

## **Shifting Strategies: the Pursuit of Closure and the ‘Association of German Auditors’**

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### **Abstract**

Drawing on Weber’s (1972) theories of social stratification and closure, and on Parkin’s (1979) development thereof, this paper contributes a case study of Germany to the literature on closure processes (rather than outcomes), and outcomes falling short of professionalization. It explores the early history of the first German association of auditors, the *Verband Deutscher Bücherrevisoren* (VDB), founded in 1896. The paper traces how closure was pursued, at various times, by different means and to different degrees, depending on the changing social, economic and political contexts and on changing perception of what would best serve the association’s interest. By thus focusing on the shifting aims and strategies of the VDB, the paper contributes new insights into the dynamics within professions and between professions and their environments, and the dynamics and conditions underlying failed professionalization projects. The paper shows that, while the VDB had a degree of success in creating many of the structure and processes of a modern professional body, its ambition to achieve market and professional closure was not fulfilled.

**Key words:** auditors, professions, Germany, closure

### **Introduction**

One major approach in the sociology of professions builds on neo-Weberian theories of closure and social stratification. Closure theory suggests that professions seek to ‘translate one order of scarce resources – specialist knowledge and skills – into another – social and economic rewards’ (Larson, 1977/2013, p. xvii). Based mainly on the work of German sociologist Max Weber (1864–1920), closure and stratification theories have been developed and employed primarily in the context of Anglo-American professions (see for example, Collins, 1975; Larson, 1977/2013; Macdonald, 1995; Murphy, 1988; Parkin, 1979). While there is thus a considerable body of literature on histories also of the accounting profession in Anglo-American setting, such studies outside the English-speaking world are in much shorter supply. Exceptions include papers on Belgium, France, Greece and Italy (see for example Ballas, 1998; Bocqueraz, 2001; De Beelde, 2002; Caramanis, 1997, 2005; Coronella,

Sargiacomo & Walker, 2015; Dedoulis & Caramanis, 2007; Ramirez, 2001) and, to a limited extent, Germany (see below). Where such papers also draw on neo-Weberian theories, they suggest that the theories require refining to allow for national political, social, economic, legal and historical contexts (Burrage, 1988; Chua & Poullaos, 1993, 1998; Macdonald, 1995, p. 63; Ramirez, 2001; Willmott, 1986). Since closure can be achieved through a variety of processes and may be pursued to varying degrees, broader conceptualizations of closure and monopoly may be required (Chua & Poullaos, 1998, p. 156). It has also been suggested that neo-Weberian studies of professionalization place too much emphasis on the the role of the professions, vis-à-vis other actors (Chua & Poullaos, 1993). Continental European settings in particular seem to suggest that the state plays a central role (Burrage, Jarasch & Siegrist 1990; Caramanis, 1999; Macdonald, 1995; Ramirez, 2001; Sikka & Willmott, 1995), although professional initiatives often existed before state intervention – as in France (Bocqueraz, 2001), and in Germany. The present paper examines the early history of the *Verband Deutscher Bücherrevisoren* (VDB), the first German association of auditors, between 1896 and 1914, long before state control of auditing. In particular, the paper tracks and interprets the VDB's largely unsuccessful attempts, by various means and to various extents, to obtain, for its members, market and social closure for audit and accounting related activities. As an interpretative frame I draw primarily on Weber's original texts (1972, 5<sup>th</sup> edition, in German), supplemented by Parkin's (1979) theory of dual closure.

Parkin (1979, p. 44) argues that refinements of Weber's theories, in particular a more explicit link between stratification and closure, make his concepts more useful 'for the study of class and similar forms of structured inequality'. To create such a more explicit link, Parkin develops the concept of dual closure: closure as *exclusion* of 'groups or classes legally defined as inferiors' (p. 45) and closure as *usurpation*, by those excluded, of the privileges and resources of dominant groups. Related to this, Parkin's model places greater emphasis on the role of the state than Weber does, thus also addressing the limitation of neo-Weberian literature referred to above. Parkin argues, for example, that exclusionary closure strategies usually seek the support of the state, while usurpationary closure tends to rely on solidaristic strategies (1979, p. 98; 2002, pp. 101–102). Parkin thus interprets and extends Weber's writings in a way that allows me to make sense of the role of the state in the history of the VDB, while nonetheless respecting Weber's original text.

Drawing, in addition to Parkin (1979), also on Weber's original writings adds further insights to the case presented in this paper, and has potential also do so in the exploration of other professionalization attempts, in particular in continental Europe. Thus, while

recognizing that status groups and social classes seek similar rewards and at times use similar strategies, Parkin's (1979) critique of Marxist class theory is predominately concerned with the closure strategies of classes. Weber however explores in more depth the interplay between status/social standing and economic resources (see also Harrits, 2014). As will be discussed below, this – and the associated concepts of *Gesellschaft* and *Gemeinschaft* (approximately: 'society' and 'community', but see below) – permit a deeper examination of the VDB's objectives and strategies. In addition, Weber's original concepts of closure and monopoly, and associated strategies, are not as tightly defined as they appear in later (neo-Weberian) professions literature, and thus invite the finer distinctions between different types and levels of closure called for by Chua and Poullaos (1993).

Weber witnessed and theorized about the changing social, economic and political context that saw the emergence of the VDB and its pursuit of closure.<sup>1</sup> Social developments observed and critiqued by Weber – for example, the changing role of formal credentials – had a major impact on the association. This is reflected in the fact that the terms and concepts employed by Weber are frequently echoed in the language of the VDB (as, for example, the term *Stand* and its compounds). Drawing on the original text, in the original language, thus permits me to identify synchronicity between the theoretical concepts and the discourse and rhetoric of the VDB, which illustrates how both arose from and within the same cultural context. This allows for a more nuanced interpretation of the case, since language and discourses play an important part of the data in the context of this and related papers.

The use of the original text is also useful because several of the concepts employed by Weber are difficult to translate, and translations have become outdated (Kalberg, 2001; Waters & Waters, 2010). For example, translations of the German term *Stand* as 'status group' only approximate the German meaning, and translations of the terms *Gemeinschaft* and *Gesellschaft*, as 'community', 'political community' or 'group', and 'society' or 'societal', respectively, do not fully capture the complexity and context of Weber's terminology. However, the concepts are central to Weber's theory of stratification (Waters & Waters, 2010). Similar difficulties arise over translating the term *Beruf* (approximately: 'occupation', 'vocation'), while, conversely, the English 'profession' does not have a German equivalent (see below). Except where citing other authors, I therefore leave several German terms untranslated and instead explain their meaning (see for example notes 4 and 5).

The paper aims to contribute to prior research in a number of (interconnected) ways. While much of the earlier literature on professionalization focuses on successful projects and on formal structures of association and closure, the present paper contributes to the more

limited literature on closure processes (rather than outcomes) and on incomplete professional projects, that is, outcomes falling short of professionalization. For nascent professions, ‘there are clearly a variety of directions for development, and development towards strong control is but one of them’ (Abbott, 1988, p. 18). Focusing on the shifting aims and strategies of historical actors, and tracking the life and ‘death’ of different closure strategies, permits the exploration of their interaction, their efficacy, and the preference, at different socio-historical junctures, for different types of strategies (Chua & Poullaos, 1993, 1998). Supporting Chua and Poullaos, and in line with Weber’s original texts, the present case illustrates that different degrees of market control or closure may be pursued at various times, and that the strategies and resources employed may change (see also, for example, Richardson, 1997; Walker, 1995, 2004). Professions do not exist in isolation; they ‘are not autonomous objects that exist “there”, waiting to be studied’ (Ramirez 2001, p. 414). Instead, professionalization projects are idiosyncratic processes, strongly driven by the respective social, political and cultural conditions.

Secondly, and following from this, the paper contributes to historical explorations of the conditions underlying unsuccessful professionalization projects by presenting a case study of Germany in the decades preceding World War I – a period of considerable social, economic and political change, and in which third parties, and in particular the state, played a significant role. The paper thus adds to insights provided by previous studies with a similar focus on processes and contexts (as for example Chua & Poullaos, 1993, 1998; Ramirez, 2001, and Coronella et al., 2015) by exploring a new context.<sup>2</sup> While other aspects of the development of the German audit profession have been explored to some extent elsewhere (Evans, 2003, 2005; Evans & Honold, 2007; Gietzmann & Quick, 1998; Markus, 1997; Meisel, 1992; Quick, 1990, 2005; Vieten, 1995), this paper is, to the best of my knowledge, the first, in accounting, that explores in depth the history of the foundation and early years of the first German association of auditors, and the first applying the theoretical lens discussed above.

Thus, the paper’s third contribution is its combination of Parkin’s concept of dual closure with Weber’s original texts. Prior papers tend to draw on either Weber (Chua & Poullaos, 1993 and 1998) or Parkin (Coronella et al., 2015).<sup>3</sup> While Parkin usefully develops Weber’s theories of stratification and closure (as discussed above), drawing in addition on Weber can contribute deeper insights into the interplay and tensions between closure and openness. Thus, for example, Weber identifies the need for associations, at specific junctures, to pursue openness rather than closure, but this is ‘sometimes forgotten by neo-Weberian

studies of the professions' (Chua & Poullaos, 1998, p. 182). The present paper reminds us of these original insights and draws upon them for a more refined exploration of the pursuit of status honour and market interests by means of different levels of closure and openness at different times. This also permits a more nuanced examination of the interplay between expansionist and monopolistic (Weber) and exclusionary and usurpatory (Parkin) strategies. While this approach may be particularly useful for the specific setting explored in this paper, drawing more closely on Weber – with refinements perhaps necessitated by contexts – may also provide fresh perspectives on other settings.

Finally, and more tentatively, the paper suggests that the application of a sociological theoretical framework developed in the same setting as the case to be explored may give rise to additional insights, in particular in the case of a history project. Thus it reduces the risk of 'lifting historical subjects outside their contexts' (Mills, 1993, p. 801), that may apply when drawing on modern theoretical frameworks. As argued above, other benefits arise because drawing on the original text may provide insights that may otherwise be 'lost in translation'. The implications of translation are of course generally well understood (with regard to Weber, see Kalberg, 2001; Waters & Waters, 2010) and a contribution in this respect can only be claimed for the case under investigation. However, while many neo-Weberian studies prefer to focus either mainly on class (Macdonald, 1995; Parkin, 1979) or on *Stand* (for example Collins, 1990a), drawing on Weber's original discussion of the concepts of *Gesellschaft* and *Gemeinschaft* and their relation to *Stand* and class permit a closer observation of the tensions between, and interrelatedness of, these concepts, their role in the dynamics of closure, and their relation to other societal factors, such as the changing nature of credentials.

The paper's focus is on the time period from the VDB's formation in 1896 to events preceding World War I, when it effectively delegated control over professional closure to a semi-public bureaucratic authority, and when most of its activities ceased for the duration of World War I. Earlier and later events provide occasional reference points when they serve to illuminate the association's strategies or their consequences. The paper draws on sources mainly from the time period under investigation. Where relevant, and where these inform on the early history of the VDB, later sources are also consulted. Sources include inter alia presentations made and resolutions agreed at the association's annual meetings, articles published in its journal, publications by the *Handelskammern* and the association's own publication issued to celebrate its 60<sup>th</sup> anniversary (Gerhard, 1956). Many of the contemporary sources used were written by members or supporters of the VDB; other authors

were associated with its main competitor, the (mainly bank-controlled) corporate audit firms. Thus a balance is aimed at between partisan and critical contemporary sources. The primary sources were accessed in a number of German archives and libraries, primarily the libraries of the universities of Cologne and Münster, the *Wirtschaftsarchiv* of the University of Cologne, the archive of the *Handelshochschule* Leipzig and the *Bundesarchiv* (Federal Archive) in Berlin. McClelland (1991, p. 9) comments on the scarcity of surviving records of regional and local professional associations in Germany; national professional journals and other publications however provide useful (and virtually the only surviving) material. Some of the more recent secondary sources (e.g. Meisel, 1992) rely heavily on a limited range of contemporary literature; some also contain factual errors. Most secondary sources also say little about the early years of the VDB. This suggests that an examination of the association's own publications and other original sources are likely to provide a deeper insight.

Below, an outline of the historical context and of the main theoretical assumptions on which this paper builds will first be introduced: in the next section I provide a brief overview of German professions and social stratification in the late nineteenth and early twentieth centuries, and an outline of the key concepts in Weber's theories of closure and of social stratification, and in Parkin's (1979) theory of dual closure. This is followed by the paper's main section, where I integrate theoretical reflections with the empirics of the case narrative, that is, the pursuit of status and closure in the early history of the VDB. This main section is divided into several subsections, which are organized around theoretical themes and chronological developments. The final section consists of a brief discussion and concluding comments.

## **Historical and Theoretical Contexts**

### *Professions and the State*

Germany, as a unified nation state, emerged in the nineteenth century. A loose confederation of 39 principalities was created after the Napoleonic wars. After the Franco-German war of 1870–1871, 25 principalities united as the German Empire. The separate states had only limited forms of democracy. Rulers had near-absolute authority and were aided by an authoritarian civil service, 'a key factor in the state development of the professions' (Neal & Morgan, 2000, p. 21). In this context, occupations, trades and communities representing a

variety of leisure, business and political interests, created voluntary associations to pursue their collective interests (Neal & Morgan, 2000) but had limited organizational possibilities (Jarausch, 1990; Neal & Morgan, 2000). In addition to voluntary associations, the established status professions (cf. Elliott, 1972), i.e., medicine and law, created *Kammern* (literally: chambers) – public bodies run by practitioners but closely cooperating with government bureaucracies (Jarausch, 1990; Kocka, 1990; McClelland, 1991, pp. 77–78). These represented a compromise between self-regulation and state control (Neal & Morgan, 2000), and their membership correlated strongly with that of the voluntary associations (McClelland, 1991, pp. 77–78). The state regulated the market for services, jurisdictional disputes were settled by means of legislation, and ‘the state became the central focus of much professional lobbying’ (Jarausch, 1990, p. 13). This ‘leads Siegrist (1990: 46) and many others to talk of “professionalisation from above”’ (Macdonald, 1995, p. 91). Strong (national) professional associations in the English sense, thriving in a laissez-faire and free-trade environment, could not develop. In fact, there is no equivalent term in German for ‘profession’, the closest perhaps being *freie Berufe* or *akademische Berufe*; however, both overlap only partly with the English term.<sup>4</sup>

Two other, interrelated features of German society pertain to the development of professions in the late nineteenth and early twentieth centuries: the middle classes, and the importance placed on academic credentials. To contextualize these and other dimensions of German society, I turn to Weber’s theories of stratification and of closure, which were developed based largely on observations of this German society, contemporaneous with the early years of the VBD.

### *Weber’s Theory of Stratification: Classes, Stände and Parties*

Weber’s model of social stratification describes classes, *Stände* (‘status groups’<sup>5</sup> – the singular is *Stand*) and parties (Weber, 1972, pp. 531–540). Classes are stratified based on economic circumstances and relations. Weber distinguishes between propertied classes, commercial classes (based on marketability of goods and services) and social classes.<sup>6</sup> By contrast with class situation, position within a *Stand* is based on social relations. It is reflected in conventions and traditions; it relates to honour and social esteem, to lifestyle, education, and to prestige derived from ancestry or occupation (Weber, 1972, pp. 179–180, 534–535). Unlike classes, *Stände* do not result from market-based relationships, or one’s position within

the marketplace (Waters & Waters, 2010). Weber suggests that a *Berufsstand* ('occupational interest group') is also a *Stand* because it can only successfully lay claim to social esteem or honour on the strength of a specific lifestyle, which may derive from the occupation (Weber, 1972, p. 538). Related to the concepts of classes and *Stände* are *Gemeinschaft/Vergemeinschaftung* and *Gesellschaft/Vergesellschaftung*. *Gemeinschaft* has been translated as 'group', 'community' and 'political community' and *Gesellschaft* as 'society' or 'societal'.<sup>7</sup> *Vergemeinschaftung* and *Vergesellschaftung* are the processes of becoming, respectively, a *Gemeinschaft* and *Gesellschaft*. The concepts will be explored further below; for now it should be noted that *Gesellschaft* relationships 'tend to be utilitarian and emerge from the mode of market exchange' (Waters & Waters, 2010, p. 154; based on Weber, 1972, pp. 21–22), while *Gemeinschaft* relationships imply social interaction based predominantly on emotional, affectual and traditional ties (Weber, 1972, p. 21). Normally *Stände* (but not classes) are *Gemeinschaften*.

Classes and *Stände* may both 'engage in the collective pursuit of their interests and thereby enter into the third dimension of stratification, the political order' (Macdonald, 1995, p. 43). This third dimension is parties. While classes are 'at home' in the economic order and *Stände* in the social order, parties belong to the sphere of power. Their actions are functional, rational and goal-oriented, and always involve *Vergesellschaftung* (Weber, 1972, pp. 539). Their aim is to influence social action and to obtain ideal or material advantages (including power) for their leadership and membership. They are not necessarily political parties but may appear as, or within, associations of any form and may be based on, or represent, the interests of classes or *Stände* (Weber, 1972, p. 167). They may apply a wide variety of means to obtain power, including violence or political lobbying (p. 539).

Weber's three dimensions of stratification are interdependent and interlinked. Each represents 'a distinct aspect of power in so far as each constitutes a different basis for staking claims to material and symbolic rewards' (Parkin, 2002, p. 90), although classes and *Stände* may act in similar ways when pursuing such claims (Parkin, 2002, p. 97) – both may, for example, pursue closure (see below). Further, social and economic characteristics and resources may interact: the social honour associated with *Stand* may (but need not) be associated with an individual's class situation and economic resources (Weber, 1972, p. 533–534; see also Harrits, 2014; Parkin, 2002, pp. 96–97). Classes, *Stände* and parties are thus phenomena of power in communities, albeit not necessarily the only ones (Parkin 2002, chapter 4). What is striking, though, according to Parkin, is what Weber leaves out: 'Among possible candidates for inclusion in the catalogue of power, the state and bureaucracy stand

out as distinguished absentees' (Parkin, 2002, p. 90). This appears especially surprising when one considers the prominent role of the state in German society in general and, in particular, vis-à-vis professional organization. This question will be explored further in our examination of the history of the VDB below.

Another important feature of Weber's stratification, in relation to the contemporary context, is that he assumes greater heterogeneity between strata than the Marxist dichotomy between capital and labour, and also conceptualizes middle classes (Macdonald, 1995, chapter 2). Middle classes include those that derive their living from specific skills and credentials; this also refers to members of the *freien Berufe* (see above). However, members of the high status professions (law and medicine) are conceptualized at the higher end of this stratum, since they are also included among the positively privileged classes. On the other hand, Weber also envisages, as a social class, a lower middle class (see note 6), which ranks above the working classes, but below the propertyless intelligentsia, highly trained subject specialists, the propertied classes and those privileged through education (Weber, 1972, pp. 178-179). Thus stratification (and class formation) is affected by property but also by other criteria, and, as noted by Macdonald (1995, chapter 2), access to cultural assets contributes to the persistence and, in terms of professionalization, relative success of the middle classes. The distinction between two levels of middle class, and the significance in this of cultural capital, are of particular relevance to professionalization, since 'the professional project is above all aimed at achieving social closure in the realm of knowledge, credentialed skills and respectability' (Macdonald, 1995, p. 58). Such knowledge credentials, and in particular academic titles, played a much greater role in Germany at the time under investigation than was the case in the UK or the US (Macdonald, 1995, p. 90). However, at the time under investigation, the focus shifted from *Bildung* – wider education and learning, the cultivation of tastes and the development of judgement (Abbott, 1988, p. 197) – to narrower technical, subject specific content and titles.

### *Closure and Dual Closure*

Both classes and *Stände* pursue collective interests. How both 'seek to mobilize power in a similar way ... is revealed most closely in Weber's discussion of social closure' (Parkin, 2002, p. 100). Weber considers a social relationship as closed where some individuals are excluded from or limited in their participation. Closure can relate to, for example, family and

other personal relationships or relationships based on shared values; or it can be rational, goal-oriented (Weber, 1972, pp. 23–25) and, in economic relationships, motivated by a desire to monopolize social and economic opportunities by excluding outsiders (Weber, 1972, p. 202). Weber notes that such group action (i.e., seeking closure) can lead to corresponding collective reaction by those excluded (p. 201). This suggestion is developed by Parkin (1979), who argues that:

[c]losure strategies ... include not only those of the exclusionary kind, but also those adopted by the excluded themselves as a direct response to their status as outsiders. ... In other words, collective efforts to resist a pattern of dominance governed by exclusion principles can properly be regarded as the other half of the social closure equation. (Parkin, 1979, pp. 44–45)

Parkin thus develops the concept of dual closure, where ‘exclusionary closure represents the use of power in a “downward” direction’, with the aim of excluding those perceived as inferior, while ‘usurpation’ refers to ‘the use of power in an upward direction’ (Parkin, 1979, p. 45), and is a collective reaction to exclusion, by those negatively privileged. Its aim is to gain a greater share of the resources of the positively privileged, dominant groups (Parkin, 1979, pp. 45, 74). Further, dual closure is especially common among the lower status or semi-professions, ‘occupations that make claims to rewards on the basis of formal qualifications, but which have been unable to secure full professional closure by establishing a legal monopoly or control over the number and quality of entrants’ (Parkin, 1979, p. 102). While Parkin explores this mainly within a later setting, and with respect to teaching, nursing and social work, the concept of dual closure is also helpful in exploring nascent professions, including accounting (see for example Coronella et al., 2015; O’Regan, 2013).

Therefore, as noted in the introduction, the early history of the VDB provides an opportunity to explore an incomplete professional project by applying both Weber’s original theories on stratification and closure, as well as Parkin’s later refinements, in a setting that has, to the best of my knowledge, not previously been examined through the lens of these theories. With regard to Weber, this also provides an opportunity to relate the concept of the professional project ‘to the social stratification of the society in which the project is pursued’ (Macdonald, 1995, p. 63).

## Early History of the Verband Deutscher Bücherrevisoren: Vergesellschaftung, Vergemeinschaftung and the Pursuit of Status and Closure

One type of economic determinant which frequently occurs with all forms of *Gemeinschaft* results from competition for economic opportunities ... When the number of competitors increases in relation to the earnings margins, the desire of those participating in competition to somehow restrict this, also increases. (Weber, 1972, p. 201, my translation)

### *Competition and the Birth of an Association*

At the end of the nineteenth century, German *Aktiengesellschaften* ('public companies') were subject to codified governance rules (Meisel, 1992, p. 63; Quick, 1990). These required a two-tier board structure, with a supervisory board monitoring the activities of the executive management board. Following a major economic and corporate crisis in the 1870s, new legislation in 1884 extended the duties of the supervisory board and introduced the right for the annual meeting or, in some circumstances, a minority of shareholders, to call for an external audit. A compulsory audit of the company formation process was also introduced (Quick, 2005; Schröer, 1993), although this only had to be carried out by external parties under very specific circumstances (Karoli, 1934). A biennial external audit was, however, introduced for cooperatives in 1889 (Quick, 2005; Schröer, 1993). Apart from these limited circumstances, an external audit remained voluntary, and it was rare for the annual meeting or the supervisory board to rely on external (professional) auditors, because doing so could be perceived as signalling financial difficulties (Gietzmann & Quick, 1998), and was, in any case, considered to be of limited benefit (Quick, 1990).

An external audit could be provided by *Bücherrevisoren* and by *Treuhandgesellschaften* ('trust companies'). The former had their origins in internal audit work (which was first documented, from the end of the fifteenth century, in large banking and trading houses) and, from the sixteenth century, in independent witness testimonies in court cases. These testimonies were provided under oath by *Bücherrevisoren*: experts – typically bookkeepers – who were *vereidigt* or *beeidigt* (licensed; literally: 'sworn' or 'sworn in') by courts to review and provide opinions on financial information (Meisel, 1992, pp. 39–46). The first self-employed bookkeepers were itinerant *Rechenmeister* ('reckoning masters'),

and made their living primarily by teaching and writing treatises on bookkeeping or, in the eighteenth and nineteenth centuries, by offering their services to merchants who did not employ in-house bookkeepers. Additional roles existed in bankruptcy work (Meisel, 1992, p. 47).

Initially, *Bücherrevisoren* were licensed by courts on an ad hoc basis when required (Markus, 1997). Only in the mid-nineteenth century did the principles underlying this process become somewhat consistent, and *Bücherrevisoren* were licensed on a permanent basis (Penndorf, 1932). The Hanseatic cities of Lübeck (1887), Hamburg (1888) and Bremen (1889) first created legislation to arrange for the licensing through *Handelskammern* (Markus, 1997; Penndorf, 1932). *Handelskammern* (literally: ‘chambers of commerce’) represented (and still represent) the interests of commerce and industry and were organized on a regional basis, as bodies corporate in public law. Their function was to liaise between trade and (regional) government and to support local authorities by issuing certificates and expert opinions. In some cases they were also charged with supervising public institutions such as stock exchanges. In the 1890s, more than 200 *Handelskammern* existed in the German states, differing in constitution and administration (Meyer, 1895).

By 1895 approximately 140 *Bücherrevisoren* had been licensed by courts, and another 20 by the *Handelskammern* of the Hanseatic cities (Gerhard, 1956; Markus, 1997; Meisel, 1992, p. 91; Penndorf, 1932). However, like the English ‘accountant’, the designation *Bücherrevisor* itself was not licensed or protected, and was used by many individuals who competed for other work or jurisdictions with the *vereidigten* (licensed) *Bücherrevisoren*. Thus *Bücherrevisoren* constituted an eclectic mix, with a diversity of tasks and sometimes dubious qualifications. Key activities were bookkeeping and accounting, and business education. Actual *Revision* (that is, mainly voluntary audit work) was only of limited practical and economic significance for the majority of *Bücherrevisoren*, whether licensed or not (Gerhard, 1956, p. 8; Römer, 1905). It was, however, prestigious, was seen as their core activity, and became a major focus of the *VDB*’s *Berufstandspolitik* – the ‘organised pursuit of collective interests’ (Jaraus, 1990; Schreier, 1925).

The only tasks for which *vereidigte Bücherrevisor* held a legal monopoly related to work arising from their official court or *Handelskammer* appointments, typically involving forensic audit work and expert witness testimonies. The primary significance of these was not in direct financial gain, but rather in that their licence signified formal credentials, and those thus qualified gained a competitive advantage over those not licensed, by being generally favoured also in other appointments (Gerhard, 1956, p. 8; Römer, 1905). In addition, given

the traditional German respect for public office (Macdonald, 1995), such appointments carried social credit and status honour (cf. Collins, 1990a).

In the 1890s, corporate collapses revived periodic debates about the need for a wider statutory audit requirement. Perhaps anticipating legislative changes (see below), a number of *Handelskammern* began to develop regulations for the licensing of *Bücherrevisoren* (Gerhard, 1956). These developments suggested a potential increase in the number as well as the influence of *vereidigte Bücherrevisoren*, and the impact of the ideological and marketing advantages of licensed status on their non-court jurisdictions – in particular voluntary audit mandates – was perceived as a threat by *Bücherrevisoren* who did not have this formal endorsement.

Weber argues that, as the number of competitors in relation to income-generating opportunities grows, those involved in competition will wish to restrict this competition. An interest group – perhaps in the form of an association – emerges and acts collectively to exclude outsiders (i.e., competitors). As noted above, this can be motivated by the desire to monopolize and close social and (in particular) economic opportunities against outsiders (Weber, 1972, pp. 23–25, 201–202). This provides a simple and compelling explanation for the formation of the first association of German auditors.

This occurred in November 1896, when fifteen *Bücherrevisoren* founded the *Verband Berliner Bücherrevisoren*. A month later, an open letter was sent to colleagues in Berlin, outlining the new association's objectives: to unite those *Bücherrevisoren* who were not licensed and break the monopoly of the *vereidigten Bücherrevisoren* (Gerhard, 1956; Schreier, 1925). The association intended to be selective, admitting only *Bücherrevisoren* considered suitable on a technical and personal level, and membership was therefore expected to raise the status of this group (Penndorf, 1932).

The motive of breaking the *vereidigte Bücherrevisoren*'s monopoly<sup>8</sup> benefits from further examination with reference to Parkin's (1979) concept of dual closure. As Parkin's model would suggest, the formation of the *Verband Berliner Bücherrevisoren* reflects a collective reaction by members of a group that felt its economic opportunities becoming restricted and was negatively privileged vis-à-vis their 'legally defined superiors' (Parkin, 1979, p. 45), the *vereidigten Bücherrevisoren*. It also reflects an attempt to usurp the privileges, or to bite 'into the resources and benefits' (Parkin, 1979, p. 74) of this dominant group. What is unusual about the German case is the fact that it was a subordinate group that took (pre-emptive) action, when the better qualified *vereidigten Bücherrevisoren* had not yet organized. The creation of a collective interest group was, in this case, initiated first by the

negatively privileged. This may appear intuitively contrary to the expectation, based on Weber and Parkin, that it should have been a reaction to (prior) organization and exclusionary strategies implemented by the dominant, privileged group. In any case, this particular German experience suggests that an attempt to use power in an upward direction can also exist without explicit organization or action by the legally privileged.

In addition, the *Verband Berliner Bücherrevisoren* now also began to pursue exclusionary closure, by being selective in its membership. Further endeavours relating to exclusionary closure will be explored below; first, though, the association's organizational activities will be examined.

### *Policy U-turn: the Positively Privileged Take over the Negatively Privileged*

Given the above developments, it may be expected that the formation of the *Verband Berliner Bücherrevisoren* should have been perceived as a threat (or simply an inspiration) to the *vereidigte Bücherrevisoren*, at least on a local level, and would have led to the formation of a rival association. However, this was not what occurred next.

In 1900, a new commercial code, the *Handelsgesetzbuch* of 1897, came into force. This contained some limited provisions regarding the appointment, remuneration and powers of those employed in the audit of the company formation process (Schröer, 1993; Sponheimer, 1925, p. 23). More importantly, in 1897 Prussian law, and in 1900 a German-wide amended *Gewerbeordnung* (Trade Regulations Act), extended the right to license *Bücherrevisoren* to authorities other than courts – primarily the *Handelskammern* (Meisel, 1992, pp. 94–95; Schreier, 1925, p. 221). This was intended to redress a perceived shortage of sufficiently competent and independent *Bücherrevisoren*, inter alia for the external audits of company foundation processes and of cooperatives (Klausing, 1933). While the law did not require external auditors to be *vereidigte Bücherrevisoren*, the *Gewerbeordnung* effectively codified their elite status<sup>9</sup> (see also Gerhard, 1956 p. 9). However, the only jurisdiction over which they held an actual monopoly continued to be *Handelskammer* appointments. The *Bücherrevisor* title itself remained unprotected.

Another significant development occurred in 1902, when a new competitor, the corporate *Deutsche Treuhand Gesellschaft*, entered the (voluntary) audit market.<sup>10</sup> It had been founded in 1890, initially as a finance and trust company for the protection of shareholders' foreign investments (Meisel, 1992). From 1902, it included audit work in its

service portfolio (Anonymous, 1914). In 1903 it carried out 27 external audits, and by 1907 approximately 400 (Quick, 2005, with reference to Lansburgh, 1908). Its success triggered the foundation of other corporate *Treuhandgesellschaften*. The majority of these were founded by banks and retained close links with their parent companies (Hintner, 1926, p. 60). At around the same time, events abroad, and in particular the introduction of the statutory audit requirement in the UK's Companies Act (1900), were observed with interest (Römer, 1905).

The membership of the young *Verband Berliner Bücherrevisoren* now faced even greater competition, and responded by changing its strategies. In 1898, it changed its name to *Verband Deutscher Bücherrevisoren* (VDB), thereby signalling its intention of geographical expansion (Gerhard, 1956, p. 8). Most significantly, in a complete reversal of its initial objectives, in 1902 it abandoned the policy to oppose *vereidigte Bücherrevisoren*. Instead, it now aimed specifically to represent this group. In fact, by 1902 the majority of VDB members were licensed (see Schreier, 1925, p. 238; and Table 1). This proportion had increased to nearly 80 percent by 1905.<sup>11</sup> Therefore, rather than creating a rival association, members of a positively privileged group (in terms of credentials, status and market advantage) simply *took over* an association created by a negatively privileged group, and shaped it to suit its own purposes. This also meant that the VDB had now closely aligned itself to the *Handelskammern*, but with the expectation of remaining autonomous.

**[please insert Table 1 approximately here]**

Contributing to this policy U-turn were two key individuals, Ernst Römer and Arthur Rettig, both *vereidigte Bücherrevisoren*, who joined the VDB in 1902 and had a significant influence on its development. The question arises as to why these and other individuals within the growing number of *vereidigte Bücherrevisoren* now felt the need to organize, when this had not been the case earlier. One explanation may be that they had previously felt sufficiently secure with the legal protection of their *Handelskammer* mandates. Another likely factor was that they were geographically dispersed throughout the politically fragmented Germany, and not interacting beyond the confines of the local authorities that had appointed them. The VDB, with its new ambition to expand across Germany, had now created an opportunity and infrastructure for national organization. In addition, the legislative developments described above led to an increase in the number of *vereidigte Bücherrevisoren*, and thereby, in theory, to the potential to develop the critical mass necessary for effective organization – although

initially only a minority of those eligible joined. Further, competition also increased. Competitors were in particular the large corporate *Treuhandgesellschaften*, but also other (unlicensed), sometimes ‘disreputable’ *Bücherrevisoren* with dubious qualifications. Finally, the young Scottish and English professional associations and the new UK audit legislation had created models and benchmarks to aspire to, which were frequently referred to in the VDB’s propaganda.

### *Gesellschaft, Gemeinschaft and the Development of a Berufsstand*

Under the leadership of Römer and Rettig, the association became considerably more active (Gerhard, 1956, p. 9). Its objectives, as referred to in its Articles of Association, in public presentations, publications and in its internal discourse, now focused primarily on organization, and specifically centred around two themes. The first of these was ‘Protection of the *Standesinteressen* [approximately: status group interests] of the *Bücherrevisoren*’ (my translation). The second theme concerned securing and protecting markets and income (§2, Articles of Association, 1905, in Anonymous, 1906, p. 137).

The VDB’s early initiatives included the foundation of a journal (from 1903) and of annual congresses (from 1905), and the stipulation of entry requirements (see below). Within the first decade of the century the VDB had refined its Articles of Association and begun to develop and implement professional principles, fee scales, audit guidelines, ethical rules, an *Ehrengericht* (a disciplinary tribunal; literally: court of honour) and insurance and charitable institutions (Anonymous, 1909a; Beigel, 1914; Berliner, 1921; Gerhard, 1956; Verband Deutscher Bücherrevisoren, 1912a). The VDB also engaged in large-scale advertising on behalf of the association and its members (e.g., Anonymous, 1906). A number of new branches (Leipzig in 1903, Cologne, Essen and Frankfurt a.M. in 1909) were also created (Anonymous, 1909b).

In essence, the VDB developed attributes and strategies that would be typical for older successful professions – law and medicine in Germany and British accountancy.<sup>12</sup> The development of these “signals of movement” towards occupational ascendancy’ (see Carnegie & Edwards, 2001, p. 301) can serve not only, or not primarily, the pursuit of market interests, but also that of high occupational status honour (cf. Collins, 1990a). In Weber’s terms, they can contribute to signalling the evolution from primarily economic relations (associated with class and *Gesellschaft*) into a collective also involving social relations – in

other words, a (*Berufs*)*Stand*.

Parkin argues that Weber ‘sees status groups [i.e., *Stände*] as fairly combative bodies’ and ‘as collectives that mobilize their members for competitive struggles of all kinds, material and symbolic. That is, they act in a manner not too dissimilar from that of social classes or the organizations based on social classes’ (Parkin, 2002, p. 97). They may even be more effective in engaging in distributive struggle than social classes, because social classes are too heterogeneous to be effective as social actors, while ‘[s]tatus groups ... are more likely to have a powerful sense of their own common identity and of the social boundary separating them from others ... As a consequence they can be more readily mobilized for collective ends’ (Parkin, 2002, pp. 97–98). Professional organization involves developing such common identity, or group consciousness (Walker, 1995, 2004). Drawing on Weber’s writings on classes and *Stände* provides insights into how the VDB developed this sense of identity. It also sheds light on the tension between the VDB’s pursuit of status honour (or *ständische Ehre*) and market interests, and the relevance of both *Stand* and class consciousness to their activities.

For Weber, *Stände* (unlike classes) tend to be *Gemeinschaften*, albeit of an amorphous nature (Weber, 1972, p. 534). They are social groups where emotional, affectual and traditional ties take precedence over utilitarian or economic interests. This is the case for family ties, national or religious groups, and fraternities, but, as noted above, also applies to *Berufsstände* (Weber, 1972, p. 538). In most social relationships, *Vergemeinschaftung* and *Vergesellschaftung* (i.e., the development of *Gemeinschaft* and *Gesellschaft*) coexist, albeit in ‘an uneasy tension’ (Waters & Waters, 2010). Associations may be formed for a rational, utilitarian objective, but where interaction within a group (*Gesellschaft*) develops into personal social interaction beyond the purely commercial (encompassing shared values, tastes and lifestyles), this signifies *Vergemeinschaftung* (Weber, 1972, pp. 205) – a step towards the evolution of a *Stand*. Many of the VDB’s activities reflect such aspirations: entry requirements, the journal and the annual congresses raised members’ real and perceived credentials and contributed to the solidification of group identity of the now geographically more dispersed membership. The journal and the congresses also acted as vehicles for the development and dissemination of education and professional politics. Specific initiatives, such as fee scales and collective advertising, may also have reduced the need for individual negotiation in the marketplace, and thus distanced the individual member from some of the stigma associated (for stratification based on *Stand*) with purely commercial pursuits. Professional rules, disciplinary measures and the *Ehrengericht* all emphasized occupational

honour and the aspiration to be recognized as a (*Berufs-*)*Stand*, as did the terminology employed in the VDB's discourses, which frequently used the term *Stand* on its own or in compounds, such as *Berufsstand* or *Standesinteressen* (see above).

Further, as noted above, nascent occupations frequently mimic formal characteristics of older professions (Ramirez, 2001). In parallel, the evolution of a *Stand* frequently involves emulation of other lifestyles, and thereby laying claim to, or, in Weber's terms, usurping, *ständische Ehre* (status honour) and adopting characteristics or conventions associated with this. (In fact, according to Weber, virtually all stratification based on *Stand* is initially based on usurpation.) Related to this, the lifestyle associated with this status honour involves restricting one's social interaction to the 'right' circles (Weber, 1972, p. 535).

This was reflected in the VDB's social activities, in particular those taking place under the umbrella of the association days. The association days were reported in great detail in the VDB's journal (for example, *Der Vorstand*, 1905, pp. 108-12; Anonymous, 1907a). Apart from lectures, presentations and internal politics, they were dominated by social interaction and cultural events: informal, social get-togethers in the evenings, extensive lunches and formal dinners to which also the accompanying ladies were invited, musical entertainment and sightseeing tours in coaches drawn by teams of four horses. Guests of honour represented the local *Handelskammer*, local authorities, the merchant elite, and banking institutes, and included also judges, lawyers and other members of the legal establishment. In addition, the press was invited. All this reflects *Vergemeinschaftung*, as well as attempts to lay claim to *ständische Ehre*. It signalled a specific, cultured lifestyle, and facilitated interaction with the 'right' circles. Other indications that the VDB leadership were attempting lay claim to occupational status honour akin to that of the high status professions were reflected in their rhetoric: references to *Standesehre* and *Berufsehre* (status and occupational honour), and the use of designations that included the term *Anwalt* ('lawyer'). Römer (1905), for example, argues that 'it should ... be the case that the *Bücherrevisor*, who is basically really a lawyer, that is, an accounting lawyer [*Rechnungsanwalt*], should also ... occupy a social position similar to that of the German lawyer' (p. 261, my translation, see also Evans, 2005). Thus the use of designations usually reserved for the legal profession, but also of the venerated English audit profession, occurred frequently.

### *Exclusionary Closure: Women, Employees and the 'Disreputable'*

Parkin (1979, p. 102) suggests that especially the lower or semi-professions are likely to combine organization and usurpation with exclusionary closure. Exclusionary closure is based on positive or negative characteristics in competitors which can be taken as a reason for exclusion, and may include race, language and origin, but are, according to Weber, essentially arbitrary (Weber, 1972, pp. 201–202). Prior (accounting) literature has explored closure based on, inter alia, gender, ethnicity, or class (Hammond, Clayton & Arnold, 2009; Jacobs, 2003; Kirkham & Loft, 1993; Roberts & Coutts, 1992; etc.).

Parkin critically notes that Weber does not give sufficient weight to the role of the state in his theory of stratification or his discussion of closure. According to Parkin, the suggestion that interest groups draw on the legal order to exclude outsiders, develop monopolies and thereby limit competition (Weber, 1972, p. 202) appears to be the only significant reference to the role of the state (Parkin, 2002, pp. 101–102). Parkin considers this a serious flaw and argues that the state is more significant than Weber acknowledges. This applies, in particular, to the characteristics on which closure is based. According to Parkin, they are not arbitrary; instead the group singled out for exclusion has already been ‘defined as legally inferior by the state’ – this applies for example to women (Parkin, 1979, pp. 95–96).

Following its policy U-turn, the VDB now attempted to increase its critical mass by attracting, in particular, well qualified, licensed members. At the same time, it also pursued a strategy of exclusionary closure. According to its Articles of Association of 1905 (§3), a new member could be any honourable German *Bücherrevisor* of at least 30 years of age, who was independent in his occupation, had worked as a self-employed *Bücherrevisor* in Germany for at least three years and had demonstrated his qualification. This last condition was waived for candidates who had been permanently licensed by the appropriate authorities. Members could be expelled (§6b) if they no longer fulfilled the entry requirements, for non-payment of membership fees, for damaging the reputation or interests of the association, for not complying with its resolutions, for uncollegiate behaviour and for acting on behalf of *Treuhandgesellschaften* (Anonymous, 1906, p. 137). Formal disciplinary procedures, including the *Ehrengericht*, facilitated the expulsion of undesirable persons. Further, the VDB’s discourse and exclusionary tactics construed three types of individuals as outsiders: women, employees (as opposed to self-employed practitioners) and individuals considered disreputable.

Gender as a focus of closure has been widely explored (for accounting, see for example Kirkham & Loft, 1993; Roberts & Coutts, 1992). For the VDB, the case against women was grounded in the historical context. In nineteenth-century German middle class

society, gender roles were strictly segregated. A woman's role was limited to the private household sphere, and included the transmission of cultural capital to her children (Kocka, 1995). This began to change towards the end of the century, when women became increasingly involved in public life, gained (limited) access to university education and occupations, and lobbied for political suffrage. However, women's demands and the women's movement triggered a backlash, with the foundation of antifeminist organizations such as the *Deutsche Bund zur Bekämpfung der Frauenemanzipation* ('German league in the struggle against women's emancipation'), which aimed to preserve traditional gender roles and protect men from female involvement in the professions and politics (Fout, 1992; McClelland, 1991, p. 111; Streubel, 2006).

Within this context, a resolution was proposed at the VDB's first congress in 1905, which declared that women were not suited to audit work. It was argued that, as they did not take part in public affairs to the same extent as men, women lacked a wider perspective with respect to management and the internal connection between processes, and that without this perspective, auditing could not be properly practised. While women were considered suitable for certain tasks of a computational character, they were not qualified to summarize findings, prepare final reports or conduct critical examinations. The VDB membership agreed to lobby the *Handelskammern* to prevent women from being licensed as auditors (Der Vorstand, 1905, p. 110; Rüdiger, 1905).<sup>13</sup> Thus, in line with developments elsewhere and in other occupations (Witz, 2013), auditing was discursively constructed as a male occupation. This followed the model of the established, higher status professions of medicine and law and supports Parkin's argument above. Also, given the cultural expectations of German society, admitting women would have been contrary to the VDB members' lifestyle and status aspirations, and perceived as detrimental to occupational upward social mobility (cf. Kirkham & Loft, 1993; Roberts & Coutts, 1992).

The second group excluded from VDB membership were individuals not working independently in private practice. Employment status had complex interrelated implications. Closure against employees may simply have been making a virtue out of necessity: in 1900 the Prussian Ministry for Commerce and Trade had prohibited the licensing of persons who were carrying out the occupation of *Bücherrevisoren* as employees (i.e., not self-employed) (Gerhard, 1956, p. 12), and this was also consistently reflected in the *Handelskammer* regulations. The question was revisited in 1908, when a commission of the Association of Middle-German *Handelskammern* considered whether *Bücherrevisoren* should be permitted to employ assistants to support their work (Pfahl, 1911). This was dismissed as not worthy of

discussion: ‘The office of the *Bücherrevisor* has to be a personal one. How can he bear the responsibility or give the guarantee that one of his assistants has not made a mistake or was too lazy, to audit the thing properly ...’ (Pfahl, 1911, p. 598, citing a representative of the *Handelskammer* in Magdeburg, my translation). Thus, in spite of the changing audit market, the *Handelskammern* insisted that the occupation was carried out ‘*frei und selbständig*’ (‘free and self-employed’; Gerhard, 1956, p. 12). Since the VDB now aimed to recruit in particular licensed *Bücherrevisoren* as new members, it also retained the requirement for members to be self-employed.<sup>14</sup> This also supports Parkin’s argument that characteristics selected as the basis of exclusion tend to be already enshrined in the legal order.

The stance against employees also had deeper socio-political exclusionary connotations. These reflect the closeness between Weber’s concepts of social class and *Stand* (Weber, 1972, p. 180, see note 6) and the similarity of exclusionary motives and actions between classes and *Stände* as observed by Parkin (2002). In particular, the requirement to be self-employed also excluded *Treuhandgesellschaften* employees from VDB membership, and constituted part of the discourse against this competitor.<sup>15</sup>

As noted above, *Stand* is inextricably linked with honour, rather than with market considerations (Weber, 1972, pp. 179–180). Stratification based on *Stand* constrains the development of a free market. Members of a *Berufsstand* derive social status from the occupation and the lifestyle it engenders (Weber, 1972, pp. 531–540). This applies in particular to the traditional high status professions with their functionalist public interest claims. It does not apply to occupations associated primarily with economic and market interests, since the market is dominated by rational considerations, is not interested in personal reputations, and ‘knows nothing of “honour”’ (Weber, 1972, p. 538, my translation). According to Weber, the entire social order (as based on *Stand*) would be threatened if purely economic acquisition and power could confer honour, or even greater status honour than that which could be gained on the basis of *Stand* and lifestyle. For this reason, those benefiting from a social order based on *Stand* are likely to react strongly against pretensions based primarily on economic acquisition (Weber, 1972, p. 538; see also Parkin, 2002, pp. 96–97).

Therefore, although their jurisdictions and market interests largely overlapped with those of the *Treuhandgesellschaften*, and although the *Bücherrevisoren* occupation was defined as a trade by inclusion in the *Gewerbeordnung*, the VDB emphatically differentiated itself from its corporate competitors. In its rhetoric and politics it sharply attacked the primarily utilitarian, commercial *Treuhandgesellschaften* (and their employees) as representatives of cold capitalist and market interests. They were portrayed as true

*Gesellschaften*, in Weber's sense; not associated with shared values, tastes, lifestyles and personal honour, nor with the concept of *Stand*. This was contrasted with the VDB's own proclaimed social standing as *Berufsstand* and the associated occupational status honour. This is, for example, emphasized by Römer (1905), when he repeatedly draws parallels between the English profession and the VDB's aspirations, and contrasts both with the *Treuhandgesellschaften*:

[T]he distinguished rank of the English accountants is not actually primarily based upon [the fact that they are backed by] guarantee capital, but much more on their comprehensive subject knowledge, their upright sense of honour and status [*Stand*] and their strictly maintained independence... (Römer, 1905, p. 274, my translation)

While an ideology relating to stratification based on *Stand* was prominent in the VDB's discourse, its motivation and exclusionary activities against employees also make sense if conceptualized on the basis of class stratification. As noted by Kocka (1995, p. 784), artisans, tradesmen and merchants had been part of the middle class, but towards the end of the nineteenth century were increasingly considered as lower middle class, that is, not 'the middle class proper'. Preceding World War I, they were united by a common ideology in which they were supported by their respective chambers of commerce and trade (Kocka, 1973). On the one hand they demanded state protection against competitive capitalism, unrestricted free enterprise competition, industrialization and big business 'with its advantage of large scale organisation'; on the other hand this ideology also contributed to a widening gap in the class consciousness between employer and employee (Kocka, 1973, p. 104). This may have contributed to the idealization of self-employed status, both for the *Handelskammern*, whose members were of, or aspired to, middle class (proper) status and represented the *Bücherrevisoren*'s clients for a variety of tasks, and for the VDB itself. Insisting on self-employed independence effectively closed the association to employees of the *Treuhandgesellschaften*, who may have been seen as simultaneously representing labour and the threat of organized capital.

In essence, then, the VDB's discourse associated ideals of professional independence and the personal responsibility of the individual with the organizational form of the sole practitioner, but not with corporate audit firms (Römer, 1905; see also Evans, 2003).<sup>16</sup>

Motives for closure typically relate to a shortage of opportunities for consumption or economic (income-generating) opportunities (Weber, 1972, pp. 24–25), but can also include a desire to maintain quality (which can, in turn, translate into increased prestige and thereby into improved economic and social prospects). These interrelated motives support closure attempts also specifically directed at competitors who are constructed as socially or technically inferior (cf. Walker, 2004). A third target of the VDB's discourse and exclusionary tactics was therefore individuals considered disreputable, or poorly qualified. As noted above, the designation *Bücherrevisor* was not legally protected and the occupation was open to anybody, regardless of character and qualification. As the market for accounting and audit services grew, it increasingly attracted individuals who had been unsuccessful in other careers (VDB, 1912a). *Bücherrevisoren*, especially if not licensed, faced threats to their market as well as to their reputation and status. In early twentieth-century Germany, much of the contemporary literature critically notes this problem.<sup>17</sup> Sponheimer (1925) suggests that 'the occupation became to a large extent the safe haven of failed existences' (p.16, my translation); its number 'generally rises and falls in parallel to the increase in unemployment of small commercial employees' (p. 8, my translation). Many entrants did not survive for long in the occupation: basic statistics for the period 1903–1928 suggest that in the Leipzig area, more than a third of all *Bücherrevisoren* abandoned this career after, at most, three years (Schulze, 1928).

The VDB addressed these concerns partly through its own membership rules and entry requirements, and through the construction of group identity and the development of community, as a *Stand*. In addition, external promotions and public relations work also featured heavily among the VDB's strategies (Anonymous, 1906). This constructed the VDB member as self-employed, independent and with years of practical experience. It associated these qualities, and VDB membership, with superior social and professional standing. In addition, improved and coordinated *Handelskammer* regulations were expected to protect the reputation of the VDB's licensed members (see below). However, these measures were not sufficient, and in 1911 the VDB attempted to engage state agencies to further its policies of exclusion, seeking legal protection of the title *Bücherrevisor*. As noted above, this was in line with German culture and professional politics, but also with similar development elsewhere, especially in continental Europe (Bocqueraz, 2001; Coronella et al., 2015; Ramirez, 2001). It also supports Parkin's (1979) argument that the state plays a more significant role in exclusionary closure than is made explicit by Weber (see above); that, in fact, exclusionary closure means attempting to 'win the backing of the state and the support of the law' (p. 98).

It represents a strategy in the pursuit of legal privileges, including monopolies and protection in the market place, and legal sanctions against infringement of these monopolies (Parkin, 1979, p. 98; 2002, p. 100, see also Coronella et al., 2015).

A proposal to take measures to protect the title had already been made at the VDB's annual general meeting in 1907. Following up suggestions made on that occasion, in 1911 the VDB submitted a memorandum to the *Bundesrat* (the upper house of parliament, which was considerably more powerful than its modern equivalent). In this memorandum, the VDB requested legal protection of the title *Bücherrevisor* – specifically ‘to include the occupation of the *Bücherrevisoren* among those types of occupations, the practising of which can be prohibited in cases of unreliability (§35 of the *Gewerbeordnung*)’ (VDB, 1912a, p. 671, my translation). In an initiative to discredit undesirable elements, the VDB had also gathered examples of malpractice, and now offered to present these to the *Bundesrat* (VDB, 1912a):

While it occurs, on the one hand, that individuals who called themselves ‘*Bücherrevisor*’, have by their activity burdened themselves with the odium of unreliability, but may nevertheless continue to refer to themselves as ‘*Bücherrevisor*’ so, on the other hand, there are also a considerable number of persons who have turned to the *Bücherrevisoren* occupation after they have earlier suffered moral defect or made the acquaintance of the criminal judge. We are, if required, in a position to name a considerable number of such characters, who would in any case never attain respect and a satisfactory existence in the occupation they wish to be part of, but instead can only damage it. (VDB, 1912a, p. 672, my translation)

Had the VDB's submission been successful, this would effectively have resulted in state-regulation (Meisel, 1992, p. 133). However, in spite of general support from the *Handelskammern*, the submission was rejected (Gerhard, 1956, p. 14). Reports, commissioned by the government, argued inter alia that the public, if taking reasonable care, should be able to protect itself against unreliable *Bücherrevisoren* (*Hannoverscher Courier*, 1912, p. 5, reprinted in Anonymous, 1912c). Although in principle supporting the VDB's case, the *Handelskammer* in Oldenburg provided a further argument against the desired change:

the proposed action would elevate the trade of the independent *Bücherrevisoren* to such a degree that a practical difference between the *vereidigten Bücherrevisoren* and those not licensed would barely exist, and that it would therefore be most appropriate to abolish the licensing of *Bücherrevisoren*. (VDB, 1912b, p. 20, my translation)

In other words, at a time when VDB membership comprised only a minority of all *vereidigte Bücherrevisoren*, protection of the title would have virtually eliminated the difference between those who were licensed by the *Handelskammern* (or other authorities) and those who were not. Therefore, this attempt to exclude competitors who were socially or technically inferior also contained an element of usurpation (in Parkin's sense), by biting into the privileges and the monopoly of *all vereidigte Bücherrevisoren*, including those who were not VDB members. Legal protection would also have raised the status of all *Bücherrevisoren* (not only VDB members) significantly and resulted in market advantages also for tasks not protected by the *Handelskammern*, potentially also usurping the domain of other professions, including law. Finally, legal protection would also have reduced the VDB's dependence on the *Handelskammern*. That the VDB's submission was unsuccessful supports Parkin's (1979, pp. 74–75) suggestion that usurpationary activities are less likely to be supported by institutional and legal backing than exclusionary activities, because they are

a challenge to the formal system of distributive justice expressed in the legal endorsement of exclusionary rules and institutions. If the fruits that should rightfully fall to the owners of property and credentials are plucked too freely by those who have neither, but who have some alternative means of access, as it were, then clearly the whole purpose of closure through proprietorship and certification is thrown into question.

### *A Question of Credentials: Personal Qualities and Subject Experts*

In the early history of the VDB, the question of formal credentials played an important role in two instances: the introduction of a business school diploma in auditing and a debate on examinations as a condition for *Handelskammer* licensing. These developments impacted a

number of interrelated issues: control over credentialling, competition and closure, and, related to the latter, implications for *Stand* and class consciousness.

Weber notes that, where individuals distinguish themselves by means of a specific quality *acquired* through breeding, training or practice, those who consider themselves so qualified will ‘monopolise control over the relevant ideal, social and economic assets, duties and positions as “*Beruf*” and restrict access to this *Beruf* to those who have met certain entry requirements’ (Weber, 1972, p. 203, my translation). The nature of these entry requirements has implications for social standing, and is associated with the distinction between *Gesellschaft* and *Gemeinschaft*. Where membership of a group is dependent on meeting purely formal conditions, credentials or achievements, Weber associates this with *Vergesellschaftung* – utilitarian, rational and often purely commercial relationships. Where, on the other hand, *Vergemeinschaftung* takes place; that is, where interaction involves social relations and shared values, then prospective members’ admission is often explicitly or implicitly subject to evaluation and approval of the individuals’ *Sein* (approximately: ‘being’, ‘essence’); that is, their personal qualities, character and personality. Having been thus admitted to such an exclusive group carries prestige well beyond that implied in the practical or technical purposes of the group. In addition, participation in the activities of this *Gemeinschaft* allows the new member to benefit from social networks and connections (Weber, 1972, p. 205).

In Germany, in the mid-nineteenth century, education and academic titles had been very important indicators and sources of social standing, power and income (Kocka, 1978, 1981; Macdonald, 1995, chapter 3). University education had little direct relevance to professional practice, but focused on *Bildung*, that is, wider education and culture (see above). The *Bildungsbürgertum* (the ‘educated middle classes’) enjoyed high status, power and prestige. Weber, too, links upbringing and *Bildung* with social prestige, although he emphasizes the importance of lifestyle over university education. Specifically, he distinguishes the *kultivierte Mensch* (‘cultivated person’) from the *Fachmensch* (‘subject expert’). Towards the end of the nineteenth century, the latter was on the rise.

Industrialization had increased the wealth and power of industrialists and merchants, who now also aspired to raise their social status by means of academic credentials, and from the 1870s, vocational disciplines became increasingly academized (Kocka, 1978, 1981). In initiatives paralleled in the US, the first business schools were founded in the late 1890s (Lindenfeld, 1990).<sup>18</sup> In 1907, the *Handelshochschule* Leipzig (Leipzig Business School) commenced courses for the education of *Bücherrevisoren*, and awarded diplomas. It thus

accredited *Diplombücherrevisoren* by means of a state-controlled examination. Other business schools soon began to follow with similar initiatives (Gerhard, 1956). This was a threat to the considerable number of *Bücherrevisoren* whose income depended on teaching (see above). In addition, this development threatened a loss of cognitive exclusiveness, a change in the market for credentials, and delegation of control over training and qualifications to civil servants and academics (cf. Macdonald, 1995, p. 94; also Collins, 1990b).

Not surprisingly, the VDB was initially strongly opposed to these new academic titles. While it had from the start engaged with the education and training of its members,<sup>19</sup> it intended to control the provision of this education, frequently citing the English profession's example (Beigel, 1924, pp. 17–18; Römer, 1905, pp. 6, 270).

Now state-recognized academic credentials introduced a new hierarchy among bodies of knowledge in Ramirez's (2001) terms, and when the first course was held at the *Handelshochschule* Leipzig in the winter semester 1907–08, the VDB therefore counselled caution, in the public interest and in the interests of the *Bücherrevisoren Stand*. In particular, it warned against credentialling auditors without sufficient practical experience<sup>20</sup> (Anonymous, 1907b, p. 218; Römer, 1905, p. 269). Later, in correspondence with the professor in charge of the programme, the attitude was openly hostile:

We would be delighted to hear from you to what purpose you educate 'Bücherrevisoren' at your business school and to turn these, by means of an examination, into *Diplom-* or state-examined *Bücherrevisoren*. These gentlemen, who are not even licensed, are after all by no means more competent than the *vereidigten Bücherrevisoren*, since they are lacking the required, so extraordinarily necessary practice. (Anonymous, 1911, p. 560, my translation)<sup>21</sup>

The VDB was particularly concerned because, while the *Handelskammern* limited the number of auditors licensed in accordance with market demand, the business schools did not consider demand, and therefore threatened to swamp the market with academically accredited auditors. In this concern, the VDB and most of the *Handelskammern*<sup>22</sup> were initially united:

... it was to be feared that through the introduction of an examination at a business school the number of *Bücherrevisoren* would increase extraordinarily and that the *Bücherrevisoren* licensed by the *Handelskammern* would receive

severe competition through the *Revisoren* examined by the business schools.  
(Anonymous, 1912a, p. 753, my translation)

This fear was not unreasonable. A proliferation of academic credentials also affected other occupations, including the high status professions, medicine and law (Abbott, 1988, p. 198; Neal & Morgan, 2000), and constituted an effective barrier to closure (McClelland, 1991, p. 22). For the VDB, the business school diplomas created new competitors and were therefore detrimental to its own closure attempts.

At the same time, diplomas could themselves be exploited as a basis for exclusion (see, for example, Coronella et al., 2015). Weber provides an example with reference to ‘the foundation of a “*Verbande der Diplomingenieure*” [association of engineering graduates], which attempts to enforce the legal or factual monopoly over specific positions for its members, against those without diplomas’ (Weber, 1972, p. 202, my translation). The diploma in engineering had been introduced at technical colleges eight years previous to the equivalent developments in auditing. The *Verband Deutscher Diplomingeneure*, to which Weber alludes, was founded in 1909 (Jaraus, 1990, p. 21). Interestingly, it not only attempted to exclude engineers without diplomas, but also challenged, unsuccessfully, the title awarded to the *Diplombücherrevisoren*, arguing that the course did not fulfil the educational requirements expected for the award of a diploma (*Verband Deutscher Diplombücherrevisoren*, 1912; see also note 24).

Weber perceives these developments critically. He observes that *Fachprüfungen* (subject specific, specialist examinations) and *Bildungspatente* (literally: educational patents) had become a way to monopolize prominent social and economic positions. For the ‘candidates for diplomas’, they formed a basis for creating a new elite, for social advancement, for admission to elevated social circles and for claims for payment befitting one’s *Stand*, rather than based on performance (Weber, 1972, p. 577). Weber notes

If we hear, in all areas, demands for the introduction of regulated educational pathways and *Fachprüfungen*, then the reason for this is of course not a suddenly awakened ‘desire for *Bildung*’, but rather an effort to limit the supply-side for these positions and to monopolize these for the holders of *Bildungspatente*. For such monopolization, the ‘examination’ is, nowadays, the universal method, which explains its unstoppable advance. (Weber, 1972, p. 577, my translation; see also Parkin, 2002, p. 101)

The introduction of business school diplomas in auditing is a contemporary illustration of the issues at stake. The VDB had not included explicit educational prerequisites in its admission rules and did not introduce an entry examination until 1919. Instead, its entry requirements focused on experience, honour/integrity and an ability to demonstrate one's competence (see above); they did not specify how these subjective qualities were to be assessed nor how the competence was to be demonstrated. In essence, they equated to an approval of the individual's *Sein*, as described by Weber: to personal reputation and real or assumed culture of the kind exhibited for example by the educational and social events of the annual congresses. An exception to such subjective criteria was the admission of *vereidigte Bücherrevisoren*, who held *Handelskammer* accreditation and who were exempt from the requirement to demonstrate their competence.

However, the *Handelskammer* conditions for licensing were also not primarily based on formal conditions and credentials. In general, *Handelskammern* had considerable discretion in selecting candidates, and initially, there was little consistency in policies for licensing (Meisel, 1992; Sponheimer, 1925).<sup>23</sup> Usually, the *Handelskammern* would first establish whether there was a demand for (further) *Bücherrevisoren* (Anonymous, 1912b). If this was the case, applications were considered, based on candidates' curricula vitae, previous activities/occupations, reputation and references (Pfahl, 1911). For example, in response to an unsuccessful candidate's complaint, the *Handelskammer* in Leipzig stressed that 'not only the applicants' ability, but also a whole range of other criteria (personality, character, demand, etc.) are to be considered' (my translation).<sup>24</sup>

At its 1908 congress, the Association of Middle-German *Handelskammern* had set up a commission to consider whether these informal procedures were sufficient (Pfahl, 1911), and debated in particular the merits of an entry examination. This was not met with enthusiasm, and some *Handelskammer* representatives saw the only value of such an examination as a screening mechanism to exclude unwanted candidates on, de facto, other criteria (than the examination). For example:

We are in general not enormously keen in this matter, because we place the main emphasis on the practice ... that the *Bücherrevisoren* have in their work as bookkeepers or in some other way gained the necessary business competence. Therefore the examination would really for us, I am saying this openly, only be a means to remove unpleasant candidates, who absolutely

won't be refused ... We would never admit somebody ... to the examination if we had not previously informed ourselves concerning his character; if we do not know that, apart from the examination, he has already proved himself. (Pfahl, 1911, p. 599, citing a representative of the *Handelskammer* in Magdeburg, my translation)

In spite of this initial reluctance, and in line with the general trend towards formal credentials observed by Weber, business schools and universities gained ground in the education of *Bücherrevisoren*, and recognition by the *Handelskammern*, which soon relaxed other licensing conditions for academically qualified applicants (Anonymous, 1912b). By the late 1920s the majority of entrants to audit-related activities – but crucially, not the majority of VDB members – had benefitted from some form of academic education (Markus, 1997, p. 12; Schroup, 1929).<sup>25</sup>

Thus, while, as suggested above, cultural assets played an important part in middle class consciousness and in the development of professions, the emphasis had shifted from informal criteria based on shared lifestyles and respectability towards formal credentials, typically in the form of academic titles. Apart from the more direct implications for closure, in a society that valued academic credentials very highly, the new business school diplomas therefore had a potential impact on the VDB members' social standing, in terms of *Stand* and social class. In a changing society, exclusivity based on *Sein* – on personal character, reputation and social interaction, associated with *Gemeinschaft* – was now replaced, as a means to monopolizing status and market advantages, by the *Fachprüfung* and the *Bildungspatent*.

While such credentials may, on the surface, have appeared more transparent and meritocratic than the older order, the business schools had little actual effect on the average level of technical knowledge of graduates (Kocka, 1978). In fact, the academization associated with university and business school credentials owed more to a desire for upward social mobility than for better technical skills, and may in fact have contributed to greater – in Kocka's (1978) view, excessive – social hierarchy creation and inequality. Facing these additional challenges to its status and its jurisdictions, the VDB now turned its attention back to cooperation with the *Handelskammern*.

### *Delegating Professional Closure*

Chua and Poullaos (1993, p. 691) challenge ‘the [neo-Weberian] assumption of a tightly defined concept of occupational “monopoly” or “closure” associated with a stable set of strategic imperatives’ and suggest that finer distinctions could ‘be made between “closure” of different types and at different levels’ (p. 694). Weber’s original concept of closure, and the associated imperatives, are, however, not narrowly defined. Weber notes that the degree of closure and the means through which it is achieved can vary widely (Weber, 1972, p. 24). Market relationships tend to be open, but openness and closure can alternate in social relationships – Weber refers to ‘the coexistence and opposition of expansionist and monopolist economic interests’. Expansion is encouraged when this is expected to benefit the group’s interests, and closure is pursued when monopolistic strategies are expected to improve its members’ opportunities (Weber, 1972, pp. 23, 201–203).<sup>26</sup> Prior research on the accounting profession also observes the trade-off between drawing membership wide, which can be detrimental to reputation and (elite) status, and being too exclusive, which can encourage the creation of rival associations (Macdonald, 1995, p. 192; Ramirez, 2001; see also Edwards, Anderson & Chandler, 2005; Richardson, 1997; Walker & Shackleton, 1995).

The VDB had endeavoured to further its occupational interests by a variety of approaches. Internally, it had attempted to raise its members’ knowledge base, technical skills and status, and, through its membership requirements, had excluded specific groups that had been constructed as inferior. Externally, it had attempted to mobilize third parties in its pursuit of closure. Following its policy U-turn in 1902, when the VDB opted to represent rather than oppose *vereidigte Bücherrevisoren*, it had closely aligned itself with the *Handelskammern* – but with the expectation of remaining largely autonomous. It had expected to influence the licensing process and criteria (Anonymous, 1910; Gerhard, 1956, p. 11) and thereby to gain the support of the *Handelskammern* in closing off market opportunities to those it considered disreputable or insufficiently qualified. In 1911, it had lobbied the state for legal protection of the title *Bücherrevisor*. As argued above, had this been successful, it would potentially have permitted usurpation of the privileges and monopolies of all *vereidigte Bücherrevisoren* (including non-VDB members). This might also have applied to tasks beyond those relating to *Handelskammer* appointments. It would also have reduced the VDB’s dependence on the *Handelskammern*. Demonstrating Parkin’s (1979, pp. 74–75) suggestion that usurpatory activities usually do not receive institutional and legal backing, this attempt had been unsuccessful.

One obstacle in its lobbying activities was a lack of critical mass. Membership initially grew only slowly, and in particular there remained a large number of *vereidigte Bücherrevisoren* whose (accredited) status and experience would have helped to raise the VDB's reputation, but who were reluctant to join a body whose members' knowledge and competence varied widely (Anonymous, 1906; Hintner, 1926; Quick, 1990).<sup>27</sup> These *vereidigten Bücherrevisoren* would therefore not necessarily have gained status by joining the association, beyond that already conveyed by the *Handelskammer* appointment. The VDB commented critically:

Regrettably many of our colleagues, in spite of repeated invitations, are still keeping away from our association, and not rarely do they disguise their indifference or misplaced selfishness with the motive, that our achievements to date do not suffice for them to cause them to join. (Anonymous, 1910, p. 517, my translation)

The VDB therefore only represented a minority of all *vereidigte Bücherrevisoren* (see Table 1 and note 27).

Also, the impact on the *Handelskammern*'s licensing processes had remained limited, and the VDB now took a more direct approach in attempting to influence *Handelskammern* policies. From 1913 it made being licensed a condition of membership for new applicants (Anonymous, 1913). This reflected, in Weber's terms, both expansionist and monopolist interests, and in Parkin's terms a further attempt at both exclusionary and usurpatory closure. On the one hand, it was expected to assist in excluding unsuitable candidates (Anonymous, 1913; see also Gerhard, 1956; Schreier, 1925) and thereby to provide a competitive advantage in the audit market. This further supports Parkin's suggestion that criteria defined in law (in this case relating to licensing by a semi-public bureaucratic authority) form the most effective means for excluding outsiders (see above).<sup>28</sup> On the other hand, it was also expected that the change in admission rules would create stronger links with, and greater agency in relation to, the *Handelskammern*, and that this would result in attracting larger numbers of licensed members, and effectively make the VDB *the* body representing *vereidigte Bücherrevisoren*.

However, the decision to restrict membership to *vereidigte Bücherrevisoren* meant that the VDB had yielded control over entry to the *Handelskammern*. In effect, the VDB failed to capture or even significantly affect *Handelskammer* policies, and this closer link

instead came at the price of reduced autonomy and the partial loss of control over entry. Also, a monopoly relating to work commissioned by the *Handelskammern* now virtually applied to the entire VDB membership, but did not represent closure for such work, since, to the leadership's frustration, a considerable number of *vereidigte Bücherrevisoren* still chose not to join the VDB. The VDB remained small, and this limited its power as a party (in Weber's sense) to obtain advantages (including power) for its leadership and membership. Further, only with regard to the *Handelskammern* work was any demarcation of tasks achieved; thus, any attempt at closure could relate only to this particular jurisdiction. While the reputational gain was expected to aid the VDB also in other areas, in particular in combating competition in the (voluntary) audit market, the requirement to work in sole practice meant that VDB members were unable to compete with the *Treuhandgesellschaften* in the market for larger clients. Also, a number of rival organizations were founded, representing diverging interests (Markus 1997, pp. 3–9; Meisel, 1992, pp. 129–150). For the VDB, rather than facilitating closure, as had been hoped when attempting to mobilize state agencies, this move in fact led to a situation where closure was effectively prevented.

## Discussion and Concluding Comments

This paper examines the early history of the first association of German auditors. It draws on a variety of sources, primarily from the period under investigation, to track and interpret the VDB's changing strategies in its attempt to secure (a degree of) social and professional closure. The VDB's activities are interpreted through a theoretical lens based on Weber's (1972) writings on closure and social stratification, and Parkin's (1979) concept of dual closure. Drawing on Parkin (1979) as well as Weber adds perspective to the present study because Parkin articulates more explicitly than Weber the connections between stratification and closure, and the role of the state in both. Thus while Parkin's interpretation and development of Weber's theories allow me to explore the role of the state in the VDB's history, utilizing also Weber's ideas with regard to the dynamics of stratification provides deeper insights into the interplay of different levels of closure and openness at different times.

This is partly the case because Weber's ideas were developed in, and to some extent reflect, a particular historical and spacial context. The early history of the VDB therefore provides an interesting opportunity to explore a contemporaneous case through the lens of

Weber's thoughts on closure and stratification. Drawing on Weber's original text and language also illustrates better the congruity between the terminology used by Weber and in the VDB's discourse and rhetoric. This applies in particular with regard to its early efforts to create a sense of common identity and to lay claim to specific lifestyles and to honour, integrity and status as a *Berufsstand*. Drawing on Weber's writings on classes and *Stände* provides insights into how the VDB developed this sense of identity. It also helps to shed light on the tension between the VDB's pursuit of status honour (or *ständische Ehre*) and market interests, and the relevance of both *Stand* and class consciousness to its activities. In fact, as argued by Harrits (2014, p. 4), Weber's closure theory places greater emphasis on the connection between social (lifestyles and status) and economic (resources) characteristics than 'traditional professional studies. The changing social and political context of the early twentieth century and the interplay and conflict between *Ehre* (status) aspirations and class (market) realities that can be observed in the VDB's actions contribute to providing explanations for both its changing policies and its ultimate lack of success in achieving closure.

One related factor in this lack of success was the changing role of credentials in early twentieth century Germany, and Weber's observations on this also provide deeper insights into the experiences of the VDB. The creation, and increasing importance of diplomas also for auditing led, on the one hand, to increased competition (since the business schools and universities did not introduce enrolment limits), while on the other hand creating a new criterion on which closure could be based by competitors. In the German context, where academic credentials were held in high esteem, this was, in the long term, to prove a major obstacle for the VDB. Not only for the high status professions, but also for lower or semi-professions (including engineering and auditing), were cognitive claims now increasingly identified with diplomas, rather than with subjective assessments of experience, character and reputation; diplomas replaced the latter as sources of status honour. Arguably formal, including academic, credentials are more easily administered and controlled (also by the state); as a corollary, *Sein* as the basis of admission to occupational interest groups becomes impractical once an organization has reached a certain size and *Vergemeinschaftung* has given way to *Vergesellschaftung*.

This tension between the demands, for status aspirations, of exclusive *Vergemeinschaftung*, and of a critical mass sufficient to act as a political interest group (which, as noted above, always involves *Vergesellschaftung*) connects Weber's writings on closure with those on formal credentials (Weber, 1972, pp. 201–203, 576–579). The tension

is also made explicit in the suggestion that the degree of closure and the means through which it is achieved can vary widely and that expansionist and monopolistic economic interests can coexist (Weber, 1972, pp. 23–24, 201–203); which of these is pursued at any given time depends on which is perceived to best serve the group's interests. This is also reflected in the 1913 change in the VDB's entry requirements, which made admission conditional on having been licensed. This resonates with Chua and Poullaos' (1993) observation that, in order to obtain state privileges, an association may engage in a strategy that results in excluding some existing members while including new members, or may strategically forgo closure in some jurisdictions for closure in others. For the VDB, however, this meant that it lost control over a very significant condition of recruitment, thus limiting its critical mass and thereby its influence as a political interest group. It also, de facto, severely hindered its members' ability to compete in the audit market, because of the *Handelskammern's* requirement and its own ethos relating to independent sole practice. Ultimately, therefore, this attempt to gain state privileges did not have the desired consequences. Also, supporting Parkin's theory, the earlier attempt to mobilize state authorities in the pursuit of usurpatory closure by seeking protection of the title *Bücherrevisor*, had been equally unsuccessful.

The investigation of the early history of the VDB thus provides an opportunity to contribute to examinations of different types and degrees of closure attempts and different dynamics between closure and openness. This is important because professionalization is idiosyncratic, involving in different settings, different players that stand in different relationships to each other. The paper demonstrates that strategies and objectives are subject to change, and may also be 'theoretically surprising or even anomalous' (Chua & Poullaos, 1993, p. 695). Thus the case allows us to observe a number of features that do not quite fit Weber or Parkin's theories, including the (pre-emptive) action of a subordinate group before the better qualified, positively privileged had organized, and its subsequent take-over by representatives of the latter. The paper shows that, while the VDB had a degree of success in creating much of the structure and processes of a modern professional body (Markus, 1997, p. 6), its ambition to achieve market and professional closure was unsuccessful.<sup>29</sup>

In summary, the paper has aimed to make a number of interrelated contributions. It has contributed to the literature on histories of professionalization in accounting an example of an incomplete professional project by tracking the shifting aims, and the life and 'death' (cf. Chua & Poullaos, 1993) of the VDB's usurpatory and exclusionary closure strategies. More specifically, it has, with this case study of Germany in the economically and politically

turbulent decades preceding World War I, contributed to explorations of the conditions underlying unsuccessful professionalization projects, demonstrating that professionalization is ultimately an idiosyncratic process that is very much dependent on the local and historical context. While there are parallels with the development of other continental European audit and accounting professions (see, for example, Bocqueraz, 2001; De Beelde, 2002; Ramirez, 2001), the German context differed in significant respects, in particular with regard to the role of the *Handelskammern* and that of academic credentials. The latter also reflect the tension between exclusive *Vergemeinschaftung*, and the *Vergesellschaftung* implicit in developing a necessary critical mass. This tension, in turn, reflects the pursuit of economic interests through, at times expansionist and at other times, monopolist strategies.

The paper has also added to the very limited literature on the history of the audit profession in Germany and provided, to the best of my knowledge, the first in-depth exploration in accounting, of the foundation and early years of the first German association of auditors, and the first applying a theoretical framing informed by both Weber's original texts and Parkin's theory of dual closure. As discussed above, this is important because Parkin usefully develops Weber's theories, but drawing also on Weber allowed me to provide deeper insights into the dynamics of stratification and of different levels of closure and openness at different times. It thus allowed me to contribute more nuanced insights into the balancing act between, and coexistence of, *Gemeinschaft* and *Gesellschaft*, or expansionist and monopolistic economic interests, than drawing on only either Parkin or Weber would have permitted. Finally, the paper suggests, based on the story of the VDB, that potential insights may arise from applying theoretical frameworks developed in the same setting as the case to be explored. This also has implications for language and cultural translation and resonates with Mills' (1993, p. 801) caution against applying modern theoretical frameworks in historical contexts. It reminds us and sensitizes us to the fact that theories are created in particular cultural and temporal settings and that classic works are also historical works. This means, for example, that they require regular re-translation (inter alia because of the effects of language change (Kalberg, 2001/2010), but that even with the best effort, 'translations inevitably transform to some extent the original text' (Humphrey & Gendron 2015, p. 52, on translations of Foucault). In general, it seems, that there is scope for further research in accounting history, on the implications of translating theories across time, cultures and languages (Evans, 2016).

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**Table 1:** Membership of the VDB. Sources: Anonymous (1906, 1913); Hintner (1926, pp. 54–55); Schreier (1925, p. 243); Voß (1930, p. 32); VDB (1911/12, 1913-6).

Year	Full members	Of which licensed	Not licensed	Male	Female	Additional (not full members)
1896	15					

1901	21					
1905	152	119	33			
1906	147					
1911	265					
1912	298	252	46			
1913	317	272	45			
1916	322	288	34			
1918	355					
1919	422					
1920	605					
1921	686					
1924	828			817	11	23

## Notes

<sup>1</sup> Closure and stratification are mainly dealt with in Part II (the older part) of *Wirtschaft und Gesellschaft* (translated into English as *Economy and society*). Weber wrote this between 1909 and 1913.

<sup>2</sup> Thus Chua & Poullaos (1993, 1998) explore the distinctive case of colonial accountants engaging with both local and imperial state agencies; Ramirez (2001) focuses on interdisciplinary conflict between corporate audit firms and sole practitioners which were preceded by the similar events in the German setting, and Coronella et al. (2015) examine a post-unification Italian setting. While there are similarities, considerable diversity also exists in European settings and the development of European professions, in particular with regard to manifestations of third parties, including the state, and the role of and status associated with higher education (Abbott, 1988, p. 26; Macdonald, 1995, pp. 85–94).

<sup>3</sup> While Ramirez (2001) draws on Bourdieu.

<sup>4</sup> The term *freie Berufe* is not restricted to university graduates, but refers to self-employed individuals only and therefore excludes civil servants or salaried employees (Jaraus, 1990; Kocka, 1990). *Akademische Berufe* refers only to professions requiring academic credentials (Jaraus, 1990) and ‘excludes those nineteenth-century professionals who were not trained in universities or similar institutions (like the English barristers), and it does not carry with it the notion of autonomy and self-controlled closure which usually define [sic] the “professions”’ (Kocka, 1990, p. 62). See Jaraus (1990) for a fuller explanation of the German terms.

<sup>5</sup> As noted in the introduction, English translations such as ‘status group’ do not capture the German meaning fully and in particular do not signify very well the distinction between *Stand* and *Klasse* (‘class’) in German. Specifically,

In German, the term *Stand* evokes a sense of medieval history. It also implies a focus on rights and responsibilities that members of a shared *Stand* have to each other, especially as expressed through commonalities of life and shared codes of behavior. Specifically in Weber’s formulation, these shared commonalities and responsibilities are mostly independent of any relationship within a free anonymous marketplace. According to Weber, this is an explicit contrast to the different feelings of solidarity and grievance that emerge from a shared position in a marketplace, as advantage-seeking buyers and sellers interact. Such groups Weber calls *Klassen*, that is, ‘social classes,’ in explicit contrast to the older solidarity of the *Stände*. (Waters & Waters, 2010, p. 155)

<sup>6</sup> Social classes comprise the working class; the lower middle classes; the unpropertied intelligentsia and the highly skilled; and the propertied class and those privileged through education (*Bildung*). Compared to other types of classes, social classes are distinguished by greater social mobility, for individuals or across generations (Weber, 1972, p. 177). *Stand* most closely relates to social class, and differs most from commercial classes. *Stände* are primarily created by propertied classes, but while *Stand* can be based on class situation, it is not solely determined by this (Weber, 1972, p. 180).

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<sup>7</sup> These translations also do not capture the German concepts well. See Waters & Waters (2010) for a full explanation

<sup>8</sup> Elsewhere, the foundation of professional associations was also motivated by attempts to break existing monopolies. This applied, for example, to the foundation of the Corporation of Accountants in Scotland in 1891 (Walker, 1991).

<sup>9</sup> The *Gewerbeordnung* (§36) stressed that, where regulations attributed special credibility or legal significance to the actions of individuals practising the trades specified in this law, these attributes only applied to individuals appointed by the state or municipal authorities.

<sup>10</sup> The *Deutsche Treuhand Gesellschaft* was founded in 1890, initially as a finance and trust company for the protection of shareholders' foreign investments (Meisel, 1992). From 1902, it included audit work in its service portfolio (Anonymous, 1914). In 1903 it carried out 27 external audits, and by 1907 approximately 400 (Quick, 2005, with reference to Lansburgh, 1908).

<sup>11</sup> Unfortunately, no surviving documents shed light on whether this was due to existing members gaining a *Handelskammer* licence, or *vereidigte Bücherrevisoren* being newly admitted.

<sup>12</sup> Mimicking formal characteristics of older professions is a common feature of professionalization (Ramirez 2001). For example, English accountancy drew on models of older professions when it developed attributes of professionalism (Abbott, 1988, p. 26; Robson, Willmott, Cooper & Puxty, 1994; Walker, 2004); local English societies emulated the organizational structures of Scottish societies (Macdonald, 1984; Walker, 2004); and the Institute of Accountants in New York (founded in 1882) attempted to imitate features of British accounting associations as well as the model of the 'community of the competent' employed in the medical profession, sciences and engineering in the US (McMillan, 1999).

<sup>13</sup> Perhaps because it was taken for granted, the VDB's own original Articles of Association did not explicitly exclude women. In any case, by the mid-1920s the association had a small number of women members (see Table 1).

<sup>14</sup> In practice, *Bücherrevisoren* did delegate minor work to assistants.

<sup>15</sup> This difference in organizational form and personnel base was one of a number of factors that featured in the intra-professional struggle between *Bücherrevisoren* and *Treuhandgesellschaften* (Evans, 2003), which still had repercussions in the 1980s (Evans & Honold, 2007). See also Ramirez (2001) for somewhat later parallels in France.

<sup>16</sup> A similar link was created in France, as the claims of professional independence and competence associated with sole practice enhanced practitioners' social prestige. This was because 'independence and distance were indeed only attainable by those gifted with enough economic and social capital to advertise themselves as sole practitioners' (Ramirez, 2001, p. 398).

<sup>17</sup> This problem appears to be symptomatic in most jurisdictions with a growing market where a professional organization has not developed sufficiently to facilitate closure. See, for example, Ramirez (2001) and Walker (1995).

<sup>18</sup> The schools were initially independent of the state, but soon gained university status and fell under state control (Lindenfeld, 1990).

<sup>19</sup> As evidenced by the emphasis on this topic at annual congresses. This was not only 'proof that one was aware of a shortfall, but also that one was willing to remedy this' (Sponheimer, 1925, p. 45, my translation).

<sup>20</sup> For example:

Let us assume that a 19 year-old grammar school graduate attends the *Handelshochschule* for four semesters, passes the diploma examination and then completes the course for the training of *Bücherrevisoren*. We then have a young man of not yet 22 years of age, who has been officially certified as a *Bücherrevisor*. No doubt the young man is widely educated and possesses a wealth of desirable specialist knowledge – but he has absolutely no practical business experience. But that the latter plays a great, in fact the greatest role in the qualification of a *Bücherrevisor*, can be considered incontestable. (Anonymous, 1907b, p. 218, my translation)

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<sup>21</sup> In addition, academic endeavours in other areas were perceived as a threat to the *Bücherrevisoren*'s jurisdictions. For example, Stern had published on industrial management and considered the valuation and depreciation of assets in manufacturing the domain of engineers.

<sup>22</sup> The *Handelskammer* Leipzig, however, had supported the introduction of the diploma at the *Handelshochschule*. (I am grateful to Sebastian Hoffmann for drawing my attention to this.)

<sup>23</sup> Although some regional associations of *Handelskammern* had established regulations on appointment and licensing by 1901 (Gerhard, 1956).

<sup>24</sup> Letter from the *Handelskammer* Leipzig to the *Handeshochschule* Leipzig, 12 May 1909. Archiv der Handeshochschule Leipzig, Reference 83/23.

<sup>25</sup> Its members' lack of academic credentials was an obstacle to the VDB's lobbying also in its later activities. Although elements of its membership began to interact with the business schools, and some prominent members took up teaching positions (Gerhard, 1956, p. 13), in the 1920s its application for recognition of *Bücherrevisoren* among the *freie Berufe* was nevertheless rejected because *Bücherrevisoren* 'are not, nor need to be equipped with academic tools [to the same degree] as doctors, lawyers, engineers (who are *not merely technicians*)' (Schreier, 1925, p. 235, citing the supreme fiscal court decision of 15 July 1924, emphasis added, my translation). *Bücherrevisoren* were thus contrasted with engineers, who had become academized to a larger extent (see above). This is significant because *freie Berufe* were traditionally not restricted to university graduates, and this decision therefore demonstrates the rise of the formal credentials – the *Fachprüfungen* – observed by Weber.

<sup>26</sup> Medieval guilds, for example, would at times attempt to increase membership to increase power, and at other times restrict membership to protect the value of their monopoly (Weber, 1972, p. 24).

<sup>27</sup> Hintner (1926) estimates the total number of *Bücherrevisoren* in the mid-1920s at around 2,000. However, Sponheimer (1925) estimates the number of *vereidigte Bücherrevisoren* at around 2,000, and that of unlicensed *Bücherrevisoren* at approximately 10,000. Census data for 1925 suggests that a total of 18,132 individuals were engaged in audit and taxation work, but this includes *vereidigte Bücherrevisoren*, unlicensed *Bücherrevisoren* and employees of *Treuhandgesellschaften*. The number of *vereidigte Bücherrevisoren* included in this total is estimated at approximately 1,800 (Schroup, 1929). The uncertainty regarding numbers is also noted, without resolution, by Henning (1990). It may partly be explained by the lack of a clear demarcation of the title and tasks of the *Bücherrevisor*.

<sup>28</sup> It also supports prior research that emphasizes the influence of the state and of third parties (*vis-à-vis* the market) in the development of continental European professions (see e.g., Burrage et al., 1990; Chua & Poullaos, 1998).

<sup>29</sup> This remained the case in subsequent years: post-World War I, several further attempts to gain state support to limit competition or create monopolies were unsuccessful. The VDB failed to convince, in the context of functionalist models of professions, of its public interest motives, and because the majority of its membership continued to lack formal academic credentials (Markus, 1997, pp. 12–13; Meisel, 1992, pp. 151–167; Schreier, 1925, pp. 235–236). Economic crises and large-scale corporate collapses eventually led to the introduction, in 1931, of an independent external audit and of a new professional title and qualification, the *Wirtschaftsprüfer* – both under state control (Markus, 1997; Meisel, 1992; Gietzmann & Quick, 1998). Although the VDB's earlier lobbying had influenced developments (Markus, 1997; Meisel, 1992), and it initially perceived itself as *the* body representing the interests of the new *Wirtschaftsprüfer* (Gerhard, 1956, p. 38), to the VDB's considerable disappointment, only around a third of its membership were admitted by September 1932 (Markus, 1997, p. 49).