



# Sir George Touche, Bart., C.A.

1861–1935

## A Memoir

¶ *The career of this influential accountant illuminates, with colorful Victorian overtones, the beginnings of the investment trust movement and the heyday of British international investment.*

*by Mary E. Murphy*

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George Alexander Touche was one of a group of Scottish Chartered Accountants who made their way across the Tweed and helped advance professional accountancy in London.<sup>1</sup> His career had several unique features. These included the establishment of one of the oldest public accounting firms in the United States and Canada, and affiliation with a South American professional partnership. Another interesting facet of his life was his active participa-

<sup>1</sup> The writer wishes to express appreciation to Mr. G. L. C. Touche, F.C.A. London, for his helpful comments on this sketch of his father.

tion in the investment trust movement in the United Kingdom and, through investments, in the development of the British Commonwealth and the North American Continent. On behalf of British investors in American industrial securities, Touche visited the United States on a number of occasions. Finally, he wrote verse, privately printing and circulating his poems to his family and friends.

Touche was born on May 24, 1861, in Edinburgh, the son of a banker. He was educated at Bonnington Academy, Edinburgh Institution (now Melville College), and Edinburgh University. In 1883 Touche was admitted to membership in the Society of Accountants in Edinburgh. A Scottish Chartered Accountant, in addition to passing all the subjects required by the English professional societies, had also to complete examinations in actuarial science and political economy. It is recorded that Touche's paper in actuarial science was given a 100 per cent rating.

The Touche family consisted of four sons and three daughters, and there was not much money. Young George went to London to seek his fortune in the financial capital of the world. There he embarked on a fourfold career in investment trusts, accountancy, the civil life of the City of London, and national politics. He possessed the assets of ambition, a great capacity for prolonged and concentrated work, and a lively imagination. In London he was first employed by Broads, Paterson and May, Chartered Accountants, and was fortunate enough to uncover a fraud on his first auditing engagement.

Touche was well qualified for the accounting profession in London. He had served his apprenticeship under Alexander T. Niven (1829–1918), Chartered Accountant of Edinburgh, with whose son he was destined to establish a lifelong partnership. Niven had a long career in practice in Scotland, sometimes in partnership and sometimes as a sole practitioner. He was one of the seven gentlemen who formed the Society of Accountants in Edinburgh in 1854 (amalgamated with the other Scottish accounting societies into The Institute of Chartered Accountants of Scotland in 1951). This Society, which was incorporated under Royal Charter given at Her Majesty's Court at St. James' on October 23, 1854, and signed by Lord Palmerston at Her Majesty's Command, recited, in the Latin of the Court, that the duties of an accountant in Scotland required "great experience in business, very considerable knowledge of the law and other qualifications which can only be attained by a liberal education."<sup>2</sup> It was the first organized body of public accountants in the world.

<sup>2</sup> Richard Brown, *A History of Accounting and Accountants* (Edinburgh, 1905), pp. 220–232. Also see *A History of the Chartered Accountants of Scotland from the Earliest Times to 1954* (Edinburgh; The Institute of Chartered Accountants of Scotland, 1954).

On June 4, 1887, Touche married; he had four sons, and lived to see his six grandchildren. He formed the public accounting firm of George A. Touche & Co. of London and Birmingham in June, 1898, and later in Canada. With John Ballantine Niven (1871–1954), Alexander Niven's son, he formed another partnership – Touche, Niven & Co. (now merged in Touche, Ross, Bailey & Smart) – which maintained offices in various cities in the United States.

John B. Niven, mentioned above, had been admitted to the Edinburgh Society in 1893 and remained on his father's staff until the end of 1897, when he came to America and served in the Chicago office of Price Waterhouse & Co. until February, 1900.<sup>3</sup> He was President of The American Institute of Accountants (predecessor body to The American Institute of Certified Public Accountants) in 1924–1925.

At an early date, Touche had associated with him, as partners in the London firm, Andrew W. Tait, who had been apprenticed to Alexander Niven, and Gilbert Taylor, who retired in 1905. In 1917, Touche was knighted and three years later he became a Baronet. He was active in politics and was a strong advocate of tariff reform. He served as M.P. for North Islington from 1910 to 1918. In addition, he was a Lieutenant and Alderman of the City of London and Sheriff for the year 1915–1916. Touche was a Governor of the Royal Northern Hospital and of Queen Anne's Bounty. The Order of St. Sava was granted to him by Serbia.

#### INVESTMENT TRUSTS

From 1870 to 1890 a number of Scottish and English financiers experimented with a new device, the investment company. The initial success of a Scot, Robert Fleming, who formed the Scottish American Investment Co. in 1873, was emulated by other members of the financial community. An investment company boom occurred in 1888 and 1889.<sup>4</sup> From a total of 15 such companies, with a nominal capital of £9.5 million in 1888, their numbers had risen to 19, with a capital of £25 million by April, 1889. The Treasury inadvertently contributed to this boom by its conversion of consols from 3 per cent to 2½ per cent, a move which released funds to search for higher interest rates.

Beginning in 1886 investment trusts were quoted on the London Stock Exchange, and their funds were widely invested in North and South America, the Colonies, South Africa, and the Far East. In Britain these companies aided individual promoters, promising in

<sup>3</sup> *The Accountants' Magazine*, Dec., 1924, pp. 653–655.

<sup>4</sup> *The Economist*, issues of July 21, 1888, and April 6, 1889, contained several references to the rise of the investment company in British finance.

advance to take shares in their flotations and arranging underwriting agreements for them. Although domestic companies received their share of new capital, much of the promotion and investment of the 10 years preceding the Baring crisis was on capital export account.

By 1930 there were more than 200 British investment trusts with an "aggregate paid-in capital well in excess of £319 million derived from the issuance of debentures, preferred and common stocks in approximate ratios of 40, 35 and 25%, respectively. . . . For 71 companies, whose reports permitted such comparative surveys, the geographical distribution of holdings was as follows: British Empire (excluding Canada) 45%; Continental Europe 18%; Latin America 16%; U.S. and Canada 14%; other countries 7%." <sup>5</sup> These trusts came under the Companies Acts relative to provisions for audit and publication of financial statements.

Touche's first connection with investment trusts appears to have been his appointment, in 1889, as Secretary of the Industrial and General Trust, which had just been formed. The investment trust movement was in its initial stages of development and had not outlined the principles which govern it today. Capital gains were confused with income, and disreputable practices were common.

In 1890 the Baring crisis hit the stock market, and some investment trusts were nearly wrecked in the following six years. Baring Brothers had been established in London in 1717 by a Bremen wool merchant. The firm entered the field of international finance, maintaining close connections with Hope & Co. of Amsterdam, and actively competing with the Rothschilds for loans to South America. With the falling prices of the 1870's and 1880's and the default of the Argentine government, Barings was placed in a desperate position, so grave in November, 1890, that an appeal had to be directed to the Bank of England. The crisis, in retrospect, is seen to have emphasized that future flotations for foreign governments and companies had to be reviewed with particular dispassion, for the age had passed when unlimited credit could be found in London financial circles.

Investment trusts came under severe criticism from the British public. In the case of the Industrial and General Trust, an investigation committee was appointed and a demand for an official inquiry by the Board of Trade was narrowly defeated. In 1894 the capital of this Trust was reduced by 60 per cent on account of losses. Touche was appointed manager, and he worked to place the trust on a successful operating basis. He became a Director of the Trust in 1898 and Chairman in 1908.

<sup>5</sup> *Encyclopaedia of the Social Sciences* (New York, 1932), vol. VIII, pp. 280-281.

Another investment trust, The Trustees Executors and Securities Corporation (now The Trustees Corporation), also, had difficulty at the same period and suffered a reduction of capital. Touche was appointed a Director and Chairman in 1901; he remained in the capacity of Chairman until his death.

Gradually the prosperity of the trusts was restored. Aided by a great financial flair and a personal integrity which was above suspicion, Touche and other leaders of the time, including Robert Fleming, evolved the sound principles on which trust companies operate today. In the process, they won for these companies the high financial standing which investment trusts, generally, now enjoy.

Touche's success in this field led to his services being sought by other trust companies. At the time of his death, in 1935, he was a Director of the following trust companies and Chairman of the first nine:

**Cedar Investment Trust**  
**City National Investment Trust**  
**Continental Union Trust**  
**Debenture Corporation**  
**Industrial and General Trust**  
**Second Industrial Trust**  
**Sphere Investment Trust**  
**Trust Union**  
**Trustees Corporation**  
**Atlas Electric and General Trust**  
**Sterling Trust**

These firms formed one of the principal groups of investment trusts in the City of London. They continued to flourish in the years following Touche's death, meeting the challenge of two world wars and great changes in the British family of nations. In his lifetime, Touche was also Chairman of the Anglo-Argentine Tramways Company, which operated the transport system of the City of Buenos Aires, and of the Midland Railway Company of Western Australia and the Mexican Southern Railway.<sup>6</sup> Touche was never "a 'bear' on the British Empire, and his group invested in Great Britain and the Dominions beyond what was usual, with remarkable success."<sup>7</sup> It is regrettable that so little time was available to him to acquaint others with his wide experience in the investment trust field. His published

<sup>6</sup> The Anglo-Argentine Tramways Company was capitalized at £30 million. There was a considerable British investment in the debenture and preference shares with the ordinary shares owned by Sofina, a large Belgian finance group. In the 1930's, the transport system owned by the company was nationalized and no payment was ever made to shareholders.

<sup>7</sup> Obituary notice on Sir George Touche, *The Accountants' Magazine*, Aug., 1935, pp. 493-495.

works are available in *The Accountant*, in certain issues from 1904 to 1906, in which he discusses accountants' investigations in connection with the flotation and consolidation of businesses under the Companies Acts, reconstructions, and receiverships.<sup>8</sup>

One of Touche's talents was the reconstruction of companies. He preferred to reconstruct, rather than to liquidate, financially embarrassed ventures. The papers mentioned above refer to some of his experiences but provide only a limited view of his range of activities. Another talent was oratory. The company meetings he chaired were anticipated by a large number of serious investors for his lucid discussions of financial matters. Not only did he refer to his philosophy of investment trust company administration and technique, but in his role as Director of many companies, in which his group of trusts was interested, he gave wise counsel on general business matters during some trying periods of British finance.

#### ACCOUNTING PRACTICE

At the turn of the century, Britain was the largest creditor nation. Her capital was invested in all parts of the world, not only in the Empire but in North and South America. Thus, the growth of business enterprise in these and other areas of the world was fostered by the London financial market. Investment trusts were leaders in discovering overseas investment opportunities. They contributed materially to the consolidation of Britain's financial supremacy by aggregating the resources of numerous small investors for purposes of capital export.

Through their investments, potential or actual, financial investigations by Chartered Accountants became essential. Touche paid many visits to the United States, Canada, and South America for the purpose of examining possible and existing investments for his investment trusts and for other British investors. Because of his impeccable financial reputation, he was called upon to advise on the finance and reconstruction of large companies both at home and abroad. To handle this work, Touche founded his own accounting firm of George A. Touche & Co. in England in 1898. In this he was shortly joined by Andrew Wilson Tait, another able Scottish accountant. Tait became a Director of several industrial companies and was the Receiver for the British Aluminium Company, eventually guiding it back to prosperity. Other partners followed in the Touche firm and these gave their full attention to the accounting practice.

<sup>8</sup> See *The Accountant*, May 21, 1904, pp. 691-704; March 24, 1905, pp. 381-384; March 31, 1905, pp. 412-420; and Sept. 22, 1906, pp. 329-333.

Among the early clients of the firm were The General Electric Company Ltd. and Balfour Beatty Ltd. (now part of Power Securities Corporation). These two companies, which rose to industrial leadership, are still clients of the firm, now known as Touche, Ross, Bailey & Smart.

It will be recalled that the firm of Touche, Niven & Co. was formed in the United States in 1900 by George A. Touche and John Ballantine Niven. Niven was a man of established reputation. Under his leadership, the firm expanded and became an important unit of the American accounting profession.

In 1910 a firm was formed in conjunction with Deloitte, Plender, Griffiths & Co. It was known as Deloitte, Plender, Touche & Co. It maintained an office in Java to serve the rubber plantation companies then being formed with British capital. The demand for men during World War I made it impossible to staff this office, and it was closed permanently in 1914.

The firm of George A. Touche & Co. opened offices in 1911 in Canada. In 1919 it acquired the business of Webb, Read & Co. Within a few years, offices were functioning in most of the principal cities of Canada.

In 1914 the firm of Touche, Faller & Co. was formed in Buenos Aires in conjunction with Albert Faller. However, the attraction of the Argentine as a field for British capital declined after the First World War, and it became apparent that there was insufficient work to support the offices of several British accounting partnerships. Accordingly, in 1921, the Argentine practices of Price Waterhouse & Co., Peat, Marwick, Mitchell & Co., and Touche, Faller & Co. were combined under the name of Price Waterhouse, Faller & Co. In November, 1935, the name of the firm was altered to Price Waterhouse, Peat & Co. Recently the three Touche firms in England, the United States, and Canada have amalgamated with other accounting organizations and now form part of the group of accounting firms known as Touche, Ross, Bailey & Smart.

#### TOUCHE IN THE CITY OF LONDON

The words, "The City," have always conveyed a picture of London's financial district, reviving memories of Threadneedle and Lombard Streets, the Bank of England, Lloyds, and the Stock Exchange. This compact center, aptly likened by Disraeli to a nation, financed the Empire and, indeed, the world at the height of the Victorian era. Then the financial power of "The City" surged round the globe at

the very moment when Britain was “the forge of the world, the world’s carrier, the world’s ship-builder, the world’s banker, the world’s workshop, the world’s clearing house, the world’s *entrepot*.”<sup>9</sup> Britain was organized on the basis of a world economy long before America discovered the way to a national system.

Actually, the City of London covers only one square mile and is distinct from the City of Westminster which adjoins it and the Metropolitan Boroughs which surround them both. Its historic buildings still in use, such as the Tower of London (1080 forward), the Guildhall (c. 1420), St. Paul’s Cathedral (1675–1710), and the other churches built by Sir Christopher Wren, are a constant reminder of the City’s ancient traditions, among which is its constitution.

Individuals who spend their working lives in the City develop a loyalty and affection for its dignified traditions. Touche was no exception. He was a member of the Livery of the Goldsmiths Company, which still performs at its Hall the ancient customs of testing newly minted coins at the annual Trial of the Pyx and applying the hall-mark to silver articles (“hall-mark” means the mark of the Goldsmiths’ Hall). His second son was later to become Prime Warden (chief officer) of the company.

Touche became an Alderman in 1915, and served as Sheriff from 1915 to 1916. Unfortunately, a breakdown in health obliged him to forego his claim to election, in his term, as Lord Mayor of London.

#### NATIONAL POLITICS

For many years from 1900 forward, Touche was active in national affairs. A brilliant public speaker, he had a pleasant, well-modulated and resonant voice. He was especially effective when speaking before a hostile audience, where his wide knowledge of the facts, geniality of manner and power of repartee won approval even from his political enemies. On one occasion, at an open-air meeting in Hyde Park, two members of the crowd were heard to remark that “they liked the sandy-whiskered old devil the best.”

Touche was a staunch Conservative, a great admirer of Joseph Chamberlain and a supporter of the policy of Tariff Reform. He unsuccessfully contested North-East Lanarkshire, at a by-election, in 1904, at a period when the Conservative Party was unpopular. He entered Parliament six years later by capturing North Islington from the Liberals.

When Touche was elected a Member of Parliament, this post was

<sup>9</sup>L. C. A. Knowles, *The Industrial and Commercial Revolution in Great Britain during the Nineteenth Century* (London, 1930), p. 138.



held in higher esteem than it is today. When he returned home to the small Surrey village where he lived, he was met at its outskirts by a deputation of the strongest men of the village, all carrying ropes. They considered that the village had been honored by Touche's election to Parliament. Having fortified the "inner man," they made the chauffeur stop the engine of the 1907 Wolseley-Siddeley car and attempted to tow it the rest of the way. The first part of the journey was downhill; this was covered in fine style but the last 200 yards were uphill, with a gradient of 1 in 6 and some sharp bends. At this point the local heroes called in reinforcements before they could accomplish the task. Touche, who had little mechanical knowledge, enjoyed every moment of his ride but his chauffeur needed some weeks to recover his nerve.

In Parliament, Touche was noted for his lucid discussions of financial matters. He was a member of the Speaker's Conference on Electoral Reform in 1915 and 1916, but was obliged by ill health to refrain from contesting his seat at the General Election in 1918. Only his third son has followed him in the political arena. This is Sir Gordon Touche who is now Chairman of Ways and Means (Deputy Speaker) of the House of Commons and a member of Her Majesty's Privy Council.

#### PERSONALITY

Touche was a big man, and his appearance in his later years was impressive and patriarchal. He had a pink and white complexion and a large bushy beard. At first, this beard was red, later sandy, and finally white. In later years, the fluctuating color of Touche's beard was an indication of the state of his health, and one member of the family referred to it as "the baronet's barometric beard"! He was frequently mistaken for George Bernard Shaw.

He was usually jovial and humorous. He had great intellectual ability, yet he was seen as a man of deep feeling. He was generous and courteous to everyone, winning the loyalty, respect, and love of his many friends.

From his early years he loved literature and acquired a remarkable command of language, expressing his thoughts with happy facility both in prose and poetry. Many of his letters were small masterpieces, giving pleasure to the recipients and wielding a considerable influence among his business acquaintances, political constituents, and friends. He loved nature, especially birds, and found full scope in the beautiful surroundings of his Surrey home.

Long days in the City of London followed by late sittings in the House of Commons, combined with worry over the health of his wife, who died in 1917, eventually led to heart disease and arthritis. In the last few years of his life he suffered much sleeplessness and, during such nights, he wrote poems. One of them follows:

Sing me a Song of Life,  
Strenuous, strong and free!  
Sing of the vigorous joy of strife,  
Fierce as the raging sea!  
Tempest and storm and flood, Fling back  
the glad refrain!  
For Youth is strong  
And Life is long,  
And Joy o'ermasters Pain!

Sing me a Song of Love,  
Tender and pure and true;  
Sing of the dear delights that move  
Fond hearts the whole world through!  
Glories of earth and sky, Sing through the  
golden hours,  
And tell that Love  
Is throned above,  
And fills the land with flowers!

Sing me a Song of Death,  
Tremulous, soft and low;  
Of poor pale lips through which the breath  
Of life no more may go!  
Stars of the silent night, Thine endless  
vigils keep!  
The life of man is but a span,  
And Grief is lost in Sleep.

Sir David Maxwell Fyfe, K.C., M.P., speaking at the 32nd dinner of the Association of Chartered Accountants in London in 1949, referred to three qualities possessed by Scots as "a sense of history in which the past is alive and present, whether it be serious or humorous, enabling them to interpret the present; a capacity for approaching things free from any preception or shibboleth; and, most important of all, they are usually credited with being 'thrifty, douce, canny, careful and all the rest'." These qualities, perhaps, may be related to Sir George Touche who did everything in his power to cherish and ornament the accounting profession to which he owed loyal allegiance.

In an obituary notice, Sir George was referred to as one of the

fathers of the City of London. More than that, he was the wise counselor of his investment trusts in their placement of funds in many corners of the world. His accounting firms still bear his name in London, Canada, and the United States. Touche's tradition lives on in these firms and in the investment trusts which function in the City of London.

