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Professional Ethics *

BY ERNEST RECKITT

It must be apparent to all of us that for some years, and perhaps more now than ever before, many practising accountants have been passing through a period of unrest and uncertainty as to whether we are actually engaged in a profession or whether our activities should be classed as a business. In the very nature of the case, this situation was bound to arise and even the older professions have had to meet it and overcome it. Our professional work during recent years has increased so rapidly that it has attracted many men of varying degrees of professional ideals, and it should not surprise us that among this number are many who believe that our activities should be conducted as any ordinary business and not from the professional point of view. Another class of practitioners, and a harder class to deal with, consists of those who desire to pose as professional men, but ignore the inherent responsibilities and duties of a profession. It is these conditions that, in my opinion, constitute the living issues with which our Institute is now confronted. It will be my endeavor to show how our Institute has met these questions in the past and what its policy must be in the future.

Prior to the year 1906, while unquestionably a large majority of the members of the American Association of Public Accountants maintained in their practice a high standard of professional ethics, the association as such had not included in its constitution or by-laws any reference to professional ethics. The lack of any pronouncement on this subject must have been realized as a serious omission, for in the year 1907 we find that leaders in our profession, such as J. E. Sterrett in the east and John Alexander Cooper in the middle west conducted a strenuous campaign with the object of formulating rules of conduct which would be embodied in the by-laws of the association. I have very distinct memories of meetings held in Chicago in 1906, led by Mr. Cooper, and his enthusiastic zeal undoubtedly helped to

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create a strong sentiment throughout the middle west that the association should declare itself in no ambiguous terms as to what constituted professional conduct. Undoubtedly accountants who lived in the east at that time will remember similar meetings led by Mr. Sterrett and others. The American Association of Public Accountants and its successor, our own Institute, owe an especial debt of gratitude to Mr. Sterrett and Mr. Cooper for the efforts they made twenty years ago.

In October, 1907, at the annual convention of the association held in St. Paul, a special session was devoted to a consideration of the topic of professional ethics, and at this time Mr. Sterrett gave a most noteworthy address. Mr. Cooper led the discussion, and he was followed by Robert Montgomery and Franklin Allen. The address made by Mr. Sterrett dealt more with the general underlying principles of the ethics of the profession, while Mr. Cooper devoted his address more particularly to definite rules of conduct.

It may therefore be stated that for the past twenty years the American Association and the American Institute have taken no ambiguous stand as to the professional character of the activities of the public accountant, and the necessity of maintaining at all times rules of conduct based upon a high regard of the duties of the accountant to the public, to his clients and to other members of our profession.

So much for the past. What about the future? In the first place, one thing may be taken as certain, namely, that as most of the members of the Institute are imbued with the same ideals which were expressed twenty years ago, no backward step will be taken in the future. However, I venture to express the opinion that it is not enough merely to remain satisfied with the present situation. It seems to me that there are three classes of people whom we must approach and convince that the practice of the public accountant is indeed a profession, and that no playing with words, such as calling it a business, can make it anything else but a profession, with all the responsibilities and duties that that term implies. These classes are first, certain of our own members and associates, second, some of the practising accountants who are not affiliated with the Institute and, third, a large proportion of the general business public. Unless practically all the public accountants throughout the country will conduct themselves as professional men, it will be difficult to make the general business

men of the country accept us as such. Our first duty, then, is to try to convert the practising accountant who looks upon his work primarily as a means to accumulate a prosperous bank account. To meet with any measure of success in this proselytizing effort, we must first be very sure of the grounds of our own faith. It will not be enough to state that because for many years past both in Great Britain and in the United States practising accountants have claimed they were professional men our work is necessarily professional. It will not be enough to state that because lawyers and doctors do not advertise or employ solicitors public accountants should not do so. I do not mean to suggest that precedents and established customs should be ignored. On the contrary, they afford a prima facie argument in favor of the particular matter which they govern, for there must have been at one time fundamental causes which resulted in the creation of established customs. Hence any precedent or established custom demands at least our respect and our careful investigation before discarding it. But times and conditions change, and it would be foolish to continue a custom merely because it had existed many years in the past.

The fact that questions are now being raised as to whether or not we are engaged in a profession or a business may possibly result in a healthier condition for us all. It will create discussion and investigation which in my opinion will demonstrate not only to ourselves but to those who do not now agree with us, that the very nature of our work puts us in the professional class whether we like it or not. Instead of going forward, placidly content that we are professional men, we shall then acquire new zeal, for we shall be more firmly grounded in our faith.

I have purposely extended my remarks along these lines, for I think there is a tendency in all of us unduly to criticize the man who does not see eye to eye with us. If we are to accomplish anything we must meet those who disagree with us in a friendly attitude and present our arguments in such a logical, forceful manner that they will be unanswerable.

Our first task, then, is to determine what constitutes a profession. The various bar associations and medical societies all emphasize the fact that service must be the first consideration, and that reward or personal gain should be a subordinate consideration. In my opinion, by far the best definition of a profession and of its requirements that I have as yet seen is to be

found in the rules of professional conduct of the Western Society of Engineers, which I will give in full:

1. A profession is a vocation in life requiring specialized intellectual attainment which can be devoted to the service of others.
2. The opportunity to serve human society with specialized skill is not confined to the professions, but professional service is peculiar in that it is the product of mental inquiry and analysis upon problems which can not be properly solved by purely mechanical skill or training.
3. Competent professional service, therefore, whether for the community, the corporation or the individual, requires a certain liberty of thought and action with some freedom from undue direction which is not noticeable in other callings. This larger requirement, as a trust, carries with it the responsibility of producing the most effective results consistent with all the limiting circumstances.
4. It follows that a capable professional man should be necessarily and peculiarly the repository of confidence and trust on the part of those whom he will serve, and such necessary confidence and trust should in turn inspire in him as an obligation the highest sentiments of honor and good faith.
5. The first and highest aim of a professional man should be to render the most effective and efficient service consistent with the opportunities afforded him. Questions of his remuneration can not properly take precedence of the quality of his service, but must be of secondary importance. It is, however, a secondary duty to see that his services are properly understood, appreciated, and sufficiently rewarded by adequate compensation, not only in justice to himself and his family, but as a mark of respect to his profession.

Summarizing the foregoing, the attributes of a profession must be:

1. Specialized skill.
2. Service to human society which is the product of mental inquiry and analysis upon problems which can not be properly solved by purely mechanical skill or training.
3. Liberty of thought and action with freedom from undue direction.
4. The attitude on the part of the practitioner that his relationship to his client is in the nature of a trust, which in turn must inspire in him the highest sentiments of honor and good faith.
5. As a corollary to the foregoing, it follows that remuneration can not take precedence of the quality of the service but must be of secondary importance.

How singularly the above definition of a profession fits the requirements we constantly claim for ourselves. It is quite inconceivable that any practising accountant would claim that the first four of these captions do not constitute the whole fabric of the claims which entitle him to any consideration on the part of the public from whom he expects to draw his clientele. That being the case, it should not only be impossible for him to

permit his remuneration to take precedence of the quality of his service, but he can not by any process of juggling place his activities under the caption of a business without completely stultifying himself. It seems to me that there can be no half-way house; one can not serve both God and Mammon.

It may seem almost a waste of energy to devote so much time to something which appears axiomatic. We must, however, attempt to reach out to a larger audience who do not at present accept our point of view.

Articles have appeared in one of our contemporary accountancy magazines where the question has been seriously raised as to whether or not the attitude of the Institute was not entirely wrong in claiming that we constituted a profession. It is essential for the future welfare of all practising accountants, whether members of the Institute or not, that this question be settled for all time to come. It would appear that there can be only one reason why any practising accountant should desire to free himself from the designation of a professional man, and that would be because a profession necessarily entails obligations and rules of conduct which would be distasteful or in the opinion of the practitioner might be detrimental to a rapid increase in his fees account. That every professional calling carries with it its special obligations is emphasized by the leaders of all the professions. Julius Henry Cohen, in his book entitled *The Law, Business or Profession*, says:

"To put forth power in such a way as to be provocative of power in others is the ethical aim that should guide men in all vocations and in all their relations The moral view of the professions leads their representatives to subordinate the claims of ambition and of material gain to the enduring interest of science, of justice, and to all the permanent social interests that are confided to their keeping."

The American Medical Association in its code of ethics gives the following description of the obligations of a physician, which would seem to apply equally to the obligations incurred by any practising accountant.

"A profession has for its prime object, the service it can render to humanity; reward or personal gain should be a subordinate consideration. The practice of medicine is a profession. In choosing this profession, an individual assumes an obligation to conduct himself in accord with its ideals. . . .

"The obligation assumed on entering the profession requires the physician to comport himself as a gentleman, and demands that he use every honorable means to uphold the dignity and honor of his vocation, to exalt its standards, and to extend its sphere of usefulness. . . .

"In order that the dignity and honor of the medical profession may be upheld, its standards exalted, its sphere of usefulness extended, and the

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advancement of medical science promoted, a physician should associate himself with medical societies and contribute his time, energy and means in order that these societies may represent the ideals of the profession.

"A physician should be 'an upright man; instructed in the art of healing.' Consequently he must keep himself pure in character, and conform to a high standard of morals, and must be . . . modest, sober, patient, prompt to do his whole duty without anxiety . . ."

"Solicitation of patients by physicians as individuals, or collectively in groups by whatsoever name these be called, or by institutions or organizations, whether by circulars or advertisements, or by personal communications, is unprofessional. . . . It is equally unprofessional to procure patients by indirection through solicitors or agents of any kind, or by indirect advertisement, or by furnishing or inspiring newspaper or magazine comments concerning cases in which the physician has been or is concerned. All other like self-laudations defy the traditions and lower the tone of any profession and so are intolerable. The most worthy and effective advertisement possible, even for a young physician, and especially with his brother physicians, is the establishment of a well merited reputation for professional ability and fidelity. This can not be forced, but must be the outcome of character and conduct. The publication or circulation of ordinary simple business cards, being a matter of personal taste or local custom, and sometimes of convenience, is not per se improper. As implied, it is unprofessional to disregard local customs, and offend recognized ideals in publishing or circulating such cards."

But, it will be claimed, these rules of conduct may be all very well for the old professions such as medicine and law, but it does not follow that the rules of one profession necessarily must be the rules of another. It may also be claimed that the general public centuries ago accepted the fact that doctors and lawyers were professional men, and while freely acknowledging that public accountants are also professional men, it will be contended that as our profession comparatively is of such recent origin the public must be educated and taught the character of the service which we can offer. I frankly concede the force of the argument that because certain rules of conduct apply to certain professions, they do not necessarily apply to other professions. We must go back to fundamentals if we expect to demonstrate that the rules forbidding advertising and soliciting are equally applicable to members of our profession and to physicians or lawyers. Furthermore, I believe that many of us will willingly concede that in many communities throughout the United States the general public does require education in respect to the character of the services which we can render. This condition was well presented by Robert H. Montgomery at the annual convention of the American Association in 1907, but he pointed out that while general publicity and educational work by the local societies were eminently proper and indeed advisable, the personal advertising of individual accountants was damaging, not only to the advertiser, but also to the profession as a whole.

If, however, upon investigation we find that the reasons why physicians and lawyers do not advertise or solicit are of such a fundamental character that the same reasons must apply to any and every other profession, then we have an answer to those in our profession who desire to have our Institute let down the bars and permit promiscuous advertising by circular letters of every description and the engagement of a corps of solicitors.

That such fundamental reasons do exist is set forth very ably by Julius Henry Cohen in the book to which I have already referred, and I can not do better than to quote him. In dealing with this subject, Mr. Cohen is supposed to be addressing a manufacturer of shoes, whose son is about to enter the legal profession, and he gives to the young man words of advice which every young man entering any profession may well take to heart.

"Let us grant all that the advertising gentry say concerning their work—there are some things even *they* can not advertise. The breath of frost will kill the finest beauty rose, though the sturdy pine will hold its head high above the snow. There are some things so delicate, so subtle, so like the rose, that the cold air kills them. . . .

"Mr. Shoe-Man, you have shoes to sell. You may praise your product. Your son has to sell—knowledge? Yes. Services? Yes. And something more. . . . Is your son not pledged to loyalty to his client, to preserve inviolate his client's sacred confidences, to forget self in service for another? Can such fealty or service be bought and sold? . . .

"The basis of the relationship between lawyer and client is one of unselfish devotion, of disinterested loyalty to the client's interest, above and beyond his own. Let the lawyer seek you for his own profit and you despise him.

"In a certain club a flattering young man diligently cultivated acquaintanceship among the members. His motive became apparent—he was an insurance agent. Did he add to his clubability? When he was found out, did it add to his practice? Wherever personal confidence is the basis of a relationship, it is born of goodwill. Such a goodwill can be brought about by actual service. The young lawyer who has no practice must establish this goodwill. He can do so by service, unselfish service. If he joins clubs or political or civic or religious organizations, he will acquire just the goodwill he deserves. Men intuitively learn to pick out the 'climber' and set him apart from 'the fine fellow.'

"Those of us who know how hard it is in middle life to take the time for public work from private service welcome the young men, fresh from law school, buoyant and full of energy ready to try out their brains upon the knotty problems of the day. We need them—how much we need them, on legislative committees, on research committees—wherever the lawyer's training is needed for the solution of pressing problems. Can the lawyer create a goodwill by unselfish devotion to the public weal? I know that he can—if he put his ideals above his profit. He must entirely and at once dismiss from his mind the thought that such association will bring business. It will not. It will beget *confidence*—if he earns it; and as confidence is the fabric of which professional retainer is made, it will come as friendship comes, in gentle zephyrs, when most unexpected. Where two people find faith in each other and one needs the other's confidential counsel, there is the beginning of the lawyer's practice. Can such a confidence be secured by advertisement? It can. It is done every day in the week—*but not by advertising one's self*. The reputation of a lawyer is made up of advertise-

ment more than he has reason to suspect. Every one of us is talked about behind his back. And by the time he reaches forty-five every man is tagged and labeled, sometimes in different quarters with different and conflicting tags and labels. Young man, let your friends and your enemies do your advertising for you. A really effective enemy, properly chosen because of the things he stands for and you do not, will do more to build confidence in you than many intimate friends.

"The shoes are good, Mr. Shoe-Man. *You* may say so—if it be true. And you may spread the glad tidings and no one will blame you that you make profit out of selling shoes. . . . But in the case of the lawyer, advertising of one's own willingness to be trusted as a man of unselfish devotion—for 10% of the amount involved—frosts the rose before it has chance to bloom. It nips in the bud the flower that grows only in a warm atmosphere. Take it out of the nursery and stick it in the snow, lawyer-advertiser, and see what becomes of it."

Those of us who have been in practice a number of years can not but sympathize with the difficulties and temptations of the younger men who are trying to build up a practice, for they see older firms, which have no excuse for adopting unprofessional methods, apparently enlarging their clientele by solicitation and advertising. The quotation above will, I hope, give new hope to the young practitioner that by steady perseverance and through service he will eventually win a place of confidence and success in his community. I do not believe that it is thoroughly appreciated by the younger, and sometimes struggling, public accountant that our rules against promiscuous solicitation and advertising are in reality more for his benefit than for the older established firm. If such advertising methods actually produce the results claimed by some accountants and if they were permitted by the Institute, what chance would the young accountant have with his slender financial resources as against the old established firm with a bank account large enough to finance a heavy advertising budget?

To the member or associate who violates the rules of conduct in respect to solicitation or advertising, the attitude of the Institute is that of persuasion to reform, rather than harsh criticism and threats of discipline. The officers of the Institute realize that while our ideals must be high, it would be folly to expect one hundred per cent. perfection on the part of all members. The results of this policy are gratifying, and usually the practice complained of is voluntarily abandoned.

I have attempted in the foregoing paragraphs to suggest not only what our Institute stands for, but also the nature of the propaganda that the Institute must undertake in order to demonstrate that the calling of the public accountant is indeed a profession and carries with it all those obligations and codes of con-

duct which are inherent in every profession. In addition, the American Institute will, I believe, undertake in larger measure than in the past other activities to create high ideals in the minds of those entering our profession. The difficulties that beset us do not differ materially from the difficulties existing in the older professions. A recent report of the committee on legal education of the bar association of the city of New York says: "The prestige and influence of the bar are menaced as the result of a great influx of young men, deficient in general knowledge, special training, and character." In the past, the students in schools of commerce have had held up to them altogether too much the commercial gains incident to a knowledge of accounting, while the inculcation of professional ideals has not received due consideration. The inauguration by the Institute of a placement committee will, I believe, help our profession very materially in the years to come, by reason of the fact that we shall obtain the interest of young men who have a good background not only in technical training, but in the even more important development of character, and in the ideal that true success can never be measured in dollars and cents. The committee on education of the Institute proposes to enlist the assistance of all schools of commerce and universities where accounting is taught to include in their lectures the fundamental teachings of professional ethics.

Finally, each and every one of us can exercise his own influence by precept and example among the members of his staff, so that they will unconsciously adopt correct professional ideals.