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*The birth of
modern public
sector accounting
in France and
Britain*

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**THE BIRTH OF MODERN PUBLIC
SECTOR ACCOUNTING
IN FRANCE AND BRITAIN**

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Abstract :

Under the *Ancien Régime* France, collecting taxes was a business affair confided by the King to businessmen. After several unfruitful attempts to have his revenue under control, the King finally imposed, in 1788, the centralisation of the Treasury and the use of double entry bookkeeping in that institution. The *Révolution* confirmed this orientation and a modern public sector accounting system was progressively set up, completely dedicated to the service of the nascent nation. Double entry progressively spread in all the wheels of the State, under the instructions of Count Mollien and Marquis d'Audiffret from 1806 onwards. The influence of the former spread itself outside France, and the system was imitated in Naples (1806-1815), under the rule of the Napoleonic army. In Great Britain, after 1829 the movement towards a modern and democratic system of Public Accounts was initiated, beyond doubt under French influence.

Public sector accounting is often considered as a lawyer's thing. It seems natural since the various forms of that accountancy, unlike that of companies, have always been left to the good care of the law-makers. Today however, in France, the professionals of 'private' accounting take part in the setting up of public sector accounting since the rules governing it are so inspired from those which are used to settle the accounts of companies (Lande 1997). One of the latest standards in public sector accounting, M14, now makes it compulsory for local authorities to take depreciation and provision into account. This instruction takes up most of the structure and the conventions of the 1982 French chart of accounts. The aim of this paper is to try to follow the first steps of the introduction of mercantile accounting in public finance. In which circumstances was double-entry bookkeeping introduced in the accounting of the various cogs and wheels of the State ?

A few historians (Marion 1927, Mériot 1954, J.F Boscher 1970, Pinaud 1995) tell us that double-entry bookkeeping was first introduced in the Royal Treasury in 1788¹, then in the bookkeeping of the Receivers General in 1808. It is also public knowledge that the two main craftsmen of modern public sector accounting were Count Mollien (1758 – 1850) and the Marquess of Audiffret (1787 – 1867). To complement this information, we were able to read the correspondence of the former with Count Roederer² and the latter's unpublished memoirs³.

Three different periods can be distinguished to describe the introduction of double entry accounting in French public finance. The first one, stretching roughly over the *ancien régime* is characterised by intentions and attempts. The second one, which is the scene of the decisive battles, is much shorter and covers the Révolution and Empire periods. As to the third one, it starts with the

¹ If we except the interval of 1716-1726, which is described in full detail by Y. Lemarchand 1997.

² Archives Nationales 29AP/25.

³ Archives Nationales, 142 Mi.

Restoration (of monarchy in 1815) and sees the setting up of a modern public sector accounting system, formally completed with the law of May 31, 1838. Though the political system were very different in France and Britain, we observe that both regimes set up very close public accounts systems almost at the same moment.

THE ANCIEN RÉGIME : INTENTIONS AND ENDEAVOURS

Throughout this span of time, tax collection is a private matter. The Royal State trusts *financiers* with the collection of the funds that are necessary to its smooth running. In the words of Necker⁴ ‘ *in France, we call ‘financiers’ the people in charge of the collection of public revenue either as tax receivers (collectors) or as tax farmers or else as estate managers; are also included under that name the treasurers who pay the State’s expenses, the bankers of the Court who see to the service of foreign affairs and the various persons who, for a fee, advance money on a not so regular tax collection’*. These *financiers* soon became very powerful and the handling of public funds turned them into indispensable fund raisers for the different kings. It is then easy to understand why the successive kings tried to control their activity, especially with an eye to improving tax yield and to giving back to the government the free hand it needed on its undertakings.

Double-entry bookkeeping was one of the means to this control. First used in the 14th century by merchants of Northern Italy, it was the cornerstone of the accounting systems of many merchants insofar as it enabled on the one hand to account for the results of a period and on the other hand to check the validity of accounts. Of course, the second aspect was most interesting to those who wanted to introduce double-entry bookkeeping in public finances.

The oldest attempt at introducing double entry in public finances seems to date back to 1592 and is found in the central accounts of the

⁴ Quoted by G. Cabourdin and G. Viard, 1978 & 1990, in *Lexique historique de la France d’Ancien Régime*, published by A. Colin, p.138.

Royal House of Castille⁵. In 1604, the prince of the United Provinces, Maurice de Nassau, on the advice of Simon Stevin, his preceptor and friend carried out a similar attempt. The latter was so convinced of the usefulness to apply double entry to financial accounts that he wrote about it in his *Mémoires mathématiques* (1608) and tried to interest other countries in his system. Forrester (1990, p. 310) writes that one of Stevin's pupils, a named Cabiljau, probably adapted double-entry bookkeeping to the Great Ledger of the kingdom of Sweden in 1623. The French version of the *Mémoires mathématiques* was dedicated to Sully and praised his 'wise management of finances in France, which you as a Superintendent.... have wonderfully redressed in a short time⁶'. We do not know why Sully did not give any lead to this solicitation.

Later, the finance comptrollers who tried to implement reforms were supposed to have views on introducing double entry in finances. This was particularly the case for Colbert, Turgot and Necker, although we cannot find any factual evidence of that⁷. Besides, we can understand that — as was suggested by Claude Mériot (1954, p 113)— *'the choice of a more complex accounting system would have been a vain step, at a time when the most basic form of bookkeeping, i.e. the chronological recording of money spent and received was not even achieved'*.

From the 1770s onward, bigger efforts were made to introduce more coherence in the management of public finances. Of course, it is not a perfectly steady evolution; J.F. Boscher (1970) draws a line between two periods : first a decade of reforms (1771-1781), then six years of backlash (1781-1787). Indeed, after the reforms led by abbot Terray in 1771 and the daring steps taken during the first ministerial term of Necker (reform of 1779), the moves of ministers like Joly de Fleury and Calonne can be considered as a regression. The reforms aimed first and foremost at reducing the number of *caisses*, that is

⁵ Esteban hernandez Esteve, 1986

⁶ Quoted in Stevelink 1970, p.54.

⁷ See CLEMENT Pierre, 1855, p. 482 and the Great Encyclopedia of 1890 p 243

the number of autonomous tax-collection centres, so as to put as many as possible under the direct control of the Royal Treasury officers. Conversely, after the demise of Necker, Joly de Fleury in October 1781 went back to the traditional policy of office creation. He thus gave in to facility; the more numerous the offices, the easier to obtain advances. However, by so giving back power to all these officers, he reduced the efficiency of tax-collection and public power with it.

In the background of the debates over accounting techniques and *caisse* organisation, we must not forget actual social conflicts, whose ebbing and flowing reflect the showdowns that were still hazy until the last years of the *ancien régime*. Finally, cardinal Etienne-Charles Loménie de Brienne— who in May 1787 replaced Calonne as the general comptroller of finances —had the last word in ‘*The general regulation of the King for the handling of the royal treasury*’ issued in Versailles on March 30, 1788⁸. Louis XVI ratified the suppression of many *caisses* and the transfer of their old prerogatives to the Royal Treasury could give some hope of a working more in keeping with the interests of the State. He ordered that ‘*the Royal Treasury will be in charge of all receipts and expenditures, and its different departments will be headed by five administrators*’ (art.1). The first of these departments, called ‘*caisse générale*’ dealt with all revenues and the payment of all expenses. The four others were in charge of pensions, refunding royal property, colonies and war expenses, etc. ‘*The caisse générale will have four auxiliary caisses to serve the four other departments to which it will give the necessary funds which will be accounted for every night*’ (art.4). Lastly, ‘*The books of the caisse générale will be kept with double entry bookkeeping, and on December 31st of each year, the accounts will be added and stopped to work out the balance of the books, which will have to be done before a deadline of three months at the latest...*’ (art. 13). It is doubtless that these steps received the approval of Necker, called back to business as the general director of finances on August 25 the same year.

⁸ See Isambert, Collection of ancient laws, vol . 28, p521-4, n°2452.

THE REVOLUTION AND THE EMPIRE : THE DECISIVE BATTLES

a) *The ‘nationalisation’ of the Treasury during the Révolution*

The steps taken by Loménie de Brienne were confirmed three years later to the day in the *décret* (decree) of March 30, 1791. This decree trusted the running of the public treasury to a treasury committee. The committee, made up of six commissars, was divided in six departments whose outlines are close to those defined on March 30, 1788. Each of the four main parts of expenditures was earmarked to an auxiliary *caisse*. Article 12 planned the creation of a central bureau of accounting, headed by one of the six treasury commissioners. The statement of all incomes and payments was to be kept by double entry. To this end, the cashier of receipts and the four payers were to give a corresponding statement each day to the commissioner. So, the procedures seem very close and it is difficult to imagine that in the three-year interval between the two texts the Farm General and indirect taxes have been cancelled. What’s more, in 1791 the former Farmers General were removed of office and replaced by 544 elected district receivers .

Although the year 1789 is always presented as a major turning point in French history, it seems that in the field of public finances, the deep and sometimes shaky reforms carried out during the Révolution were nothing but the continuation of a trend which had started much earlier. Besides, this is the point put forward by J.F. Boshier (1970), who asserts that between 1770 and 1795, the management of public finances shifted ‘from business to bureaucracy’. The Révolution represented the triumph of bureaucracy as a controlling method. J.F. Boshier points out a strong steadiness of the leaders of the country in their will to organise their control over the financial means which enable them to strengthen the burgeoning nation. There is indeed a turning point, but it takes a good 25 years to come into being.

A close scrutiny of some of the steps taken in the early years of the Révolution and of the way they were put into question by the Consulate first then by the Empire leaves us under the impression of a two-way trip for nothing. First, as regards tax, it is a well-known fact that the ‘*Assemblée Constituante*’ (the Constituent Assembly, from June 1789 to September 1791) abolished the most hated aspects of the *ancien régime* tax system. The main feature of revolutionary taxation was the suppression of indirect taxes—*aides* (excise taxes), *gabelles* (taxes on salt), *traites* and *octrois* (taxes on commodities). Only the customs and stamp duties were kept in place. However, indirect taxes were reintroduced little by little—in 1797, taxes on imported tobacco, on roads and on the fare of public carriages were set. The *octroi* was imposed again and Napoléon gave a new birth to indirect contribution under the name of ‘*droits réunis*’ (i.e. grouped duties) in 1804. To replace the abolished taxes, the Révolution had created three main direct taxes: the land contribution (November 23, 1790), the contribution on moveable goods (January 13, 1791) and the business licence tax (March 2nd, 1791). The Directoire added on a fourth one, the contribution on doors and windows (November 24, 1798).

The tax collection system was also deeply altered. A decree in 1790 abolished the Farm General and appointed a committee in charge of this abolition. In May of 1794, the Convention sentenced 32 Farmers General to death and planned to give the same fate to the Receivers General⁹. These ‘bankers of the State’ had stopped their office in 1791, to be replaced by 544 elected district receivers. The latter, recruited in the ranks of former solicitors, small shopkeepers, defrocked priests, patriots of all kinds, ignored the laws and regulations (when there were any), and indulge in ‘accounting negligence’. Actually, the law did not set up any specialised tax administration, and gave the responsibility for the allotment of these contributions to the *communes* (towns and villages). The contributions collected by the municipalities were centralised by the

⁹ On how the life of the general tax collectors was saved at the last minute by Gaudin (the future Duke of Gaëte), read de Swarte 1885, p337.

receiver of each district¹⁰. The disorganisation of tax collection lasted for five years, until the *Directoire* restored a single tax-collection agent, appointed by the central power, in each '*département*' (see Pinaud 1990, p 7). Nevertheless, from 1795 to 1800, it was impossible to trust these positions of senior accountants to competent technicians. They ended up most of the time in the hands of '*some former 'conventionnels (members of the Convention government), or constitution-drafters, of district commissioners, of some district collectors, or of protégés by incumbent politicians*' (see Pinaud 1990, p 7). Bonaparte then undertook the reform of this tax administration. The law of Brumaire 24, 1799 which set up an administration of indirect contributions, to improve the tax assessment. Tax collection was put back in the hands of the State with the law of March 18, 1800¹¹.

At last, the controlling body of public finances was reorganised. A law dated September 18, 1791 ordered the abolition of the twelve Chamber of Accounts and replaced them with a bureau of national accounting, created within the Legislative Assembly. However, this bureau was powerless in checking the ministers' decisions, because of its total dependence on the political power. The law of June 24, 1793 put a Commission of National Accounting in its place, commission which was vainly called upon by the constitutional act of August 22, 1795 to denounce the abuses and misdeeds (*malversations*) which still escaped its control (d'Audiffret 1838, p. 1081). The Chamber of Accounts replaced this commission on September 16, 1807. The latter was in charge of checking the management of the accountants, but not of the legal validity of spending, since it had to support the government, not to hinder its working (Marion 1927, p. 296).

The last decade of the Eighteenth century leaves the impression of an orgy of energy and troubles, which lead to nothing but a comeback to old solutions. Indirect taxes, restored in 1804 make up about a quarter of the State revenue and the 'new' Receivers General aspire

¹⁰ See Braudel & Labrousse 1976, p 15-17.

¹¹ Op. cit. p.71.

to regain the functions of their predecessors; *'but the Receivers General, many of whom came from ancien régime families of financiers wanted to rebuild a body of accountants pre revolutionary-style. Their aim was to be money-handlers, like in the past. The more regulations the State tried to impose on their function, the more wheelers-dealers they became. They had forgotten that they no longer were royal officers, but civil servants'* (Pinaud 1990, p. 9).

This 'back to square one' theory which understates the financial achievements of the French revolution was undermined by J. F. Boshier (1970). According to him, on the contrary, the French *Révolution* was the scene of the strengthening of the Treasury and of the centralisation of all financial powers which eluded the *ancien régime* monarchs in the hands of its leaders. The struggle, which started very early between the Crown and the Constituent Assembly for the control of the central administration of finances, ended to the advantage of the Finance Committee as early as 1790, at which date it had the upper hand over the Treasury (J. F. Boshier 1970, p. 219). All the revolutionary governments attempted to implement financial reforms, the center of which was supposed to be the Royal Treasury, later turned into the Public Treasury. The latter underwent a sizeable development in these troubled times. In the background of the apparent disorder, all tried to carry out the huge task of rationalisation and 'nationalisation' of the financial institutions of the state. When the *Directoire* came into office in the autumn of 1795, the financial administration of the *République* was largely independent from the private interests and companies which had maintained the financial disorders and lived at the expense of the general interest under the *ancien régime* (J. F. Boshier 1970, p.231).

In fall 1795, at the start of the *Directoire* period, the Treasury was the center of the system and ordered it. With the disappearance in the French *révolution* of independent *caisses*, of venal offices, of tax farms and of Chambers of Accounts, the Treasury gradually gained strength and its longer payroll witnesses to that; 264 employees in 1789, 490 in 1793, 1090 in 1785, 1246 in April 1796 (J. F. Boshier 1970, p. 231). Step by step, the Treasury gained control of the whole

system so that public fund could be clearly identified and protected from private exploitation. Under the *ancien régime*, people like Terray, Necker and Loménie de Brienne had already paved the way. Even in March 1788 however, when the Treasury was established as a public body, it was nothing more than a gathering of the main paying *caisses* amid a jungle of receivers, of treasurers and of payers who had bought their offices, tax farms, *régies* and royal courts holding various kinds of power over public funds. The events of 1789 had little or no influence on that organisation, but the changes in the following years were of course operated by the National Assembly, mainly made up of lawyers and businessmen with the authority of the sovereign nation.

At the dawn of the Nineteenth century, it cannot yet be said that the ‘nationalisation’ of the Treasury gave it the means to fully master of all the state’s revenue. Many standing accounts waited for their settlement, the ‘*faiseurs de services*’ (service makers) and various intermediaries were still a heavy burden on tax yield. Some receivers could still hide the actual state of their finances to the Treasury for lack of an efficient accounting system.

From that time onwards, the influence of a man, Nicolas-François Mollien, started to be felt. Napoléon made him a Treasury minister from 1806 and Count of Empire in 1808.

b) The life and work of Mollien under the Empire

We have detailed accounts of Mollien’s life, largely thanks to the memoirs he published¹². Moreover, several historians¹³ were logically interested in a character whose long public life, starting under the *Ancien Régime* and reaching its peak under Napoléon, was still going on under the *Restoration*. Such an interest is all the more legitimate as we know that this great state official was rightly

¹² Memoirs of a minister to the Treasury, . . .

¹³ Clément (1855), Lanzac de Laborie (1905-1913), Vaudour (1959 and 1963). These books are heavily in debt to Mollien’s memoirs.

considered as the financial mentor of Napoléon at the time of the setting up of the basis of modern accounting, the *franc germinal*, the *Banque de France* and the Chamber of Accounts.

1. His origins

Nicolas-François Mollien was born in Rouen on February 28, 1758, from a haberdashery family for at least two generations. His father, Jacques-Robert, born in 1713 and master merchant, manufacturer since the age of 24, had married the daughter of a canvasser in a second wedding. Nicolas-François was born the year following that union. The family was wealthy, but the discipline required from the children was similar to that of the workshops. A surprising detail is related by Nicolas-François in his memoirs¹⁴; his father had advised him to read *the Wealth of Nations* by Adam Smith, praising the scientific qualities of a work in which the author unveils the mechanism of society ‘as Newton explained the working of the world: by proving it’. Paradoxically, the father derived most of his privileges as a master merchant from the corporatist and highly regulated system criticised by Adam Smith. The same father took a very active part in the life of his corporation. It is also a known fact that the efficiency of the machines operating in his company had been praised by an inspector of manufactures¹⁵, even comparing his looms to those of the British Royal Manufacture. It can be guessed that his craftsmanship and his taste for innovation had put him ahead of his fellow manufacturers, so that he had more to gain than to fear from a more liberal system.

Young Nicolas-François was thus from a very early age familiar with the debates raging between the ‘*régime réglementaire*’ (regulated system) and the ‘liberal movement’ of the time.

¹⁴ Volume 1, p. 58.

¹⁵ Report quoted in Vaudour (1959, p. 57)

2. His training

Until the age of 12, Nicolas was given the tuition of a teacher paid by his father. He was then sent to one of the *collèges* of the University of Paris. He spent four years there and obtained an award in the *concours général*. This award allowed him to apply for a position in the finance administration. However, he was asked to wait for a while so his father got him back to Rouen to attend law classes. Working for a lawyer, he soon had the opportunity to meet the Maréchal de Richelieu, who gave him a definitive access to the Finance Ministry, at the age of 17 (in 1775).

3. His career under the *ancien régime* (up to 1793)

Nicolas-François Mollien quickly reached the enviable level of *premier commis* (senior assistant). As such, he was in charge, under the authority of a finance *intendant*, of supervising the company of the Farm General¹⁶, a private body which was trusted with the collection of taxes on salt, tobacco, and a few other items of public revenue. In these circumstances, he could fully appreciate the inefficiency of the tax-collection system. He also noticed how difficult it was for ministers to find solutions or even to stay in office; in 17 years of career, he saw fifteen of them come and go. This did not stop him from showing his ability as a reformer, presenting or encouraging some projects, such as the setting up of a free port in Bayonne or the building of a round wall around Paris to fight smuggling. He also sided with Vergennes (Foreign Affairs Minister and *Président du Conseil*) (Vaudour, 1959, p.59) against Calonne (Finance minister) to excuse customs duties from the Farm General. Because he was able to use these customs duties, the Foreign Affairs Minister had a free hand to negotiate the free-trade treaty with England in 1786, with Mollien taking an active part in the talks.

¹⁶ In 1784, he was in charge of drafting the lease of the Farm General and of the 1786 Franco-British Treaty on Free Trade (Memoirs, Vol. 1, p. 204).

Although he considered he was born in the class he would have chosen if given the possibility to choose his parents¹⁷, Mollien did not opt for his father's trade. He favoured the less hazardous path of the administration. Within it however, he did not choose the wide and well-trodden way since he defended liberal views, contributing both to the withdrawal and to the strengthening of the State whose funds he managed.

4. The turmoil of the Révolution and the trip to England

In 1789, in spite of his liberal views and his will to change old routines, (Clément 1855, p.456) Mollien fled from Paris and its riots. The administration of the National Estate and of Register was reorganised and so he asked successfully to be appointed director in the Eure area, attracted as he was by the lack of enthusiasm of its inhabitants for the revolution. A few days after August 10, 1792, his intimate friend, the Duke of la Rochefoucauld, was killed in Gisors. Summoned the very same day in Paris as a suspect, Mollien lost his position of director.

His marriage had made him an ally of the Perriers, an influent family in banking and industry, particularly in the Dauphiné region. Alexandre, Casimir Perrier's brother, offered him a partnership in the setting up of a cotton mill in St Rémy s/Avre, in Eure-et-Loir. Henry Sykes, an English industrialist, was also associated with the project of creation. On the occasion, Mollien reported : *'Because I was born in a mill myself, I found there my traditional heritage and it seemed normal that I should end my life just as my father had started his'*¹⁸. But he was caught up by his past as an administrator : in May 1793 Clavière, then Finance Minister asked him to come to Paris and work for him. Mollien turned down the offer but was accused of being an accomplice to the General Farmers by judges in February 1794. In May of the same year, he was released and went back to the Eure region.

¹⁷ Memoirs, Vol. 1, p. 47.

¹⁸ Memoirs, Vol. 1, p. 148.

In 1798, he went to England to understand the financial crisis¹⁹ which was raging there and published his *Sketches and Results of the French and English Doctrines on Finance*.

5. His work as Napoleon's « preceptor in finance »

He stayed in the Eure until 1799 and went only back to Paris to serve Bonaparte. After Brumaire 18 (Bonaparte's coup d'état), the First Consul had appointed Gaudin as his Finance Minister. Mollien's career took a new turn when Gaudin, who knew Mollien since they were *commis* (clerks) together before the Révolution, offered him the job of Director of the new *caisse d'amortissement* (sinking fund).

This body had various functions, such as :

- fulfil the duties of the Receivers General, when these were not available,
- receive as a deposit all the guarantees required from all accountants
- inherit all life annuities,
- inherit from all pensions stopped by the death of their holders
- use the money thus recovered to buy perpetual *rentes* at 5% (debentures), or perpetual annuities at the going stock exchange rate.

One of his first steps on taking his new position was to put some order by changing the type of postings, from then on double-entry bookkeeping. But Mollien did not only run the *caisse d'amortissement*, he also wrote reports for Bonaparte on his demand which he handed out on July 5, October 1st, December 2nd 1802 and February 13, 1803, in which he set out his theory on banking institutions (Vaudour 1963, p. 61). These ideas contributed for a large part to the creation of the Franc Germinal (on Germinal 17,

¹⁹ In 1797, the Bank of England had to interrupt the conversion of banknotes into gold. The English public had nevertheless kept on trusting these banknotes.

year IX or April 7, 1803) and to the law which granted the Banque de France the exclusive right to issue money for Paris.

In 1804, the empire was proclaimed, and Mollien entered the Conseil d'Etat. Mollien's career took up a new important turn in January 1806. Just back from his victory in Austerlitz, Napoléon heard how his treasury minister, Barbé-Marbois, had been conned by *faiseurs de services* (service offerers), one of whom was Ouvrard, in charge of supplies to the Army. In exchange for bills of payment on the Receivers General, Barbé-Marbois had received huge sums... payable in American counters²⁰. Barbé-Marbois resigned and Mollien was immediately appointed treasury minister in his place. The management of public finances was thus in the hands of two men: Mollien, the treasury minister, was in charge of public expenditure and Martin-Michel-Charles Gaudin, Duke of Gaete (1756-1841), finance minister in charge of receipts, headed the tax authorities. The two men worked hand in hand until 1815. They both had been *premier commis* (senior clerks) before the Révolution. Mollien's ministerial term of office thus lasted for nine years, covering a territory spreading over most of continental Europe. On March 10, 1808, he was made a Count of the Empire.

One of Mollien's first tasks was to improve the speed and efficiency of the tax collection processes of the State. Upon his arrival in office, the system was such that a *departement* (a region) could perfectly have three million francs of receipts and the equivalent amount of expenditure in a given year without being able to compensate both easily. While the Receivers General could invest part of the money they had recovered for their own accounts, the Treasury had to advance big sums, since it could not use the ones it already owned in theory. Sometimes even, Receivers General attracted by high-income investments were involved in shady business and squandered part of the public funds.

In July 1806, Mollien prepared a *decret* to put an end to that. The *decret* (called the emancipation of the treasury by Napoléon) stated

²⁰ The blockade imposed by the English navy de facto prevented the recovery of the said sums.

that from then on, the money recovered through taxes could be used immediately, in the place where it had been collected to pay the regular public expenses. To this end, taxes had to be put in a *caisse* called *caisse de service*, which opened a mutual interest account to each accountant. As to the Receivers, they were allowed to benefit from this interest on all the sums they had recovered and handed over to the treasury before the compulsory deadline. Conversely, they had to pay interest on any tax income that was not used for the public service after this deadline. This clever solution satisfied the Receivers since it provided them with a much safer investment of their advances than ever before. It also satisfied the creditors of the State by ensuring them shorter paying delays and a more fixed term.

In a letter to Roederer²¹, Mollien set out his views on relations with receivers:

‘ (...) To fight the disloyalty and negligence of accountants (i.e. receivers), I would also use an approach which is much more efficient than the best methods: in addition to the unescapable sanctions they would receive for the smallest fraud, I would offer them the prospect of a greater benefit from their loyalty to me than from any other possible combination...’

It doesn’t escape your sagacity nor your judicious analysis that by this simple means, i.e. putting part of the public revenue at the disposal of local expenditure, and making the sums left over payable to Paris we manage to distribute locally the full amount of taxes, ...

and this pattern of balance which is so much to the benefit of taxation and trade, in so many ways that it is needless to explain to you is no longer a problem. It was solved more than six months ago. This combination makes a first equation between public receipts and expenditure in every place, and a second equation between the excess revenue of all of them.’

In the first of the three paragraphs above, Mollien states a ‘law’ that management science keeps rediscovering: an organisation can be efficient only if it manages to match the interest of each of its

²¹ Archives Nationales 29AP25, p. 46-47.

departments with its own. Mollien implemented this law when he drafted the *décret* of July 1806 seen above.

Since he had understood another law of management which says that one always gains from being first on a market, Edmond Degranges, as early as 1809, published a book explaining how to keep the books of Receivers General and of *arrondissements* (districts). He also offered private tuition and classes (in groups of four) and pointed out in the warning preface: *'In March 1807²², I started classes on double-entry bookkeeping applied to any public sector accounting, in particular taking that of Receivers General as an example. Thus, I devised a book for my students in which I tried to generalise the principles I had already stated in my Bookkeeping made easy, in which the art of bookkeeping is applied to brokers only.'*

Let us come back to Mollien. To make the system work, the accounting procedures of the treasury had to be in line with those of the writing-off fund and the newly-created *caisse de service*. The *décret* prepared in 1807 and enforced after January 1808 dealt with that harmonisation. First, the *décret* set out its main objective: *'We want the order of the treasury's postings to be such . . . that the conveyance to the treasury of each portion of public revenue recovered with the help of 1° tax collectors or régie officers 2° district receivers 3° Receivers General be operated everywhere without loss or delay, and that the assistance of these various agents and their relations be accounted for in the treasury's books by results able to provide efficient checks on the accuracy of their operations'*.

Article 18 (Title V) stated that :

'Receivers General will keep a detailed general ledger with double-entry bookkeeping in which they will record all their operations day by day, article by article, whatever the nature of those operations, be they for the treasury or any other public administration.'

²² A striking example of reactivity and ability to anticipate !

To ensure the proper working of the new procedures, Mollien set up a central bureau of accounting in his ministry, which he trusted to MM. de St-Didier and d'Audiffret. From what Mollien said in his memoirs, Clément (1855, p.483) drew a somewhat hasty conclusion: *'After a month, this small administrative revolution was achieved and the new accounting worked smoothly. As a consequence, the receivers' accounts of the public funds were handed out and assessed in the space of a year, whereas it took over ten years sometimes beforehand.'*

Even though the improvement was huge, especially compared to the chaos before the Révolution, the enthusiasm of the reformer must be qualified by the remarks of an observer of the way public sector accounting worked. P.-A Godard (1821a, p. V)²³ expressed a much more reserved assessment: *'Each year, in the Chambre des députés (the lower chamber) we heard committee spokesmen, and various orators expressing regrets on the presentation of the accounts given by the ministers and about the difficulties faced by those who wanted to examine them closely. The successive finance ministers acknowledged that the accounts had not reached the desirable clarity and simplicity, and in the own words of one of them 'it took more than a moment to make the accounting of a great country understandable by all députés.'*

The same author Godard 1821b, p.5), less discreet after he was dismissed from the civil service, quoted a circular which stated: *'because the general direction of war food supplies, abolished on September 1st, 1814, had never given any account to the Ministry of War for its eight years of service, Sir, a liquidation department was created to work out these accounts. That work which should have been over for a long time, was successively delayed until 1821, for*

²³ On the character of this accountant turned director of the Cristalleries de Baccarat, see Nikitin 1996. P ; A. Godard had started as an accountant for the war ministry in 1792, and had subsequently climbed the ladder patiently to end up as a General Director of War Supplies ; The military staff cuts led to his dismissal after the Restoration.

the various reasons already explained in the circulars of the liquidation directors'.

However, this did not stop Godard from pointing out in his preface (1821a, p. ij) the progress achieved since the *ancien régime*.

There was one essential improvement to carry out: 'It is all very well to have clarified the management of public funds, and the imperial system can be rightly proud of that. However, it seems that the light was made only for the master. Is that satisfying for the nation? Although the general results of budgets and accounts were given to the Emperor and his ministers, they were kept away from the eyes and judgements of political assemblies',²⁴.

The next stage was to be that of publicity. The principle had been set up in article 14 of the 1791 Constitution, in which '*all citizens have the right to see³/₄ for themselves or through their representatives ³/₄the necessity of the public contribution, the right to consent to it freely and to check on the use made of it'*. This principle had to wait until 1814, when the *députés* were allowed to discuss receipts and expenditure freely.

THE PROGRESSIVE IMPLEMENTATION OF THE SYSTEM AFTER THE RESTORATION

The progress made were confirmed and extended under the Restoration. The return to peace made things easier for the working of finances. Moreover, beyond the change of political *régime*, the continuity of direction of public expenditure was ensured by the Marquess Charles-Louis Gaston d'Audiffret, hired by Mollien himself in 1806, and inspiring force for the regulations of public sector accounting until the law of 1862.

²⁴ La grande Encyclopédie by Berthelot et alii, 1890, vol.12, p. 242.

The Marquis d'Audiffret, from his memoirs.²⁵

Contrary to Mollien, d'Audiffret was born in a noble family from Dauphiné, on October 10, 1787. After the revolution, his father was banned and had to emigrate; During the revolutionary turmoil, the rest of the family went to prison in 1793 and 1794, and Charles was put in a boarding school, where he was given a literary education. His father was finally ruined in 1804.

'This double education by the family and the collège gave us this serious standing of bookish youth and this old-time deferent politeness which opened to my brother and myself the doors of the nicest gatherings of the nobility, of the Judicature, of banking and finances'(p.79).

In 1805, aged 18, he wants to interrupt his studies and find a paid job to put an end to the sacrifices of his mother during his education. He tells how Count Mollien took him on (p; 81-82):

'A small family meeting consisting in my mother, my grandmother le Séneschal and my dear Desfaucherets, discussed my choice of careers. Our paternal friend offered to introduce me to Count Mollien, general director of the writing-off fund, so as to give me an entry in his administration. This good thought, which was unanimously agreed on, was rightly based on the memory this benevolent administrator must have kept of the warm welcome he once received from my whole family when he was a still young and gracious beginner, in my grandfather's salon where he was in quality of secretary of our cousin de Villebau, the former intendant of the India Company. I was thus taken by the helpful hand of this loyal guide of my youth to the excellent leader who was to inaugurate my career in civil service. His first words, on our entry in his cabinet, was to say there was no vacancy in his offices, but his second answer on hearing my name was that he would always have a position to give to the grandson of Mrs le Seneschal. In November 1805, I thus obtained from his good will at once, the title and

²⁵ Archives Nationales, microfilm 142 Mi. An hand-written notebook of nearly 500 pages

functions of 'commis surnuméraire' (extra clerk) with a pay of 600 francs.'

This pay must have seemed particularly modest to him and having little in common with his position and abilities. He kept a very detailed record of the evolution of his pay, until June 12, 1814, date when he was promoted as director of postings of the general accounting, with a salary of 10,000 francs. To increase this salary, he did not refrain from taking bold and courageous initiatives (p.96):

'I was vainly being exhausted with work and impatience in the writing-off fund, without any opportunity of promotion in sight. I then offered, to overcome the difficulties and the slowness of this unrewarding early career to take care of the updating and yearly liquidation of the interests of the current accounts of the municipal funds whose service had up to now kept three employees busy. I would also hand out the results in a shorter time limit, by means of a quicker procedure (p.97) if my salary were raised to 1,500 francs. I kept my brave promise, under the benevolent direction of my office manager, Mr Gaffino, who worried about the tiredness such a zealous effort would bring on my young head. But I could only obtain 1,200 francs for all my dedication and for the saving of two employees' wages'.

Thanks to the intervention of his brother, he managed to follow Mollien to the Treasury ministry. On this occasion, he pointed out that his culture was not that of a 'manager' (p.98)

'Mr Bricogne, first clerk of the general bureau close to the Minister, wanted an employee which would be able to do exchange and arbitrage calculations needed for the fund transfers from France to the foreign places occupied by our grand armies. I then did not have any notion of these banking operations, but a fortnight of evening classes with a German teacher named Pfeiffer was enough to acquire a perfect mastery and even an easy practice of it'.

He passed the test and was allowed to enter the Treasury minister on August 18, 1808 for a salary of 1,600 francs. On that occasion, he told an anecdote which is still very relevant today and which we

offer as food for thought to our students. D'Audiffret had given a written note to a superior. Immediately on reading it, the latter summoned him and with his '*slanted and penetrating eyes*' asked him '*Why didn't you tell me that you can write well in French?*' (p. 100). This had as an immediate consequence that he was trusted with increasingly qualified missions with the other departments of the ministry.

If, on arrival to the ministry, he knew nothing to exchange and arbitrage calculations, he admitted immodestly that he did not have any notion of accounting (p.113).

'My third occupation, as regards the accounting of the use of the funds granted to ministers by the yearly budget laws and by the imperial decrees of monthly allotment, required the knowledge of the clever and safe method of double-entry bookkeeping, that I had not yet studied nor used. But by a very careful reading of articles passed on to me by my predecessor, on the journal and the Ledger that I had to carry on after him, I soon managed to grasp the infallible logic of these self-controlling formulas, to apply them with ease, to use them successfully later to organise all the other accounting systems of public finances.'

Indeed, he seems to be a quick learner since on December 1st, 1810, Mr Amé de St-Didier, director of the central accounting of the treasury took him on in his department as an assistant manager, with a salary of 3,000 francs.

He then went through a more creative period by regular proposals of improvements in the postings system. He told some moment with his usual lack of modesty (p.125). After a close scrutiny of the monthly summaries sent by Receivers General to the employee in charge of gathering the results on the day book and the Ledger so as to obtain a general balance, d'Audiffret saw at once '*that the drafting of these summaries had been vitiated by a wrong interpretation and by an irrelevant classification of the various accountants' operations*'. He then told Amé de St-Didier it was indispensable to do again, but on new grounds, all the work that had been improperly done for several years.

‘This painful statement put him in a state of deep affliction, that I nevertheless tried to ease by suggesting new procedures ... In his state of discouragement, he accepted my radical proposal, having in mind the likely discontent of all his colleagues and the uncertain success, anguished like a drowning man clinging instinctively to a straw.

This unexpected improvement of central accounting which had been sought for so long gained me the full trust of my director and struck Sir Count Mollien so favourably that he wanted to congratulate me himself and reward me by raising me to the rank of manager in June 1812, with a salary of 7,000 francs’.

On the fall of the Empire, both Count Mollien and Duke of Gaëte retired from public business. This did not hinder d'Audiffret's career since he was appointed Director of the postings of central accounting on June 12, 1814, with a salary of 10,000 francs. He was not yet 27. The next year he was awarded the Légion d'honneur medal. From that time onwards, he was the instigator of the main laws and *décrets* organising public sector accounting. Three examples: the law of March 25, 1817 which calls on ministers, for each parliamentary session to present the accounts of their operations of the past year, the order of September 14, 1822 concerning accounting and the justification of public expenditure as well as that of July 9, 1826 on the control of ministers' accounts. The order of May 31, 1838 giving a general regulation for public sector accounting later crowned the whole system.

‘A committee was set up by ministerial orders on August 4., 1836 and July 1837 to organise the laws, orders and regulations... , so as to obtain an orderly series of the general rules of public sector accounting’.²⁶

The honour of presiding over the committee and to lead its work until the drafting of the 1838 law went to d'Audiffret who in the twenty years before had been in charge of the implementation of this

²⁶ Introduction to the article issued in the *Annales maritimes* (1838, p.1074) by the marquess of Audiffret.

modern public sector accounting. The general regulation of May 31, 1862, ‘*only brought a few changes to the order of May 31, 1838. These changes stemmed from the new situation which had arisen since its implementation and aimed at harmonising the rules of public sector accounting with the new organisation of public authorities.*’²⁷

Rear-guard battles

The ministers’ positions had to be made clearer. Indeed, the latter were the organisers of public expenditure, and a more transparent system would obviously entail questions about their liability and their duty to account personally for their management. In 1817, article 150 of the budget law forced ministers to show their accounts to the two chambers²⁸. The July 10, 1822 issue of *Le Moniteur universel* (an official newspaper) gave a brief account of a newly published book entitled *On the accounting of public expenditure* but did not mention its author. In the issue of July 23, we are given a more detailed commentary of the ideas put forward in the book by a journalist who just takes up the author’s ideas. The latter started by laying down a plain-looking principle, i.e. those in charge of the common interest must be accountable. This is of course the case for the management of public finances, about which the author explains first, how the books for public finances must be kept in ministries, second, the way they must be presented to parliament each year and thirdly by whom and how the books must be justified and examined.

After repeating the terms of the law of March 25, 1817 which stated the accountability of ministers and after recommending double-entry bookkeeping for its efficiency to provide clear and faultless accounts, the author classified the various operations carried out by the department of public expenditure.

²⁷ Lanjalley A. et Renaux G., 1887, Recueil des modifications au decret du 31 mai 1862, third edition, Berger-Levrault, Paris, preface p. xxj.

²⁸ This article itself was inspired from the Charter proclaimed by Louis XVIII in June 1814.

- creation of a debt on the State by the passing of budget laws : EXPENSES DECIDED.
- The spending minister issues orders passed on the treasury : EXPENSES ORDERED.
- The treasury actually does the paying : EXPENSES PAID.

The author pointed out that as regards the control on each of the three operations, the first one was under the scrutiny of the parliament, the third one was checked on by the Court of Accounts. However, an administrative commission remained to be set up for the second operation, since the Court of Accounts was not in charge of judging the ministers who gave orders for payment.

'It is clear $\frac{3}{4}$ if we accept the division suggested by the author $\frac{3}{4}$ that expenditure vouchers should be kept by the ministers to be shown in case of an inquiry on any aspect of their service. Vouchers for the ordering should be forwarded to the commission of enquiry in charge of that part, and last, the documentary evidence of payment is the only one which should be submitted to the Court of Accounts'. (we underline)

Shortly after this, the order of September 14, 1822 confirmed the way ministers must keep the books²⁹ :

'Our ministers will keep their accounts according to the same principles, the same procedures and the same patterns.

To that end, a general register and a Ledger will be kept with double-entry bookkeeping, with all the operations of credit setting, spending, orders to pay and payments written summarily at their date. The results of this bookkeeping will be successively attached to the entries/accounts and the general balance of finances, which must in turn serve the definite working out of budgets'.

Such measures, as well as the points put forward by the anonymous author of the book raised a controversy that was very promptly reported by *Le Moniteur universel*. Indeed, a very critical

²⁹ Title IV , article 18, copied in the September 17, 1822 issue of the *Moniteur universel*.

article was found in the October 3, 1822 issue³⁰. Written by someone who seems to know the author, it tells us that the book ‘*flows from the pen of a member of the Conseil d’Etat*’. The writer of the article who only indicates his initials (L.A.P.) asserts that ‘*the accounting officers of the treasury must be the only ones to give accounts supported by documentary evidence, whereas the order-givers (i.e. ministers) who are not and cannot be accountable, must give only charts and statements*’. The overall line of arguments is fairly poor, and dodges the topic of ministerial accountability. The article only denies the ministers’ duty to keep records. The argument falls into two points. First, ‘*for centuries, the laws which have been organising public sector accounting, and have never been repealed, ruled that the vouchers for expenditure were shown to the accounting officer who pays the spending orders*’. Secondly, ‘*the intent of the law of March 25, 1817 and of the Charter requires that ministers be accountable. However, no law forces them to keep documentary evidence*’. The article then concludes in obvious bad faith that the law is against the author of the book.

It thus seems, from the speed of the reply and the length of the article in a newspaper with a wide readership that the supporters of tradition and routine were still active and influential. However, they turned out to be unable to stand in the way of the modernisation of public sector accounting.

THE SPREADING OF THE SYSTEM IN EUROPE

Archives tell us about the influence of Count Mollien and his system in Italy (in the Kingdom of the two Sicilies) and in Great Britain. Mollien exchanged letters and advices with Baron Roederer, minister of Finances of Joseph Bonaparte (King of Naples) and with sir John Bowring, an MP who wrote the *Report on the public accounts of France*, ordered by the house of Commons in 1831.

³⁰ This article covered three out of the four pages of the issue of October 3rd, 1822.

The introduction of the new public sector accounting in Italy

The Napoleonian regime was characterised by a quasi-permanent state of war. The high cost of military campaigns forced the Emperor to find financial solutions to spare the French taxpayers and to finance a huge army. To that end, Napoleon has systemised the “profit-earning war” (Pernoud 1981, p. 278). He was only copying “from the Révolution the method of unlimited exploitation of invaded countries. The latter, in addition to the burden of the keeping of the army with garnisons and housing, had to find hundreds of millions to pay taxes and war contributions paid with money or in kind. A circular dated October 25, 1810 sent to the *préfets* (region administrators) sets a figure of a billion francs on this levies only for the period 1806 – 1810” (Sée 1951, p.74).

A first conquest of the Kingdom of two Sicilias had been achieved by French troops in January 1799. Handed back to its former rulers six months later, it was invaded again by French troops in 1806 and attributed to Joseph, Napoléon’s elder brother. A former lawyer, ‘a learned young man, soft and polite, peaceful looking’, the new king of Naples started by reforming the institutions, abolishing the feudal system (in August 1806), promulgating the French *Code civil* and setting up a liberal constitution he did not have the time to enforce. After becoming king of Spain in 1808, Joseph was replaced in Naples by Murat. More of a soldier than an administrator, the latter trusted his helpers such as Zurlo, Ricciardi and Delfico to implement the civil reforms decided on by Joseph.

On coming to power, Joseph Bonaparte had chosen Count Pierre-Louis Roederer as his minister of finances. A magistrate’s son, born in Metz in 1754, he was a politician, a writer, a historian as well as an economist. In France, during the revolutionary period, he mainly took care of the management of finances (law on stamp duties, on business licence, on land and movable goods tax, on the issue of *assignats* (banknotes)). In Naples, he was finance minister for four years until September 23, 1810, when he was trusted the management of the Great Duchy of Berg. He served under both Joseph Bonaparte and Murat.

Around one year after his appointment as Finance Minister, he called on Mollien to send his directions to organize the finances of the kingdom of Naples on the pattern in force in Paris. Mollien's letters and directions are kept in the *Archives Nationales*³¹.

In addition to these letters, dated February 20 to 24, 1807, the file includes passages of French law about the public treasury, as well as postings patterns. It also comprises the detailed description of the accounting of ministries. At the time, Mollien was implementing the Receivers' accounting system, issued in the decree of January 4, 1808. Roederer asked him to comment on a bill for the finances of Naples. After trying to sum up what has been done in France since 1799 and even 1791³², Mollien changed his mind "considering the mistakes we made and the small number of cases in which we still can be imitated". He preferred to give a detailed account of the advantages of double-entry bookkeeping for public finances, in order to prove the superiority of "commercial accounting" over "charge and discharge accounting".

What happened after Murat left Naples ? We do not know, since we have not had the opportunity to read Italian archives. Future joint researches in comparative history might tell us. However, we know that in united Italy (Couder, 1888, p.89), "*a new accounting method was adopted, resting on double-entry bookkeeping, but which provides more coherent and more comprehensive recording and control procedures. This slightly complex accounting system was devised by Mr Cerboni, who called it Logismography. Its implementation in postings of the Italian kingdom was prescribed in the decree of June 15, 1877 and confirmed in the law of February 17, 1884 and the regulation of May 14, 1885*"³³.

³¹ Code 29AP25 (Personal archives series)

³² On September 17-29, 1791, the National Assembly decreed the creation of a central bureau of accounting, made up of 15 people.

³³ See Cerboni 1877.

The introduction of the new public sector accounting in Britain

1. The parliamentary system since the 1688 Revolution.

In 1688, the English Revolution created a parliamentary Régime one century before the French Revolution. In the 18th century France³⁴, many intellectuals admired much that Regime : Voltaire magnifies the English freedoms in his *Lettres philosophiques* in 1738, and english people were envied for all their comparative liberties and rights. Taxes were appreciably less iniquitous than under the French Ancien Régime, newspapers have the freedom of speech and literature was brilliant. But an honest picture of the situation must also mention some deficiencies : according to Roland Marx (1993,327), « *The separation of powers was a vain expression : as he had the right to nominate the new Lords and to dissolve the Commons, the King controlled partly the Legislature ; the Parliament may usurp a judicial function when he convokes, according to his privileges, anyone suspect of having insulted the Parliament, ...* ».

The system of accountability of all financiers handling public monies seemed also to confirm such a contrasted vision of the British parliamentary system of that period : according to a brief historical notice written in 1869³⁵, public accounts were kept with some care and accuracy for some time posterior to the Revolution. But since the Reign of Quenn Anne (1701-1714), no complete statement has ever been made up of the the total Income and Expenditure of the country.

In 1783, when William Pitt the young becomes the head of the Executive, the regime progressively takes the appearance of a parliamentary system, so far as the Prime Minister succeeds in building his own majority in the Commons. But nothing was done for good when he died in 1806 (Marx 1993, 328). In parrallel, reforms of government accountancy had been a political issue since the 'economical reform' movement of the 1780's. (Parker 1993, 73).

³⁴ The French « *Siècle des Lumières* ».

³⁵ BPP 1868-9, xxxv. Appendix n°13. Reproduced in Coombs and alii 1997, p.326-49.

At the head of State, the absence of a rigid constitution gives way to family clans for controlling alternatively the decisions. Everywhere money corrupts, particularly the elections at the Commons, in which five seats out of six are in fact bought to a few Electors. At the end of the century, electoral funds have been created so that candidates may compare : the poorer could withdraw for fear of a too expensive failure (Marx 1993, 328). In the 18th century Britain, even the Commons cannot really be considered as the representation of the Nation. Protest movements arose, some of them radical, among some members of the new élite. Many were fascinated by new ideas coming from America after 1776, or from France in the last decade of the century. But those in power had, since the French Revolution, adopted a reactionary stance, fearing any concession to the would-be reformers would bring about full-blooded revolution. Consequently, repression of freedom of speech and of the press aroused such opposition that during 1815-1820 revolution did indeed seem imminent. After 1820 however, the aura of reaction began to lift somewhat³⁶ : some notable reforms were carried out towards more freedom for trade unionists inside Britain and nationalist aspirations abroad. Nevertheless, agitation for a parliamentary Reform Bill did not fade away and finally resulted in the passing of the great Reform Act of 1832³⁷, creating a new and more democratic distribution of the parliamentary constituencies. The aspiration for democracy went hand in hand with the need for information : new MPs, supported by many progressive industrialists³⁸, initiated a reform of the Public Accounts, as we'll see hereafter.

³⁶ The Hutchinson Encyclopedia.

<http://ukdb.web.aol.com/hutchinson/encyclopedia/15/M0064215.htm>

³⁷ That Reform Act meant, for the aristocracy of the time, *the beginning of the end of all things*.

³⁸ Many of those industrialists were the followers of the utilitarian reformer Jeremy Bentham. Lord Bowring, committed by the Parliament to present a report on the Public Accounts, was Bentham's friend and literary executor.

One may see in that evolution the will of the British ruling class to develop a more democratic functioning of the State, in tune with the image of an industrial and powerful Nation. The need for more rationality may also come from financial concerns : the industrial State must act thriftily.

2. The introduction of double entry in the Public Accounts from 1828 onwards

The 29th of april 1828³⁹, « *two persons of experience in the mode of keeping the Public Accounts⁴⁰, together with an individual well acquainted with the system of keeping and stating Mercantile Accounts⁴¹, were appointed jointly to inquire into and to state the manner in which the Public accounts are kept in the several Principal departments connected with the receipt and expenditure of the money granted by Parliament for the Public Service* »⁴².

The Commissioners were asked to « *suggest such alterations as may appear to be necessary, with a view of establishing a more uniform System of keeping the Public Accounts, ..., and to consider how far it may appear to be practicable and advantageous to employ the Mercantile Sytem of Double Entry in keeping the Public Accounts* ».

One may wonder : « *why at this very moment ?* ». In fact, we don't have the answer, and we are only able to ascertain the date, according to British Parliament Papers. The previous report of a

³⁹ BPP 1829, vi, Appendix n°1 to the reports or the commissioners, reproduced in Coombs and alii (1997, p.95)

⁴⁰ Thomas Constantine BROOKSBANK and Samuel BELTZ, Treasury officers.

⁴¹ Peter Harriss ABBOTT, public accountant.

⁴² Their commission was signed by Wellington, Henry Goulburn and Eliot. (p. 95)

select committee on the Public Accounts was presented in 1822⁴³. It stated that the Public Accounts were kept according to an Act of 1801⁴⁴, in forms which « *gave a much more clear, detailed and comprehensive view of the national resources, than was ever before presented to the public eye* ». The system of accounts was qualified as a « first attempt to arrange and methodize so large a mass of multifarious and complicated details ... ». But that was enough for compliments, and the authors of the Report turned rapidly to some harsh critic. According to them : « *The principal and most prominent defect in the present form of the Accounts is that they neither do, nor can exhibit any Balance between the Income and Expenditure of the year* ». However, we could not find no mention of any special technique for keeping the accounts and no reference to double entry bookkeeping. If some progress had been made, the system of rendering accounts to the Nation was far from perfect.

A decisive step was taken in the 1829 Report.

What were the reasons put forward for such a change ? An uniform system of Accounts was wanted, to replace « *the various, complicated and expensive modes now in use* ». The new system had to bring « *accuracy, simplicity and perspicuity* ». It had also to facilitate examination, to afford information on every transaction, to ease the substitution of a clerk who has resigned or been promoted, to be understood by every man of account. Moreover, the use of double entry would ascertain the correctness of every other book by a general balance of the Ledger, and the correct balancing of books kept by double entry must include, not only the money actually expended, but also the liabilities of the establishment.

At several occasions, the three commissioners vindicate, justify and defend the double entry system. However they rapidly disagreed on the forms to propose for the new system. The first two commissioners (Brooksbank & Beltz) proposed to adapt double

⁴³ BPP 1822, vi, 293 Report from the select committee on the public accounts of United Kingdom, annually laid before Parliament, 31 July 1822. Coombs and alii 1997, p.2-10

⁴⁴ According to recommandations of the Committee of 1797.

entry to the particular needs of the public service, as the third one (Abbott) wanted a more radical change. A technical debate on the different books to be used and the forms to propose was undertaken between the three commissioners. Finally, the Board of Treasury of 14th July 1829, under the consideration of the two reports and some memorandums issued by the commissioners, decided to approve Brooksbank & Beltz' report⁴⁵, though they recommend that a new system cannot usefully take place otherwise than gradually.

In fact, a 1844 « *Statement of the changes which have been introduced in the System of BOOK-KEEPING since the Report on the Exchequer, made by the COMMISSIONERS of PUBLIC ACCOUNTS in 1832* » confirms that the new system was set up gradually in the different administration : the accounts of the Treasury were kept by double entry « *many years prior to that (1831) report* », the home department, the colonial office and the Board of control were using double entry since 1832, the war office switched in 1840, the royal Chelsea hospital in 1841, etc.⁴⁶.

Most of comments produced by the accountants were praising the new method. One of the rare wrong notes we found in that concert was a report⁴⁷ of a committee appointed by the Master-General and Board of Ordnance : the authors pointed out that the new method would « *occasion a great increase of documents, and would throw much additional labour on every storekeeper and barrack-master ... without obtaining useful result, as they (sub-accountants) could perceive ...* ». Moreover, a copy of Treasury minute, dated 17th december 1830 indicated that « *the application of the new system of accounts as recommended by Messrs. Brooksbank and Beltz, to any public department in which it is not already introduced in practice, be suspended till further orders* ». However, an other report on

⁴⁵ « My Lords, therefore, are of opinion that it would be expedient to introduce into each of the following departments, the principal books as described in the Report of Messrs. Brooksbank & Beltz, viz. : ... », BPP 1831, xiv, Appendix n°1. (Coombs & alii 1997, 135)

⁴⁶ BPP 1844, xxxii, Returns from 27 public departments.

⁴⁷ BPP 1831, xiv, Appendix n°6, in Coombs and alii (1997, 140).

public accounts was ordered by William the fourth⁴⁸, which confirmed the orientations proposed by Brooksbank & Beltz. They confirm the necessity to register in a « business-like form, on the double-entry plan ».

3. The French influence

The influence of the French public sector accounting system, created from 1808 onwards, may first be first stated in 1831, when the House of Commons appointed Sir John Bowring to make a report on the public accounts of France⁴⁹.

The tone of the report is rather flattering, as shown in the general statement (p.3) : « *The character of the French system is one of uniformity ; and the Public Accounts are moulded, up to their completion and final extinction, to the forms they received at their first conception. It is only by the presentation of tables, resembling one another, and in facts emanating all from a common original model, that the completeness and efficiency of the machinery can be shown. The course is made inevitable at every step, every one recorded fact has an immediate and necessary connection with every other, and an unbroken reference to a general result ; and the object of this report is to show, at different stages of its progress, the characters which the Accounts present.* ».

The recent history of French finances is very well documented, and a list is put up with the principal laws, ordinances and decrees by

⁴⁸ BPP 1831, x,i, reproduced in Coombs and alii p.167. The commissioners were : Sir Henry Parnell (baronet), Lord John Russel, Sir James Graham (baronet), Sir James Kempt (Grand Cross of the military order of the Bath), Charles Poulett Thomas, Francis Thornhill Baring and Edward Ellice.

⁴⁹ BPP, 1831, xiv, not reproduced in Coombs and alii. Bowring made also reports on the public accounts of the Netherlands and Belgium (BPP 1831, xxviii).

which the system of public accounts has been established from 1808 onwards. In the second report, the history is told from Sully onwards, with full detail of the experiment under Louis XV (1716).

Lord from 1854 onwards, Dr John Bowring (1792-1872) was an author, linguist, diplomat and the literary executor of Jeremy Bentham⁵⁰. He has been an MP in 1835-37 and 1841-49 but started his career as a merchant's shop assistant. He was originally nominated as a commissioner of the public accounts in 1828, but « *his appointment was cancelled by the Tory prime minister, the Duke of Wellington, who objected to Bowring's radical opinion* » (Parker 1993, 72). Why was he chosen to report on the Public Accounts of France ? Was he a friend of Mollien or other Finance ministers in France ? We do not know, but Bowring seems to have been very well documented and he is very likely to have benefited of a benevolent cooperation from the French administration. This appears in the documents he was able to publish in his reports, and in his apparently very good relations with the former and current finance ministers. His knowledge of the history of French finances seem to be drawn from a book written by Bailly⁵¹, with no detailed reference. He even tells us that « *The double entry system was introduced in into the Public Accounts of Austria more than forty years ago* »⁵²

An other evidence of the foreign influence is given in the report of october 1831⁵³. The commissioners argue that the double-entry system has gradually but peremptorily forced his way into every well

⁵⁰ Encyclopedia Britannica, 1961, Chicago, London & Toronto.

⁵¹ Quoted in the second report, p.5.

⁵² Second report, p.5. In his report on the Public Accounts of the Netherlands, Bowring gives no historical notice. However, we learn that (p.3) « *The Royal Decree of the 24th october 1824, contains a general règlement for the Administration of the Finances in the Kingdom of thze Netherlands, which developes the fundamental principles on which the Public Accounts are constructed.* ». We also learn (p.143) that « *The books are admirably kept, according to commercial usage, and by double entry* ».

⁵³ BPP 1831, x, i. Report by Parnell, Russell, Graham, etc.

regulated manufactory, into every extensive mercantile establishment in every part of the civilized world. « *The Revenues of no Government has been safely administered, the Accounts of no Government have been intelligibly kept, the Business of no Government has been promptly and satisfactorily dispatched, until the commercial system has been introduced, with its order and uniformity, into the different departments. Several of the Governments of Europe have adopted this method after repeated and vain attempts to accomodate by other means the dissimilar usages of their various public offices to one general system ; and there is no instance of of any Government having abandoned the mercantile practice, after having once employed it. On the contrary, every Government the has introduced it has borne testimony to its adaptation to National concerns, and its complete efficiency for all fiscal and financial opérations and records. ...*

The commissioners keep on with the French example :

« ... and we need only to refer to Mr. Bowring's reports on the *Public Accounts of France*, for irresistible proof of its value, practicability, comprehensiveness, clearness and efficiency. Indeed, it appears from his statement, that a succession of Ministers of Finance have borne unanimous and cordial testimony to the excellent workings of the Commercial system of Accounts, in all the departments of Government ; that the objections originally suggested against it, by persons who have not attentively considered its bearings, on the grounds of its being not adapted to public official accounts, have all given way before the evidence of its sufficiency and superiority. The system of Accounts as adopted in France has afforded perfect security against default and dilapidation ; it has brought with it savings of expense to the amount of several Millions sterling per annum ; it has diminished the labour and anxieties of the Public Servants, and has again and again been euogised, after elaborate and detailed examination, by Statesmen of all parties in both Houses of the French Legislature. Opposed to such facts, and to the admitted experience of the whole Commercial world, we do not conceive the opinions hostile to this system of Accounts have any considerable weight. ».

We have seen that Mollien went to Great Britain in 1797-8, to study the British finance system. He drew from that experience to create the Banque de France and the Franc Germinal in 1802-3. The influences are both ways and the French model of accounting has followed after the British model in banking and money. That is what appears in the Baron Louis,⁵⁴ discourse to the Chamber of deputies (August 18th, 1831) : « *Our system of Accounts has reached a high degree of perfection. A striking testimony has been given to it, in a neighbouring Country, long referred to as a model in financial matters* ».

We'll let the final word to Count Mollien, in his letter to Bowring⁵⁵ : « *Public improvement cannot march everywhere with equal pace ; but it is evidently progressive where the productions of reason and intelligenence begin to be considered as objects not less worthy of exchange among great nations than the material productions of industry ; and that emulation is decidedly more advantageous to nations than hostile rivalry.* »

⁵⁴ French finance minister. The quotation is given by Bowring in his second report (p.10)

⁵⁵ dated 28th August, 1831, reproduced as an appendix in Bowring's second report.

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