

National efficiency, military accounting and the business of war

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Abstract

Costly administrative failures during the South African War were shown by several official investigations to be associated with ineffective and deceptive accounting systems administered from the War Office. They were regarded also as symptomatic of a deterioration in the efficiency of British business and government. To retrieve Britain's greatness a movement of national efficiency sought to raise efficiency levels in all areas of British national life. Fundamental to the reforms that they advocated were a strong British empire and an efficient army. Thus, military administrators were urged to apply the methods of commerce to the business of war. Amongst the most innovative strategies to raise the commercial awareness and accounting expertise of army administrators were the Army Class at the London School of Economics and Political Science (LSE) between 1906 and 1932 and the army cost accounting experiment (1919–1925) in which the LSE also played a role.

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1. Introduction

Through an examination of two innovative attempts to reform British military accounting in the early 20th century, in which the pivotal role played by the London School of Economics (LSE) is revealed, this paper seeks to broaden the compass of debates in the

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accounting literature about the spread and utility of cost accounting during a period which is widely recognised as the crucible of modern cost accounting (Graves, 1991; Solomons, 1968). This provides the opportunity to elaborate Miller and O'Leary's (1987, p. 243–5) brief, and until now neglected, excursion into the social and political milieu of Britain which spawned a preoccupation with efficiency during the period which Solomons (1968, p. 17; also see Napier, 1996, p. 460) refers to as 'The Costing Renaissance'. While the renewal and invigoration of cost accounting for industrial firms during the early 20th century has been extensively debated in the accounting literature (Boyns and Edwards, 1996; Fleischman and Macve, 2002; Fleischman et al., 1995; Hoskin and Macve, 2000; Johnson and Kaplan, 1987; Locke, 1979; Loft, 1991; Tyson, 1993), coincident accounting innovations and their motivations in British departments of state have largely gone unobserved by accounting historians (although see Chwastiak, 1999 for a discussion of complementary themes pertaining to the late 20th century). One notable exception is the examination by Loft (1986, 1994) and Marriner (1914) of accounting by the British Ministry of Munitions which was formed during World War I. However, both Loft and Marriner were mostly concerned with the importance of the British Ministry of Munitions in gaining the acceptance of cost accounting by British business during World War I and the resulting professionalisation of cost accounting (see also Black, 2001b; Locke, 1979, p. 15; Lloyd, 1924).

The particular concerns in this paper are the ideological or political instrumentality of accounting, that is the way in which it can be harnessed to promote distinct interests, and how this was exposed in military accounting by the political crisis of war in the early 20th century, firstly the South African War (1899–1902) and then World War I. Although the stimulus to the development of business accounting which has ensued from economic crises in the early 20th century is well known in the accounting literature (Armstrong, 1987, p. 419; Gallhofer and Haslam, 1991), the impact of political crises on the evolution of accounting within departments of state is yet to be appreciated to the same extent by accounting historians. Consequently, following Miller and O'Leary (1987) and Loft (1991, p. 25), this paper examines the impact of "underlying forces and processes . . . (in) the wider . . . (political) and social context" which influenced attempts by the British Government in the first decades of the 20th century to inculcate a business culture in army administration in which accounting, for the first time, was to be accorded a significant place. Humiliations suffered by Britain in the South African War at the hands of ill-disciplined farmers before a 'gloating world' provoked the British Government finally to reform the administration and organisation of the army after over half a century of ineffectual, feigned reforms (Barnett, 2000, p. 353; Searle, 1971, p. 34; Churchill, 1959, pp. 56, 70, 72). While reform of army administration was most obviously prompted by the political crisis of the South African War, this was but the final catalyst by which persistent demands for the reform of military administration and prevailing social and political anxieties were finally able to gain expression.

In the closing decades of the 19th century Britain was suffused by an aura of pessimism which arose from its uncertain standing and future as an imperial power in a world in which Germany and the United States had emerged as formidable competitors. The prescience of these anxieties seemed to be confirmed by the alarming deficiencies of the British army that were exposed during the South African War. The consequence of Britain's perceived vulnerability in the early 20th century, note Miller and O'Leary (1987, p. 243–5), was a

“discourse of national efficiency”. The movement for national efficiency led by the former prime minister Lord Rosebery, other prominent Liberals and the Fabians Sidney and Beatrice Webb, proved to be especially effective for a short period in early Edwardian Britain in cohering discontent and in exploiting the opportunity for reform generated by the nation’s outrage at the army’s failings in South Africa. Through networks of influence established at the highest levels of government, society and business the movement for national efficiency was able successfully to promote its goals.

Lord Rosebery’s supporters called for all areas of British life to be reinvigorated with new purpose, energy and commitment to restore British prestige and prosperity. Nothing, according to the imperialist creed of Rosebery’s national efficiency movement, was more important to restoring national efficiency, and British prestige, than the efficiency of the army as the guarantor of the Empire. According to Lord Rosebery and his followers, with war in the 20th century no longer the habitation of the gifted amateur, efficiency could only be restored to the British army if army administrators adopted the character and practices of business and became ‘soldier businessmen’ (Mackinder, 1907, p. 5). This, urged the RCWSSA (1906) (hereafter the War Stores Commission), was dependent upon the diffusion of business accounting practices, but especially cost accounting, throughout all administrative branches of the army. Administrative failures during the South African War were shown by the Commission to have been associated with ineffective and deceptive accounting systems administered from the War Office. Thus, the modern army could no longer afford to deny its administrative officers an education in the ways and principles of business: accounting would serve the interests of British imperialism through its contributions to military efficiency. The Army Class established at the LSE at various times between 1907 and 1932 by two members of Rosebery’s national efficiency movement, Halford Mackinder and Richard Haldane, was to be the means by which the army administrator would be inculcated with the ways of business. For several senior administrators at the War Office this was to be the precursor to the eventual introduction of cost accounting throughout the army. Although Loft (1986, p. 146) and Napier (1996, p. 461) made brief references to the introduction of cost accounting in the LSE curriculum in the early 20th century neither make specific mention of the LSE Army Class.

In the latter sections of this paper the success of the Army Class is contrasted with the army cost accounting experiment, in which the LSE again played a prominent role, which was introduced in 1919 as another response to the political crisis of war. Examination of the cost accounting experiment provides a further opportunity to confirm the ideological or political imperative of military accounting which is missing in the brief histories of the experiment by Wright (1956) and Black (2001a). Thus, given this intention of the paper, the focus is on the cumulative consequence of the inadequacies of military accounting as practiced during World War I which prompted the experiment and not the practices themselves. Unlike the Army Class, which worked within existing accounting systems and did not question constitutional fundamentals, the success of the cost accounting experiment was wholly dependent upon the introduction of a new accounting system which challenged entrenched positions of influence in the major departments of state, especially that of the Treasury. The political imperative in British government accounting had been its abiding feature since the constitutional settlement in 1689, subsequent to the Glorious Revolution, after which accounting practices provided essential constitutional guarantees

of parliament's ascendancy over the executive (Clode, 1869). However, the constitutional nature of accounting by departments of state had also been a persistent impediment to organic change in government accounting. Thus, even after the experience of the South African War constitutional requirements still conspired to thwart the introduction of cost accounting throughout departments of state. Nor, as this paper demonstrates, could the financial and human exhaustion of World War I dislodge the constitutional imperative of departmental accounting in favour of the contributions of cost accounting to efficient government.

2. The South African war and the analogy of business

2.1. *The shock of war*

The South African War (1899–1902), or Boer War, was the culmination of a century of expansion in South Africa by Britain at the expense of Dutch settlers, the poorest of whom were called Boers, who had arrived with the Dutch East India Company in 1652. After the discovery of gold in 1886 in the Transvaal (de Wet, 1902; Iwan-Muller, 1902), an independent Boer state which had been established in the 1830s, the political tensions created by the influx of a large number of British citizens seeking their fortunes eventually provided the catalyst for Britain to assume sovereignty over the Transvaal and the Boer Orange Free State (Pakenham, 1979, pp. xxi–xxii, 66; Porter, 1980, p. 58; Headlam, 1933, vol. II, p. 561; Kruger, 1959, p. 30). After a final unsuccessful attempt to negotiate the differences between the Boers and the British war erupted in October 1899 (Headlam, 1933, vol. II, p. 3; Porter, 1980, p. 214). This was to be the longest and costliest war in which Britain was engaged between 1815 and 1914 (Pakenham, 1979, p. xv).

Contrary to British displays of confidence in their ability to defeat what they saw as a disorganised rabble, at the declaration of war the small British force in South Africa found itself at the mercy of an adversary which was well-prepared, effectively organised and determined to achieve an early victory. By the Boers striking early, swiftly and decisively between 10 and 15 December 1899 the British experienced major defeats under General Buller's command at Stormberg, Magersfontein and Colenso during what was later described as 'black week' (Spiers, 1992, p. 309; for an appreciation of the Boers' fighting abilities see Haldane, 1929, p. 137). With the arrival in early 1900 of British troops from India, Britain and the colonies the Boers suffered major reversals between April and June at Bloemfontein, Mafeking and Praetoria, leading to a third phase of prolonged and bitter guerilla warfare for which the Boers were well suited. Despite the many warnings of impending hostilities during the long lead up to the outbreak of war, the government had not informed the army of its intentions nor had the army been allowed to prepare for the eventuality of war (Royal Commission Appointed to Inquire into the Military Preparations and Other Matters Connected With the War in South Africa (hereafter the Elgin Commission) 1904, p. 34). Britain's expectations of the war had been dulled by half a century of limited colonial wars which required only small expeditionary forces to fight against poorly armed natives (War Office (Reconstitution) Committee (hereafter the Esher Committee) 1904, p. 10; see also Cole and Priestly, 1945, p. 219–49; Spiers, 1992, Appendix 2).

The inability of the British to defeat decisively and quickly a non-professional army created a public outrage (Barnett, 2000, p. 353; Churchill, 1959, pp. 56, 70, 72; Searle, 1971, p. 34), finally provoking the British Government to convene the Elgin Commission in 1904, the Esher Committee in 1904 and the War Stores Commission in 1906. As a result of the findings of the latter Commission, the public, informed Richard Haldane¹ the new Secretary of State for War in 1906 (Tribune 29 October 1906), was “quivering with excitement over the spectacle of a great mass of very important work badly done to the detriment of the national purse”.

2.2. *Army efficiency and the virtues of business*

The disappointing performance of the British army during the South African War precipitated the final, painful relinquishment of long outmoded forms of military organisation and administration. After the scathing condemnation of military administration and operational efficiency by the official inquiries, public pressure ensured that successive governments prior to World War I would not be able conveniently to set aside the hard-won lessons of the war which called for a fundamental reform of military administration, especially the way in which military finances were managed (Semmel, 1950, p. 74; Watt, 1988, p. 156). Indeed, the administrative reforms demanded by these inquiries and by the public were to provide Britain with the modern army that it needed at the outset of World War I. No longer, believed the Esher and Elgin inquiries, could the British army be kept in the state of financial ignorance which had jeopardised military success in South Africa. The Elgin and Esher inquiries found that the preparation of the British army in peace and its management in the field during the South African War had been seriously prejudiced by a national preference for a constitutionally safe army which had denied the army control over its own finances. Consideration of economy and military efficiency were only possible in the presence of a high degree of financial autonomy, something which had always been denied the army. This was no more clearly established than with the exposure by the War Stores Commission of the myriad and costly failings during the South African War of the army's supply service, the Army Service Corps.

Even before findings of administrative failings were available after the South African War, the *Daily Telegraph* on the 6 January 1902 suggested that the South African War had brought about a ‘profound transformation’ in the political tenor of the nation which was manifested in a determination to ensure that the army in future would be well prepared for war and not be forsaken in the manner that it had been prior to, and during, every major and minor war in the 19th century (Airey, 1913a, p. 466; Searle, 1971, p. 41; Trevelyan, 1856, p. A2; Treasury, 1855). The South African War and the official inquiries that it spawned belatedly confirmed what had become tragically obvious during the calamitous Crimean War; that qualities of individual heroism and military brilliance upon which the military had traditionally prided itself and which defined military culture would be no longer sufficient as a guarantee of success. The modern ‘scientific’ war, which had ceased to be the sport it had been once for gentlemen amateurs, allowed nothing to be left to chance or

¹ Haldane (1856–1928) was Secretary of State for War between 1905–1912 (see *Dictionary of National Biography*, vol. 1922–30, p. 380–6).

to personal eccentricities (Turner, 1956). Bismark's easy success against the largest armies of Europe had accelerated Britain's insecurity by conclusively demonstrating the benefits of an efficient army organized and modelled on scientific principles (see Emy, 1973, p. 125; Searle, 1971, p. 6; Wells, 1934, p. 763). War now required a very different set of qualities and capacities; those which relied upon technical knowledge and scientific organisation to facilitate the "manipulation of material resources" (Anderson, 1967, pp. 101, 104; Haldane in the *Tribune* 29 October 1906). War had become a 'commercial enterprise' (Gladstone in the *Quarterly Review* 1859, vol. CVI, p. 10) which required the manners of the gentleman soldier to be replaced by the expertise of the 'soldier businessman' (Mackinder, 1907, p. 5).²

As a result of Leopold Amery's appointment during the South African War as *The Times*' war correspondent, the experience of which filled him with a deep disgust for military expertise and the personal qualities of the typical British senior officer, Amery demanded nothing less than a 'revolution' in army organisation and administration. Britain needed "an expert army", one in which "the whole caste system, the whole idea of the Army as a sort of puppet show where smartness, gilt braid . . . must vanish and give place to something real, something business like" (Amery 9 January 1900, in Barnes and Nicholson, 1980, p. 33). The old amateurish military elite had become a dangerous anachronism which threatened not only Britain's pre-eminent imperial position but also its very existence in the presence of a militarily and industrially ascendant Germany (see the salutary report of the Royal Commission Appointed to inquire into the civil and professional administration of the navy and military departments and the relation of those departments to each other and to the Treasury (hereafter the Hartington Commission) (1890); Committee to Consider Decentralisation of War Office Business (hereafter the Brodrick Committee) (1898)).

As the South African War entered its second year the *19th Century* magazine (July 1900, p. 1) emphasized, in terms that were later to characterise criticisms of the work of the Ministry of Munitions in World War I (Marriner, 1914), the "need for conducting the business of the country, as administered by the various Departments of State, upon ordinary business principles and methods". Army administration needed "to be as nearly as possible on all fours with the business arrangements which are understood in civil life" (Secretary of State for War Richard Haldane quoted in Watt, 1988, p. 158; Ormsby, 1908a, p. 846; Elgin Commission, 1904c, pp. 128, 129; Amery, 1909, p. 621). Indeed, suggested Captain Young (1906, p. 1284), if the army's administrative departments in particular were to be operated in the best interests of military efficiency they must be led and administered by men who were trained as business men and had the values of business men (see also *A Captain in the Regular Service*, 1906). In an age of modern warfare it was necessary to recognise the very different responsibilities, qualities and training of officers who were appointed to administrative posts. The "misfortune which has come to our Army of late", noted Haldane, "has been the revelation in South Africa of an altogether inadequate organization and training to cope with the great business of supply in time of war, and the disorganized period which follows upon war. Supply is one of the most difficult things anyone can tackle . . . (It) is a science in itself which requires high training" (*Tribune* 29 October 1906; War Stores

² Dicksee (1915a, 1915b) believed that the business world could also learn a great deal from the way in which soldiers managed the 'business of war'.

Commission). Army administrators needed to be trained in the ways of business so that they

should know how to have everything on the spot when wanted . . . (Supply officers) should know how to organize the great masses of stuff and organize their lines of communication in a fashion that will make the military machine work without friction and difficulty (Haldane in *The Tribune*, 29 October 1906; see also Mitrany, 1918, p. 5).

According to the Director of the LSE, Halford Mackinder, the War Office and the Lords of the Admiralty were in reality boards of directors which sought to produce ‘power’ rather than profits (Mackinder, 1907, p. 2). The War Office was a “vast business organisation – a huge factory, whose output should be a number of efficient fighting units . . . and whose managers are responsible to a nation of shareholders that these units are produced at the lowest possible cost” (Searle, 1970, p. 87; Young, 1906, p. 1282). The Committee on War Office Organization (hereafter the Dawkins Committee) in 1901 was convinced that

a general, if not a precise analogy, can be established between the conduct of large business undertakings and that of the War Office. There are certain well-defined principles of management in all well-conducted business corporations *and the more closely that the War Office can be brought into conformity with such principles, the more successful will be the administration.*

The vast extent and the great diversity of the work centred in the War Office differentiates it from that of a larger business undertaking only in degree, and there is no reason to doubt that the methods adopted in the latter for securing efficiency and economy could be employed in the former . . . (The) present methods of the War Office are out of harmony with the best business practice (Dawkins Committee, 1901, pp. 182–3, emphasis added, and p. 200; see similar comments by James Knowles in the *19th Century*, July 1900, p. 1–3; Spiers, 1980, p. 241–2).

Although there were fundamental differences in aims between government and business, after the failures of the army in the South African War these were deemed insufficient to refuse the army the opportunity to benefit from the methods of business, given the coincidence of intent of these organisations (Wilson, 1973, p. 53). If the army was to be successful at the business of war, the aim of the army

must be to produce the necessary amount of power at the least possible cost, and one of the main elements in a city business tending to produce profits is the saving of working expense . . . If you are to spend and yet be economical, you must spend with knowledge, and in accordance with policy, in other words your expenditure must be efficient (Mackinder, 1907, p. 3).

The enthusiastic commendation by the Dawkins Committee (1901, p. 691)³ of the principles and practices upon which businesses relied, and the government’s decision to appoint

³ An overarching purpose of the Dawkins Committee (1901, p. 180) was to determine how the work of the War Office could be brought “more into harmony with that of large business undertakings”.

only businessmen to this committee chaired by Clinton Dawkins, a partner in the American banking firm J.P. Morgan,⁴ demonstrated how for some it was no longer necessary to regard the ways of business as alien to the public services (Giffen, 1901, p. 1).⁵ This was soon to be confirmed by the findings of the War Stores Commission (1906) and later by the Select Committee on National Expenditure in 1918 and the Committee of Administration of, and Accounting for, Army Expenditure (hereafter the Lawrence Committee) in 1924. All sought control of the military's spending not through detailed financial regulations emanating from the War Office and the Treasury but through accounting reports which, as in business, would facilitate the most efficient use of available resources. The Dawkins Committee (1901, p. 204, also see p. 196), for example, wanted to reduce Treasury control to a minimum. Included in the Terms of Reference of the Dawkins Committee (1901, p. 180) was the requirement to consider whether "existing checks at the War Office hinder the efficient transaction of business". Control of military operations through negotiation and the denial of responsibility, the seeking of approval for virtually every action, either by reference to printed instructions or to a higher authority, needed to be replaced by a managerial form of accountability permitted by accounting systems which could monitor performance and apportion responsibility. The existing system, which assumed that "military officers of all ranks are, by the fact of wearing uniform, shorn of all business instincts" had resulted in the very deficiencies that it was meant to prevent (Esher Committee, 1904, p. 138). Indeed, government accounting systems had never been designed with the intention to promote military efficiency.

When pressed by the Select Committee on National Expenditure in 1918, Sir John Bradbury, Joint Permanent Secretary to the Treasury, agreed that only with great difficulty could the then present systems of appropriation accounting provide information to enhance military efficiency. He recognised that "the control of expenditure, in the sense of securing that various public services are efficiently administered at a reasonable cost, was no part of the object which the framers of the system . . . (of accounting and accountability) had in view" (Report of the *Select Committee on National Expenditure, 1918a*, para 16, p. 157). The Comptroller and Auditor General, alluding to the tensions in military finance between military needs and constitutional proprieties, reminded the Public Accounts Committee that this was only to be expected for

⁴ Previous to this appointment Dawkins had a long public sector career in India.

⁵ Not all were as sanguine and convinced of an essential sympathy and coincidence between military values and objects and those of business and the desirability of fostering commercial values in the military. In a clever morality tale designed to show how military officers, who were noted for their honesty, integrity and sense of duty, were easy prey to the deceptions of business men in the City who were characterised as having none of these noble virtues, the fictitious Colonel Smith upon retirement is duped into joining the board of a new co-operative stores business (Coward, 1891). Unbeknown to Colonel Smith the sole purpose of his recruitment is to allow the unprincipled promoters of the new venture to take advantage of the integrity and high standards of honesty for which Colonel Smith is well known, thereby giving the new venture the respectability and legitimacy it needs to induce others to invest. Unfortunately, the easily deceived Colonel loses all his money as do many of his friends whom he had encouraged to invest. Full of shame and guilt, Smith is forced to spend his final days as a recluse should he meet those who had relied upon his advice. Thus, Colonel Smith's destruction demonstrated that no military man would be able to cope with the cunning ways and sharp practices of devious business men. Colonel Smith had made the mistake of judging others by the standards that he applied to himself and by which his military colleagues lived.

the answer to many of the questions which may be raised by the accounts must depend not on considerations which can be measured in terms of money or of financial units but on general considerations of military necessity, to which accounting must be subordinate . . . There is this fundamental difference between Army expenditure and commercial expenditure; the first has as its main object the production of an efficient Army- and the factor of military efficiency is an abstract idea not susceptible to appraisalment in terms of cash . . . (Public Accounts Committee, 1924–1925a, p. 825; Clode, 1869).

Irrespective of the criticisms of constitutional anachronisms, consideration of the contributions of business methods to military efficiency by army administrators and commanders was unlikely to gain any prominence while ever the middle classes, but especially the sons of businessmen, continued to be excluded from army commissions. Prior to the 20th century resistance to the adoption of business methods and a business mentality in army administration, sustained by government suspicion that an efficient army might also be a potential rival in the exercise of power (see for example Mackinder, no date, pp. 177–8), had been perpetuated by officer recruitment in the combatant forces almost exclusively from the upper and landed classes for whom the bourgeois ethic of business was anathema. Despite the rapid rise of middle class professionals and many new professions in the second half of the 19th century there continued a lingering admiration for the ‘gentleman amateur’ rather than trained professionals who were considered to be mere ‘players’ (Otley, 1970, p. 215; Turner, 1956; Wilson, 1995, p. 116). From the Restoration of the Stuarts in 1660, parliament ensured that the army would be officered only by men of high social position who had the most to lose should the army threaten parliament. Through tightly guarded selection procedures throughout the 19th century and the prospect of low pay the army elite sought to deny the middle classes the representation that their influence in the wider society justified. The Crimean War may have marked the ascendancy of the professional values and working habits of the middle classes by exposing the aristocratic leaders of the army as incompetent bunglers “who should make way for the efficient, self-reliant men of the age” but this had had little lasting effect on army command and administration (Anderson, 1967, p. 109). Whatever change might occur could only ever be gradual in the absence of officers in large numbers from the middle classes who would bring with them the skills and attitudes of their class.

Research by Haye (Otley, 1970, p. 229) suggests that prior to 1870 only one businessman’s son had passed through the officer training college at Sandhurst with a steady, though minimal, rise in business representation thereafter. In 1912 the landed classes still accounted for 64% of new officers while the elite levels of command remained predominantly aristocratic. Competitive civil service examinations introduced progressively since the *Report on the Organization of the Permanent Civil Service* in 1854 had made little difference to opportunities to gain a commission in the army, for to be admitted to Sandhurst all applicants still had to be nominated by the Commander-in-Chief on the advice of his senior officers. They, of course, tended to nominate only sons of men of their own class.⁶ This tight control

⁶ Apart from protecting the purity of their class and the privileges that attended their class, the exclusion of middle and lower classes from the officer class was also sometimes seen as an important accounting control. One officer

of the gateway into Sandhurst generally ensured that wealthy business families, for whom the low officer pay was no impediment, would not obtain the social status that an infantry commission would bring to their sons (Otley, 1970, p. 214). The South African War, however, forced a reappraisal of the wisdom of institutionalizing professional ignorance and arrogance in a haughty, proud and socially isolated military elite. The almost immediate effect that this had on officer recruitment was sufficiently noticeable for Richard Haldane, upon assuming office as Secretary of State for War in late 1905, to be impressed by the way in which a “a new school of officers has arisen since the South African War, a thinking school of officers who desire to see the full efficiency which comes from new organisation and no surplus energy running to waste” (quoted in Barnett, 2000, p. 362).

3. National efficiency and the business of war

By itself the South African War did not bring about the unprecedented appreciation of business practices, rather the problems experienced in the South African War crystallized a pervasive anxiety and pessimism in the early 20th century about Britain's declining industrial and political competitiveness in a movement calling for the promotion of national efficiency in all areas of government and business (Read, 1972, p. 13; White et al., 1901). Miller and O'Leary (1987, p. 245) refer to a national mood that at times “shifted to hysteria” while Scally (1975, p. 92) describes calls for national efficiency during the Edwardian period as a “fashionable attitude” which defined the political tenor of government (see also Rose, 1986, p. 117). The *Spectator* in 1902 (16 August) suggested that “(a)t the present time and perhaps it is the most notable social fact of its age. . . there is a universal outcry for efficiency in all departments of society, in all the aspects of life”. The economist J.A. Hobson, for example, provided economic justifications for an approach to economics which sought to enhance human efficiency (Emy, 1973, p. 107). Soon the catholic appeal of national efficiency became a demand in the first decade of the 20th century for the establishment of a government of ‘business men’ to allow government to take advantage of the superior practical abilities and efficiencies which were perceived to be associated with private businesses (Searle, 1971, p. 43; Anderson, 1967, p. 104–5).⁷

Accordingly, efforts to ‘commercialize’ the training of army administrators were not merely isolated responses by reformist zealots to the practical difficulties experienced in the field in South Africa. Instead, they were symptoms of the far more serious malaise of inefficiency which was declared by both Liberals and Conservatives to be endemic to

who had attended the LSE Army Class learned the organizational value of that dual control of money, “where the accountant and the cashier are of a different social status, of which we have such an admirable example in the Army – the captain and the colour-sergeant. The chance of fraudulent collusion between these two is extremely remote” (Airey, 1913a, p. 467).

⁷ Although the goal of national efficiency and advocacy of private sector remedies may have seemed particularly apposite and innovative at the time of the South African War, the same concerns had been the stimulus for the formation of the Administrative Reform Association in 1855 and the Liverpool Financial Reform Association at the time of the Crimean War, both of which sought to “bring up the public management to the level of private management . . .” (Constitution of the Administrative Reform Association quoted in Anderson, 1967, p. 114, see also Anderson, 1965).

British society but especially to government. Given the perilous state of Britain, where “there was now not an inch of ground in any one of the international markets for which we were not fighting with all our available strength” (Lord Rosebery in [Matthew, 1973](#), p. 224), Lord Rosebery warned Sidney Webb in 1901 that “(i)f we have not learned in this war that we have lagged behind in efficiency we have learned nothing” (quoted in [Scally, 1975](#), p. 56). The ruling class, judged [Wells \(1934, p. 764\)](#), was “profoundly lazy. The Edwardian monarchy, Court and society were amiable and slack”. Thus, efforts to inculcate in the army the values and practices of business, in which accounting was to be accorded a prominent place, cannot be understood in isolation from an appreciation of the wider social and political frustrations which were intensified by the national soul-searching induced by the military and political failures of the South African War and the responses that these elicited. In particular, for a short, but crucial, period around the turn of the 20th century the movement of national efficiency, although ultimately politically moribund and surviving as a political movement under the leadership of Lord Rosebery only until late 1903 ([Emy, 1973](#), p. 129), provided a locus for the formation of more enduring efficacious relationships and networks of influence among prominent social and political activists from both the Liberal and Conservative parties who shared similar beliefs about the sources of Britain’s decline, the need to improve efficiency in all aspects of British life and the importance of an efficient army in ensuring a strong empire (on the importance of the army to protecting the empire see Campbell-Bannerman in [Wilson, 1973](#), p. 167).

Lord Rosebery (1847–1929) and the Fabians Sidney and Beatrice Webb became synonymous with efforts in the pursuit of national efficiency to prise the British out of their self-satisfied, slothful acceptance of mediocrity and amateurism into which they were said to have fallen ([Bentley, 1984](#), p. 317; [James, 1963](#); [Mackenzie and Mackenzie, 1977](#), pp. 286, 7). According to Sidney Webb the Edwardian Englishman was pre-occupied with

a burning feeling of shame at the ‘failure’ of England . . . ; shame for the pompous inefficiency of every branch of our public administration, shame for the slackness of our merchants and traders that transfers our commercial supremacy to the United States, shame for the supineness of our race by drunkenness and gambling . . . ([Webb, 1903](#), p. 7; [Read, 1972](#), p. 95).

From the late 1880s Rosebery had been advocating the urgent need for governments to put all of Britain and its empire on a “business footing”. Rosebery, who had been Foreign Secretary in Gladstone’s Government in 1886, had learnt from Gladstone the importance to the successful politician of concentrating the public’s attention on ‘a single great question’ rather than the plethora of small issues which “dazed and blunted” the nation’s intelligence (Rosebery in [Hamer, 1972](#), pp. 247, 8; [Bentley, 1984](#), p. 318). In Gladstone’s case the single issue had been at various times the Irish Church, Home Rule for Ireland and British imperialism. For Rosebery, after the defeat of the Liberals in 1895 the great issue for ‘concentration’ was national efficiency, a policy which he believed would appeal “to the silent but supreme tribunal which shapes and controls in the long run the destinies of our people, the tribunal of public opinion and common sense” (Rosebery quoted in [James, 1963](#), p. 431). Efficiency, according to Rosebery and his acolytes, offered the only way in which the ills which now afflicted British society, politics and industry could be addressed. Unfortunately for Rosebery and his political career he was unable to convert his one big

issue into a clear political program capable of gaining the support of the public (Webb, 1975, p. 223).

The efficiency movement which Rosebery led was a political movement which had no direct, formal association with the efficiency movement in America arising from Frederick Taylor's school of scientific management. Rosebery was less concerned with the specifics of how to improve efficiency than the need to generate the political will to recognise and remedy British ills. Rosebery defined the national efficiency which he sought as "a condition of national fitness equal to the demands of our Empire- administrative, parliamentary, commercial, educational, physical, moral, naval and military fitness . . ." (Rosebery quoted in Semmel, 1960, p. 63; Rosebery in the *19th Century*, 1900, July, August, November; see also Webb and Webb, 1902). This national efficiency was not the sanctimonious parsimony of the Victorians in which retrenchment in government spending was valued of and by itself, rather than for the operational benefits it might provide (Funnell, 2004). National efficiency was not to be about cheapness but instead the methodical, cool-headed weighing of the long term costs and benefits of government policies which were in the nation's best interests (Rose, 1986, p. 117). Coincidentally, the Fabians also believed that efficiency, not equality, was the means by which socially responsible government should seek to raise living standards. Soon after the end to Britain's ignoble war in South Africa, Sidney Webb indicated his belief that Britain was "ripe for a domestic programme, which shall breathe new life into the administrative dry bones of our public offices . . . (with) a policy of National Efficiency" (*19th Century*, September 1901 as reproduced in Webb, 1903, p. 7). With the publication of George Bernard Shaw's Fabian tract *Fabianism and Empire*⁸ in 1900 the Fabians had made the achievement of national efficiency dependent upon a secure empire and social reform which would guarantee, according to Sidney Webb's description, a 'national minimum' in all areas of social activity (Mackenzie and Mackenzie, 1977, p. 277–8).

The goal of national efficiency required "as the starting-point of industrial competition" the eradication of disease, the replacement of slums with good housing and the end to working class ignorance through educational reform (Emy, 1973, pp. 108, 130; Mackenzie, 1978, p. ix and p. 146; Pease, 1925; Scally, 1975, p. 51; Semmel, 1960, p. 34–62; correspondence of Sidney Webb, 20 March, 1902, Webb, 1903, p. 8). "What is the use of talking about an empire", demanded the Liberal Prime Minister Herbert Asquith (1908–16), "if here . . . there is always to be found a mass of people, stunted in education, a prey to intemperance, huddled and congested . . ." (quoted in Webb, 1975, p. 223; see also Mackinder in Parker, 1982, p. 62, 64). Haldane (quoted in Matthew, 1973, p. 238) believed that temperance needed to be the first step to achieving national efficiency. Belying their earlier championing of the rights of the individual and their condemnation of the evils of state interference, Rosebery's Liberal Imperialists now saw that the national interest demanded that the poor and the ignorant be raised from their impoverishment through government programs to a position where they could enhance national efficiency. Both Liberals and Fabians accepted that social and imperial efficiency were entirely dependent upon extensive and sustained domestic reform (Asquith in the Matthew, 1973, p. 71–2). This was best achieved, suggested the Webbs in their book *Constitution for a Socialist Commonwealth of Great Britain*, by the creation of

⁸ Rosebery and Haldane wrote to Shaw expressing their delight with his "brilliant and decisive analyses" (Haldane quoted in Matthew, 1973, p. 183).

an elite corps of social engineers; a civil bureaucracy, whose aim was efficiency and who would be independent of politics (Amery, 1953, p. 223; Rose, 1986, p. 122–3; Scally, 1975, p. 83; Webb, 1975, p. xxv).

At times some members of the movement for national efficiency, notably the Fabians and Lord Rosebery, were so dismayed at the poor quality and, therefore, the inefficiency of the British working man and woman that they were tempted to stray into Social Darwinism by offering eugenic solutions to resurrect national efficiency. Rosebery criticized the “physical degeneracy of our race” (quoted in Matthew, 1973, p. 80) while Beatrice Webb referred at one point during the South African War to “breeding the right sort of man” (Mackenzie and Mackenzie, 1977, p. 291). Hence, the Webbs were easily attracted to their fellow Fabian George Bernard Shaw’s prescriptions for society’s ills in *Man and Superman* and those of Herbert Spencer (Spencer, 1960; for details of the Webbs’ friendship with Spencer and his influence see correspondence 16 May 1899 in Mackenzie and Mackenzie, 1983, p. 159 and Nolan, 1988, pp. 38, 39). Arnold White’s book *Efficiency and Empire* (1901), with its extreme eugenic prescriptions for raising national efficiency, was especially popular amongst the liberal imperialists who were attracted to Lord Rosebery and the Webbs.

Not surprisingly, given the importance of a large, secure and productive empire to Britain’s well-being, Rosebery’s and the Webbs’ conception of national efficiency as the source of the resurrection of British imperial prestige and power was dependent upon a strong and efficient army (Matthew, 1973, pp. 80, 215, 225; Semmel, 1960, p. 72). According to Sidney Webb and the Liberals, the essential requirement for an ‘efficient army’ which would allow “scientific fighting to replace soldiering” (Matthew, 1973, p. 94; Webb quoted in Scally, 1975, p. 52; Webb, 1903, pp. 13, 15) was improvements to general education, technical education and military education. “Nothing”, assured Webb (1903, p. 15), “is more calculated to promote National Efficiency, than a large policy of Government aid to the highest technical colleges and the universities”. Not only was the great majority of young men who had offered themselves for service during the South African War in poor health and of stunted physique, they were also invariably illiterate (Emy, 1973, p. 132; Mackenzie, 1978, p. 169; Miller and O’Leary, 1987, p. 244).⁹ Under these circumstances, Britain was at a considerable disadvantage in modern warfare when compared to the higher quality, better educated recruits available to the French and German armies. Thus, after the South African War the German obsession for rigour, detail, efficiency and excellence became the model upon which Richard Haldane (1856–1928) based his vision for a modern British army¹⁰ (Editor, 1907, p. 304; Haldane, 1929). As Secretary of State for War between 1905–12 Haldane had a singular influence on the reform of the British army prior to World War I. Some historians have referred to Haldane as the greatest army reformer in British history, surpassing even the attainments of Lord Cardwell in the early 1870s (Koss, 1969; Watt, 1988, p. 157).

⁹ Little had changed in the physical and educational quality of army recruits at the time of World War I when the government had been shocked at the high rejection rate in the early days of the war. Thus, immediately after the war major reforms were instituted in the education of army recruits with a heavy emphasis on basic reading, writing and arithmetic skills, so great was the educational need of the army (“Report on Educational Training in the British Army”, 1920, *British Parliamentary Papers*, Cmd.568, XXVII, p. 301).

¹⁰ Amongst the most important reforms forced upon the army by Haldane was the establishment of the Army General Staff, the brains of the army, an idea borrowed directly from the Germans.

Well before he entered politics Haldane had established a formidable reputation as a lawyer, an educational reformer, an implacable defender of the empire and as an expert in German philosophy¹¹ (*Dictionary of National Biography*, vol. 1922–1930, pp. 380–6; Webb, 1975, pp. 95, 98, 217). H.G. Wells (1934, p. 766), who came to hold opposing views to Haldane on imperialism, described Haldane as “a self-indulgent man, with a large white face and an urbane voice that carried his words as it were on a salver, so that they seemed good even when they were not so . . . I think he floated on strange compensatory clouds of his own exhalation. He rejoiced visibly in the smooth movements of his mind” (for more complimentary assessments of Haldane see: Webb, 1975, p. 95; Wilson, 1973, p. 220; Matthew, 1973, p. 3–6; Koss, 1969, chapter 1). Before entering politics Haldane’s interest in educational reform and his work in helping the Webbs establish the LSE in 1895,¹² and later in 1901 the reorganisation of the University of London, provided the basis for a long-standing and close friendship with Sidney and Beatrice Webb¹³ (see correspondence by Beatrice Webb in September 1892 in Mackenzie, 1978, p. 2–3 and Sidney to Beatrice Webb 22 April 1899, p. 99; Webb, 1975, p. 97; McBriar, 1966, p. 221). Thus, it was not surprising that he was also an early member recruited for the small dining club called the ‘Co-Efficients’ formed by Leopold Amery and Beatrice Webb in November 1902 to promote, as the name selected for the group suggested, the coincident social aims of the Fabians and those of the national efficiency movement.¹⁴ Amongst the first beneficiaries of their strivings for efficiency were the administrative departments of the British army.

The Co-Efficients was composed of a maximum of twelve prominent individuals, each a recognised expert in his discipline, who met once a month for dinner from late 1902 until 1908 when disagreements over tariffs proved too divisive for the Co-Efficients to continue. H.G. Wells (1934, p. 761) refers to the Co-Efficients as “a curious little dining club” of like-minded imperialists which at various times included amongst its members, with their specialisation: Richard Haldane (law); Sir Edward Grey (foreign affairs); Leopold Amery (the army); Clinton Dawkins (banking); Bertrand Russell¹⁵ (philosophy and science); Halford Mackinder who, like Haldane, was well known for his strong imperialist opinions and his support for a strong army to preserve the Empire (geography) (Parker, 1982, pp. 57, 60)¹⁶; H.G. Wells (literature)¹⁷; George Bernard Shaw (the arts) and Sidney and Beatrice Webb (social policy) (Amery, 1953, p. 224; Barnes and Nicholson, 1980, p. 41; Blouet,

¹¹ Haldane’s admiration for German education developed during his youth when he spent several years studying philosophy at Gottingen University.

¹² Lord Rosebery also was at one time a member of the LSE’s Court of Governors and the President of the LSE in 1901.

¹³ In one letter to Sidney Webb, Beatrice refers to Haldane as “our dear friend” (Webb, 1975, p. 182). As Secretary of State for War Haldane appointed Sidney Webb to his committee to consider army reforms (McBriar, 1966, p. 257).

¹⁴ Mackinder claimed to be present when, while out cycling, Sidney Webb came up with the name (Parker, 1982, p. 30).

¹⁵ After one visit with Bertrand Russell and his wife, Beatrice Webb described the way “he lives for efficiency” (quoted in Mackenzie and Mackenzie, 1983, p. 209).

¹⁶ For Mackinder’s views on the political importance of the study of geography see “On the Scope and Methods of Geography” in Mackinder’s *Democratic Ideals and Reality*.

¹⁷ The Co-Efficients appeared in Wells’ *The New Machiavelli* as the Pentagon Circle.

1987, p. 135; Mackenzie, 1978, p. 170; Radice, 1984, p. 146). Unfortunately, with no minutes taken of its meetings, the only records that survive are the isolated snapshots provided by members such as Wells, Sidney Webb and Amery.

With the Co-Efficients being drawn from both the Liberal and Conservative sides of politics as well as the Fabians, there was no intention to use the meetings to form a new political party, although the Co-Efficients was often referred to as a shadow cabinet. Instead, the meetings were to provide a forum whereby strategies could be aired with which to influence eminent people to promote national efficiency (Searle, 1971, p. 150). The Co-Efficients was but another way in which the Webbs used their tactic of ‘permeation’ to gain access to those in government and on the fringes of government who were most likely to be able to influence policy.¹⁸ Ultimately, according to Mackenzie (1977, p. 290–1) the Co-Efficients was little more than

one minor expression of a change in the national mood which cut across the parties and social classes, a mood rather different from the jingoism of the Boer War. For the first time in a century there was a sense of national danger, of a need for forthright leadership which could stiffen the country’s moral fibre and strengthen its ability to fend off foreign threats and competition.

In a letter to George Bernard Shaw in September 1902 Sidney Webb established that each meeting of the Co-Efficients would be structured around a short paper written by one of the nominated members, the subject of which would be centred on “the aims, policy and methods of Imperial Efficiency at home and abroad” (Mackenzie, 1978, p. 170; for a report of one meeting see Sidney to Beatrice Webb 18 June 1907 in Mackenzie, 1978, p. 265; Wilson, 1973, p. 382). Reflecting this primary impetus for the formation of the Co-Efficients, Wells (1934, p. 764) describes the first meetings at St. Ermin’s Hotel as ‘wrangles’ between “Amery and Mackinder, all stung by the small but humiliating tale of disasters in the South African War”¹⁹ (for Mackinder’s account of the first meeting see Parker, 1982, p. 30).

The Co-Efficients was notable, if not for its immediate political accomplishments, for the opportunities that were provided for its members to develop personal and professional associations which could be carried into other spheres of their lives. Most important for the purposes of this paper, the association that developed between Mackinder (1961–1947) and Haldane, who were recognised by the other Co-Efficients as the main intellectual forces behind their discussions (Amery, 1953, p. 228; Semmel, 1960, p. 61), provided the means by which the business education of army administrators could begin. Their friendship owed much to a shared and passionate commitment to educational reform, to their Liberal loyalties and to the close friendship that both enjoyed with the Webbs (Gilbert, 1961, pp. 19, 21). Mackinder, who had achieved fame as the founder of the modern discipline of geography and the creator of the new field of historical geography, was also a well-known economic

¹⁸ Mackenzie (1978, p. ix) notes that the Webbs were notorious for their incessant influence peddling; for seeming to be prepared to do whatever it took to get their own way. Ultimately, their attempts to insinuate themselves into the Liberal Party and to take advantage of the schism in the Liberal Party during the South African War saw them flounder in their attempt to influence social policy. On the strategy of ‘permeation’ see Read, 1972, p. 94.

¹⁹ Both Amery and Mackinder supported the South African War (Parker, 1982, p. 29).

theorist (Cantor, 1960; *Dictionary of National Biography*, 1941–1950, p. 556–7; Gilbert, 1961; Parker, 1982; Semmel, 1960, p. 166). While a member of the Co-Efficients and a member of the Liberal Party, Mackinder was appointed Director of the LSE in 1903, succeeding W.A.S. Hewins who had also been a member of the Co-Efficients, holding the post until June 1908. This appointment, soon to converge with Haldane's own appointment as Secretary of State for War, proved fortuitous for the introduction of business education to the administrators of the British army.

During Mackinder's term as Director of the LSE Haldane took advantage of his friendship with the Webbs and the momentum for reform created by the damning report of the *Elgin Commission in 1904* on army administration during the South African War to approve the commencement in 1907 of formal business training for army administrators with a 'Course for the training of Officers for the Higher Appointments in the Administrative Staff of the Army' at the LSE, most often referred to as the 'Army Class' (see the entry in Beatrice Webb's diary for the 21 November 1906 in Mackenzie and Mackenzie, 1984, vol. 3). Haldane's political assistant, Sir Edward Ward, referred to the "practical experience in recent campaigns . . ." which had demonstrated the need for specialized administrative officer's whose training should include "(f)inancial, commercial and legal qualifications" (Ward quoted in Watt, 1988, p. 157).²⁰ Haldane seized the opportunity, for which he, Rosebery and the Webbs had been preparing, to create the efficient army upon which the proselytizers of national efficiency believed that Britain's future as an imperial power depended. The Army Class allowed Haldane to give further effect to the intention to "put education first . . . , other interests second" and to apply business methods to domestic and imperial policies (Haldane quoted in Matthew, 1973, pp. 94, 149).

4. The LSE and the 'soldier business man'

Ever since the foundation of the LSE in 1895, through the Webbs and Haldane it had enjoyed a strategic association with Lord Rosebery and the movement for national efficiency (Matthew, 1973, p. 68). Indeed, Rosebery had used his influence with his brother-in-law, Lord Rothschild, to secure the necessary funding for the foundation of the LSE. In addition, from his time in power during Gladstone's last ministry, Haldane also had enjoyed close personal and political connections with Lord Rosebery (Matthew, 1973, pp. 17, 19). Thus, in effect, post-Gladstonian Liberalism and the decade-long preparations of the advocates of national efficiency converged in 1907 on the LSE in the form of the Army Class. Prior to the Army Class, the LSE had provided business training to many industries, including eight of the largest railway companies in Britain and several water authorities (Mackinder, 1907, p. 4; Rose, 1986, p. 125; Searle, 1975, pp. 90, 124). According to Napier (1996, p. 454), the close association with industry upon which the LSE developed its reputation was not unusual amongst British universities. The directors of the LSE believed that administration, whether in business or government, required dedicated professional training; "the old way of blundering into the position of a responsible administrator will no longer do" (Mackinder,

²⁰ Ward believed that other government departments would soon follow the army's example and adopt instruction in business administration as the preferred means to train their senior staff (Watt, 1988, p. 159).

1907, p. 4). Accordingly, it was Beatrice Webb's aim to make sure that "no young man or woman who is anxious to study or to work in public affairs can fail to come under our influence" (quoted in Webb, 1975, p. xxx), starting with the army whose officers at the opening of the South African War had managed to keep at bay the training and educational requirements of modern war.

Consistent with the determination of senior military officers to ensure that commissions in the army remained the domain of the landed classes, throughout the 19th century the education of army officers had changed little. The Duke of Wellington's belief that "the best education for an officer is whatever may be considered the fittest education for a gentleman" (quoted in Slessor, 1901, p. 516; Editor, 1905, p. 416; Russell, 1902) remained the touchstone for the training and the qualities sought of officers, the majority of whom were still drawn from the propertied classes (Bond, 1972, p. 20). The result was a body of officers whose education was perceived at the close of the 19th century to be significantly deficient when compared to that of leaders in the professions and business. It was particularly unsatisfactory and found wanting in comparison to German military education, against which the British appeared amateurish and dissolute (Esher, 1910, p. 46–9; Searle, 1971, p. 14–15; Wells, 1934, p. 763). At the time of the South African War, instruction for British officers had deviated little from military law, basic mathematics necessary for surveying, military history and fortifications which had been favoured in Wellington's time. Nor was there any incentive to change during long periods of peace after the Crimean War when the deadening routine of military life demanded by unchanging regulations denied officers the opportunity or encouragement to improve their skills and to use their initiative to do so (Slessor, 1901, p. 516–7). The plight of administrative officers, but especially those engaged in supplying the army with its material needs, when compared to the training of their brother officers in command positions was even more parlous. Secretary of State for War Haldane when introducing the new Army Class at the LSE reminded his audience how

(u)p to now no step has been taken to give a higher training to certain officers who may be experts in connection with the administrative side of war. You want those experts in the whole mechanism of modern business, in accounts, in supply, organization, and transport . . . (W)e have never trained our officers designated for that work . . . (but) we have already decided that we will train a school of administrative officers on the same high level that we try to train our staff officers . . . (T)rained business experts; soldiers but soldiers trained in the highest civilian principles so far as is administrative business is concerned, who would be fixed with the responsibility for what they did, and made accountable for the highest service (Haldane in the *Tribune* 29 October 1906).

Haldane regarded the Army Class at the LSE as the means, if only experimental at first, of getting the army on "a sound business footing" (quoted in Mackinder, 1907, p. 5; Watt, 1988, p. 159). At the opening ceremony of the new class in January 1907 Mackinder (1907, pp. 5, 7, 10) emphasized the importance of understanding the ways of "civilian business and . . . working the people according to their habits What we require as business men is such working knowledge as will enable us to do our business safely and in order We wish to obtain for you the experience of practical business men". With the benefit of

the recent findings of the War Stores Commission, Haldane (quoted in Watt, 1988, p. 159) expected instruction at the LSE to ensure that

never again shall a state of things occur in which officers placed in charge of the business of dealing with local contractors are unable to make or even to understand the nature of the contracts involved- never again shall we have officers unable to keep their company accounts and ignorant of questions of currency, or familiar with the general processes governing the management of markets . . .

The creation of an Advisory Board for Haldane's new Army Class at the LSE, on which sat some of the most senior officers of the various army departments, was a clear indication of the importance with which the army, the War Office and the government regarded the new Army Class (see [Advisory Board, 1912](#)). The success of this essentially revolutionary innovation in the education of British army officers and in the approach of the War Office to army administration depended upon a visible commitment at the very top levels in each of the army's departments. Each year the Advisory Board provided a detailed report to the government and to the War Office in which the Board outlined the accomplishments of the Army Class and gave its recommendation that the class be allowed to continue. In its 1911 Report, for example, the Advisory Board commended the way in which the class provided "the general working knowledge which enables an officer to conduct business matters in safety and in order . . ." ([Advisory Board, 1911](#), p. 3). Indeed, there was no shortage of graduates who believed that the course appreciably enhanced the value of army administrators ([Airey, 1913b](#), p. 457).

Each year 30 students in the latter part of their careers²¹ were selected to begin their 20 week course in October, finishing in the following March. The students, who were affectionately referred to as the 'Mackindergarten' after the Director of the LSE, were most often officers of the rank of captain and above selected from line commands and most of the administrative departments, with the Army Service Corps providing each year the largest number of students; ten out of 30 in 1911 and eight in 1912 ([Gilbert, 1961](#), p. 21; [Dahrendorf., 1995](#), p. 89; [Amery, 1909](#), p. 620; [Advisory Board, 1911](#), p. 3 and 1912, p. 3; LSE Archives, File 232/B; "B", 1907, p. 673). Other departments which were eligible to provide students included the Royal Artillery, Royal Engineers, Infantry, Medical Corps, Ordnance Corps and the Indian Army ([Badcock, 1925, 1926](#), p. 104). The students were instructed by eminent experts in their fields who were drawn from business, the universities and government. Haldane was a frequent lecturer and Sir Charles Harris and Colonel Grimwood of the Finance Department at the War Office, who had been implacable critics of army accounting systems ([Harris, 1911](#), pp. 65, 67; [Harris, 1931](#), p. 314; [Brodrick Committee, 1898](#), Questions 484–487, p. 21), took an active interest in the success of the Army Class with Harris appearing often as a guest lecturer (Letter from Lawrence Dicksee to LSE, 14 June 1919, LSE Archives, File 232/C and 232/D; [Grimwood, 1919](#)). Indeed, the army class signified the beginnings of the convergence of Harris's perennial agitation for business enhancements to the army's accounting systems, but especially the introduction of cost accounts, and the national efficiency movement which would finally come to full, if

²¹ The average age of the first intake of students in 1907 was 39 years and 2 months.

temporary, fruition with the cost accounting experiment in 1919. Haldane's (1929, p. 186) high regard for Harris, leading him to describe Harris as a 'very remarkable man', was borne out of a close professional association between Harris and Haldane at the War Office. Thus, from the first, Haldane as Secretary of State for War had at the War Office an unwavering champion for his reform plans. For Harris, the Army Class was but a preliminary step in the importation of cost accounting from business to provide Britain with a highly efficient and cost-effective army (see below).

Lectures were given on 14 subjects with numerous 'observation visits' to complement the material delivered at the LSE. These visits included the offices of *The Times* newspaper, the Great Western Railway Works, the London Docks, the London Omnibus Works, the Railway Clearing House, the Royal Arsenal at Woolwich, the Houses of Parliament and Lloyds (Badcock, 1925, 1926, pp. 106, 1925). Typically the curriculum was weighted heavily towards commercial law and accounting, the latter delivered by Lawrence Dicksee three mornings a week (Advisory Board, 1912, p. 5; Badcock, 1926, p. 104–5). These two subjects were recognised by Mackinder (1907, p. 6) as constituting the core of the new course, providing many of the basic essentials of business upon which the other subjects would need to draw.²² Indeed, accounting was allotted more than three times the number of lectures allowed most of the other subjects (Badcock, 1926, p. 104–5). The accounting course sought to provide

a thorough explanation of the principles upon which business systems of Accounting are founded, with a view to enabling officers to understand any accounts that may be present to them . . . The manner in which these principles are applied to meet the varying requirements of businesses will be fully considered, together with the organisation of systems of control. Attention will also be directed to the various uses made of accounting records by business men (Advisory Board, 1912, p. 5).

Captain Airey of the Army Service Corps, who had completed the Army Class in 1912, recommended accounting as the subject of the most practical value for the Army Service Corps officer (Airey, 1913, pp. 465, 466) while Lieutenant Colonel Badcock (1925, p. 140), another graduate, praised the way in which students were taught how to keep accounts and to understand how these accounts might be used to ascertain whether money had been wisely spent (for a copy of the accounting syllabus see LSE Archives, File 232/A). Captain Airey (1913, p. 466) was particularly impressed with the way in which knowledge of balance sheets would allow officers to choose contractors more wisely and to be better informed in any fights with the War Office's Finance Department. Most of this praise was for the teaching of Lawrence Dicksee whose books were in constant use as the sole accounting texts for the entire history of the Army Class.²³ After Dicksee's classes students found that

²² The full curriculum for the army course was: Public Administration; the British Constitution; Economic Problems of War; Accounting and Business Methods; Inland Transport; Sea Transport; Transport in War; Commercial Law; Economic Geography; Banking and Currency; International Institutions; Social Institutions, and Army Control. Haldane appeared often to deliver guest lectures on "Organisation for War" (Badcock, 1926, p. 104–5).

²³ Dicksee's accounting texts included: Bookkeeping for Accounting Students, Fraud in Accounts, The ABC of Bookkeeping, Depreciation, Office Organisation and Management, Advanced Accounting (LSE Archives, File 232/A).

“every account becomes an interesting statement of fact rather than an irritating collection of figures, so much despised because so little understood” (Airey, 1913a, p. 466).

The Army Class continued to operate until 1914 when the need for war economies induced the War Office to refuse further funding,²⁴ by which time nearly 300 officers had passed through the class.²⁵ The success of the Army Class in improving military efficiency, suggested Dicksee (1915b, p. 2), was clearly evident in the early part of World War I by the “wonderful success” of transport and supply. When the LSE sought to resurrect the Army Class in 1919 it also sought to support its case with the boast that “its value has been testified to be very satisfactory, in the War just ended, by the work done by many officers who had gone through the course” (*Notes on the Course established at the LSE in the Session 1906–7 for the Training of Officers for the higher administrative appointments on the Administrative Staff for the Army and for the charge of Departmental Services*, LSE Archives, File 232/C). The army course was eventually resurrected in 1924 after much lobbying by the LSE, continuing until 1932 when the need for economies during the Great Depression again saw the War Office and the Treasury withdraw financial support (see Beveridge, 1960, p. 32; Dahrendorf, 1995, p. 89; Wallas, 1925, p. 2; Watt, 1988, pp. 166,170). However, between the end of World War I and the resumption of the Army Class, the LSE was able to take advantage of the considerable experience it had acquired in teaching accounting to army officers in the Army Class by providing the formal accounting training to the soldiers recruited to implement the army cost accounting experiment between 1919 and 1925, the second and ultimate stage in early attempts at army accounting reform.

5. Political limits to administrative reform and the army cost accounting experiment (1919–25)

Although like its predecessor, the Army Class, the cost accounting experiment sought to raise the business efficiency of army administrators and commanders, this would not be achieved without political cost. The Army Class involved no changes to the army’s accounting systems and, therefore, presented no threat to the organizational basis of existing networks of power and influence or to the role performed by the ‘subject-based’ form of accounting constitutionally required by appropriation accounting. The cost accounting experiment, with its perceived challenge to a system of accounting from which political power and influence derived much of its nourishment, was a very different proposition. Accordingly, whereas the Army Class was widely praised and supported, the cost accounting experiment was the progeny of a few visionary financial administrators who were opposed,

²⁴ The LSE was paid a fixed annual subsidy of £ 1900 plus £ 30 per student for each student above a class of 30. The subsidy was later reduced to £ 600 plus £ 30 for each student in the class (*Letter from the War Office to the LSE, 20 January 1912*, LSE Archives, File 232/A; *Notes on the Course established at the LSE in the Session 1906–1907 for the Training of Officers for the higher administrative appointments on the Administrative Staff for the Army and for the charge of Departmental Services*, LSE Archives, File 232/C).

²⁵ On 11 October 1934 in reply to inquiries from the LSE about the future of the Army Class, the government’s Emergency Committee wrote on behalf of the Secretary of State for War, Lord Hailsham, informing the LSE that the Army Class would not receive any further funding (LSE Archives, *LSE History Collection*, Box 1).

either out of ignorance or self-interest, by numerous powerful adversaries determined to ensure the demise of the experiment.

Prior to World War I cost accounting was unknown in departments of state. Cost accounting systems had been introduced in all War Office factories in 1890, but not the War Office itself, mainly for the purpose of justifying the prices charged by contractors ([Public Accounts Committee, 1917](#), p. 246). Apart from the Finance Department at the War Office, in the departments at the War Office which administered the largest business²⁶ in Britain, that is the army ([Mackinder, 1907](#), p. 2; [Watt, 1988](#), p. 160), it was rare at the end of the 19th century to find an appreciation of the relevance and the benefits which might be obtained in the field of battle from the most basic cost accounting practices. The army cost accounting experiment which commenced in April 1919, at a time when there was a surge in cost accounting interest in private industry, was the ultimate manifestation of the army's flirtation with business methods and culture and another example of the nexus between government accounting reform and political crisis. It arose most immediately out of the financial extravagance of World War I, the extent of which was revealed in the First Report of the Select Committee on National Expenditure in 1918. According to the Select Committee, during the war the national debt had been increasing by £ 1000 m every six months and by the close of fighting war expenditure had accounted for 72% of all government expenditures ([Hinchliffe, 1983](#), p. 70). Most immediately, the idea for the experiment had emerged from conversations between Sir Charles Harris at the War Office, members of parliament and Sir Henry Gibson, then Comptroller and Auditor General, who had been "impressed by the uncontrolled extravagance proceeding in all directions and in the absence of any machinery whatever for seeing that financial considerations received attention . . ." (Sir Charles Harris, [Public Accounts Committee, 1924–1925e](#), Appendix 33, p. 826). Those advocating the introduction of cost accounting also had on their side the very persuasive recommendations in favour of cost accounting by the War Stores Commission (1906).

During the short few years in which the cost accounting experiment struggled for survival, the LSE, mainly through Lawrence Dicksee, became an important ally through the provision of the necessary courses in cost accounting to hundreds of army personnel who had been entrusted with the success of the experiment. Dicksee referred to these courses as the "Army Accountants' Course", the first of which had 82 students enrolled (Dicksee in a letter to the [War Office 8 July 1919](#), LSE Archives, File 232/C). Dicksee, who had been approached to provide these accounting courses by Colonel Grimwood representing the War Office, urged the LSE governors to "make every effort to provide what he wants . . ." (Dicksee to the Secretary of the LSE, 5 March 1919, LSE Archives, File 232/C). The LSE took his advice, securing responsibility for the course at £11 per student, based upon a minimum of 60 students for each class. Dicksee, who was at the same time a partner in Sellars, Dicksee and Co. in London, was then contracted to teach the new course for a fee of £ 300. The salient difference between the Army Class and the cost accounting experiment was that the Army Class was outward looking to the army's dealings with contractors, in the

²⁶ The army was a business in the sense that in order to achieve its purposes it entered a large number of different markets to buy, and sometimes sell, vast quantities of goods and services both in Britain and in many other locations throughout the world. Indeed, it was not uncommon in many cities in Britain for the army to be the single most important contributor to the local economy.

commercial world. The cost accounting experiment in contrast was primarily, although not exclusively, for the purpose of providing information which would be useful for internal decision making, for example the running of a military unit in a cost effective manner (War Office Cost Accounting Committee, 1918, p. 3).

According to Sir Charles Harris, the most vigorous and influential advocate of the cost accounting experiment, cost accounts were to “become the main channel of administration and the main channel of parliamentary control” (Select Committee on National Expenditure, 1918b, Minutes of Evidence, Question 220 and 248, p. 334–6; Harris, 1911, 1931, pp. 65, 67, 1931; *The Balance*,²⁷ vol. 2, Spring 1924). In his evidence before the Select Committee on National Expenditure in 1918 Harris told the Committee how “thirty years’ experience of the actual working of the present system of external control of War Office expenditure, in peace and war, has convinced me that it fails to produce real economy” (Evidence, p. 391). In the last days of the experiment when Harris appeared before the Public Accounts Committee in 1924 he referred to the way in which army cost accounting if allowed to persist would be the means of achieving impressive economy in military spending by providing information on the costs of operating army units and allow officers greater opportunity to make decisions to enhance economy. After the experiment had been approved in 1918 the War Office Cost Accounting Committee²⁸ (1918, p. 2; Black, 2001a; Ellison, 1918), which had been established by the Army Council to superintend the experiment, had also praised cost accounts for the way in which they would “fix responsibility . . . and secure economy . . . while increasing efficiency” (for details of these arguments in support of the experiment see War Office Cost Accounting Committee, 1918 pp. 2,4, Ellison, 1918 and Minutes of Evidence before the Public Accounts Committee, 1924–1925b, Questions 6721, 6722). In his last appearance before the Public Accounts Committee Harris again emphasized the way in which a cost accounting system would allow officers

to manage expenditure properly. (I)t is the difference between a system of account which is designed to control expenditures and a system of account that has nothing to do . . . with seeing whether the Public Services are being carried on efficiently and administered with reasonable care for economy. The present system has nothing to do with that question at all . . . This new system is intended, in particular, to take into account the psychological factor and produce economy . . . by showing people the results of their actions and appealing to their reason (Public Accounts Committee, 1924–1925c, Minutes of Evidence, Question 7206; for contradictions to these arguments see Public Accounts Committee, 1924–1925b, Appendix 30B, from p. 815).

Recruitment of students who might be suitable for the Army Accountants’ Course at the LSE began with the issue of *Army Council Instruction No. 113 of 1919* which, in “connection

²⁷ The journal of the Corps of Military Accountants, 1923–1925.

²⁸ The Cost Accounting Committee brought together several of the more prominent advocates of cost accounting: Major General Sir G. Ellison, Deputy Quartermaster-General who was also chairman of the committee; Colonel E. Allen, Assistant Director of Supplies; Mr. J. Crosland, Director of Finance at the War Office; J. Fells (FSAA), a co-author with Garcke of the famous *Factory accounts, their principle and practice*, Lieutenant Colonel J. Grimwood (FSAA) and Lieutenant Colonel J. Keane.

with the introduction into the Army of a new system of accounts of a costing type”, sought expressions of interest from officers, warrant officers and NCOs who in civilian life had practiced as a chartered or incorporated accountant. The army was interested also in soldiers of any rank who in civilian life had been audit clerks for at least two years and any soldiers with a good education and with some knowledge of accounts. Once they had completed their training at the LSE they would be then assigned to units within army establishments where, apart from matters which affected their technical competence and duties, they would be under the usual authority of the officer commanding. The *Army Council Instruction* also referred to the possibility of the formation of a special Corps of Army Accountants. This Corps was eventually formed in November 1919 as part of the Army Service Corps under the Quartermaster-General while Sir Charles Harris was Assistant Financial Secretary and Accounting Officer in the War Office (Black, 2001a).

At the outset of the experiment, it was readily appreciated that the success of such a massive and profound undertaking depended upon the goodwill and enthusiastic co-operation of all departments concerned. Unfortunately, the dictates of a rigid interpretation of the constitutional function of government accounting (Clode, 1869; Durell, 1917; Einzig, 1959; Select Committee on National Expenditure, 1902) and thinly disguised Treasury self-interest denied the cost accounting experiment the opportunity to become anything other than a tenuous expression of hope on the part of its most committed advocates, thereby precluding the adoption of cost accounting throughout departments of state as a decision making tool, effectively until the latter decades of the 20th century. From the inception of the experiment in 1919 and the confinement of its application to just 14 sites distributed throughout the army (see War Office Cost Accounting Committee, 1918, p. 1–2), the Treasury had no intention of allowing it to be successful. The Treasury, realising at the close of hostilities the strength of the desire for culprits to blame for the profligacy, both human and material, measured its response to the demands for accounting reform and gave the appearance of a willing, yet cautious, participant. Its true intentions, however, were clear by its insistence that the introduction of cost accounting be conducted as an experiment along side the existing system of appropriation accounting. The Treasury made sure that the new system of cost accounting would be adopted as a trial, an experiment with all the connotations of impermanence that this implied. The new system of cost accounting would be given six years to prove itself but would have to do so alongside the existing the system of accounting. The government, with the support of parliament which was yet to be convinced of the need for cost accounting throughout all government departments, had no intention of relinquishing the existing system of accounting without convincing, cumulative evidence of the advantages of the new system. The political stakes were too high should the new, relatively untested system fail. The existing constitutionally-based system of accounting, the essential function of which was to allow parliament to monitor executive spending according to parliamentary approvals, was the honed product of more than three hundred years of constitutional practice. Thus, constitutional suspicions of executive ambition were enshrined in appropriation accounting; cost accounting as portrayed by the Treasury could not hope to provide a similar level of constitutional assurance. While Sir Charles Harris and a small circle of like-minded finance officials from the War Office were convinced of the financial and operational benefits of cost accounting, the unsatisfactory results during the trial of the new system seemed to prove the opposite and made the case against cost

accounting even more convincing. It had not proved either its constitutional credentials or its financial credentials.

These institutionalised impediments to the assumption of cost accounting by government departments which thwarted Sir Charles Harris were compounded and perpetuated by the education, class prejudices and social insularity of senior civil servants. At a time when, as a body, members of the accounting profession remained mostly oblivious to the benefits of cost accounting, deeming it as irrelevant to the professional concerns of chartered and incorporated accountants²⁹ (see Fells, 1900 in Locke, 1979, p. 6; Armstrong, 1987, p. 419; Loft, 1986, p. 143), there was even less opportunity for senior civil servants recruited with a classics education from Oxford and Cambridge (Cohen, 1965; Finer, 1937; Skidelsky, 1983) to be acquainted with the existence, developments in, and the possibilities of cost accounting. Besides, ignorance of commercial practices was still a cherished characteristic of the British civil service (Marriner, 1914, p. 454). Even if this knowledge had been available to civil servants, evidence before the Public Accounts Committee as late as 1924 made it clear that cost accounting practices developed in the private sector for private purposes, and therefore tainted by the 'base' motives of commerce, were not deemed appropriate by many in government and in the senior departments of state, especially the Treasury, for the different roles and accountabilities of government. Thus, prior to the arrival of the 20th century cost accounting was not allowed to intrude in the administration³⁰ of departments of state.

Like any experiment, the cost accounting experiment would have to satisfy conditions of success far more onerous than those expected of well-tried incumbent systems. Not only did it have to prove that it was *at least* as good as the existing system but that it was superior to the existing system according to a number of criteria. These included the cost of implementing the experiment, enhancements to the economy and the financial and operational efficiency of the army and, most crucially, the ability of parliament to continue to exercise its constitutional powers of accountability over the army with the cash-based system of appropriation accounting. The Secretary of State for War, Sir Herbert Creedy, when expressing his opposition to the continuance of the experiment before the Public Accounts Committee in 1924,³¹ gave some idea of the prejudices that from the beginning

²⁹ The first British professional association of accountants skilled in cost accounting, the Institute of Cost and Works Accountants, was not founded until 1919.

³⁰ Throughout the 19th century and most of the 20th century senior civil servants carried out their duties as administrators rather than as managers. It is only since the latter decades of the 20th century that civil servants have assumed an identity which closely approximates that of private sector managers. As administrators they were expected to do little beyond ensuring that money raised by government according to parliamentary approvals was used only for the purposes allowed by parliament, that spending limits set by parliament were not exceeded and mandated processes had been rigorously followed. Their responsibilities and accountabilities were almost entirely defined with reference to these input measures. Although there was an enduring expectation that government should not be wasteful, accountability for the efficiency with which government programs were achieved, that is how well money was managed, was not a core responsibility of civil servants. This was not only seen as beneath the standing of senior civil servants but also an undesirable interference by parliament in the affairs of the executive.

³¹ Prior to the hearings of the Public Accounts Committee in 1924, the Lawrence Committee appointed in 1922 by the Secretary of State for War, under General Herbert Lawrence, recommended: that the new system of cost accounting be fully implemented across the army and not just the 14 sites that had been chosen for the experiment; that cost accounting was essential to securing an efficient army and, most controversially, that a

had ensured its demise and which had exaggerated the requirements of what were in reality complementary additions, rather than replacements, to the existing cash-based appropriation system. He firstly expressed concern to the Public Accounts Committee that to move to the new system of cost accounting in preference to existing systems of accounting would require the entire reorganisation of all levels of army administration, from the War Office down, which were presently organized on a ‘subject basis’, and the attendant costs and dislocations that this would involve. Such an undertaking “could only be carried out if there were very, very great and assured advantages, both in efficiency and cost, and I was not satisfied that either of those advantages was inevitable” (Public Accounts Committee, 1924–1925d, Minutes of Evidence, Questions 6839, 6884, 6887). More fundamentally, his opposition suggested that retaining the new system in the army and extending it to all government departments represented a dramatic innovation in constitutional practices, the merits of which had yet to be proved. Even if savings were to be obtained, and the performance of the trials in this regard had been far from convincing, this should not come at the expense of constitutional protections as embodied in the system of appropriation accounting. The *possibility* of improvements to military efficiency was again insufficient to counter latent, and misplaced, constitutional apprehensions. It wasn’t enough just to save money. The contribution of cost accounting to improved economy in the army, the first department of state allowed to experiment with cost accounting, while certainly recognized as a benefit to commend cost accounting was never sufficient of itself to convince the British Government that cost accounting was either necessary or constitutionally appropriate. Instead, the potency of economic arguments for the adoption of cost accounting by the British Government in the decades spanning the close of the 19th century was entirely dependent upon the necessary assurance that there would be no threat to the constitutional protections provided by the existing form of appropriation accounting (see for example the Public Accounts Committee, 1924–1925d, Minutes of Evidence, Questions 6839, 6884, 6887).

Unfortunately for Sir Charles Harris and the supporters of the cost accounting experiment the Comptroller and Auditor General was also not convinced of the wisdom of continuing the experiment. He was concerned about the vast number of errors that his office was finding year after year in the new cost accounts, which had rendered the accounts virtually worthless, but more importantly he believed that any attempt to widen the experiment to other departments, irrespective of whether the accuracy of the cost accounts improved, would fatally interfere with the system of Treasury control on which the government and parliament relied for the administration of policy (Public Accounts Committee, 1924–1925c, Appendix 32, p. 823–4). He also criticized the new accounts required for the experiment for being too complicated for parliament, thereby confusing most members and inhibiting effective parliamentary criticism.

complete reorganisation in army administration was needed to allow administrative responsibility and accounting to be decentralized as far as possible (Public Accounts Committee, 1924–1925, Appendix 32, p. 822). This would allow administration according to the objects of expenditure rather than subjects (Lawrence Committee, 1924, p. 717). This report was considered by the Army Council which had then established the Crosland Committee to examine detailed implementation of the Lawrence recommendations. Soon after the Army Council changed its mind. For details of the evaluations and reviews of the experiment prior to its demise see Hinchliffe, 1983, p. 71–8.

Thus, the Treasury's strategy to undermine the experiment by sowing seeds of doubt about its constitutional credentials had worked. It implanted the erroneous presumption, which angered Harris and others associated with the cost accounting experiment, that should cost accounting ultimately be allowed to spread from the army to all government departments it would replace the cash accounts upon which appropriation accounting was dependent (Black, 2001a; Marriner, 1914, p. 467; Ormsby, 1908b, p. 1533). Opponents of the experiment were successful in creating confusion, apparently even with the Comptroller and Auditor General, between cost accounting for management purposes *within* government departments and the cash accounting systems used by departments of state to acquit themselves of their constitutional accountability obligations to parliament. Thus, not surprisingly Harris believed that the experiment had not been given a fair chance and that its future was prejudiced from the start by constant Treasury sniping and innuendo (Public Accounts Committee, 1924–1925a, Question 6708). Indeed, he complained after being drawn from retirement to appear before the Public Accounts Committee that calling the new system of accounting 'cost accounting' was a mistake for it played into the hands of the Treasury and the unease that they were able to foment about possible threats to parliament's constitutional supremacy. Political pressures had both ushered in the experiment and ensured its demise, irrespective of economy considerations.

In contrast to beliefs which were actively encouraged by the Treasury, none of the major inquiries into army organisation in the early 20th century saw any contradiction between providing constitutional protections and the aims and practices of a system of army cost accounting (see Mackinder, 1907, p. 5; War Stores Commission, 1906; Young in Wright, 1956, p. 465). Instead, the Treasury, as the major financial adviser to parliament, was accused of perpetuating the existing structure of financial control largely because of motives of self-interest. The then present structure which was entirely based upon the format of the appropriation accounts suited the Treasury because of the considerable power and influence it afforded. Under the system of appropriation which evolved after audit reforms in 1846 the army's administration became locked into an organisational and reporting pattern according to the form and content of the departmental estimates submitted to parliament each year (see the Lawrence Committee, 1924, p. 718). It was on the basis of the divisions or heads in the estimates, as laid down by parliament, that parliament appropriated monies for military uses and upon which parliament after 1846 expected the military administration to report (see the 1846 Audit Act Sections II, VI; 1866 Audit Act Sections 23, 24). From 1846 in the Appropriation Accounts submitted to parliament actual expenditures were to be matched against grants and differences had to be explained (See 1846 Audit Act Section VI; 1866 Audit Act Sections 26, 27). To enable the army to meet these requirements, which were entirely supervised by the Treasury, the process of categorising expenditures according to 'votes' or subjects of spending such as soldiers' pay and forage had to commence at the earliest recording of expenditure (Select Committee on National Expenditure, 1918a, Minutes of Evidence, Sir Charles Harris, also Seventh Report, pp. 157, 163; see also Grimwood, 1919, p. 114, Harris, 1911, p. 64). Vouchers pertaining to accounting entries would be bundled according to their respective vote numbers in the parliamentary approved estimates and then forwarded to that section of the War Office to which the relevant expenditures related. Certification of spending by the War Office according to parliamentary votes was the responsibility of the Accountant-General who headed

the finance section of the War Office. His close association with the Treasury, to which he was ultimately accountable, further ensured a constant, insistent and all pervading presence for the Treasury in all matters of military finance and accounting. A system of accounting of which the concern was the cost of delivering specific functions would require officers in the field to be able to manage their finances without constantly seeking approval for every expenditure and require a different form of appropriation accounting and estimates which could only operate successfully by giving military officers greater decision making autonomy.

The Treasury feared that extension of the cost accounting experiment to all departments of state, and the resulting substitution of subject-based accounts by object-based accounts, would greatly diminish the Treasury's importance by allowing the devolution of authority and responsibility for spending away from the centre, that is the War Office ([Select Committee on National Expenditure, 1918b](#), Minutes of Evidence, Sir Charles Harris, also Seventh Report, pp. 157, 163; see also [Grimwood, 1919](#), p. 114; [Public Accounts Committee, 1924–1925b](#), Appendix 30B, *Memorandum by the Accounting Officer, War Office*, p. 814). Surrender of its pivotal position in military finance was not something the Treasury promoted ([Wright, 1956](#), p. 465). Keenly aware of Treasury deceptions, witnesses before the Public Accounts Committee in 1924 attempted to reassure the Committee that when the conventional accounting system which had been running parallel to the cost accounting experiment was removed there would be no diminution of Treasury control and, therefore, no threat to parliament's constitutional oversight of army expenditure ([Public Accounts Committee, 1924–1925a](#), Minutes of Evidence, Question 6748, also Appendix 33, p. 826). Unfortunately, these and Harris' arguments were not sufficient to neutralize Treasury opposition and, thereby, to convince the Public Accounts Committee to find in favour of the experiment's continuance.³² Harris' retirement in 1924 signalled the loss of the experiment's most influential champion who had fought for many years against the unrelenting opposition of the Treasury (see reference to this opposition by the [Public Accounts Committee, 1924–1925a](#), Minutes of Evidence, Question 6878). Once the regrets and recriminations which tend to follow the cessation of war had died away, institutional realities again asserted themselves when the experiment, eventually deprived of its main benefactors, was allowed to wither.

6. Conclusions

This paper has demonstrated how at times of political crisis, of which war is the most extreme form, the ideological possibilities and intent of government accounting become more obvious and contested. Indeed, the first tentative steps to modernize British military accounting in the early decades of the 20th century have been shown to have owed much to the crises of war. At the end of the 19th century accounting for most British departments of state presented few problems and even less reason to ferment change. Departmental

³² In the early years of the experiment the Public Accounts Committee was full of praise, noting in its 1923 Report (p. 36) how the new information provided by the cost accounts was "very illuminating" (see also Public Accounts Committee, 1922, p. 28–9). It also referred to the large number of errors found in the accounts.

performance was evaluated according to the ability to respect spending limits contained in the annual appropriations and for the purposes approved by parliament. The British army, however, operated under a very different set of circumstances from most government departments. Not only as the largest spending department would its activities attract attention but also its responsibilities to defend the liberty, rights and dignity of Britain meant that its performance in times of extreme crisis would be of paramount interest to all British citizens. While the army was expected to be always victorious, the nation also required the army to achieve its victories in the most financially efficient manner. This could only be achieved if the army was well led and expertly administered. Deficiencies in command and administration could remain hidden, as in other government departments, for many years in times of peace. However, in the panic of war any weaknesses were soon mercilessly exposed. Thus, when the British army experienced great difficulty in defeating an ill-disciplined, yet highly effective, group of farmers in South Africa between 1899–1902, both its command and administrative arrangements became the targets of intense scrutiny. From these inquiries the British people learnt of the commercial ineptitude of War Office administrators responsible for the supply of the army and of their subordinates in the field. This determined the government that amateurism and ignorance in those services with the ability to spend very large amounts of money with few controls in times of war could be no longer tolerated. Amongst other things, military administrators would have to become proficient in business accounting.

The problems of the army in South Africa were also further confirmation for the supporters of Lord Rosebery's movement of national efficiency that British inefficiency had placed Britain in a vulnerable state which needed to be urgently addressed by measures designed to elevate the efficiency of all aspects of British life, which depended upon preserving the empire. The Army Class at the LSE provided the means by which the army could begin this transformation while the cost accounting experiment between 1919–1924 promised that the innovations in cost accounting in the army might be extended to all departments. However, the reactionary impediment of Britain's 'ancient' constitution proved far stronger than any professed financial advantages from a system of cost accounting.

Although the adoption of business accounting practices promised economic gains, the ultimate purpose of military accounting was to provide constitutional protections. While economic motivations were not entirely absent in the decision to experiment with the introduction of cost accounting in the early 20th century in the British army, these were always secondary in the initial stages to motives of national interest and constitutional proprieties. Thus, the contribution of cost accounting to improved economy in the army, the first department of state allowed to experiment with cost accounting, was certainly recognized as a benefit to commend cost accounting. However, this had never been sufficient of itself to convince the British Government that cost accounting was either necessary or constitutionally appropriate. Instead, the potency of economic arguments for the adoption of cost accounting by the British Government in the decades spanning the close of the 19th century was entirely dependent upon circumstances providing sufficient political justification, in the form of military crises, and also the necessary assurance that there would be no threat to the constitutional protections provided by appropriation accounting.

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