

## Creating a supranational institution: the role of the individual and the mood of the times

**Claude Bocqueraz**

*Ernst & Young*

**Peter Walton**

*ESSEC Business School*

### **Abstract**

*This study notes that, while the research literature which addresses accounting change in different countries is preoccupied with issues such as economic and legal environment, culture and consensus, research in accounting history recognizes, in biographical studies, the role sometimes played by individuals in influencing the outcomes in moments where change takes place. The article looks at the case of the creation of the International Accounting Standards Committee and analyses the evidence concerning the roles of the central individuals, Henry Benson, Douglas Morpeth and Wally Olson. It concludes that while it is difficult to disentangle the strands of institutional politics and responses to prevailing policy issues, the individuals concerned did play major roles and there is a case for the intervention of individuals to be considered in the international accounting literature as one of the issues that helps build accounting infrastructure.*

**Keywords:** *accounting change; accounting standards; International Accounting Standards Committee*

All this I liken to dry dead fuel, waiting for the lightning out of heaven that shall kindle it. The great man . . . is the lightning . . . All blazes round him now, when he has once struck on it, into fire like his own. The dry mouldering sticks are thought to have called him forth. They did want him greatly; but as to calling him forth – ! – Those are critics of small vision, I think, who cry: “See, is it not the sticks that make the fire?”. Carlyle (1840)

The question of how change occurs in the accounting infrastructure is one which is of interest both in the general context of understanding how the accounting framework evolves, and in the more specific context of comparative international accounting, where researchers wish to understand why accounting is different in different countries. The accounting literature includes a number of studies that hypothesize about the factors that influence the shape of accounting institutions and regulation, but relatively few studies that attempt a forensic examination of a particular change. This research is related to the latter category: it examines the creation of the International Accounting Standards Committee (IASC), which, if it is not an example of a change in a specific technical regulation, is, however, an example of a major change in the infrastructure of accounting, the creation of the first body to try to set accounting standards on a global basis. The study proposes that while this change took place against a background of wider currents, three individuals, Henry Benson (the first chairman of the IASC), Wally Olson (president of the American Institute of Certified Public Accountants [AICPA]) and Douglas Morpeth (president of the Institute of Chartered Accountants of England and Wales [ICAEW]) were significant in determining when the change took place and how it was articulated. Consequently, it is suggested that the literature on accounting change should include the possibility that individuals might influence change significantly, and that the involvement of influential individuals may be another of the variables that creates differences in national accounting.

There is a diverse literature that looks at change in accounting from different aspects. In the domain of international accounting there are analyses that aim to explain why accounting is different in different jurisdictions, and discuss factors that influence regulation. However, within the field of accounting history there are studies that review either the role of particular individuals in influencing accounting thought, or the sequence of events that led to a particular regulation or change in regulation, without necessarily hypothesizing about accounting change as such. What we wish to do in this article is link the role of the individual to the analysis of accounting change. We will argue that while it is evidently impossible to measure the exact contribution of the individual to a particular change or separate that from the institutional environment within which it takes place, our understanding of the ways in which change comes about can be enhanced by reviewing the role of particular individuals.

## Existing literature

There is a series of works in the field of comparative accounting that look at the factors which influence change and which, because of their different incidence in different countries, cause changes to take place differently. Chronologically the first in this line of accounting literature was that of Mueller (1968), who argued that accounting was a function of the state of economic development of a particular country. Nobes (1984, p.4–16) proposed six factors that determine the nature of the accounting infrastructure:

1. legal systems
2. business organization and ownership
3. stock exchanges
4. taxation
5. the profession
6. “unnatural” influences

In a similar vein an American Accounting Association (AAA) study (AAA, 1977) identified eight “parameters” as significant in understanding comparative international accounting differences:

- P1. political system
- P2. economic system
- P3. stage of economic development
- P4. objectives of financial reporting
- P5. source of, or authority for, accounting standards
- P6. education, training and licensing
- P7. accounting standards and ethics
- P8. client

Researchers have also addressed the cultural context, and Gray (1988) applied Hofstede’s cultural analysis (Hofstede, 1980) to accounting and came to the conclusion that regulation was determined by cultural variables. None of these studies assign an influential role to individuals.

Another area of accounting literature that deals with change falls within the broad zone of accounting history. Carnegie and Napier (1996) survey trends in accounting history and identify “critical and decision-making histories”. These

might be characterized as being narratives largely oriented around presentations of past events in the course of which accounting has changed, but whose object is not to draw out any hypotheses about the change process as such, but rather analyse a historical evolution. Examples of this would be Standish (1990) who provides a detailed discussion of the introduction into French accounting of the *plan comptable* and goes some way into looking at the role of different institutions and individuals, and Lemarchand (1993) who analyses the evolution of concepts and practices in the area of depreciation.

If the role of the individual is largely absent from the literature of comparative international accounting, it does, however, form the subject of a different area of the literature of accounting history. Carnegie and Napier (1996) identify biography as one of the types of research within what they call “new histories of accounting” (p.21). They observe that, “Accounting is a human construction. Contemporary accounting cannot be understood without reference to the key personalities who have contributed to accounting development”. Edwards (1994) offers a collection of studies of the role of individual theorists, while Forrester (1993) provides a detailed review of the influence of the ideas of Eugen Schmalenbach. Nikitin (1996) examines the ideas of Godard-Desmarest, a manager at the Baccarat glass company. These works might be characterized as the history of ideas, and the studies do not look at particular regulatory changes and see how the ideas were brought into play or influenced change.

Lee (1996) is a collection of three studies of individual Scottish accountants, which would appear to want to move in the direction of examining the role of the individual in forming the accounting framework, in this case the creation of the Institute of Chartered Accountants of Scotland. Lee (1996) suggests that professionalization “is operationalised by a relatively few key individuals in positions of power and responsibility” (p.x), although he then goes on to say “it would be wrong to suggest that individuals such as Jamieson, Sloan and Brown single-handedly created their professional bodies. There were many other people involved in what was a collective effort” (p.xi).

### Role of the individual

Butterfield (1955), who was addressing the Historical Association at its annual meeting in Cambridge, says:

... we are not entitled to imagine that the past ever quite determines or explains the future; for the wills and choices of human beings here in the present are always interposed between the two. Nor would it be relevant to argue that the men who decide the turn of events at a given moment are themselves only the product of their age. (p.3)

He remarks, though, that, “because we can never know the internal life of another

human being, there is a sense in which personalities are irreducible entities for the student of either the past or the present". He adds: "we may try to collect all the factors that helped to explain the decision or produced the conditions for it, but still there is something left over; for the historian has no data which would authorize him to prejudice the question of human free will and responsibility" (p.2).

Giddens (1984, p.9) writes about a continuous process whereby the individual interacts with society and is acted upon by society, making it very difficult to identify cause and effect in a meaningful way. He says, "The consequences of what actors do, intentionally and unintentionally, are events which would not have happened if that actor had behaved differently, but which are not within the scope of the agent's power to have brought about (regardless of what the agent's intentions were)". He says: "I am the author of many things I do not intend to do, and may not want to bring about, but nonetheless *do*. Conversely there may be circumstances in which I intend to achieve something, and do achieve it, although not directly through my agency".

### Case study

Evidently there is a wide range of views as to whether or not the individual influences outcomes, and if so, whether it is feasible to identify this influence directly. There remains a basic contradiction that the literature in the field of comparative international accounting that addresses the influences that shape accounting rules ignores the individual, whereas the literature of biography suggests that individuals do indeed contribute to change. It seemed to us that this difference, which we characterize in the title as a choice between the individual or the mood of the times, could be illuminated by looking at an individual case, which led us to examine the circumstances of the creation of the IASC. While this is not a question that revolves around a change in a particular way of doing accounting, the arrival of a new standard-setter implies a change in the thrust of standard-setting (which, other than within the European Economic Community, was purely national at the time) and could, therefore, be taken as comparable. In addition, the birth of the IASC is sufficiently well documented to permit worthwhile research to be done.

Our starting point was that where the literature mentions the founding of the IASC, it does generally credit Henry Benson, first chairman of the IASC, with its creation, rather than seeing it as a reflection of the contemporary mood among those who were responsible for the world's professional accounting bodies (for example *Accountancy*, 1975). This seemed to be *prima facie* evidence that here was an individual who had set fire to the sticks, so we set out to explore this. We collected evidence concerning Benson and the IASC in a number of different ways. We were given access to Benson's personal archive and to the records of the IASC, and the ICAEW. We reviewed the literature, we examined professional journals

in several countries to see how the IASC was reported, we interviewed people who had played roles in the IASC and corresponded with others.

The archival resources were interesting in some respects but were disappointing in that all the detailed correspondence from the early period is missing from the IASC files, although there is no particular reason that documents prior to its formation should have been archived there. Benson himself carefully selected (and catalogued) material for his personal archive but restricted himself mostly to a relatively small collection of published articles and speaking notes, while disposing of the rest. On the other hand, the ICAEW archives are much more comprehensive. We were able to review the Council minutes for the period, and the minutes of the ICAEW's Overseas Relations Committee, chaired by Benson and subsequently by Morpeth.

We did a chronological analysis of references to the IASC in *Accountancy*, *The Accountant*, *Journal of Accountancy*, *La Revue Française de la Comptabilité*, and reviewed individual articles from a number of other countries, including Australia and New Zealand. In practice the initial mentions in the professional journals went into little or no detail as to the process of founding the IASC, and subsequent articles were primarily news pieces reporting the publication of exposure drafts or standards (with the notable exception of *Accountancy*, 1975), and are not of relevance to this article.

The chronology of the founding of the IASC is given in Table 1.

**Table 1: Events surrounding the creation of the IASC**

Chronology	
1967	Founding of the Accountants' International Study Group
1970	Creation of the Accounting Standards Steering Committee in the UK
1971	European Commission published first draft of Fourth Directive
1972	Publication of the Wheat Committee report in the USA World Congress of Accountants in Sydney
1973	Creation of the Financial Accounting Standards Board in the USA First meeting of the International Accounting Standards Committee UK, Ireland and Denmark formally admitted to the European Community Formation of the UN Commission on Transnational Corporations
1976	OECD code of conduct for multinational corporations
1977	World Congress of Accountants in Munich, Germany. Creation of the International Federation of Accountants

The broad facts of the founding of the IASC are relatively well documented. There was considerable coverage of the event in the professional press at the time (for example *Accountancy*, 1973; *The Accountant*, and so on) and Benson himself wrote about it on several occasions (for example Benson, 1981, 1989), as did others (for example Brennan, 1979; Defiense, 1981; Olson, 1982; Walton, 1998).

The IASC was set up in a relatively short period of nine months, starting with a meeting in the corridors of the World Congress of Accountants in October 1972, which was followed by meetings in London in December 1972, March and June 1973, and then the first meeting of the IASC itself took place also in June 1973.

### The key actors

As mentioned, the literature, where it discusses in detail the creation of the IASC, mostly credits Sir Henry Benson (later Lord Benson) as being the prime mover. Henry Benson, born in Johannesburg, South Africa, in 1909 (Walton, 2002) was the grandson of one of the four Cooper brothers who founded the eponymous audit firm in London in the nineteenth century, and was later to be a prime mover in its merger with Lybrand, Ross Brothers and Montgomery. He was articled to the firm in 1926, and became a partner in 1934, aged 25. He was an officer in the Grenadier Guards 1940–5 but then returned to play a major role in the expansion of the firm, which had about 240 staff in eight offices when Benson returned from the war, and more than 18,000 staff in 330 offices when he retired in 1975.

Benson was president of the Institute of Chartered Accountants in England and Wales in 1966–7, during which time he set up the Accountants International Study Group (AISG). He retired from Coopers & Lybrand in 1975, although he went on to become a special adviser to the Governor of the Bank of England (1975–83) and chaired a Royal Commission on Legal Services (1976–9). He was given a life peerage in 1981 and died in 1995.

Benson's own accounts of the creation of the IASC (Benson, 1981, 1989) indicate that Douglas Morpeth (later Sir Douglas Morpeth) was also involved in Sydney and the later meetings. Morpeth, born in 1924, also saw service in the Second World War (Who's Who, 2006, p.1600). He later went to Edinburgh University but qualified as a member of the ICAEW in London as an auditor with one of the founding firms of what later became Touche Ross, and more recently Deloitte & Touche. Douglas Morpeth was president of the ICAEW in the critical 1972–3 period, and he was also the first vice chairman of the UK Accounting Standards Steering Committee (which became the Accounting Standards Committee in 1975 [Napier, 1995, pp.276–7]), serving from 1970 to 1982.

Morpeth was also chairman of the UK's Inflation Accounting Steering Group 1976–80. He was senior partner in Touche Ross from 1977 to 1985. He became chairman of the Clerical and Medical Life Assurance company in 1978, serving to 1994, and after retiring from Touche Ross undertook a series of similar roles.

Wally Olson was (he told us in interview) a partner in Alexander Grant (at the time a large national firm) in the 1950s and 1960s, becoming senior partner of their main office in Chicago, and chairman of the American Institute of Certified Public Accountants (AICPA) ethics committee. Financial reporting was going

through a difficult period in the late 1960s and early 1970s and Olson was a member of the Wheat Committee that recommended the creation of the Financial Accounting Standards Board (FASB) in 1972. The AICPA decided to reorganize and move to a structure with a full-time president, while having a chairman with a one-year term of office. Wally Olson was appointed as the first president of AICPA in 1972 and held the post until 1980. In 1973 standard-setting was transferred from the AICPA's Accounting Principles Board to the independent FASB (Meek, 2002, p.68). During Olson's tenure, the AICPA introduced peer review and the Division of CPA firms. Olson subsequently wrote an account of his time in office (Olson, 1982), in which he devotes some space to the creation of the IASC.

In our view, Benson and Morpeth, as will be discussed, were the prime movers, but they took the view that American agreement was necessary. While Olson (according to Paul Rosenfield, at the time an AICPA staff member, in an interview with us) was not interested in the concept of the IASC as such, he was not prepared to go along meekly with the British plans and had a significant impact on the evolution of the body. Olson himself told us in 2004 that he was "somewhere between neutral and in favour" of the formation of the IASC, but doubtful about how practical a proposition it was. He could not see the USA giving preference to international standards over American ones.

### The key issues

It seemed to us that the key questions and issues in the creation of the IASC were:

1. what was the motivation for founding it
2. which countries should be members
3. whether it should be independent of any international professional organization
4. its working arrangements

What we aimed to do was analyse the decision-making and see if this shed any light on the influences at play. The broad facts of the founding of the IASC are not disputed. For our purposes the main sources for this analysis were the written accounts of two of the protagonists (Olson, 1982; Benson, 1989), together with an interview with Douglas Morpeth, the minutes of the ICAEW Council and its Overseas Relations Committee, and an interview with Paul Rosenfield, who was seconded from the AICPA by Olson to be the first secretary of the IASC, and an interview with Wally Olson. As indicated, our researches were much wider than this, but these were the sources most relevant in providing evidence relating to the roles of the individuals.



## 1. Motivation

As Benson recounts it (1981, 1989; also reported in *Accountancy*, 1975), the IASC was created in response to requests from a number of national professional bodies to join a predecessor body, the AISG. This had been set up over the winter of 1966 and started to meet from 1967. The AISG was a joint venture between the Institute of Chartered Accountants of England and Wales (ICAEW), the Canadian Institute of Chartered Accountants (CICA) and the AICPA. It was created by Benson during his year as president of the ICAEW. It issued a number of position papers during its lifetime, which seem to have disappeared from the literature since. Douglas Morpeth chaired it at one time. Although, to judge by the impact of its work on the literature (we have only been able to discover occasional references to its output in the professional press and no citation of any of its pronouncements), the AISG had little impact, Benson says in his account of the creation of the IASC that in the early 1970s there was pressure to include other countries in its deliberations, and he implies that the IASC was the outcome of this.

Olson's (1982) account confirms that Benson, at the first meeting in Sydney, did talk about the AISG and the need to expand it. But Olson attributes a significant part of the British motivation in setting up the IASC as stemming from a desire to create an international accounting standard-setter that was sympathetic to Anglo-Saxon accounting and the needs of the international capital markets, in order to counter the growing influence of the European Commission. There is an argument that the British profession in particular saw itself and its regulatory powers threatened by the entry of the UK into Europe and the European accounting harmonization programme. It responded by looking for an instrument to counter the influence of continental Europe and arrived at the idea of the IASC.

This aspect is supported by Defliese (1981) who said: "Sir Henry's push for an IASC came none too soon, for he saw the need to have such an organisation in place before Britain entered the European Economic Community in 1973 . . . The IASC (with a heavy European orientation) offered a way to inject authoritative accounting thought into the EEC deliberations" (p.111).

Douglas Morpeth, however, rejects both these interpretations of events. He says (interview) that there was no evidence whatsoever that other countries had asked to join the AISG. The actual sequence of events at the Sydney conference was that Henry Benson had presented a paper to the World Congress, which reviewed international developments but made no mention of standard-setting. Douglas Morpeth, who had been much involved with the creation of the UK standard-setter and was its deputy chairman, telephoned Benson later and asked him why he had omitted any mention of standards. Benson had not thought of it, but took the point and from that conversation the idea of creating an international standard-setter arose. Representatives of the USA and Canada (and Scotland) who were at the conference were invited to meet and discuss this. Morpeth does

not recall why the USA and Canada were selected and not, for example, Australia, but says he assumes they wanted to keep the meeting as small as possible in case the idea was not accepted.

Morpeth says that he saw the IASC as a natural extension of the UK standard-setter. Many companies were involved in international activities and needed international standards for these. He had originally thought that the IASC could take up the standards prepared by the UK and extend them for international usage.

The ICAEW Council was given a report (*Basic Accounting Standards: An Urgent International Need*) as part of the agenda papers for its December 1972 monthly meeting, ostensibly from the Overseas Relations Committee (but in practice the ORC had not approved it before it was circulated to the Council), which was chaired by Henry Benson. The authorship of the paper is not clear, it is initialled "PC/PM". Benson's (1989) account says that he and Morpeth had drawn up the constitution, so it is perhaps not unreasonable to assume this paper was either inspired by Benson or produced jointly between them. The paper says that the dominant feeling that emerged from the 1972 World Congress "was support for urgent action to formulate international standards and to secure their world-wide acceptance and implementation". The paper goes on to talk about the profession being under stress in many individual countries to face up to the need to rationalize and harmonize accounting practices. The paper mentions the obvious difficulties and notes: "The need to overcome these difficulties and solve these problems quickly – before other agencies came to the conclusion that the accountancy bodies jointly were incapable of solving them and take the matter into their own hands – was universally felt".

The paper said the ICAEW representatives had organized a meeting of AISG country representatives to discuss the possibilities of translating into action the "widely-expressed feelings" referred to. The paper then went on to set out the objectives for an international standard-setter and describe the machinery (including the nine founder members), the programme of work and the draft constitution. The paper is dated 4th December 1972 and was not mentioned in the November ORC meeting. The ORC did not discuss it until 23 January 1973.

The ICAEW Council (chaired by Morpeth) did not vote on the paper at their 6 December 1972 meeting, although members had received it, but deferred it until January. On 3 January 1973, nevertheless, it gave "the full support of this Institute" to the ORC proposals and general support for the methods to be used. It did however suggest that the word standards should not be used as this "was likely to give rise to confusion in the public mind, at least in the United Kingdom, and an alternative and less definitive term should be adopted, for example 'recommendations'". The Council also disagreed with the paper's suggestion that a two-thirds majority was sufficient to accept a standard, it said there was a need for "virtual

unanimity". It also noted: "The original concept of building this on the AISG had much to commend it and should be re-examined".

The link between the AISG and the IASC appears rather curiously obscure. The AISG was undoubtedly Benson's personal initiative when he was president of the ICAEW, and all his subsequent accounts of the creation of the IASC refer to the AISG as the predecessor body. The initial meeting in Sydney was indeed made up of AISG member bodies but also representatives of the Scottish Institute. The 4 December 1972 document refers to the AISG bodies but makes no further reference to the AISG and proposes a free-standing structure for the IASC that has no link with the AISG. The Council minute referring to the AISG might be taken to suggest that perhaps Benson in talking about the ORC paper had said that he had thought of extending the AISG process and then rejected it in favour of what was in the paper. In reality the AISG continued to operate for several years after the IASC was formed, so it could not in any sense be said to have been subsumed into the IASC.

Olson's written account makes much of the ICAEW being concerned about the influence of the European accounting harmonization programme, although he was less clear about that in interview. Paul Rosenfield, when we asked him about this in interview, said he had never heard any mention of that during his two years as Secretary under Henry Benson. The justification was always that world trade was expanding and it required international standards. (Rosenfield added: "The only thing that motivated Henry Benson was his own colossal ego".)

However, Benson's paper of 4 December 1972 does refer to the fear that if the accounting profession did not organize international standards, "other agencies" would "take the matter into their own hands". The ICAEW Council was clearly aware of the possible impact of the IASC on the European Commission. The 3 January 1973 minute approving the creation of the IASC did note that "the reaction of the Commission in Brussels to the Institute's taking the lead in establishing a 'world-wide' [standard-setter] would not necessarily be favourable". When the ORC finally debated Benson's paper, it noted the "far-reaching implications for the profession on a world-wide basis" and that it would be "necessary to ensure that the EEC Commission was kept aware of the developments in international thinking on these matters".

At the Council meeting on 6 December 1972, the Council had debated a paper from John Grenside, the member with special responsibility for European matters, on European Company Law. In this he had written:

It is beyond argument that if the Commission's proposals are introduced in their present form, the legal framework of the whole British system of corporate regulation will undergo changes more fundamental than any since it was first established in the middle of the Nineteenth century. Whatever their merits, until now nobody would have contemplated introducing such changes without the most elaborate enquiry and consultation . . .

Evidently European matters were very much on the minds of the Council at that time.

The circumstantial evidence of there being a link with European harmonization seems quite strong. However, leaving aside the question of motivation, what is clear from these accounts is that there was no thought ahead of the Sydney conference for the UK to sponsor an international standard-setter. No paper was presented to the conference, the meeting between the representatives of the English Institute, the Scottish Institute, and their US and Canadian counterparts was impromptu (Olson confirms that). The initiative was not institutional: it came from Morpeth and Benson.

## 2. Membership

The final agreement on the original nine members was reached in the London meeting of December 1972, chaired by Morpeth, by which time the various people involved had had time to consult with their professional bodies and Morpeth and Benson had prepared a first draft constitution. The 4 December 1972 paper says "It was recognized that some compromise would have to be struck between a broadly-based and representative group and a group that was sufficiently small to ensure effective operation". Benson's (1989) account of the choice of members is fairly bland:

We had a good deal of discussion about the proposed founder members. Some of those present proposed different combinations but in the end and without much difficulty it was decided to invite the accountancy bodies of six other nations to join us . . . It would have been easy to make the number larger but . . . it was felt that the number of countries would have to be restricted to nine. Anything more was thought to be unworkable and anything less would not be representative from an international point of view. (p.107)

The nine countries were the UK, USA and Canada, plus the Netherlands, France, Germany, Australia, Mexico and Japan.

Olson (1982) tells a somewhat different story:

Sir Henry Benson of the United Kingdom invited delegates from the Canadian and American Institutes to meet with him regarding a very important proposal for setting international accounting standards . . . The new body, as he envisioned it, would be composed of representatives from the United Kingdom, Ireland,<sup>1</sup> Australia, Canada, France, West Germany, the Netherlands, and the United States. (pp.225–6)

Olson goes on to say that Mexico was "grudgingly" accepted by Benson, at the insistence of the USA, while Japan was added at the later meeting in London in December 1972, again at US insistence. Morpeth says (interview) that they wanted France, Germany and the Netherlands along in order that Europe would take it seriously. The list of nine countries was presented to the ICAEW in December and

not subsequently altered. It does appear therefore to have been a matter that was settled by negotiation between Olson, Benson and Morpeth.

### 3. International profession

The World Accounting Congress of 1967 had appointed its International Working Party (IWP) to discuss the future organization of the profession (Choi & Mueller, 1978, p.164). The UK and USA were both represented on the IWP. This presented a report to the 1972 Congress that suggested the creation of the International Coordination Committee for the Accountancy Profession (ICCAP), to organize the future congresses and determine the future organization needs of the profession. It was not until 1977 that the International Federation of Accountants (IFAC) came into being at the suggestion of ICCAP. The profession was organized more on a regional basis at that time and so there was no obvious structure into which the IASC might fit.

However, Olson went to the London meeting with a clear intention to have the IASC brought under the umbrella of the international profession, but says:

Sir Henry would not hear of placing the new body under the aegis of the ICCAP. He believed that this would guarantee failure because it would subject the standard-setting body to all the conflicting political pressures of the larger organisation. (Olson, 1982, p.225)

Douglas Morpeth (interview) says that in his view Olson's desire to have the IASC within ICCAP was American pique at the British initiative and a desire to move the body more securely into the US sphere of influence. Olson failed to win his point. He noted in his book that the AICPA were not happy about IASC being outside the umbrella of ICCAP but finally agreed that "the constitution would include language that acknowledged IASC to be a part of the ICCAP but not under its control. Clarification of this ambiguous relationship was left for future consideration."

The ORC debated in April 1973 a paper circulated by the AICPA, suggesting the creation of an "International Institute of Public Accounting" whose objectives would include establishing international standards of accounting and auditing. This paper was put up for debate at a meeting of the ICCAP held in Düsseldorf on 26-7 April. The UK profession delegated Douglas Morpeth to represent it, and to reject the proposal that this new institute should write accounting standards: "satisfactory arrangements had already been made" is the minute. The ORC considered that most professional bodies had been happy with regional initiatives, and it was only the AICPA that was now pushing for an international body.

Douglas Morpeth (interview) says that the Düsseldorf meeting was very difficult ("It was the hell of a battle") and that he was the only one to hold out against the AICPA desire to have a single international organization. He says the matter

was resolved at a breakfast meeting between Olson and himself, after the Japanese had finally come over to the UK side. The ORC reported to the ICAEW Council (6 June 1973) that:

ICCAP would (i) endorse the endeavours that have resulted in the formation of the IASC; (ii) formally invite the IASC to be part of the world attempt to develop the accountancy profession; (iii) request IASC to recognize in its constitution that it is part of the ICCAP organization although it is autonomous in its issuance of exposure drafts and recommendations; (iv) further agree that the IASC basic constitution should not be reviewed before the end of 1976 without the agreement of IASC and ICCAP.

The ORC report also notes: "A compromise agreement was necessary in view of the serious disagreement by the United Kingdom and Irish representative with a proposal put forward by the United States and Canadian representatives (supported by the French, Dutch and Mexican representatives) that IASC should be adopted by ICCAP despite the fact that the former was in the process of being created quite independently of any initiative by ICCAP".<sup>2</sup>

This ambiguity in the relationship between the IASC and IFAC (the organization that finally emerged from ICCAP) was, of course, to continue up to the time when the IASC ceased to exist in this form and was replaced by the International Accounting Standards Board (IASB). This question can be seen as both an institutional issue with the ICAEW and the AICPA wishing to extend their influence, and an issue that was resolved by the individuals most directly concerned: Olson, Morpeth and Benson.

#### 4. Working arrangements

Olson had also come to the December meeting with the intention of having the IASC headquartered in New York. Benson was adamant that the standard-setter should be in London and Morpeth, as president of the ICAEW, offered that the ICAEW would pay the rental for the IASC's offices, over and above the ICAEW's annual contribution. The London location was finally agreed at the 19 March 1973 meeting of the IASC founder members. The AICPA provided the first secretary, Paul Rosenfield, free of charge, but for the first year only. Rosenfield had previously been in AICPA's Accounting Research Division, which provided technical support to the Accounting Principles Board, which, as discussed, had just been replaced by the FASB.

Aside from these special contributions, each of the founder members was supposed to make an equal contribution (although the cost of the joint UK and Ireland membership was divided between the professional bodies concerned). The IASC Board minutes showed that this later caused problems because when the IASC wanted to expand its operations, a number of the founder members were unwilling to increase their contribution or to see the UK and USA pay a larger proportion.

It was agreed at the March meeting that Henry Benson would be the first chairman. Neither Benson nor Olson discusses this appointment in their books, but Morpeth (in interview) says that Benson came to him ahead of the March meeting and asked for his support as chairman. Morpeth was reluctant at first, having considered doing the job himself. Benson was, however, due to retire from Coopers & Lybrand shortly, whereas Morpeth was a senior partner in Touche Ross who had just spent three years as an ICAEW office holder, and was expected to re-immers himself in the firm's affairs. He decided to put Benson forward.<sup>3</sup> The ORC report to the ICAEW Council of 6 June 1973 says it was agreed at the 2 February meeting of the UK professional bodies that the UK representation on the IASC should be Sir Henry Benson and A.I. MacKenzie, a past president of the Scottish Institute (although this detail is not mentioned in a report on that meeting given to the ORC in March 1973).

### Conclusion

As Butterfield (1955) remarks: scientific method likes to look at correlations of events which are independently verifiable, whereas it is impossible to know what were the motivations and thoughts of those concerned with these events. It seems apparent that the creation of the IASC was not an institutionally-motivated exercise. It was started at the initiative of Douglas Morpeth and Henry Benson, with Olson intervening to influence the outcomes. On the other hand, Morpeth points out that the UK had just gone through the difficult period of creating its first domestic standard-setter, and standard-setting was very much the "mood of the times". Morpeth was the president of the institution that took a key role in the formulation of the IASC, and it was formed during his presidency. It also appears likely that the IASC became the subject of institutional rivalries between the ICAEW and the AICPA.

Defliese (who was a US partner in Coopers & Lybrand) says: "Although not a new idea, (the formation of the IASC) can be attributed to the foresight and persistence of Sir Henry Benson . . . Sir Henry moulded a sceptical group into a cohesive operation" (Defliese, 1981, pp.110-11). Olson's summing up was: "(Benson) believed passionately in the need for international accounting standards, and under his leadership, which some people viewed as autocratic, the IASC made rapid progress". These comments could conceivably refer more to the conduct of the IASC once it started work.

The process seems to have involved largely Benson, Morpeth and Olson. The Canadians, according to Morpeth, supported the US position and neither Benson nor Olson assigns any particular role to them in the negotiations.

As the literature makes clear, it is not possible to separate out the role of the individual, as opposed to the institutional imperatives of the organizations these



individuals represented, or to separate this from the prevailing conditions, the “mood of the times”. All three elements occur strongly in the story of the creation of the IASC. The analysis suggests, however, that even if we cannot evaluate its extent, the individuals did have a significant role in this change. There is a case that the literature which examines the comparative evolution of accounting infrastructure in different contexts could usefully incorporate some consideration of the role that may be played by “decisive interventions” in this way. What if Douglas Morpeth had not telephoned Henry Benson at their Sydney hotel?

## Notes

1. A meeting of representatives of the Irish and British professional bodies was held on 2 February 1973 and agreed that they should be jointly represented on the IASC and share the costs. They also agreed to establish an advisory committee to coordinate between the professional bodies and the UK representatives on the IASC.
2. One curiosity, and possible reason for indifference by some national bodies, is that there were only 11 countries represented on ICCAP at that time, and these were exactly the same 9 countries as were proposed members of IASC, plus India and the Philippines.
3. When Morpeth stepped down at the end of his year as ICAEW President, he took over from Benson as chairman of the ORC, and therefore was the individual responsible for liaising with the IASC on behalf of the ICAEW and for agreeing its budget.

## References

- Accountancy* (1973), “International Accountancy: A Beginning”, Vol.85, No.963, pp.4–5.
- Accountancy* (1975), “Sir Henry Benson moves on from Coopers”, Vol.87, No.982, pp.46–50.
- American Accounting Association (1977), “Report of the AAA Committee on International Accounting Operations and Education”, *The Accounting Review*, Vol.52, Supplement, pp. 65–101.
- Benson, H. (1981), “Establishing Standards Through a Voluntary Professional Process Across National Boundaries”, in Burton, J.C. (ed.), *Arthur Young Professors Round Table*, London: Arthur Young, pp.27–48.
- Benson, H. (1989), *Accounting for Life*, London: Kogan Page.
- Brennan, W.J. (ed.), (1979), *The Internationalization of the Accountancy Profession*, Toronto: Canadian Institute of Chartered Accountants.
- Butterfield, H. (1955), “The Role of the Individual in History”, *History*, Vol.XL, No.138–9, pp.1–17.



- Carlyle, T. (1840 [1993]), *On Heroes, Hero-worship and the Heroic in History*, Berkeley: University of California Press.
- Carnegie, G.D. and Napier C.J. (1996), "Critical and Interpretative Histories: Insights into Accounting's Present and Future through its Past", *Accounting, Auditing and Accountability Journal*, Vol.9, No.3, pp.7–39.
- Choi, F.D.S and Mueller, G.G. (1978), *An Introduction to Multinational Accounting*, Englewood Cliffs, NJ: Prentice Hall.
- Defiense, P.L. (1981), "British Standards in a World Setting", in Leach, R. and Stamp, E. (eds.), *British Accounting Standards: The First Ten Years*, Cambridge: Woodhead Faulkner, pp.105–18.
- Edwards, J.R. (1994), *Twentieth Century Accounting Thinkers*, London: Routledge.
- Forrester, D.A.R. (1993), *Eugen Schmahlenbach and German Business Economics*, New York: Garland Publishing.
- Giddens, A. (1984), *The Constitution of Society*, Cambridge: Polity Press.
- Gray, S.J. (1988), "Towards a Theory of Cultural Influence on the Development of Accounting Systems Internationally", *Abacus*, Vol.24, No.1, pp.1–15.
- Hofstede, G. (1980), *Culture's Consequences*, London: Sage.
- Lee, T. (1996), "Preface", in Lee, T. (ed.), *Shaping the Accountancy Profession: The Story of Three Scottish Pioneers*, New York: Garland Publishing, pp.ix–xv.
- Lemarchand, Y. (1993), *Du Déperissement à l'amortissement: Enquête sur l'histoire d'un Concept et de sa Traduction Comptable* [From Dilapidation to Depreciation: An Enquiry into the History of a Concept and its Translation in Accounting], Nantes: Editions Ouest.
- Meek, G. (2002), "Accounting in the United States", in Walton, P., Haller, A. and Raffournier, B. (eds.), *International Accounting*, second edition, London: Thomson Business Press, pp.66–90.
- Mueller, G.G. (1968), "Accounting Principles Generally Accepted in the United States versus those Generally Accepted Elsewhere", *International Journal of Accounting Education and Research*, Vol.3, Spring, pp.91–103.
- Napier, C. (1995), "The History of Financial Reporting in the UK", in Walton, P.J. (ed.), *European Financial Reporting: A History*, London: Academic Press, pp.259–83.
- Nikitin, M. (1996), "The Birth of Industrial Accounting in France: The Role of Pierre-Antoine Godard-Demarest (1767–1850) as Strategist, Industrialist and Accountant at the Baccarat Crystalworks", *Accounting, Business and Financial History*, Vol.6, No.1, pp.93–110.
- Nobes, C.N. (1984), *International Classification of Financial Reporting*, London: Croom Helm.
- Olson, W.E. (1982), *The Accounting Profession, Years of Trial: 1969–1980*, New York: AICPA.
- Standish, P.E.M. (1990), "Origins of the Plan Comptable Général: A Study in Cultural

- Intrusion and Reaction”, *Accounting and Business Research*, Vol.20, No.80, pp.337–51.
- Walton, P.J. (1998). “Accountancy: The Most Exciting Profession in the World”, *Accounting & Business*, June, pp.12–13.
- Walton, P.J. (2002). “Henry Benson”, in Warner, M. (ed.), *International Encyclopedia of Business and Management*, second edition, London: Thomson, pp.482–6.
- Who's Who* (2006), 156th Edition, London: A&C Black.

*Acknowledgements:* We should like to thank the Hon. Peter Benson, David Cairns, Sir Bryan Carsberg, Yannick Lemarchand, Christopher Napier, Bernard Raffournier and participants at various conferences for their comments on an earlier version of this article. We should also like to thank the Institute of Chartered Accountants of England and Wales and the IASC for giving us access to their archives, and two anonymous referees for useful comments.

*Address for correspondence:* Professor Peter Walton, ESSEC-KPMG Financial Reporting Chair, ESSEC Business School, BP50105, 95021 Cergy Pontoise Cedex, France. E-mail: walton@essec.fr