). Professional accountants, by contrast, were possessed of the appropriate combination of skills (Mercantile Test, 2.2.1866, 30.11.1866). The Economist expressed the hope that “the creditors will appoint a good professional
accountant to manage the estate—will pay him fairly and look after him a little” (11.12.1869, p. 1458). One accountant observed that the 1869 Act conferred “a status on the profession which did not exist before” (Caldecott, 1875, p. 41). He added that “The Bankruptcy Act of 1869 places Accountants on a footing but little lower than that of solicitors and attorneys” (ibid., p. 9). The prospect of an elevation in the status of accountants was not well received by the more ancient profession of law.

4. Lawyers and their invaders

As Sugarman has contended, although the relationship between accountants and solicitors during the mid-nineteenth century was often characterised by mutual dependency and co-operation, in the law journals, the accountant was usually portrayed as “a folk devil”, the generic term for the outsider invading the profession” (1995, pp. 229–30). Attorneys and solicitors had long been acutely conscious of occupational demarcation and the threats of interlopers (Corfield, 1995, chap. 4). During the 1850s, and especially the 1860s, their attention focused on the intruding accountant. Concerns about the impeccunious state of solicitors, the assault on their privileges through legislation favourable to business interests, and the incursion of accountants (and others) were recurring themes in the professional press. The pages of The Law Times and The Solicitors’ Journal contained many articles and letters on the encroachments of invading accountants. Lawyers complained that accountants were not incumbered by obligations to pay stamp duties and other taxes (see, for example, Law Times, 19.10.1850; 12.4.1851; 1.1.1852; Corfield, 1995, p. 83); were not bound by scales of charges; did not require an expensive vocational preparation; owed no allegiance to a professional organisation; and, resorted to base practices such as touting (Solicitors’ Journal, 28.3.1863; 10.11.1866; 23.2.1867; 9.3.1867; 7.9.1867; 29.2.1868; 6.2.1869).

During much of the 1860s the anxiety of lawyers about incursions into their professional jurisdiction centred on insolvency work. According to one disgruntled correspondent to The Law Times, this was one source of remuneration not hitherto seriously threatened by usurpers, and was of particular importance to practitioners in the cities where a local bankruptcy court was sited (8.2.1868, p. 275). Under the 1861 Act the creditors elected an assignee. The creditor-assignee often engaged the services of a solicitor for general advice or to deal with complex questions arising from the disposal of property (General Report, 1873, p. 2; 1877, p.5). Accountants and auctioneers might be similarly engaged on an ad hoc basis. In a relatively small number of larger bankruptcies the creditors could also decide to employ a paid manager to collect and wind-up the estate. In these cases “The manager was generally an accountant of known experience in the business entrusted to him” (General Report, 1878, p. 11). However, in most bankruptcies under the 1861 Act where a solicitor was appointed, it was not necessary to engage an accountant as manager (ibid., p. 13).

Accountants were also increasingly involved in advising insolvent traders and were employed under clauses in the 1861 Act relating to trust deeds (Law Times, 3.4.1869; Solicitors’ Journal, 23.2.1867). This increasing area of work, which often attracted a less reputable accountant disrespectful of the boundaries between accountants and lawyers, was an especial source of grievance among solicitors:

What is it we complain of? It is this—
Accountants and similar persons calling and

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6 Lawyers often cited the provisions of the 1861 Act, together with the commercial crises of the ensuing decade, as reasons for the expanding number of ‘accountants’. Data supplied in Brown (1905, pp. 234–5) of the number of accountants listed in local directories confirms this expansion:

<table>
<thead>
<tr>
<th>City</th>
<th>1850</th>
<th>1860</th>
<th>1870</th>
</tr>
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<tbody>
<tr>
<td>Liverpool</td>
<td>69</td>
<td>91</td>
<td>139</td>
</tr>
<tr>
<td>London</td>
<td>264</td>
<td>310</td>
<td>467</td>
</tr>
<tr>
<td>Manchester</td>
<td>66</td>
<td>84</td>
<td>159</td>
</tr>
</tbody>
</table>

Whereas the number of accountants in these three cities increased by 22% 1850–1860, they increased by 58% 1860–1870.

7 In 1862 the number of assignments and compositions was 2651, in 1868 the number was 8045 (Markham Lester, 1995, p. 166).
attending meetings of creditors, negotiating with creditors, an many cases preparing the composition and similar deeds, paying compositions, preparing leases, partnership deeds, wills, agreements &c, and transacting a variety of other professional business (Solicitors’ Journal, 7.9.1867).

The advancing influence of the commercial interest in bankruptcy reform, and the shift towards creditor control was perceived by many solicitors as an attempt by the business classes “to banish the lawyers” from this field of practice (Law Times, 9.6.1866, p. 540). The Economist commented in March 1868: “The present administration by lawyers and law courts must be terminated, but the point is to get another system, freed from legal formalities, by which bankrupt assets may be collected and divided effectively and speedily” (28.3.1868, p. 350). In response, the legal fraternity suggested that the high cost of bankruptcy administration (resulting from the potential involvement of official and creditor assignees, accountants and lawyers) could be reduced by granting solicitors sole responsibility for winding-up (ibid; 23.3.1867, p. 399). More vociferous respondents urged legislation “to get rid of the numerous invaders on our Professional rights, such as accountants, auctioneers, land agents, stewards and engrossing clerks” (Law Times, 8.2.1868, p. 275).

5. The 1869 Act as a disturbance to professional jurisdictions

Despite the objections of lawyers, it became increasingly evident during the late 1860s that future bankruptcy legislation would favour accountants. The appearance of the Bankruptcy Bill in spring 1869 caused anxiety among solicitors and demands for protective action by their professional organisations. The Law Society considered that the 1869 Bill to abolish officialism “contained numerous provisions which appeared very objectionable” (Annual Report 1869, p. 17). At worst the Bankruptcy Bill was perceived as another concession to the trading community and the culmination of the attempt to wipe lawyers “off the face of the earth” (Law Times, 13.3.1869; 24.4.1869). At best it would “considerably diminish the business of attorneys and solicitors who practice in bankruptcy and in common law” (ibid., 20.3.1869, p. 396). In their place the Bill would “permanently establish” the growing class of accountants and offer them “fresh fields and pastures new” (Law Times, 3.4.1869). The County Courts Chronicle suspected that the Bill was the outcome of a conspiracy by accountants and their trader-allies to monopolise bankruptcy administration (Markham Lester, 1995, p. 157). Commentators warned that if lawyers were impotent in their response to this incursion “they will have very powerful rivals in these “accountants,” and that before long” (ibid). In a leading article The Law Times suggested that the proposed introduction of the Scottish system of bankruptcy administration in England would: “largely increase a class of semi-legal professional men who have of late trenched greatly on the province of the attorney” and reasserted that bankruptcy work (including trusteeships) rightly fell within the province of the lawyer (6.3.1869; 17.4.1869; 24.7.1869). When the rules attached to the Bankruptcy Act were published in autumn 1869 another correspondent offered the following complaint:

I was struck with the entire absence of any rules as to solicitors. Whoever it is that has drawn them evidently intends to give solicitors the polite go-by, and let in in their stead a host of agents in the shape of accountants, house agents, and auctioneers, who have never paid one farthing to the Government in the way of stamp duties on their articles (if ever they were articled), and who, if accountants, pay nothing at all for an annual certificate to enable them to accompt (Law Times, 20.11.1869).

On the eve of the implementation of the 1869 Act The Economist welcomed the prospect of accountant-trustees, celebrated the elimination of officials and the abatement of the power of lawyers in bankruptcy administration (11.12.1869, p. 1458). In fact, although the provisions of the
1869 Act constituted an undoubted stimulus to their accountant rivals, it did not specifically exclude solicitors from bankruptcy work (Markham Lester, 1995, p. 154). The passing of the Act did, however, raise questions about the relationship between solicitors and the emergent ‘semi-legal’ profession of accountancy. The lawyers had to decide whether they would compete with accountants for the bankruptcy trusteeships. The Act also posed questions for established public accountants who were concerned about the prospect of an incursion by less respectable and uninstructed practitioners. It was feared that these men might “spring up” and take advantage of the opportunities presented by the new legislation (Law Magazine, 1869–1970, p. 282). The first city in which accountants and lawyers addressed these issues was Liverpool.

5.1. Negotiating a jurisdictional settlement: the Incorporated Society of Liverpool Accountants

Hargreaves’ (1970) informative history of the Liverpool Society downplays the significance of the Bankruptcy Act, 1869 as a catalyst to the organisation of accountants in Liverpool. This is despite its frequent mention in the early minutes of the Society. While recognising that negotiations took place in 1870 between local lawyers and accountants over the administration of bankrupt estates, Hargreaves emphasises the Limited Liability Act, 1855 as generating an expansion in company formations and the demand for “responsible auditors” (p. 1). He explains the stimulus to organisation thus: “Clearly the time was ripe for the latter [accountant-auditors] to band together, and safeguard both themselves and their prospective clients against inexperienced and inefficient competitors” (ibid). Given the advancing prosperity of the city during the nineteenth century, it was no surprise, argued Hargreaves, that the first organisation of accountants in England was formed in Liverpool (p. 2). It is clear from available evidence however, that Liverpool accountants were more interested in insolvency practice than corporate auditing during the mid-nineteenth century (Report from the Select Committee, Minutes of Evidence, 1864, p. 242).

The sources suggest the centrality of the Bankruptcy Act, 1869 to the organisation of accountants in Liverpool in 1870. As the leading export port in Britain and a major commercial centre, the subject of bankruptcy was widely debated in Liverpool during the 1860s. It was reported to the House of Commons Select Committee in 1864 that there was much discontent in the city concerning the expense of bankruptcy (Minutes of Evidence, 1864, p. 242). In February 1868 the Liverpool Chamber of Commerce heard a widely reported speech by Rt. Hon. George Goschen on the radical changes necessary to address “the cumbrous, expensive, and totally inefficient character of the present mode of administration in Bankruptcy” (Goschen, 1868, p. 3). In 1869 the Liverpool Chamber of Commerce published a report on bankruptcy compiled by a committee of local merchants and lawyers (Liverpool Chamber of Commerce, 1869). A deputation was sent to London in February 1869 and elicited an assurance from Lord Hatherly that the new bankruptcy bill would “leave creditors the sole choice as to the manner of winding up estates” (Spectator, 27.2.1869, p. 247). When the Bankruptcy Bill, 1869 appeared it was welcomed by the Liverpool Chamber of Commerce due to its embracing “all the more important reforms which the Chamber had long advocated” (Law Times, 6.3.1869, p. 356).

On 19 October 1869 the Metropolitan and Provincial Law Association met in York. The Chairman, Edward Lawrence, addressed the
members on the Bankruptcy Act due to come into force on 1 January 1870. Lawrence reiterated the lawyers’ objections to the new statute. He regretted the abolition of official assignees and expressed the fear that creditor control would encourage canvassing for trusteeships and the consequent election of incompetent persons. However, given the imminent implementation of the statute the most pressing issue for solicitors was to decide whether or not to act as trustees. Section 14(1) of the Bankruptcy Act, 1869 provided that the creditors in general meeting could appoint “some fit person” as trustee for remuneration to be established by them (Public General Statutes, 1869). Section 29 determined that if the trustee was a solicitor he could “contract to be paid a certain sum by way of per-cent age or otherwise as a remuneration for his services as trustee, including all professional services” (ibid).

There were two sets of reasons why these clauses caused anxiety among solicitors. The first pertained to professional etiquette. The provision in Section 29 that the trustee’s remuneration would be based on a percentage of the assets realised contrasted with the usual ‘fee’ and the payment of solicitors’ costs out of the estate. Appointments were also to be secured through an undignified process of election as opposed to an approach by a client. Further there was the question of the status and form of remuneration where the solicitor was appointed by a non-lawyer trustee (with consent of the Committee of Inspection). The second set of issues concerned strategy. Would solicitors be prepared to suffer the indignity of competing for trusteeships, and associating themselves with debt collection, for the sake of capturing this work from accountants? The option remained of not demeaning themselves by competing for trusteeships and thereby leaving the field to ‘invaders’. Lawrence put it thus:

Do we contemplate allowing accountants entirely to supersede us in the administration of insolvencies. Perhaps we ought not to be disturbed by qualms of conscience as to professional status; but we must consider whether the probable remuneration would compensate us for the trouble … Of course accountants as a body would be opposed to solicitors competing with them, and this might place solicitors in a very invidious position of being underbid or underbidding in settling the terms of remuneration (Solicitors’ Journal, 1869–1870, p. 10).

Lawrence urged solicitors to arrive at a united view on this issue and the meeting resolved unanimously “that it would not be improper for any professional man to accept, under the new bankruptcy law, the office of trustee, and to receive his fees, not as quasi attorney, but as quasi trustee” (Solicitors’ Journal, 1869–1870, p. 32). The issue was remitted for urgent consideration by the local law societies. Having elicited the opinions of the latter (Law Times, 11.12.1869, pp. 116–117) the Managing Committee of the Metropolitan and Provincial Law Association resolved, on 8 December 1869, “that it would not be inconsistent with the standing of the profession for solicitors to accept such office [trustee] upon such terms or arrangements as they may see fit in each particular case” (Solicitors’ Journal, 1869–1870, p. 153; Law Times, 25.12.1869, pp. 141–2). The annual general meeting of the Incorporated Law Society of Liverpool on 3 November 1869 was informed about the unanimous opinion of those gathered in York. Despite the prevalence of this view and its confirmation by the Metropolitan and Provincial Law Association, the solicitors of Liverpool were to arrive at a modified opinion.

On 17 January 1870 the Incorporated Law Society of Liverpool met to discuss the working of the Bankruptcy Act, 1869. The executive committee of the society resolved that while “it may be expedient in certain exceptional cases that the Solicitor should take the office of Trustee, they do not think it advisable as the General rule in Liverpool that the duties of legal adviser and Accountant should be performed by the same person” (Book of Proceedings, 28.2.1870). The Law Times reported that this decision meant “The solicitors of London and Liverpool have come to different conclusions as to the course to be taken under the new law of bankruptcy. The former have determined to accept the office of trustee, the latter have resolved to leave the office to accountants”
(12.2.1870, p. 287). This instance of Liverpool exceptionalism would not have surprised contemporaries. Liverpudlians perceived their residence in the “second metropolis”, and were engaged in a jealous commercial rivalry with London during the nineteenth century. The closely networked middle classes of Liverpool were comparatively unified around a strong adherence to ‘free trade’ (Belchem and Hardy, 1998). The local law societies were “vibrant and jealously autonomous” and sensitive to the threat of London hegemony (Garrard and Parrott, 1998, p. 156).

The annual report of the Incorporated Law Society of Liverpool for 1870 and the local press suggested that having determined their course, the solicitors approached leading accountants in Liverpool to negotiate a division of labour between the two professions. The Solicitors’ Journal related: “knowing what an advantage this decision would prove to the accountants as a body, and the power that would be placed in their hands, the committee, with the object of defining the relative duties of an accountant and attorney, requested the leading accountants’ firms of this town to meet them and discuss the subject” (19.11.1870, p. 43). According to The Liverpool Mercury, having decided that accountants should assume trusteeships, the Law Society of Liverpool suggested that accountants should form a professional organisation (5.2.1870, p. 7). It appears most likely that these inter-professional discussions were conducted through the good offices of Edward Banner, solicitor, the brother of Harmood W. Banner, the leading accountant in Liverpool. Edward Banner had attended the meeting of the Metropolitan and Provincial Law Association in York, was a member of the Council of The Law Society and its Common Law and Bankruptcy Committee (Law Society, Council and Committees, 1869, 1870).

On 19 January 1870, two days after the Liverpool Incorporated Law Society passed its resolution Harmood W. Banner and Andrew W. Chalmers addressed a letter to a select group of fellow Liverpool accountants urging their attendance at a meeting on 25th to consider “the propriety of forming a Society to be called “The Incorporated Society of Liverpool Accountants”. This stated: “The important changes in the mode of Winding-up Insolvent Cases publicly and privately appears to us to render it necessary to form such a Society” (Book of Proceedings, 25.1.1870). According to The Liverpool Mercury the accountants involved in this formation movement were “gentlemen selected by the Incorporated Law Society for the purpose of deliberation upon the course of procedure to be adopted under the new Bankruptcy Act” (5.2.1870, p. 7, emphasis added).12 Fourteen accountants were present at the resultant meeting in the offices of Messrs Harmood Banner & Son on 25 January 1870. At this gathering it was determined to form the society. A memorandum and articles of association were discussed and agreed and the election of an executive committee was set in train. Two days later those elected to the committee were instructed to proceed with the incorporation of the society under the Companies Act, 1867. On 28 January those who were principally involved in establishing the organisation, Banner and Chalmers, were elected President and Secretary of the society respectively.

This relatively swift journey through the process of organisation was necessitated because a meeting had been arranged for 31 January between the new body of accountants and the Law Society of Liverpool to discuss the detailed implementation of the Bankruptcy Act as its affected the two professions. At this meeting the opinion of the senior local accountants on the distribution of duties was sought. On 28 January the accountants were unable to arrive at a conclusive decision on this issue. Instead they indicated their willingness to submit to the whim of the senior profession. It was resolved that:

... in the present state of uncertainty as to the working of the new Bankruptcy Act it was

11 The Law Society of Liverpool had been incorporated under the Companies Act as recently as February 1869 (Solicitors’ Journal, 1869–1970, p. 29). The accountants appear to have emulated its form of organisation.

12 It has not proved possible to confirm this assertion in the records of the Liverpool Law Society. There are no surviving minute books of the Society for the relevant period. The author was informed by the Society that these were destroyed in an air raid on Liverpool during the Second World War.
found to be impossible to arrive at any definite conclusion or arrangement which could be satisfactory. It was the unanimous opinion of the Committee that the matter must be left to be tested by the actual working of Estates with the assurance from the whole body of Accountants of their desire not to interfere in any way with the business of the Solicitors and of their willingness to fall into any arrangement which they, the Solicitors, may consider to be reasonable and right (Book of Proceedings, 28.1.1870).

Representatives of the Society of Liverpool Accountants met with the Committee of the Liverpool Law Society on 1 February 1870. At this meeting the resolutions of the latter dated 17 January and of the former dated 28 January were discussed. It was decided that “nothing further could be done at present”.

In the first week of February, the formation of the Society was reported in the Liverpool press. The Liverpool Mercury related: “The important changes in the mode of winding up insolvent estates introduced by the new law have stimulated the leading accountants in Liverpool to emulate their Scottish professional brethren and form themselves into a body to be called ‘The Incorporated Society of Liverpool Accountants’” (5.2.1870, p. 7). The Daily Courier confirmed that organisation had been “deemed expedient, owing to the provisions of the new bankruptcy act, which vests in creditors and their appointed trustees the entire administration of the insolvent estate” (7.2.1870, p. 6). The Courier also reported that the members of the new society, who comprised the leading accountants of Liverpool, were engaged in discussions with the Law Society concerning the practical workings of the new legislation.

In its annual report for 1870, the committee of The Law Society of Liverpool expressed its satisfaction at the accommodation between the two professions and of the formation of the Society of Liverpool Accountants. It was noted that the organisation of accountants enabled communication between the two societies “in the event of any breach of the honourable understanding existing between it and the Society of Accountants as to the province of the members of the respective professions” (Solicitors Journal, 19.11.1870, p. 43). There the question of the division of labour over bankruptcy administration rested until August 1871 when an accord was necessary concerning the responsibilities of bankruptcy trustees in taking oaths on proofs (Book of Proceedings, 30.8.1871). It was decided that this task should fall within the jurisdiction of solicitors (ibid., 11.10.1871).

Although the disturbance of the Bankruptcy Act, 1869 crystallised the formation of the Incorporated Society of Liverpool Accountants through the need to negotiate the jurisdictions between lawyers and accountants, it is clear that occupational demarcation was established on two fronts. First, accountants and solicitors in Liverpool were anxious to define the inter-professional boundary in relation to bankruptcy work. Secondly, there was an intention among accountants and apparently lawyers, to delimit the bounds of the accountancy ‘profession’ and exclude lesser ‘accountants’ from the field.

As the local press and law periodicals noted in February 1870, the problem with accountants performing functions under the Bankruptcy Act, 1869 was that without a professional organisation the public had no guarantee that those it selected as trustees were respectable practitioners. The Liverpool Mercury stated that given creditor-control “it is of the utmost importance that the trustee whom they are authorised to call in aid should, if an accountant, be a person of integrity, and belong to some recognised body in whom the creditors can place confidence” (5.2.1870, p. 7). This was especially important given that at present “anyone may style himself an accountant” (Law Times, 12.2.1870, p. 287). The Law Times was pleased to report that:

13 The co-operative relationship between the legal and accountancy professions in Liverpool was indicated by another event in early January 1870. Officials of the local Bankruptcy Courts were retired when the 1869 Act was implemented. In Liverpool the Deputy Registrar had been Henry Bolland, accountant and original member of the Society of Liverpool Accountants. When Bolland vacated his post 30–40 lawyers gathered to express their gratitude and to present a purse containing 153 guineas (Law Times, 15.1.1870, p. 218).
This objection, however, has been obviated by the accountants in Liverpool, who have formed themselves into a body to be called “The Incorporated Society of Liverpool Accountants.” We are told by one of its members that “The aim of the proposed society is not to arrogate to itself all that is honourable and upright, but rather to weed the Profession of a class of accountants or hedge-lawyers who have hitherto brought discredit on their order” (ibid).

The Liverpool Mercury stated that:

In this country every discharged clerk is an accountant, and may so hold himself out to the world; and therefore, as important interests are by the new Bankruptcy Act committed to them, it is for the protection and benefit of the public that the accountants should form themselves into a society to which honourable conduct and professional ability are to be the qualifications for admission (5.2.1870, p. 7).

The Incorporated Society of Liverpool Accountants was then, organised to achieve an accommodation with the local legal profession over the distribution of bankruptcy work and to ensure adherence to the agreement made. Its progenitors (solicitors and accountants) also sought to protect that market for those identified as leading accountants and to exclude the disreputable from practising the same profession. The inferior class of accountants had the capacity to disrupt the settlement negotiated by the two organised professions.

The Incorporated Society of Liverpool Accountants was licensed by the Board of Trade under the Companies Act, 1867 on 11 April 1870. There is a suggestion of its dual intent in the objects of the Society as stated in its Memorandum of Association. These objects were:

1. The protection of the character, status, and interests of the Accountants of Liverpool, the promotion of honourable practice, the settlement of disputed points of practice, and the decision of all questions usage and courtesy in conducting accountant business of all kinds.
2. The consideration of all general questions affecting the interests of the profession at large, or the alteration of the administration of the Law.
3. The doing all such other things as are incidental or conducive to the attainment of the above objects (Book of Laws, 1870).

6. Intra-occupational conflict, shelters and closure

6.1. Insulating a Practitioner Elite from the ‘Swarm of Pettifoggers’: The Institute of Accountants in London

Although the Institute of Accountants in London has the most comprehensive archive of the early local societies in England, the records are the least directly expressive about the immediate circumstances surrounding its formation.

As shown in Walker (1995, p. 304) the suggestion of an organisation of accountants in London predated the Bankruptcy Act, 1869. In December 1867 to January 1868 the idea was mooted in The Times as a result of concerns over the manner in which “a swarm of pettifoggers” had been awarded a substantial proportion of remunerative appointments as liquidators under the Companies Act, 1862. The formation of an institute of accountants in London was advocated as a means by which “questionable individuals” might be excluded from the winding-up of corporations and other important offices open to accountants (Times, 28.12.1867, p. 28). As part of this debate an Edinburgh chartered accountant wrote to The Times on the successful establishment of a professional organisation in the Scottish capital. He argued that “A society in London constituted on somewhat similar principles … would be a public benefit and would have the effect of excluding the pettifoggers … who have recently sprang into existence, and who threaten to overrun the city and ruin the character of the profession by their mal-practices” (ibid., 9.1.1868, p. 6). The correspondent
could foresee no impediment to the pursuit of this object, adding, “it only requires some of the leading firms to take the matter up to prove a great success” (ibid). The Times concurred and advocated an institute for London on the model of the Society of Accountants in Edinburgh. Organisation was deemed necessary because:

It has been one of the leading evils of recent times that an occupation like this, which requires the highest qualities of commercial experience and a degree of integrity capable of resisting the most constant and insidious temptations, should have been left without any means being provided by which the most respectable members of the body might assume a definite position, calculated to exclude the herd of disreputable who act merely as the tools of delinquent directors and officials, or of the lowest class of attorneys, and whose knowledge of their calling has generally been derived from personal experience of failure in every other pursuit they have tried (ibid).

There, however, the matter rested until the spring of 1869 when the appearance of the Bankruptcy Bill re-focussed attention on the position of accountants in London. In a leading article The Law Times considered that the Bankruptcy Bill would greatly increase the number of these “semi-legal professional men” (6.3.1869, p. 361) who were unorganised and of decidedly mixed repute:

The profession of an accountant is one of modern date, and its earliest practitioners were for the most part persons who, having failed in business, acquired their knowledge in the manipulation of accounts on their transit through the Bankruptcy Court. These gentlemen have been succeeded by a somewhat superior class, but they, like their predecessors, undergo no test as to their qualifications, and have no acknowledged status (ibid).

A correspondent to The Law Times from London also asserted that the Bankruptcy Bill would ensure that accountants, who had recently “sprung into existence” in the capital and whose ranks had been swollen by liquidations under the Companies Act, 1862, became “permanently established” (3.4.1869). It was appropriate, therefore, to examine the characteristics of this class of men. On the question of their status the correspondent considered that “As a rule they are men of small standing and of less principle” (ibid). He also lamented their intruding into the domain of lawyers and the absence of “the control or influence of any organised society” to regulate their activity (ibid). In the midst of the debate on the Bankruptcy Bill the appearance of a pamphlet on The Origin and Present Organization of the Profession of Chartered Accountants in Scotland by James MacClelland, the first President of the Glasgow Institute, served as a reminder that institutionalisation had already proceeded elsewhere. This provided The Times with another opportunity to express its hope that London accountants would emulate their Scottish brethren and adopt “some kindred measures for securing their respectability and influence” (28.6.1869).

On the implementation of the Bankruptcy Act, 1869 the need for the reputable accountants of London to organise became more immediate. The evidence suggests that the need to locate themselves above the increasingly visible ‘disreputable herd’ provoked the accountants from the largest firms in London to act. During the winter of 1870 many of the lesser accountants in the City, anxious to take advantage of the opportunities presented by the Bankruptcy Act, energetically offered their services as trustees or implementers of bookkeeping systems to guard against insolvency (The City Press, 8.1.1870, p. 4). Others hoping to benefit from the Act authored guidebooks and pamphlets on the new legislation which also served as advertising media (Carrtar, 1869; Douglas, 1870; Routh, 1870). By May and June 1870 The Law Times lamented how the new act was opening fresh opportunities for the

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14 Bywater’s (1985, p. 793) assertion that the non-professional accountants in London during 1870 “were taking advantage of the substantial opportunities for fraud under the Bankruptcy Act of 1869” overemphasises the criminality of the interloping practitioners.
disreputable practitioner and also reported increasing tensions between accountants and lawyers. Bankruptcy work was being thrown into the hands of accountants and, “in the large centres particularly, much jealousy regarding the encroachments of these gentlemen exists amongst the legal profession” (11.6.1870, p. 101).

On 8 June 1870 nine of the leading accountants in London gathered in the offices of Quilter, Ball & Co., 3 Moorgate Street, and resolved “That it is highly desirable, in order to maintain and secure the efficiency of the profession, that steps be taken to form an Association of Accountants to be incorporated by Royal Charter” (MS 28406, p. 1). According to one source it was John Ball of Quilter, Ball & Co., assisted by one of his clerks (Thomas A. Welton15), who was instrumental in organising this meeting (A History of Cooper Brothers & Co, 1954, p. 5).16

Those present on 8 June constituted a Provisional Committee. On 15 June this Committee met to report the results of correspondence with the Board of Trade on the possibility of incorporating an institute under a royal charter. The committee heard that “for the last two years the Privy Council has declined to grant “Charters” as they were found in various ways inconvenient” (ibid., p. 5). However, the incorporation of non-trading associations was possible under section 23 of the Companies Act, 1867. The Provisional Committee rejected the latter course on the grounds that incorporation would diminish the chance of later obtaining a charter (ibid; also MS 28407, p. 240). Rather it was resolved to establish an Institute of Accountants in London as a “voluntary association”. A Sub-Committee was remitted to actualise this objective and draft rules and regulations.

The Sub-Committee circularised 63 London practitioners, comprising 13% of the accountants listed in the Post Office London Directory of 1870 (MS 28404, pp. 1–2). Each correspondent was sent the draft rules and regulations, and an invitation to a meeting at the City Terminus Hotel, Cannon Street on 29 November 1870.17 The object was to obtain “a representative and influential Committee, by which the Institute may be inaugurated” (MS 28407, p. 1). William Quilter chaired the resultant meeting and gave “some account of the manner in which the movement for the formation of an Institute of Accountants in London had been initiated” (MS 28404, pp. 2–3). Unfortunately, the available minutes do not elaborate further on this subject. Thirty-seven of the invitees attended and on signing the rules and regulations became the first members of the General Committee of the Institute. The rules declared: “The objects of the Institute are to elevate the attainments and status of professional Accountants in London, to promote their efficiency and usefulness, and to give expression to their opinions upon all questions incident to their profession” (MS 28407, p. 1).

Membership of the Institute was to be restricted to those practising as professional accountants in London or, in the case of Associates, as clerks to practising members. The confining of membership to the public accountants of a single city was in accord with the model of professional organisation in Edinburgh and was conditioned by earlier developments in Liverpool. In December 1870 the Secretary of the Institute wrote that accountants in Liverpool “have formed an association already, and this had its weight in determining the Committee to confine themselves to London” (MS 28408/1, p. 6).

The formation of the Institute was greeted with enthusiasm by the press in December 1870. The Economist noted “The duties intrusted to accountants are so important and special, that an association which shall have some control over the members cannot but be useful to the public, as it is in the case of brokers and similar bodies” (3.12.1870, p. 1455). The Times reported that the movement was instigated by the leading firms in London. The first office bearers being selected from among the same guaranteed the success of the venture (1.12.1870, p. 4; City Press, 3.12.1870,

15 Welton was later appointed as the Secretary of the Institute of Accountants in London.

16 Bywater appears to suggest that William Quilter played a more significant role in these initial events (1985, p. 793).

17 Among the invitees were several significant names in the profession such as W.W. Deloitte, A. and F. Cooper, S.L. Price, E. Waterhouse and F. Whinney.
p. 6). By 1873 the council of the Institute felt able to report that the profession in the metropolis had “practically completed its organisation” (MS 28404, p. 32).

Although the primary sources offer limited direct evidence about the specific motivations for the formation of the London Institute a number of additional clues emerge from the subsequent course of events and documents from the 1870s. These appear to confirm that the principal object was to distinguish the reputable professional practitioners in the metropolis from the advancing number of self-styled accountants. The correspondence of the Secretary of the Institute is particularly instructive here. In June 1871 he wrote to the editors of Kelly’s Post Office Directory for London (1870) with a request that members of the Institute appear in a separate list from other accountants (MS 28408/1, p. 100). In 1875 he stated “This Institute at best can do no more than supply the public with the means of discriminating between trained accountants who stand well enough to be recommended for election, and others” (MS 28408/2, p. 99). In 1877 the Secretary confirmed that “This Institute was established for the purpose of uniting in one body the professional accountants of London” (ibid., p. 110, emphasis added).

It is reasonably clear from the foregoing that the Institute of Accountants in London was formed to protect the interests of the ‘professional’ accountants of the city by distinguishing their number from lesser practitioners (The Accountant, 24.2.1877). One source states that it was the partners of the small number of larger London firms who were instrumental in the organisation [A.C.H(arper), 1930, p. 5]. The select number of established firms from which the early members and office bearers were substantially drawn lends support to this assertion. John Ball commented in 1876 that “The Institute had originated in the first instance in the desire which some of what had been termed ‘the fathers of the profession’ had felt to raise the status and aims of professional accountants” (The Accountant, 3.6.1876). The promoters of the Institute originally envisaged that London practice might be confined to members of an organisation incorporated by royal charter, as had been the case in Scotland. Before it was known that there was no prospect of a charter the declared object of the promoters was to promote the efficacy of the profession. Once the prospect of this preferred form of institutional protection receded, it was membership of the Institute itself which was to constitute the means of delineating the leading practitioners from their lesser brethren. Hence, when the objects of the Institute were reformulated in the wake of depressing news concerning a royal charter, the elevation of the status of the members was added to, and prioritised over, the promotion of efficiency.

The conferment of the status of ‘professional accountant’ through membership of the Institute and the function of the organisation to protect and advance that status was often referred to after 1870 (MS 28408/2, p. 236). In 1878 the Secretary of the Institute wrote that the “elevation of the attainments and status of the profession” had always been the primary object of the Institute (MS 28408/3, p. 82). At the annual general meeting of the Institute in April 1878 the chairman (Frederick Whinney) responded to the charge that the organisation had proved of little use since 1870 by declaring: “Of what use can it be except to elevate the status and position of members, and to give to the public some assurance that the man whom they employ is a member of a profession who can be trusted” (Accountant, 27.4.1878, p. 9; 4.5.1878, p. 3).

### 6.2. Purifying the sons of Levi: the Manchester Institute of Accountants

The key actor in organising the accountants of Manchester was the accountant, company promoter and Liberal MP, David Chadwick (1821–1895). In his biography Cottrell (1984) noted that as a founder member of the London Institute (though he was not involved in formation) and as first President of the Manchester Institute, “Chadwick played an important role in the professionalisation of accountancy” (p. 626). What has not been revealed to date is Chadwick’s pivotal role in activating the organisation of which he was nominated President in 1871. As well as being involved in the formation of almost 50 companies,
Chadwick was the foremost ‘promoter’ of the Manchester Institute of Accountants.

Chadwick had begun in practice as an accountant in Manchester in 1860. At the time of the formation of the Manchester Institute of Accountants he was senior partner of Chadwicks, Adamson, Collier & Co (A History of Cooper Brothers & Co., 1986, pp. 45–46). About 1864–1865 he opened an office in London. This venture provided the opportunity for an abortive (and previously unreported) attempt by Chadwick to organise accountants in the metropolis. Chadwick was later to reveal that: “I waited upon one of the principal firms of Accountants, and proposed the establishment in London of an Institute of Accountants, based upon the organization, which has for so many years existed in Scotland; but I found so little encouragement, that I took no further steps in the matter” (Inaugural Address, 1871, p. 4). Chadwick's close involvement with the profession in London and Manchester and his high profile as an MP (he was elected for Macclesfield in 1868) ensured that he was well placed to advocate organisation in the latter once developments took place in the former. His activism on this occasion was to yield more fruitful results than had been the case during the mid-1860s.

Chadwick had been circularised in June 1870 by the founders of the Institute of Accountants in London. He joined the Institute as one of the ‘first fellows’ on 29 November 1870 and was present at the meeting on that date. A week later he set in train a movement for the organisation of accountants in Manchester. He explained his actions in a letter to The Law Times: “knowing how strongly our conservative tendencies manifest themselves when the subject-matter is our own regeneration, I endeavoured, by a direct appeal through the columns of their contemporaries here to turn the stream of public opinion through the Augean stables of the brethren in Manchester” (31.12.1870, p. 165). On 5 December 1870, writing under the pseudonym CODEX, Chadwick sent a letter to the Manchester Guardian and the Manchester Courier on the subject of ‘Accountants’. The correspondence was published two days later. In his letter Chadwick proclaimed that the eminent accountants of London had established an organisation to raise the status of the profession. Chadwick's comments support the notion that the London Institute was formed in order to distinguish the professional from the unprofessional accountant. He considered that institutionalisation offered the prospect of addressing the “indiscriminate use of the word “accountant”” (Manchester Guardian, 7.12.1870, p. 3) and of closing the occupation to those “weaker brethren” who are uninstructed in its practice:

To me it seems matter for surprise that so numerous and influential a class of men, pretending to the rank and dignity of a profession, have not long ere this made a demonstration in favour of a higher form of existence. This, however, is doubtless owing to the fact that the great majority of so-called Accountants are destitute of any sort of qualification, natural or acquired, befitting the exigencies of the business, who, if perchance they can boast an average elementary education, know absolutely nothing of either bookkeeping or auditing, or the management of insolvencies or trust estates, not to speak of the qualifications requisite for dealing with the higher and more complex problems falling within the scope of the profession (ibid; also Manchester Courier, 7.12.1870, p. 7).

Further:

… there are several professions where it is as difficult to obtain admission as it is for a camel to go through the eye of a needle. Not so with the republic of Accountants. Theirs is open to all comers. Acknowledging the principle of universal suffrage, their number is legion. Like Jonah’s gourd, they spring up in a night, and disappear long before they have had time to become naturalised. There is no other profession which can so speedily metamorphose fraudulent bankrupts into respectable members of the community. If these reflections are just, they suggest the pertinent question,—Are the business, and duties, and necessary qualifications of an Accountant of such an order as to justify the title of a
“profession?” If the query is to be answered in the affirmative by the Manchester Accountants, the sooner they follow their London brethren the better for themselves and the commercial public (ibid).

Given the increasingly multifarious and important functions performed by accountants, especially under the Bankruptcy Act, 1969, Chadwick considered it extraordinary that organisation had not taken place in England to distinguish accountants “of the true blood” from the “rag, tag, and bobtail”. The latter debilitated the claims of respectable accountants to professional status (ibid). He concluded that the case for founding an institute of accountants in Manchester was now clear.

Chadwick’s proposal to distinguish the competent and respectable accountants through organisational membership was supported by other correspondents to the Manchester newspapers. ‘PASCAL’ explained in the Manchester Courier:

Upwards of twenty years ago, and also within the last three years, the writer has named to several friends, non-accountants, the paramount importance of instituting an association whereby the profession of an accountant might be elevated and placed upon a firm, sure, and solid basis. The bringing into existence such an institution, where none but competent, skilled, and men of principle and integrity, whose attainments elevate them to that position, should be admitted, would be a boon to the public in general, and ought to be universally desired... There are many who append to their business “accountant” who probably never saw a set of merchants’ or any other books in their lives, or could comprehend them even if they did... It is necessary that merchants, tradesmen, and others employing accountants should know how their qualifications, as the proper auditing, depreciating, and balancing books is of the greatest importance (10.12.1870, p. 7).

In a letter to the Manchester Guardian ‘LOGES’ contended that public accountants, though not organised, were widely considered to have the standing of professional men, especially by their diverse but dependent clientele:

How essential, then, that this constantly increasing class of clients should be protected against incompetent and inefficient, not to say, in many cases, untrustworthy, persons claiming to be members of an honourable profession. The ever-increasing influx and efflux of the latter class of accountants during recent years has become a crying evil; and it is undoubtedly necessary now to impose some obstacle to the unscrupulous use of the term, or to clearly signify, by an addition or prefix to it, that its owner has been publicly recognised as fit to practice the profession, and so weed out those who do it so great a discredit (ibid., 14.12.1870, p. 7).

On 7 December 1870, the same day that Chadwick’s letter was published, his suggestion was pursued by members of three firms of accountants in Manchester: Broome, Murray & Co., Deloitte & Halliday (Kettle, 1958, p. 7), and Chadwicks, Adamson, Collier & Co. These participants were seemingly in accord with an exhortation by CODEX that “none but the leading accountants will attempt to carry the proposition into effect” (Manchester Courier, 13.12.1870, pp. 3, 5). The firms were the signatories of the following letter addressed to other leading accountants in Manchester:

It has been thought desirable to establish in Manchester an Institute of Accountants for the purpose of promoting and protecting the interests of the profession.

Will you be so good as to meet a few of the leading Accountants of this City at the Clarence Hotel on Monday evening next at 7 O’Clock to take the subject into consideration and if deemed desirable to appoint a Committee to carry the matter into effect (Minute Book, p. 1).
The meeting was duly held on 12 December. John Thomas took the chair and explained “the objects intended to be sought by the formation of an Institute” (Minute Book, p. 1). The twelve men present then resolved to establish an institute (ibid; Manchester Guardian, 14.12.1870, p. 6; Manchester Evening News, 13.12.1870, p. 2; Manchester Courier, 13.12.1870, p. 5). A committee (including Chadwick who was not present) was appointed to carry the object into effect and formulate draft rules and regulations. It was also determined that a number of leading accountants who were not present should be invited to co-operate in the movement (Minute Book, p. 2).

Chadwick continued to influence events through the media. At the end of December 1870 he wrote of the satisfactory response to his public appeal for professional organisation in Manchester:

Self preservation again proved the first instinct in nature. The sons of Levi responded to the call, and resolved to purify themselves. Twelve refiners were chosen. I was intensely pleased a new era had dawned; and for the nonce every one was breathing lofty aspirations concerning “status and attainments” (The Law Times, 31.12.1870, p. 165).

The next meeting for the promotion of the Institute was convened on 16 February 1871. Most of those who had been identified on 12 December 1870 as potential participants in the new organisation attended and the draft rules and regulations were adopted (Minute Book, pp. 3–5). The professional body was formally established at the meeting of 16 February as ‘The Manchester Institute of Accountants’. Its objects were defined as “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” (Rules and Regulations, 1871, p. 3).

It was provided that Fellows and Associates could use the credentials ‘FMIA’ and ‘AMIA’ and thus distinguish themselves from less respectable practitioners. On 25 February Chadwick was elected President of the Institute and the other office holders were elected by ballot. Five out of nine applicants for admission, including William W. Deloitte were admitted as Fellows at this gathering (Minute Book, pp. 6–7; Manchester Guardian, 1.3.1871, p. 6; Manchester Courier, 1.3.1871, p. 6). At the next meeting on 3 March 1871 the Council concerned itself with the dissemination of the Institute’s Rules, certificates of membership, the Institute’s seal, the acquisition of books and forms, and invitations to the press to attend the first quarterly meeting of the Institute on 3 April (Minute Book, pp. 8–9). At this the newly elected President, David Chadwick presented an Inaugural Address on the objects of the Institute.

In a wide-ranging speech Chadwick applauded the attempt in Manchester to “unite the profession, and increase the usefulness of its labours” through organisation (Chadwick, 1871, p. 1; Manchester Courier, 4.4.1871, p. 5; Manchester Guardian, 5.4.1871, p. 6) and noted that the London Institute had the same objectives. He perceived that the formation of the Institute would increase the employment of those accountants marked by their membership as men of integrity and experience. He envisaged that the members would be brought closer to their fellow professionals in the law and several times mentioned the desirability of their being close co-operation between the two vocations (Chadwick, 1871, p. 5). He referred to the manner in which the 1869 Act “has opened the way for a large influx of new business to professional Accountants” especially those in whom the legal profession and the mercantile community had confidence. He also noted that accountants were increasingly employed as corporate auditors and how organisation would protect market advantage. The formation of the Institute “will unite all the skilled members of the profession, and their integrity and ability will be so conspicuous, that it will be no longer tolerated

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18 Chadwick did not attend a meeting of the Institute until 20 March 1871, after his election as President on 25 February. His parliamentary duties and other commitments in London are likely to have prevented his attendance in Manchester.

19 The quarterly meeting of the Institute held in April also served as the Annual Meeting.
for unprofessional and inexperienced men to be appointed to Audit public Accounts’ (pp. 7–8). In its first annual report, the Council of the Institute reflected:

By the formation of this Institute, the public, we believe, not less than ourselves, feel that the profession of Accountancy has acquired a guarantee, that its members are competent to the discharge of the duties they undertake, and that the want of which all have been conscious of some recognised test of character and ability has been satisfactorily met (Annual Report, 1871).

6.3. The threat of Mrs. Partington’s broom: the Sheffield Institute of Accountants

Following the establishment of the Manchester Institute of Accountants in 1871, no other local bodies were formed in England until the foremost accountants of Sheffield organised in 1877. In this case the working of the Bankruptcy Act, 1869 was the backdrop to institutionalisation. By the mid-1870s the Act was heavily criticised. In 1877 its defective working and the manner in which bankruptcy trusteeships attracted the unscrupulous disturbed professional accountants in Sheffield.

On the subject of the formation of the Sheffield Institute of Accountants, Hoe noted that although the leading accountants of Sheffield were substantially engaged in bankruptcy work, “probably a far more important reason for the formation of the Sheffield Institute of Accountants ... was to enhance the position and protect the status of the leading professional accountants in the area” (1977, p. 2). The following illustrates how these two themes were inseparable.

On 28 February 1877 a series of ‘revelations’ appeared in the Sheffield press concerning the case of a bankruptcy trustee (Sheffield and Rotherham Independent, p. 3; Sheffield Daily Telegraph, p. 4). On 9 February 1877 the creditors of George Perry & Sons, ale and porter merchants, Sheffield, had met to fix the remuneration of the trustee, Mr. F.E. Leggoe, accountant and steel merchant. Joseph Brailsford, the Chairman of the Committee of Inspection took the chair. On the proposal of a friend of the bankrupt, Leggoe was awarded £65 for his services. No other persons attended the meeting. Brailsford, objected to this exorbitant level of remuneration. He complained that the trustee had been elected on the basis of proxies for which he had touted the creditors; that the bankrupt’s estate had been poorly managed with realised assets of only £120. Yet, through his proxies, Leggoe had voted himself the whole residue of the estate after legal and other fees had been paid. Brailsford argued that he “was not the party tamely to submit to the whole surplus of the bankrupt’s estate being swept into the pocket of Mr. Leggoe” (ibid). Brailsford subsequently issued a circular to the creditors in which he urged them to withdraw their proxies. He also argued that the trustee should receive only £10 (thus leaving a surplus for distribution to the creditors) and contended that the case illustrated “the evil working of the present law of liquidation and bankruptcy” (Sheffield Daily Telegraph, 28.2.1877, p. 4). Mr. Leggoe subsequently arranged a special meeting of the creditors to confirm his remuneration at £65.

These ‘bankruptcy revelations’ excited further correspondence in the local media. On 3 March 1877 a letter to the editor of The Sheffield and Rotherham Independent (which also appeared in the Sheffield Daily Telegraph, 6.3.1877) reported the bankruptcy of Hawksley, James and Fretwell in which the trustee was awarded £155 out of an estate realised of £353. Canvassing for proxies was again identified as the defect in the law allowing the trustee to achieve high rewards at the expense of the creditors. The complainant later wrote “Can realised assets be so swallowed up with trustees charges in the 19th century” (Sheffield Daily Telegraph, 9.3.1877, p. 3). Another correspondent, who had been a creditor on a number of estates, lamented that this state of affairs had long persisted and recommended the appointment of a single public official in place of creditor-elected trustees. This remedy would ensure that “the whole race of trustees were swept away; the commercial world would get a step higher in commercial morals, and thousands of poor creditors would
bless the change” (Sheffield and Rotherham Independent, 6.3.1877, p. 3). Trustees in bankruptcy responded to this onslaught on their vocation. The trustee in the case of Hawksley, James and Fretwell attempted to give a “true version” of the circumstances surrounding his remuneration (Sheffield Daily Telegraph, 6.3.1877). Cooper Corbidge, junior, accountant, argued that his recompense was high because it included commission relating to a connected estate in which there had been insufficient funds to pay him (see Hoe, 1977, p. 6). In a letter printed on 7 March 1877 (Sheffield and Rotherham Independent, p. 4) ‘Trustee’ argued that the evils complained of in bankruptcy administration were a symptom of apathetic creditors. If creditors were to desist from granting proxies to dubious persons “the scandals, which respectable accountants (who refuse to tout) deplore … would be avoided”. Further, it was important that the public understood that “There are trustees and trustees, just as there are solicitors and solicitors, and also coal merchants and coal merchants” (ibid). The notion that all trustees be swept away “by the use of Mrs. Partington’s broom”20 and replaced by an official would unfairly extinguish “the whole race of trustees” including those who were ‘innocent’ and upright (ibid).

Such comments did not abate the criticisms levelled in Sheffield against bankruptcy trustees. The palliative of a public officer was again offered as a means of protecting the mercantile community from the abuses of trustees. One correspondent asserted that while he was not attacking reputable accountants, it was imperative that professional and non-professional trustees be eradicated. This would not preclude accountants from performing other work (Sheffield and Rotherham Independent, 10.3.1877, p. 2). Others were less discriminating. ‘A Commercial Traveller’ complained that “the assets are eaten up by accountants” in bankruptcy cases (Sheffield Daily Telegraph, 13.3.1877, p. 3; Hoe, 1977, p. 6). Accountants were collectively described as “sharks” feeding on the system of proxies: “I have known some cases in which the accountants have received a fee to hold their noise and not oppose the composition offered” (ibid). ‘Billy Fairplay. A Creditor’ similarly referred to the bankruptcy system as “a professional trustee’s harvest”. Touting and jobbery by accountants had “become the talk of the town; a prostitution of the means lawfully devised for distributing an estate among creditors; and the scandal of our day” (Sheffield Daily Telegraph, 15.3.1877, p. 8). The same correspondent related cases of the trustees’ remuneration constituting the larger part of the estate and urged a rigorous debate on this issue in the Sheffield press.

So far as the respectable accountants of Sheffield were concerned this colloquy in the local media had unfavourable consequences. The ‘professional’ accountants were being collectively degraded as members of the class of touting trustees. The debate also indicated that public opinion was marshalling in favour of the abolition of creditor-elected trustees and a return to officialism. This was at a time when government bills were framed to reintroduce official supervision (Markham Lester, 1995, pp. 184–5). There was an obvious need for professional accountants in Sheffield to differentiate themselves from the less respectable, such as Mr. Leggoe, and mobilise themselves to protect their interests.

The surviving Ledger of the Sheffield Institute of Accountants suggests that on 14 March 1877 a committee room was hired in the Cutlers’ Hall by leading accountants (Ledger, p. 50; Hoe, 1977, p. 5). The purpose for which this accommodation was required was reported in the Sheffield and Rotherham Independent (12.5.1877, p. 6):

From time to time, owing to certain revelations made in the Bankruptcy Court, the public of Sheffield have watched with unusual interest, if not suspicion, the mode in which a few of the local bankruptcy cases have been conducted, and the accountants as a body have felt that a reflection had been indirectly cast upon them by the conduct of those whom they do not regard as professional accountants. A movement was therefore set

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20 Mrs. Partington was a fictional character who, armed with a mop, pursued a constant vigil against dirt and household pests (Shillaber, 1854).
on foot for the formation of an association amongst the more respectable accountants. A meeting was convened, the requisition for that purpose being signed by Messrs. Allott and Co., Barber Bros. and Wortley, Camm and Corbidge,21 E.S. Foster, G.W. Knox, Macredie and Evans, W. and S. Short, T.G. Shuttleworth, John Watson and Sons, Wing, Wing and Co, and J.B. Wostinholm.

At the meeting on 14 March 1877 a committee was appointed to formulate rules and on 10 May the first general meeting of the association was held in the Cutlers’ Hall. At this gathering “the accountants of the town were well represented” (Sheffield and Rotherham Independent, 12.5.1877, p. 6) and the rules and regulations of The Sheffield Institute of Accountants were adopted. The objects of the organisation were defined as follows:

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 (Rules and Regulations, 1877, p. 3).

The Fellows and Associates of the Institute were to be distinguished from non-professionals by the credentials FSIA and ASIA. Of the 21 ‘first fellows’ of the Institute 16 were members of the Society of Accountants in England and one was a member of the Institute of Accountants (White’s General and Commercial Directory, 1876; Harper, 1877; also Hoe, 1977, p. 3). The local nature of the discourse on bankruptcy trustees clearly necessitated an additional medium for the protection and defence of the interests of Sheffield practitioners and for identifying themselves as distinct from less worthy accountants.

On 8 June 1877 the Council of the Institute placed further distance between its members and the unorganised accountants of Sheffield by adopting bye-laws which outlawed those practices which had recently bought the occupation into disrepute. Advertising was only rendered permissible within 3 months of commencing practice or for the purposes of notifying changes in partnerships and addresses. Touting was deemed unprofessional and procedures were instituted to deal with situations in which more than one member was proposed for a single bankruptcy trusteeship (Bye-Laws, 1877, p. 3). The Rules and Regulations also contained provisions for expulsion in cases of dishonourable conduct. The definition of the latter included participating in the profits of solicitors, auctioneers, brokers and agents (Rules and Regulations, 1877, p. 12).

At the quarterly meeting of the Sheffield Institute on 12 June 1877, the President, Alfred Allott conceded that organisation had involved a small number of accountants. Now that the rules and regulations were approved the Institute invited “suitable gentlemen from Sheffield, Rotherham and neighbourhood” to enjoy its privileges (Sheffield and Rotherham Independent, 13.6.1877, p. 3). The President re-iterated that the intention in forming the Institute was to:

… bring all the able and respectable men of the profession together, and to give people outside it confidence in those whose aid they might require… People would have in the membership of this institute a guarantee of respectability, and they would know that if they had anything to complain about as to the conduct of anyone connected with it, the matter would be fully and closely inquired into (Sheffield Daily Telegraph, 13.6.1877, p. 4).

Another of the ‘first fellows’, George W. Knox, considered that the formation of the Institute would be well received by the legal profession22 due to its objective to “raise and sustain the standard of honour and professional conduct amongst professional accountants” (Sheffield and Rotherham

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21 The firm of Cooper Corbidge, junior, who was directly engaged in the discussion in the local press about trustees remuneration.

22 The solicitors, attorneys and notaries of Sheffield had organised as The Sheffield District Incorporated Law Society as recently as 1875 (White’s General and Commercial Directory, 1879, p. 13).
Independent, 13.6.1877, p. 3). The stringent bye-laws to prevent touting “would ultimately meet with their reward” (ibid). In all, Knox contended that the formation of the Institute would meet with public approval and “would place the profession of accountancy in Sheffield in a position which it could not otherwise have attained” (ibid).

7. Conclusions

In declarations about their organisation, English accountants often referred to the altruistic intent of protecting the public from the unscrupulous. However, a closer examination of the formation of the organisations in Liverpool, London, Manchester and Sheffield, and the impact of changes in bankruptcy legislation on institutionalisation, suggest the pertinence of more self-interested motives. These concern the inter and intra-professional demarcation of work, the protection of markets, and attempts to bifurcate an occupation into classes of superior and inferior practitioners. These themes are now explored in relation to theorisations of professional jurisdictions, conflict, labour market shelters and social closure.

In this paper we have necessarily encountered the disputed “border territory” between the professions of law and accountancy (Freedman & Power, 1992, p. 1). Indeed, the story of professional formation in England is evocative of Abbott’s (1988) work on The System of Professions. Although Abbott underestimates the role of legislative change in his discussion of the emergent jurisdiction of English accountants (ibid., pp. 94, 101), in his framework the Bankruptcy Act, 1869 would constitute a system disturbance. It was a state-activated creation of a vacant task area—bankruptcy trusteeships. The Act was attended by government support for the emergence of a profession of trustees as had been established in Scotland, but the state was inactive in shaping the institutions it appeared to encourage. It is credible that established accountants organised to capture these statuses in an attempt to extend their jurisdiction (ibid., pp. 86–98). The following observation by Abbott is potentially germane to the accountants’ case: “On occasion a jurisdiction is enclosed and seized by a group which comes into existence for that purpose. This occurs only when dominant individuals or organizations direct the process” (ibid., p. 96).

The system disturbance engendered by the 1869 Act and attempts to capture the work it created involved accountants in contests with other professions, especially lawyers and the less identifiable, expected invasion of peripheral practitioners. These disputes were resolved in Liverpool by formal ‘settlement’ over the distribution of bankruptcy work between the newly incorporated societies of solicitors and accountants. The organisation of accountants in that city was deemed necessary by lawyers in order that a concordat on the division of labour between the two professions could be negotiated and adhered to (ibid., p. 73). The solicitors determined to concede bankruptcy trusteeships to the accountants provided the safeguard of institutionalisation was in place to protect the redrawn jurisdictional boundaries from the intrusion of less reputable accountants. From the perspective of both professions, the organisation of Liverpool accountants was only worthwhile, and the inter-professional settlement over bankruptcy trusteeships only effective, if the enclosed occupational populace comprised respectable practitioners. In the cases of London, Manchester and Sheffield there were no locally negotiated settlements between lawyers and accountants over the allocation of work. Bankruptcy trusteeships were a matter of open competition between the two professions and although the government appeared to favour organized accountants as trustees, an informal resolution of the division of labour was envisioned.

Although these findings are in accord with the centrality of work-based jurisdictions in Abbott’s thesis a number of the features observed in the foregoing narratives are not easily accommodated by his theory. Abbott’s exhortation to centre the historical study of professions on disturbances and work, as opposed to the structures of professionalisation (ibid., p. 314) and his assumption that organisation has a “subsidiary role” in professional development (ibid., p. 246), do not sit easily with all of the formation events in English accountancy. During the 1870s institutionalisation
was more than a reaction to jurisdictional disputes. It was identified by accountants as the condition for actualising jurisdictional maintenance and the enforcement of settlements. Organisation served as the medium for implementing devices (such as closure and knowledge systems) which secured and legitimised the control of work. Abbott’s theory also focuses substantially on the inter-professional arena. While he recognises the significance of internal differentiation in professions (ibid., chap. 5) he does so primarily in “relation to system conditions” (ibid., p. 315, emphasis added). Abbott tends “to conceptualize professions as if they were fundamentally homogeneous” and pays little attention to the “micropolitics of how professions actually organize to define, defend or enlarge their area(s) of jurisdiction” (Sikka & Willmott, 1995, p. 549). In the accountants’ case contests were substantially located in the intra rather than the inter-professional arena.

Macdonald has also criticised the nebulous character of Abbott’s ‘system’ and its inability to capture the “meanings and motives” of actors in specific professional projects (1995, p. 17). In London, Manchester and Sheffield (and also partly in Liverpool), it is appropriate to focus on organisation as localised and intra-occupational phenomena activated by a small number of individuals. In these centres the themes which dominated the rhetoric of organisation were not about the predatory seizure or capture of a jurisdiction. Rather, they emphasised status protection, exclusion and differentiation. While these themes emanated from an originating concern with work, they reflected the anxieties of, and were articulated by, established practitioner elites in a variety of local settings. The institutional structures which emerged from this discourse are redolent of Freidson’s theorisation of labour market shelters (protection) and invoke consideration of theories of social closure (exclusion and differentiation).

As related earlier, Freidson emphasises the manner in which organisation comprises an important element in the occupational project to define and control the market for expertise. Occupations (and professions in particular) seek to create market shelters in order to protect those who already occupy vocational statuses. Organisation is about solidifying hard won advantages, and introducing greater stability to the market for professional services, thereby providing the conditions for personal career advancement among the organised. The dynamics of institutionalisation in London, Manchester, Sheffield, and partly in Liverpool reveal the importance of protecting market advantage as a motive for organisation. The professional accountants in these major centres were threatened by the increasing number of ‘pettifoggers’. For the most part, those who formed the new professional bodies were local elites—reputable accountants from the leading firms whose position was threatened by interlopers. Though accountants certainly lauded the enhanced socio-economic status which accompanied organisation, and not infrequently referred to the desirability of elevating the standing of the profession, theirs was not ostensibly a crusade for collective upward social mobility. This had also been the case in Scotland during the 1850s. Rather, it was about preserving advances already made but now imperilled by the prospect (in Scotland) or the reality (in England) of changes to the law of insolvency and bankruptcy.

Although Freidson’s emphasis on organisation as protective labour market shelters features in the episodes of institutionalisation analysed in this paper, other aspects of his theory are less compelling in this instance. In particular, members of the local accountancy organisations were unable to define a shelter by monopolising the performance of particular accounting tasks: their institutions may have been designed to encourage greater market control but they could not prevent non-members from competing for trusteeships or other appointments. Freidson also appears to assume that the creation of a shelter is an aspiration of an occupation in its totality. However, we have observed that the organisation of accountants was substantially an intra-occupational affair. It was an attempt to bifurcate a single occupation through differentiating the estimable professional, who was admitted to membership, from the lower class of intruders, who were debarred from the organisation. In order to capture these themes of exclusion and delimitation we must re-engage with closure theory.
Through their organisation accountants pursued an exclusionary strategy of closure. This occurs where a superior group within an occupation seeks to subordinate an inferior group and thereby maintain or enhance its privileged status (Witz, 1992, p. 46). Although his focus is not on the structures and mechanics of occupational control, Abbott similarly posited that internal stratification may be created by a professional elite in order to protect its domination of work when this is threatened by an external disturbance (1988, p. 119). Incorporation was the device utilised by accountants in England to achieve exclusionary closure, impose internal stratification and maintain their position in the supply of insolvency services. The organisations (and the credentials they conferred) categorised insiders as professionals and outsiders as non-professionals. As Jenkins asserts “organisation is the harnessing and orchestration, under a symbolic umbrella, of difference” (1996, p. 140).

Organisation institutionalised and signified an intra-occupational status hierarchy, which translated into positions of advantage and disadvantage in the quest for clientele. These motives were akin to those pursued by early accounting organisations in Australia where Chua and Poullos (1993) found that institutions “sought to distinguish their members from “unqualified” accountants not belonging to accountancy organisations”. As mentioned above professional accountants in England had no capacity to enforce an internal demarcation of the occupation by defining the specific tasks to be performed by the two classes of practitioners. Rather, they sought to differentiate the superior professional from the inferior non-professional through the conferment of institutional membership or non-membership. Thereby, the newly defined professional populace would maintain its jurisdiction and protect market advantage.

These themes of exclusion pervaded the discourse on organisation during the 1870s. As The Accountant noted in 1876, the societies of accountants had been established to clear out “counterfeit accountants...the greatest thorn in the side of the profession” (1.7.1876). In Manchester the need to define the professional accountant was likened to the Old Testament account of the purification of the sons of Levi whereby the Levites, selected to work at the Tabernacle, were ceremonially cleansed to distinguish them from the other Israelites (Numbers 8:5–26). The ‘cleansing’ metaphor was also applied in Sheffield. The threat that Mrs. Partington’s broom might be wielded to sweep out the whole race of trustees necessitated intra-occupational differentiation to ensure that the broom was applied only against non-professional accountants whose use of a common occupational nomenclature tainted the claims of respectable practitioners.

What pervades all of the episodes analysed in this paper is the object of organisations to protect markets in the supply of accountancy services, and the pervasiveness of conflict in the emergence of institutions of professionalism. Abbott argued that “On balance, studying interprofessional conflict provides one of the best possible avenues to analysis of professional development” (1988, p. 279, emphasis added). To this we may add the illuminative potential of investigating intra-professional conflict. While the Bankruptcy Act, 1869 instigated conflicts between occupational groups it also encouraged discord within them. Friction surfaced at the boundaries between accountants and lawyers and inside the occupation of accountancy in English cities. Conflict solidified occupational allegiances among the leading accountants in four major centres and encouraged the emergence of organisations to defend common interests placed in jeopardy. The circumstances surrounding professional organisation in Scotland also reveals how disputes over jurisdictions engage more than the professions immediately concerned (Walker, 1995). It should also be noted that, as the case of Manchester makes vivid, professional organisation can be emulative and is activated through the interposition of motivated individuals such as David Chadwick and the Banner brothers (Collins, 1990; Lee, 1996a, p. x).

The paper thus illustrates that within a single nation, the genesis of professional organisation varied in the context of a common legislative catalyst which disturbed extant inter and intra-professional arrangements. The discovery that elements drawn from different frameworks utilised for the study of professions are pertinent to the
organisation of English accountants during the 1870s, as opposed to being encompassed within a single paradigm, accords with Freidson’s prospect for theoretical advance in this field: “The task for a theory of professions is to document the untidiness and inconsistency of the empirical phenomenon and to explain its character in those countries where it exists” (1994, p. 25). While such studies may be criticised for inciting greater epistemological confusion they at least “increase the clarity and precision of a body of literature whose status has been vague and chaotic for too long” (p. 28).

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