

GOALS OF COMMERCIAL EDUCATION AND THEIR ATTAINMENT: DISCUSSIONS AT THE END OF NINETEENTH – BEGINNING OF TWENTIETH CENTURIES

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Abstract

The article is devoted to the history of Russian business education during its reforming at the end of nineteenth – beginning of twentieth centuries. The object of research is the discussion on accountancy training at commercial schools. The subject of research is a set of approaches that combine guidance and practical approach in teaching. The study evaluates retrospective of teaching practice in the context of modern problems of the study of professional disciplines.

Keywords: business education, accounting, theory and practice, textbooks and the problem books.

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Introduction

The foundations of Russian business education were laid during the reign of Emperor Nicholas II (reigned from 1894 to 1917). On the initiative of Sergey Witte (1849-1915), the Minister of Finance of the time, His Imperial Majesty issued the Statute on Institutions of Commercial Education that came to shape and define the legislative framework for commercial school until October 1917. This initiative was accompanied by public debate about what and how should future businessmen and accountants be taught. Among the issues discussed, this article will consider only two, seems to us the most significant for the creation of a commercial school: the goals and priorities of business education and a proper combination of humanitarian, theoretical and utilitarian approaches to learning.

Mentioned discussion points were actual worldwide during the Founding Period of business education. In Europe this period, as suggested by Kaplan (2014, p. 529-530), lasted about 125 years from 1819 until 1944. At the turn of the nineteenth and twentieth centuries, the role of the specialized education for business was not yet fully defined. University education has traditionally been perceived as the best, even for business purposes. Wilson noted (2015, p. 17, 19), regarding to the UK, that at that time management was considered more of an art than a science. It relied mainly on the intuition and thinking ability of a classically educated manager.

By the end of the Second World War, priorities in education of business activists changed. It was recognized that, in order to increase the competence and effectiveness of managers, something different to classical university education is in demand. Forty or fifty years later education in relation to business “focused on transmitting instrumental, ‘scientific’ knowledge that was believed to be what managers needed for economic success” (Wilson, 2015, p. 18). Attempts to replace classical university education by formal education, designed specifically for managers led to, Wilson worded (2015, p. 18), the lost of “balance between management as an art and the science of management”.

Excessive utilitarian business education looks dissonant to contemporary comprehensive economy, therefore restoring the balance between art and management science seems to be one of the priorities of business education. To a certain extent, we return to the origins of business education and the old but still actual debate about its content. As Wilson noted (2015, p. 15), discussion today of the role of the liberal arts in management education should be informed by a degree of historical observation. Especially since the history of business education, according to Passant (2016, p. 1118), remains overall, a relatively untouched topic.

However, we assume that historical experience has some national traits. In Russia the first attempt to create a mass business education lasted a little over twenty years (from 1896 till 1917) and was interrupted by the revolutionary events. Nevertheless, it is of interest in the context of the balance between classical and specialized education, the combination of science, methodology and practice in the process of training merchants and managers, particularly accountants.

Accounting teaching in this sense is one of the best examples, since accounting science in Russia was going through a period of formation with its characteristic wide range of issues discussed.

Historical experience has national traits. In Russia, for example, the experiment to create a mass commercial school lasted a little over twenty years and was interrupted by the revolutionary events of the second decade of the 20th century. Nevertheless, it is of interest in the context of the relationship of general and special education, the combination of science, methodology and practice in the process of training merchants and accountants. Issues on teaching accounting are considered in this article as an illustration of the discussion about the combination of science and practice in commercial education, since accounting science in Russia was going through a period of formation with its characteristic wide range of issues discussed.

Goals and priorities of commercial education

The Statute of 1896 divided commercial educational institutions into four types (categories): trade classes, trade schools, vocational schools of commerce and courses of commercial knowledge. Each category had a designated educational purpose and an intended trainee audience. Pursuant to the Statute, trade classes were defined as educational institutions for employees of trade and industry enterprises aged twenty and above. The classes were designed to provide them with the basics of commercial knowledge essential in trade business. The purpose of trade schools was to train students for service in trade and industry establishments. They were divided into single-class schools with a twelve-month curriculum and three-class schools with a curriculum run on a three-year basis. Trade schools set age and educational proficiency limits for its applicants¹.

Under the Statute of 1896, vocational schools of commerce could run seven- and three-class programmes. The former were designed to provide the trainees with general and commercial education, whereas the latter only offered training in commercial knowledge. The admission requirements were similar to those that existed at *Realschulen*².

¹ Under the admission requirements to trade schools, applicants aged twelve and above had to present a certificate of completion of at least a two-class Ministry of Education village vocational school or, alternatively, undergo an entrance examination.

² Admission to seven-class vocational schools of commerce was open for applicants aged ten years and above who possessed skills and knowledge meeting the admission criteria of *Realschulen*. Therefore, three-class vocational schools enrolled those applicants who possessed skills and knowledge equivalent to the first four classes of *Realschulen*. *Realschulen* or *realgymnasia* was a type of secondary school. In opposite to *gymnasia* proper, which taught a uniform classical programme (including Latin), *realgymnasia* taught only a modern syllabus. Children from

Courses of commercial knowledge fell into two types: firstly, commercial courses, and secondly, clerking and accounting courses, as well as those designed to teach various disciplines within the branch of commercial science. The admission for courses of commercial knowledge required that the applicants have a certificate of completion of at least a secondary educational institution or above.

Introducing the new document, Witte noted the shortcomings of the current state of industry and trade in Russia: “poor entrepreneurial spirit, lack of adequate information on goods production and marketing sites, as well as market environment, underdeveloped accounting practices, inadequate sorting and rejection of defective goods, lack of legal security during trade dealings, superficial knowledge of banking, credit and promissory note operations on the part of mercantile community” (Cited by: M.V., pp. 112-113). As envisioned by Witte, these shortcomings could be eliminated by “the establishment, in an orderly fashion, of a commercial school designed to fulfil practical objectives.” (Cited by: M.V., pp. 112-113).

The demand for educated tradesmen and accountants in trade and industry at the end of the 19th century was one of the most widely discussed issues: it was repeatedly taken up at conventions of Russian vocational and professional education actors, conventions of directors and representatives of fiduciary boards of various commercial educational institutions; articles on the issue figured large on the pages of such magazines as *Kommercheskaya Shkola i Zhizn* (“Commercial School and Life”), *Kommercheskoye Obrazovaniye* (“Commercial Education”), *Kommersant* (“Tradesman”), *Schetovodstvo* (“Bookkeeping”), etc. All speakers as well as authors emphasized the importance of promoting and maintaining the commercial school, while at the same time defining its objectives and outcomes in keeping with the established traditions and their own ideas about special education.

At the time, populistic ideas of selfless service for the good of public education were still widely upheld, and the very notion of “commercial education” provoked social rejection. As noted by M.V. Bernatsky, one of commercial education enthusiasts and editor of an aptly named magazine *Kommercheskaya Shkola i Zhizn* (“Commercial School and Life”), “we are used to attributing a certain socially objectionable meaning to the very word “commercial”; the collocation “commercial education” itself still emanates odious undertones to many people’s ears” (Bernatsky, 1912, p. 7).

The idea of acquiring commercial education was given a new momentum. Bernatsky saw it as an opportunity to “increase the general and professional knowledge of the people” (1912, p.9). He emphasized the democratic spirit of commercial education that is intended to tie together representatives of all walks of economic life, all national interests and all social strata “into one knot of trading relations” (1912, p.9). Above the professional and technical stratification of society Bertansky placed “a man in general” – a person of intrinsic value. He believed that “the foundation of commercial education is underpinned by a deeply rooted, supreme humanitarian principle” (1912, p.10). The goal of commercial education, according to Bernatsky, was to “resolve, to the extent of its possibilities, the problem of revival and progressive revolution in Russia” (1912, p.9).

The humanitarian principle of commercial education, proclaimed by Bernatsky, was somewhat differently interpreted by the proponents of predominantly broadly-based, general training for students of commercial educational establishments. As V. Grachev pointed out (1909, p. 224) that the numerous salesclerks and “tradesboys”, coming from rural areas, are most often than not in need of elementary education. A. Sakharov substantiated the need for advancement of general education within commercial schools with illustrative figures. He cited the data from a

peasant and worker families had an opportunity to study there.

survey held among 25,876 salesclerks in the city of Odessa, conducted by A.M. Gudvan and published in 1905. The survey results demonstrated that 51% of all salesclerks working at manufacturer shops have only rudimentary reading and writing skills; 46% graduated from a public or town school, and 3% had secondary education (Sakharov, 1906, pp. 112-113).

A participant of the convention of directors and representatives of fiduciary boards of commercial educational institutions held in 1901, A.I. Novikov, championed the prioritizing of general educational instruction at commercial schools as a step towards tertiary education. He advanced the following arguments:

- commercial occupation requires a greater educational proficiency than any other manufacturing occupation;
- students of vocational schools of commerce belong to a wealthy class and don't have the need to rush with engagement in practical activities;
- many of the students head to vocational schools of commerce having faced the unavailability of vacant student positions at Realschulen and are focused on acquiring general education;
- commercial school graduates are granted the right of admission into tertiary educational institutions, and they must be worthy of this right (Soveshchaniye..., 1901, pp. 222-223).

A particularly active promotion of general educational training was taking place at seven-class vocational schools of commerce that pursued a dual goal and combined both general and commercial education. Professor Sushchinsky, another participant of the same convention, deemed it fit to uphold the following categorical statement: "A vocational schools of commerce must correspond to the type of a general education school with a designated specialization" (Materialy, 1901, p.22). His position clearly garnered support, as the resolution of the convention was almost entirely congruent with the revised edition of legally constituted objectives of such commercial schools. "Irrespective of specific goals, designated by the law, vocational schools of commerce have the immediate objective to provide trainees with complete general education that could be sufficient both for starting engagement in trade and industry activities and going on to higher levels of education". It can be easily seen that this revised edition not so much supplemented as altered the content of the law.

It didn't take much time for vocational schools of commerce to embark on a course of development determined by the convention. It was soon found out that most vocational school graduates choose not to carry on their activities in trade and industry and go on to enrol into tertiary educational establishments. In 1907 an opinionated author from the *Kommerchesky Mir* ("Commercial World") magazine, who wrote under the alias "Bukh", had good ground to claim that "following the notorious conventions of directors of vocational schools of commerce...these educational establishments lost their specialized focus and transformed into general education schools, akin to Realschulen" (Bukh, 1907, p.16).

The lead-up to the revolutionary events of the early 20th century was marked by a pressing need for secondary commercial education reform. Proposals voiced during its deliberation clearly indicated that the past experience of vocational schools of commerce was not quite successful. The VIIIth convention of representatives of exchange trade and agricultural sectors held in January 1914 agreed to set up a special commission in order to clarify issues concerning the types of commercial educational establishments and require the Ministry of Trade and Industry to provide new school curricula for distribution and review among exchange committees. As none of the existing secondary commercial educational establishments served its intended purpose – that is, to train skilled workers for trade and industry enterprises – a proposal was made at around the same time

to set up a special type of vocational school where students could acquire real-life knowledge in commercial science.

Combining theoretical and practical educational bases

S.Y. Witte's call for sensible organization of commercial schools and their work towards addressing practical economic issues was at first taken too literally: there was a pressing need to ramp up practical training for the students. Bookkeeping teachers, responsive to changes in public sentiments, supported the idea and tried to put it into action, primarily and mainly, drawing upon the long-term experience in educational training. Traditionally, commercial educational institutions widely incorporated the so-called practical method of instruction on bookkeeping, inherited from fee-based apprenticeship. The teacher would analyse a sample enterprise's operations over a certain period of time together with his students, while trying to make the study example as authentic and close to reality as possible. Remarkable progress in teaching practical bookkeeping was made by A.V. Prokofiev. He was credited with "preserving the bookkeeping in its pure, undistorted form, fit for subsequent practical and scientific development" (Ser'yozny Vopros, 1907, p. 17)

Unlike practical instruction, scientifically-oriented bookkeeping teaching could not yield immediate results with practical application. Convincing arguments had to be found that supported the advantages of accounting theory and its potential to interpret practical aspects and shape their direction. One of the first steps in this regard was made by P.A. Zamyatin. He made a distinction between the result of education (students' knowledge) and its process (practical instruction). "*We – he said at one of the conventions of Russian technical and professional education workers – refer directly to the result and make it the focus of our unrelenting attention, instead of systematically studying the elements whose complementary harmony should yield the same desired result, but through substantially simpler and scientific means*" (Zamyatin, 1898, p. 25).

Zamyatin's idea was accurate, albeit with one minor provision, which is nonetheless important for its understanding in contemporary context. The terms "scientific" and "theoretical", in dealing with various modes of instruction on bookkeeping that existed until late 19th century, were understood quite differently. They were used – as in Zamyatin's arguments – just as an opposition to the practical approach to learning bookkeeping practices in counting rooms. Advocating the "scientific" approach, its proponents renounced the practical one in every possible way. Attempts to emulate the experience of foreign vocational schools of commerce and imbed the "counting house" in a lecture hall were few and far between in this country. The so-called "exemplary" or "model" counting houses gained very little ground and were not widely used in this country. Nor was there any notable interest towards bookkeeping manuals offering detailed outline of accounting practices typical of a real enterprise and therefore difficult to comprehend without concerted effort. An illustrative example of it is "A Complete Book of Commercial Single-Entry and Double-Entry Accounting" by P.I. Rheinbott, first published in 1866¹, and referred to by one of the authors of the magazine circulated by the Ministry of Education as the "most scholarly manual" (N., 1875, p. 70).

That said, simple and scientific teaching mediums, classed together by Zamyatin and not involving the hands-on experience with accounting practices, proved to be appealing and garnered public support. Rheinbott's critic, a certain author N., wrote that "Teaching must be – contrary to what all accountants think – something they refer to as *theoretical*, and in no way should it be *practical* in their sense: only then will teaching be practically relevant" (N., 1875, p. 70). By

¹ The second edition was published in 1876. The practical part of the course was given in four languages: Russian, French, English, and German.

accounting theory N. meant a laconic and concise explanation of its fundamentals. It was expected that, having assimilated these basics, a student will be able to “compress or expand the accounting theory, depending on the needs, in accordance with the actual requirements, rather than memorized forms” (N., 1875, p.70).

His theory was perceived, primarily and mainly, as a new teaching approach, a didactic method of sorts. It was well expressed by A.N. Solovyov during his speech at the third convention of Russian technical and professional education workers. He proclaimed a thesis: “bookkeeping is a technique that has its own logic” and followed it with another one: “the explanation of this logic is customarily called an accounting theory” (Solovyov, 1904, p. 751). Solovyov considered the scientific method of instruction to be absolute, while at the same time identifying it with the methodological one.

E.E. Sivers did not share the idea of abstracting the bookkeeping theory from accounting practices, as well as its simplicity. “...I do not find it possible to acknowledge the existence of bookkeeping *eo ipso*, as a purely abstract, notional science that falls solely within the purview of pure speculation, - he wrote – *it exists, I believe, so far as it is necessary for a particular practical purpose*” (Sivers, 1915b, p. 112). Sivers thought that it was necessary to subject the existing bookkeeping methods to the “rigorous examination through critical thinking”, summarize them and draw scientific conclusions, substantiated and abstracted simultaneously. The totality of such conclusions or laws Sivers acknowledged as science. It must be distinguished from applied knowledge of practical methods, employed with respect to a particular activity.

Scientific conclusions and laws were connected, according to Sivers, to relationships that inherently arise out of the nature of research object. As the trading practice – the main accounting entity of the time – was dominated by exchange relationships, Sivers used them as a basis for the exchange accounting theory. This theory explained the fundamentals of a double-entry bookkeeping, raised to the level of an accounting law by Sivers and his supporters.

Proclaiming the double-entry bookkeeping a law was a bold idea that needed substantiation, necessary for acquiring social recognition and justifying claims for a rightful place among other sciences and educational disciplines. V.D. Belov, referred to by Y.V. Sokolov as the first Russian accounting theorist, considered the following arguments to be sufficient:

- experience has not shown a single instance that might have fallen out of the rule of law;
 - moreover, there can be no such instance;
 - the law of double-entry bookkeeping is the result of logical deduction;
 - its application and development are based on a rigorous method of mathematical equation
- (Belov, 1888, p. 368).

Sivers referred to the double-entry bookkeeping as a “perfect origin” of the accounting science but thought that the science itself was far from perfect (Sivers, 1915a, p.55). He saw its growth prospects in continuing along the same pathway trodden by the previous sciences. Despite the diversity of subject areas, they all followed two directions: encyclopaedism and specialism. Sivers associated these directions with the bookkeeping object and singled out two types of sciences: an accounting encyclopaedia and special accounting sciences. The latter included, according to him, banking, railroad, agricultural and other types of industry-specific accounting (Sivers, 1915a, p.57).

Sivers envisioned the encyclopaedia of accounting as a science that binds all accounting sciences into one whole. He saw it as an introductory and at the same time a summary accounting science. As the introductory science, the encyclopaedia was intended to serve as a basis, or a common source, for other accounting sciences. As the summary science, it was supposed to sum up the provisions of special sciences and reintroduce these provisions in a new, revised format. The

relationship between the encyclopaedia of accounting and special sciences, according to Sivers, is the relationship between the universal and the particular; he linked it to other sciences through deduction and analysis, whereas special sciences were linked to the encyclopaedia through induction and synthesis (Sivers, 1915a, p.57). The accounting science was thus put on a par with other sciences.

Conclusion

This twenty-year experiment in establishing a system of mass commercial education at the end of 19th – beginning of 20th centuries, though brief by historic standards, left an important legacy.

The value of this experiment lies in the fact that it allowed to put traditional bases of Russian education to the test within a new economic context. The idea of an enlightening value of education faced, for the first time in history, with a mercantile approach to knowledge, focused on its practical application. In keeping with the enlightenment and humanistic ideals of the time, priority was given to general educational instruction – but such was the prevailing outcome of the social debate. It did not alter the legislative framework of commercial education, nor the course of its development, set by the government. In this context we attach greater importance to the arguments brought forward by the participants, rather than the debate results, especially where such arguments proved insufficient. In particular, the parties failed to arrive at a mutually acceptable interpretation of humanism in relation to specialized training. This issue remained to be addressed in the future.

Examining argumentation is also helpful with regard to the scientific and practical training at commercial educational establishments. The century before last has left us a pervasive idea that accounting methods constitute the accounting science proper. Even today scientific instruction media as often associated with simple techniques. That said, Siver's arguments in favour of the scientific nature of accounting have been entirely forgotten, and his theory of encyclopaedic accounting knowledge has virtually become a historic artifact.

The unfinished debate on the issues of commercial education in the 20th century was put on long hold; it had little impact on scientific discourse, but in the 21st century this debate can acquire new relevance within the context of historical science, with its characteristically modern interpretation.

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