

1982

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### Recommended Citation

Scott, Richard A. and Ward, Elizabeth G. (1982) "Carman G. Blough: His personality and formative years," *Accounting Historians Journal*: Vol. 9 : Iss. 2 , Article 4.

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*The Accounting Historians Journal*  
Vol. 9, No. 2  
Fall 1982

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## **CARMAN G. BLOUGH: HIS PERSONALITY AND FORMATIVE YEARS**

**Abstract:** The article briefly explores the personality and psychological makeup of Carman G. Blough and discusses some experiences during his formative years that made Blough the person he was.

What was Carman Blough like and what were the experiences that influenced his formative years? John L. Carey singled out these features:

. . . he was attracted by public service. He was vigorous, industrious, and self-confident, but open-minded and judicious—not doctrinaire. When convinced he was right he stood his ground, but he could disagree without being disagreeable. His candor, complete honesty, and good nature inspired confidence. He was not without the gift of diplomacy. He got along well with people. He had a sense of humor. He could relax convivially. He had no pretensions.<sup>1</sup>

There was another side, one where an explosive temper lurked. Paton described an episode involving a five-star general. During a horseshow attended by Blough and his daughter, the general—a big man attired in full uniform—remained standing in front of the two, blocking their view. Blough asked him several times to sit down, without success. Finally, he

. . . jumped up, grabbed the general's coat, yanked violently, and yelled: "Sit down, damn you, or I'll knock you down." And he cocked his fist at the ready.<sup>2</sup>

At times his temper could fuel a defiant attitude. In 1932 he studied for the Ph.D. degree at Harvard University. After one year

he pressured Professor Burbank, head of the Economics Department, to permit him to sit for the general examination. "He kept telling me that I wasn't prepared, that I should have another year at Harvard before I came up for the generals."<sup>3</sup> Finally, Blough's examination was scheduled, and a committee formed. Blough described what happened.

I was really boiling mad because I felt sure that Burbank had put himself on that committee in order to sink me. And I got down there and I was still fuming and I went inside and he asked me this question which I recognized as a very hard question. So I sat back and tipped my chair back against the wall, and I outlined one, two, three what these fellow's positions were.<sup>4</sup>

One of the committee members, later relating the story to Mrs. Blough, recalled: "You husband dropped down on his chair and said, 'Now, is there anything more on that subject that you want, Professor Burbank?'"<sup>5</sup> Blough remembered another of the committee members asking him a question concerning accounting theory.

I know that Professor Cole would want me to answer the question this way. But, I do not agree with that. My theory of that is so and so. I outlined it in great detail as to what my position was and why. Well, I would never have dreamed of doing that if I hadn't been so mad. I might as well have gone in all liquored up, I was ignoring all the sensible things that I should have been doing, instead of flaunting my views and opinions.<sup>6</sup>

Fearlessness and resolve were apparent in the way he conducted himself. He had a strong will and an independence of mind that transcended fear of personal consequences. He resolved, as far back as 1921, when he was teaching corporation finance at Wisconsin, to champion the cause of better financial reporting. Using published financial reports in class proved frustrating because they were so sketchy.

They started right off with gross profit on sales and from then on most of them just had general selling and administrative expenses as one item and income taxes, then net income. That was it.<sup>7</sup>

Attempts made by Blough to obtain additional information were largely unsuccessful. Company representatives responded that in-

formation of the type requested was confidential to management and not to be disclosed.

I made up my mind that anything that I had to do in accounting was going to do something to improve corporate reports that went to stockholders. It was their money. It was their decision to continue the management and they ought to know more than they were being told.<sup>8</sup>

He also entertained feelings of inadequacy. In explaining his motive for leaving the Securities and Exchange Commission (SEC) in 1938 to go with Arthur Andersen & Co. he confessed to

. . . a childish feeling that I was not a full-fledged CPA until I had worked with a big accounting firm on big jobs. . . . I had the feeling that I was kind of a neophyte at accounting procedure, in the accounting field, even if I was Chief Accountant of the SEC. I had the feeling that I wouldn't be a full-fledged accountant until I had been a partner of one of the big firms.<sup>9</sup>

These traits were mixed with a strong concern for doing what was right. When he left Arthur Andersen in 1942 he was a partner, earning over \$20,000 a year. He resigned during the heat of World War II to take an \$8,000 job with the War Production Board, explaining the sacrifice in this way:

I just cannot reconcile my conscience. If I can do something like this, which I think is worthwhile to the country, why I just can't selfishly refuse to do it.<sup>10</sup>

By 1943, Blough had been appointed to a deputy director's position with the War Production Board. He was responsible for issuing Certificates of Necessity, which permitted rapid depreciation of certain facilities dedicated to the war effort. One incident involving a public utility company again illustrates his resolute nature and indifference to the threat of personal consequences. The utility had been urged by government officials to build a new plant which had been in planning for several years. They agreed, but then insisted on a Certificate of Necessity to depreciate the plant over five years. Blough refused to grant one.

They went to the head of the Public Utilities Division of the War Production Board who had been putting the heat on them to build, and got him to come down and discuss the

situation and almost demand that I give it to them. Which I didn't. I still refused to do it.<sup>11</sup>

Another important side to Carman Blough was his pragmatic nature. In 1964, the Accounting Principles Board had to reverse an earlier opinion (*Opinion No. 2*) when it was literally forced to issue *Opinion No. 4*. Blough, a member of that board, explained,

I think that from a practical standpoint it was better to change. But from an accounting principles standpoint I still think the first one was right. . . . From a practical standpoint, to maintain [acceptance of] the bulletins having some authority it's better to retreat from a position that is not going to be accepted than to insist that that's the best theory and you'd better stick to it. Because . . . the more violations you have, the more people get the idea that it isn't worth it. It's a bit like prohibition.<sup>12</sup>

Having briefly explored the personality and psychological make-up of Carman Blough, it is time to turn back to his formative years in search of the experiences that made him what he was.

### *The Formative Years*

Carman Blough was born in Johnstown, Pennsylvania on November 11, 1895, the son of Silas S. and Mary Wertz Blough. Silas Blough was a minister in the Church of the Brethren. Carman's church-oriented childhood and adolescence were very influential in formulating his later views and philosophies. When Carman was five years old his father was sent to open a mission in Pittsburgh. Following that assignment, Silas Blough went to the church seminary in Chicago, Illinois. Carman had finished one year of high school in Batavia, Illinois, when, in 1911, the family moved to North Manchester, Indiana where Silas became the head of the Bible Department at Manchester College. These many moves were to set a pattern for Carman Blough's own life once he moved away from his parents. His family's religious orientation also influenced his values to a very significant degree. As Blough himself pointed out, ". . . I was a minister's son and I went to church school and emphasis was placed on right and wrong and morals and honesty and so forth."<sup>13</sup>

Upon moving to North Manchester, Blough enrolled as a sophomore in Manchester Academy. His course work included a course in bookkeeping which he later taught while in college. After gradu-

ating in 1914 he was admitted to Manchester College. There he took other bookkeeping courses and in 1915, using the accounting skills he was developing, was engaged to set up a bookkeeping system and train the bookkeeper for a department store in North Manchester. He also closed the books at year-end, prepared financial statements, and prepared a federal income tax return—the first ever required under the 1913 law. Enthralled and challenged by this experience, he decided that he was going to be a CPA.

On a very cold night during his freshman year at college, Blough and fifteen other students set out to journey to another school where a basketball game was scheduled. They took a horse-drawn hack to the railroad station six miles away. On route, the driver drove in front of an oncoming railroad train. The train smashed the hack to pieces, causing Carman to lose his right arm. Determining that the loss was not going to handicap him, he took up tennis, eventually playing on the Manchester College team before graduation. Throughout his life he was to be intolerant of anyone who displayed a hint of condescension because of his impediment.

### *Career Beginnings*

Following graduation from Manchester in 1917 with a bachelor degree, he accepted a teaching position at Bridgewater Academy in Virginia. There he taught advanced bookkeeping, commercial law, shorthand, and typewriting. He was placed in charge of the men's dormitory and also required to coach the basketball and baseball teams. All of this, as well as his teaching duties, earned "the munificent sum of \$60 a month, plus board and room. So I decided I wasn't going to remain and I joined a teachers agency. That was the first job I ever went after myself; the only job I ever went after."<sup>14</sup> The teachers agency found him a position starting in the fall of 1918 as head of the business department at Fond du Lac High School in Wisconsin. First, however, he spent the summer of 1918 at Columbia University where he took public school administration, methods of teaching bookkeeping, and advanced accounting with Roy Kester.

During his tenure as department head, the University of Wisconsin sent an extension teacher to Fond du Lac to start a class in accounting for local businessmen. Blough signed up for the course because, "I wanted to get all that I could."<sup>15</sup> Towards the end of the course, the teacher talked to Carman about going to the University of Wisconsin for advanced work, something Carman had wanted to do but could not afford. With the assistance of this teacher, and

Fay Elwell, the head of the accounting department at Wisconsin, Blough was able to get an assistantship in the accounting department at the university. His move to Wisconsin ended a two year stay at Fond du Lac. Because he was interested in having a better background before teaching at Wisconsin, Blough attended summer school in 1920 at the University of Chicago. Blough spent two years at the University of Wisconsin, graduating in 1922 with a Master of Arts degree. In the fall of 1921, Blough sat for the CPA exam in Wisconsin. He passed all but the auditing section and, due to other circumstances was forced to take the entire exam again in 1922, which he passed.

Shortly after beginning work with the Wisconsin Tax Commission, Carman met and married Katherine Flory, a native of Bridgewater, Virginia, who was at that time teaching at a college in Ohio. They were wed on August 17, 1922 and later had a daughter, Betty. Katherine was to be a great influence on his life. She and her daughter, who was to later marry, both live in Bridgewater today.

In his new job he was a corporation income tax field auditor. He held this position for the better part of a year, became assistant to the division head and, in 1924, was promoted to head of the Public Utilities Taxation Division—also a part of the Wisconsin Tax Commission. This job was akin to being a securities analyst and established contacts for Blough that led to his first position with the SEC. His next move, in 1927, was promotion to Secretary to the Wisconsin State Board of Public Affairs. He was responsible for the audit of various state units and for preparing the state budget. When Blough was appointed to this post he was thirty-one years old, the youngest man ever to hold the job.

Blough held the position until 1929 when he resigned with the election of a new governor. In his last year in Wisconsin, he served on the State Board of Accountancy.

### *Back To Academe*

In the fall of 1929, Blough returned to academe by accepting the University of North Dakota's offer to become the head of their accounting department. In the fall of 1932, he took a leave of absence to pursue a doctorate degree at Harvard. After completing one year of course work Blough requested permission to sit for the general examination and, despite the faculty's reluctance, passed with distinction. He had also virtually completed his dissertation on the topic "The Intercorporate Relations of Public Utilities with Reference to Regulation and Management." This research was later to

prove very useful to the SEC in helping to set up a uniform classification of accounts for holding companies. Unable to successfully complete the foreign language requirement, Blough never did receive the doctoral degree.

In the spring of 1933, during the depth of the depression, Blough received a letter from the Dean at North Dakota telling him that the state legislature had cut all faculty salaries. Blough's salary had been cut from \$4,000 to \$1,800 annually so "I started looking around for something else to do."<sup>16</sup> A new opportunity quickly arose. In 1933, the Bloughs moved to Chicago where Carman became a professor and head of the commercial department of Armour Institute of Technology. Blough was there for only a semester when Armour Institute found itself in financial trouble. In the spring of 1934 the faculty was told that they could not be paid prior to the following fall, after the students had registered and paid their fees. Carman found himself looking for something that would carry him through the summer of 1934, with the intention of remaining at Armour Institute. His search led to a job with the Illinois Commerce Commission redesigning their uniform system of accounts for electric utilities. Blough's work would later be used by the National Association of Railway and Utility Commissioners in rewriting the regulations for public utilities.

In 1934, the Securities and Exchange Commission was created and one of the appointed commissioners was George Matthews with whom Blough had had contact in Wisconsin. The Commission was looking for someone with accounting knowledge to join their staff of financial analysts and they approached Blough to see if he would be interested. He was. In November of 1934, after Carman had found a suitable candidate to replace him in his job with Armour Institute, the Bloughs moved to Washington where Carman was to assume a new position with the SEC.

## FOOTNOTES

<sup>1</sup>Carey, p. 227.

<sup>2</sup>Paton, p. 3.

<sup>3</sup>Ward.

<sup>4</sup>Ward.

<sup>5</sup>Ward.

<sup>6</sup>Ward.

<sup>7</sup>Ward.

<sup>8</sup>Ward.

<sup>9</sup>Ward.

<sup>10</sup>Ward.

<sup>11</sup>Ward.



<sup>12</sup>Ward.

<sup>13</sup>Ward.

<sup>14</sup>Ward.

<sup>15</sup>Ward.

<sup>16</sup>Ward.

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