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Shining a Light on the Mysteries of State: The Origins of Fiscal Transparency in Western Europe

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IMF Working Paper

Fiscal Affairs Department

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Abstract

The extent of fiscal transparency in Western Europe has varied over the centuries. Although ancient Greek, Roman, and medieval governments were sometimes open about their finances, the absolute monarchies of the 1600s and 1700s shrouded them in mystery. Factors that have encouraged transparency include (i) the sharing of political power and rulers' need to persuade creditors to lend and taxpayers' representatives to approve new taxes; (ii) the spread of technological innovations that reduce the costs of storing and transmitting information; and (iii) the acceptance of political theories that emphasize accountable government and public discussion of government policy.

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I. OVERVIEW¹

Longtemps les choses de l'État n'ont regardé que l'État. Et l'État a tout fait pour les entourer d'un mystère redoutable et châtier les profanateurs. Mais les sept sceaux ont été brisés et, vers 1780, n'importe qui peut entrer dans le sanctuaire.

—Daniel Mornet²

Le secret qui est l'âme des grandes affaires, est surtout nécessaire dans les finances. Plus les forces de l'État sont ignorées, plus elles sont respectables.

—Anonymous adviser to the heir to French throne, 1736³

La publicité des comptes de finance est le plus beau monument de la civilisation moderne.

—Charles Ganilh, 1817⁴

In the early 1760s, when the British diplomat Louis Dutens wanted to see the accounts of the kingdom of Piedmont-Sardinia, he had to resort to espionage. Telling the story in his memoirs, he says he obtained this “greatest secret of all states” by hiring an expert

¹This paper was conceived as background material for IMF (2012). I thank Marco Cangiano for encouraging the work and for making many helpful comments on early drafts. For other comments on the paper, I thank Richard Allen, Joël Félix, David Gentry, Greg Horman, Richard Hughes, Christopher Iles, John Irwin, Aidan Kane, Mizuho Kida, Delphine Moretti, and Pål Ulla. For information on the history of fiscal transparency in particular countries, I thank Clemens Mungenast, Bernard Schatz, and Johann Seiwald (Austria); Henri Bogaert, Xavier DeBrun, Cédric Pietrus, Dirk Slats, and Luc Stevens (Belgium); Ib Hansen, Torben Hansen, Lars Jessen, and Kim Abildgren (Denmark); Sami Ylaoutinen and Seppo Tiihonen (Finland); Renaud Duplay, Joël Félix, Philippe Masquelier, Jean-Paul Milot, and Delphine Moretti (France); Gerd Schwartz and Anke Weber (Germany); Nökkvi Braggason and Gunar Hall (Iceland); Aidan Kane (Ireland); Valentina Flamini, Andrea Gamba, and Geremia Palomba (Italy); Holger van Eden (the Netherlands); Eivind Tandberg and Astri Tverstøl (Norway); Maria Eugenia Mata and Nuno Valério (Portugal); Julio Escolano, Raquel Gómez Sirera, and Francisco Cómín (Spain); Gösta Ljungman, Olle Krantz, Lennart Schön, and Gunnar Wetterberg (Sweden); Laure Athias, Manal Fouad, Adrian Martinez, Eric Mottu, Stefan Nellen, and Nils Soguel (Switzerland); and Richard Allen, David Heald, Richard Hughes, and Rebecca Manders (United Kingdom). I also thank the librarians of the Joint IMF–World Bank Library.

²“For a long time, affairs of state concerned the state alone. And the state did all it could to shroud them in fearsome mystery and to chastise profaners. But the seven seals were broken and, around 1780, anyone could enter the sanctuary.” Mornet (2010, p. 473). (The translations in the paper are mine unless noted.)

³“Secrecy, which is the soul of great affairs, is above all necessary in finance. The more the forces of the state are unknown, the more they are impressive.” Cited in Brian (1994, p. 155; see also n. 9 on p. 393). Félix (1999, pp. 5–6) cites the same author on the importance of secrecy in royal finances.

⁴“The publicity of financial accounts is the greatest monument of modern civilization.” Charles Ganilh (1817, p. 125); the translation is from Nikitin (2001, p. 97).

counterfeiter, who in turn bribed the finance minister's valet. Over the course of three nights, the valet took the keys to the finance minister's cabinet while he was helping him undress. Then during the nights the counterfeiter copied the accounts.⁵ Nowadays a British diplomat interested in the public finances of Piedmont-Sardinia's successor state, Italy, or those of another European country, could go to the government's websites, where he would probably find the information translated into English for his convenience.⁶

This paper aims to explain how fiscal transparency has evolved over time and, in particular, how modern openness about public finances emerged from the fiscal secrecy encountered by Dutens. It considers what people said about fiscal transparency, identifies some of the landmarks in the history of subject, and tries to point to the factors that caused governments to become more or less open. It may interest practitioners seeking to improve the transparency of public finances in countries where the principle of transparency is not yet accepted or where the principle is accepted but its application leaves something to be desired. It may also interest researchers studying the causes of fiscal transparency or, more generally, inclusive political institutions and accountable government.⁷

No published papers appear to be devoted to the history of fiscal transparency, but Cangiano (2002) and Premchand (2008) begin discussions of fiscal transparency with brief but insightful excursions into its history, and Ives (2003a) and Kraus (1959) touch upon fiscal transparency in surveys of the history of openness and secrecy in government. Puviani (1973), first published in 1903, discusses fiscal secrecy as part of an account of the reasons the public may fail to understand government finances. Following up leads in these and other pieces, this paper offers a closer look at the history of openness about public finances specifically.

The paper considers just one region, Western Europe as defined by the IMF.⁸ The main reason for this restriction is to make the task more manageable. Yet Western European practice and thinking have greatly influenced other regions and are thus of particular interest. In any case, the scope of the paper may encourage others to look at the history of fiscal

⁵Dutens (1806, pp. 221–22). George Downing, Secretary to the English Treasury 1667–71, is said to have used a similar technique to steal information from the Dutch leader Jan de Witt (see Samuel Pepys's diary entry for December 27, 1668, in Pepys, 1995, pp. 401–02).

⁶The Italian government provides information on its finances in English at www.tesoro.it/en and www.istat.it/en/archive/public+finance.

⁷See, for example, Alt, Lassen, and Rose (2006); Acemoglu and Robinson (2012); Fukuyama (2011, part IV); and Besley (2006).

⁸See, for example, IMF (2011, p. 83, n. 48).

transparency elsewhere. Nevertheless, the scope of the paper is extremely ambitious. An historian would no doubt prefer a detailed analysis of the issue in a particular time and place and one that was also more sensitive to the particular concerns of that time and place. If there is a defense of the approach of this paper, it is that practitioners of fiscal transparency may want to know something about the broad outlines of the history of the subject, especially in so far as it sheds light on current concerns.

At first blush, shining a light on the financial mysteries of state seems simple: just open the books to public scrutiny. Indeed, this is the idea behind freedom-of-information laws, the first of which was passed in Sweden in 1766. But while fiscal transparency is inconsistent with widespread secrecy, it is not exactly its opposite. To be fiscally transparent, a government must publish clear, relevant, and reliable information on public finances (past, present, and future) but it need not talk about fiscal policy only in public or disclose the details of every single financial transaction.⁹ Moreover, fiscal transparency requires more than simply making public the information the government possesses. To be transparent, the government must ensure that clear, relevant, and reliable information exists. Given the complexity of modern governments, this is no easy task. Though this paper concentrates on the central question of whether budgets and accounts are made public, it pays some attention to factors that affect their quality, including the use of double-entry bookkeeping, a system that makes it easier to find errors in accounts and to prepare an operating statement that is arithmetically linked to preceding and succeeding balance sheets.

The rest of the paper looks at how fiscal transparency developed over the last two-and-a-half millennia. The next three sections identify instances of fiscal transparency and accountability in ancient Greece and Rome, the medieval city-states of Northern Italy, and various medieval kingdoms. Section V then examines the age when kings claimed absolute power and kept their finances secret. Sections VI–VIII investigate the gradual re-emergence of parliamentary control over finances and the principle of fiscal transparency in countries such as England, France, the Netherlands, and Sweden. Section IX then documents the spread of publication of budgets and accounts throughout Western Europe from about 1820 to 1850. After 1850, attention turned to details of fiscal information, some of which are discussed in Section X.

Because the account below is roughly chronological, it may help to foreshadow the themes that emerge from it. One is that the history of fiscal transparency has not been one of continual increase. Western governments today make public a great deal of information about their finances, but there have been other periods of transparency that have been followed by opacity. Another theme is that the extent of fiscal transparency appears to depend on three factors: the technology of information and communication, the sharing of power, and prevailing political theories.

⁹IMF (2012, p. 4).

Before people could read and write, only the simplest information about public finances could be communicated. As writing developed and literacy spread, it became possible to transmit much more complex information. Later, the invention of paper and printing made it possible to communicate information about public finances to more people, over longer distances—rendering real fiscal transparency possible not just in city-states but in far-reaching kingdoms. While technology has allowed an ever-increasing degree of fiscal transparency, other factors have determined whether it has been used to give information to the public or only to improve rulers' control over their subordinates.

Rulers have an interest in controlling information and keeping some of it secret, both to prevent their opponents from learning about their plans and their weaknesses and to enhance their mystique.¹⁰ When power has been tightly held by a financially self-sufficient king, much information about government, including government finances, has remained secret. When power has been shared, either in democracies or sufficiently broad oligarchies, information on government finances has tended to become public. Similarly, when otherwise powerful kings have needed to raise money from creditors or taxpayers, they have often been forced to share information.

Prevailing views about the nature of government and citizenship have been a third influence on the extent of fiscal transparency. In the late 1700s, influential writers associated with the Enlightenment argued that governments should be accountable to the people, and stressed the value of reasoned and informed debate—as opposed to appeal to tradition—as the basis of choosing policy. That thinking contributed to increases in fiscal transparency in the late 1700s, including most notably the publication by the French government in 1781 of a report on public finances.

If this analysis is correct, Western European fiscal transparency, though already extensive, should continue to increase. First, the prevailing view of government in the region has for some time stressed the importance of open and accountable government. Second, the Internet and computing power have made it possible to present enormous amounts of information about public finances at very low cost. And, third, the fiscal problems experienced by many Western European governments have put them under increased pressure to reveal information about their finances to their taxpayers and their creditors.

II. FISCAL TRANSPARENCY IN ANCIENT GREECE AND ROME

Although the modern era of fiscal transparency was preceded by an era of secrecy, there are still-earlier episodes of transparency. The most notable of them occurred in Athens during the

¹⁰See Félix (1999, pp. 5–8); Hoffman (2009, p. 121); Kraus (1959).

fifth and fourth centuries BCE, which appears in retrospect to have been a golden age of fiscal transparency. During this period the city-state was a direct democracy, and all male citizens were eligible to debate and vote on public policies and public spending. Even during war, citizens deliberated in public on military strategy and military financing, reducing Athens' ability to surprise its enemies.¹¹ Public accounts were sometimes set in stone in public places.¹² And all public officials were subject to a two-part public audit at the end of their short terms of office, the first a financial audit by ten accountants, the second a general examination of the officials' conduct by ten "straighteners" appointed by the popular assembly.¹³

If Athenian practices come closer in some respects than anything since to meeting modern demands for fiscal transparency, it is probably because ancient Greek writings have so profoundly influenced European thought on government. In a famous description of the ethos of Athenian democracy in about 430 BCE, the Athenian general and leader Pericles remarked that all reputable Athenian citizens took an interest in public matters and that even if only a few could formulate public policies all were able to judge them. Pericles took pride in the city's willingness to let foreigners observe what was happening in the city, even if the city's enemies could sometimes take advantage of its openness.¹⁴ Aristotle (384–22 BCE) paid particular attention to accounting in his pioneering analysis of political institutions. Special measures were needed in oligarchies, he said, because, though the people do not mind being ruled by others, they hate the idea of the rulers stealing public money. To avoid corruption, "the transfer of revenue should be made at a general assembly of the citizens, and duplicates of the accounts deposited with the different brotherhoods, companies, and tribes" Aristotle also argued for what we would call independent audit: because many "offices handle the public money, there must of necessity be another office which examines and audits them, and has no other functions."¹⁵

It is also possible to find ancient Athenian arguments for concealing information. Although Plato (c. 427–347 BCE) also stressed the need for audits, he said that rulers might lie for the benefit of the city and defended rule by philosopher-kings, who, a little like today's

¹¹Kagan (2003, pp. 9, 101).

¹²Ste Croix (1956, p. 23).

¹³Hornblower and Spawforth (2003, p. 577); Webber and Wildavsky (1986, pp. 128–29). The financial audit was called the *logos* and the more general review the *euthyna*.

¹⁴Thucydides, *The Peloponnesian War*, Book 2, Sections 39–40 (Thucydides, 1998, pp. 92–93).

¹⁵*The Politics*, Book 5, Section 8, and Book 6, Section 8 (Aristotle, 1996, pp. 136, 165).

technocrats, were expected to rule well not because they were accountable to the people, but because of their special upbringing and education.¹⁶

Ancient Rome offers further examples of openness about public finances. During the Republic, spending decisions were approved by the mainly aristocratic senate,¹⁷ and thus were not tightly held secrets. And even during the Empire, information on public finances was at least sometimes made public. The emperor Augustus is said to have left a will to be read in public that revealed what money he had left in his *fiscus*, and Caligula is said to have published the accounts of the empire, reviving a practice of Augustus's that had been discontinued by Tiberius.¹⁸ Public officials were also subjects to audits.¹⁹ But the concentration of power in the emperor ultimately worked against fiscal transparency. Officials were accountable to the emperor, but the emperor was accountable to no one.

Like ancient Greece, Rome left an intellectual inheritance with some elements favorable to transparency and others inimical. The republican tradition associated with Cicero stressed the value of mixed constitutions in which political power was divided among different groups, thus creating a system of checks and balances conducive to the sharing of information. The tradition also emphasized the need for citizens to remain vigilant lest politicians become corrupt.²⁰ By contrast, the emperor Justinian's influential codification of Roman law in 529 CE included such principles of unaccountable government as "the prince is not bound by the law" and "what pleases the prince has the force of law."²¹

III. ACCOUNTABILITY IN THE MEDIEVAL CITY-STATES OF NORTHERN ITALY

After the dark ages, the trail of fiscal transparency can be picked up again in northern Italy, starting around 1100, when cities such as Florence, Genoa, Milan, Modena, Pisa, and Siena

¹⁶On the importance of audits, see *The Laws*, 945b–e (Plato, 2004, p. 452–53). On philosopher-kings and useful lies, see *The Republic*, especially 389b–c and 459c–d (Plato, 2000, pp. 75, 157).

¹⁷Polybius, *Histories*, Book 6, Section 13 (Polybius, 2010, p. 381); Webber and Wildavsky (1986, p. 131).

¹⁸Suetonius, *The Twelve Caesars*, Augustus, Section 101, and Caligula, Section 16 (Suetonius, 1998, pp. 309, 439).

¹⁹Polybius, *Histories*, Book 6, Section 15 (Polybius, 2010, p. 383). Webber and Wildavsky (1986, pp. 97 and 131) notes that the Roman audits were not as important as their Greek counterparts.

²⁰This account comes from an interview with Philip Pettit available at <http://philosophybytes.com/2012/04/philip-pettit-on-republicanism.html>.

²¹See, for example, Nemo (2002, p. 34).

became independent republics governed by their own elite citizens.²² These cities were ruled by a combination of smaller and larger councils, which at first appointed a small number of consuls to run the cities. After a time, many cities instead appointed a single administrator to manage their affairs. To ensure that the administrator was not allied to any local faction, he was typically chosen from among the citizens of another city, and before he could return home at the end of his term, he was required to undergo an audit reminiscent of the Greek and Roman ones mentioned above. In some cases, he did not receive the last installment of his salary until he had acquitted himself at the audit.²³ Though the rulers of the city-states were secretive about many things, including naturally those related to war, it is reported that the city of Modena's records including its accounts were stored where they could be viewed and copied by the public.²⁴ Judging the record of the city-states as a whole, an historian concludes that the people's participation in government was of the same order as that achieved in ancient Athens.²⁵

The independence of the Italian city-states was frequently challenged by the Pope and the Holy Roman Emperor, and the ensuing conflicts stimulated a lively debate about the way cities should be governed. Marsilius of Padua (c. 1275–1343) defended the independence of the city-states by arguing that the city's rulers should be accountable to the people of the city. Small states, he said, should be governed by their people and their princes should be brought to account, apparently referring to financial audits.²⁶

From a somewhat later time, there is evidence that fiscal transparency could increase simply because financial responsibilities were transferred from a smaller to a larger council. In Venice, the head of state was the *Doge*, but he had to vow to respect various constitutional restraints, and he shared power with a Council of Ten, a larger Senate, and a Great Council that was larger still. When certain powers over public finances were transferred from the Council of Ten to the Senate in 1583, the French ambassador reported that secrecy in Venice's finances would no longer be possible.²⁷ A few years later, a writer spoke of the "manner of open government which [the Venetians] employ at the present time" and said that

²²Waley (1969, p. 60). See also Skinner (1998, vol. 1, chap. 1) and Stasavage (2011, chap. 5).

²³Waley (1969, p. 68); Bowsky (1981, p. 25).

²⁴On secrecy, see Bowsky (1981, e.g., p. 101) and, from a later period, Chambers and Pullan (2001, pp. 56, 80–81). On openness in Modena, see Waley (1969, p. 74).

²⁵Waley (p. 109).

²⁶Skinner (1998, vol. 1, chap. 3) and Marsilius of Padua (2005, p. 123, including n. 1).

²⁷For this and the information in the rest of this paragraph, see Chambers and Pullan (2001, pp. 82, 83, 162–63, and 157, respectively).

it was unpopular among the “older and wiser,” but “immensely pleasing” to the general public. The Venetian public also discussed strategies for reducing public debt, which unsettled some of the city’s rulers: one senator’s widely discussed plans for paying back public debt, though eventually successful, initially met with great opposition, partly “for publicly revealing mysteries which perhaps ought to have stayed hidden for the sake of the public good.” The book that told this story was itself suppressed for it contained “maxims of government” too “intimate” to divulge.

Northern Italy was also the site of two important developments in the technology of fiscal transparency. The first was the adoption of Hindu-Arabic numerals, which were brought to the rest of Europe via Italy, with the help of Leonardo of Pisa (c.1170–1250).²⁸ Roman numerals work well enough for addition and subtraction, but are less well suited to other mathematical operations. Hindu-Arabic numerals thus simplified the analysis of fiscal information. The second was the development of double-entry bookkeeping. Although this new system was first adopted by banks and merchants, it was soon used by governments as well. In 1327, the governors of the city of Genoa wrote, “because of the many frauds that were perpetrated involving the financial statements and revenues of the Commune of Genoa, in order to ascertain the truth more clearly, we decree and order that a ledger shall be made after the manner of banks . . .”²⁹ By 1340, when surviving records begin, the officials looking after the city of Genoa’s accounts were indeed using double-entry bookkeeping. The Commune of Genoa also combated fraud by requiring officials to draw up their accounts in books with prenumbered pages and by forbidding the erasure of any entry.

IV. MEDIEVAL PARLIAMENTARY SCRUTINY OF ROYAL ACCOUNTS

A little after city-states emerged, parliaments arose in larger territories governed by kings. Usually representing three different orders of elite medieval society—clergy, nobles, and others—these parliaments eventually created a degree of fiscal transparency, though probably less than in compact city-states.³⁰ When they were strong, parliaments could insist that no new taxes be levied without their consent. In England, even before the development of the modern parliament, the Magna Carta (1215) recorded the success of the English elite

²⁸Durham (1992).

²⁹Martinelli (1983, p. 86), which says that it is likely that banks were at that time using double-entry bookkeeping (p.88).

³⁰See Stasavage (2011, chap. 3).

in establishing the principle that the king could not impose certain taxes without “the common counsel” of the realm.³¹

When parliaments had power over taxes, they naturally took an interest in how kings were spending their money, for they wanted to be sure that taxes were used in ways they approved of, not just to enrich the king or his tax collectors. In the absence of public budgets and audited accounts, they had reason to be suspicious. Because kings got some revenues from their personal estates, and had many fewer expenses than modern governments do, they typically asked for new taxes only in order to wage war or meet some other unusual expense. But how could parliaments be sure that money granted for war was actually spent on war? A French writer of the time commented that the English parliament would willingly grant taxes for a war against France or Scotland, but the king could trick the parliament into giving him money by pretending to want to attack Scotland, raising taxes for a campaign of a year, and then disbanding the army after only three months.³²

Medieval parliaments therefore sought and sometimes won the right to inspect the accounts of the king or his tax collectors. In Spain, to take just one case,³³ parliaments in the 1200s and 1300s were relatively strong and succeeded in scrutinizing or even managing public accounts. In Castile, parliament insisted on viewing royal accounts throughout the 1300s and, in 1329, had the finance minister removed because of abuses it discovered.³⁴ Its success in controlling the king’s spending was mixed, but by the mid-1400s, it had earned a reputation as a serious fighter of corruption and mismanagement in the government.³⁵ In Catalonia, the parliament was especially strong and sometimes appointed commissions to supervise both the collection and spending of taxes, eliminating the king’s discretion to use the money as he pleased. In 1359, for example, it appointed 12 deputies and 12 auditors, 4 from each of the 3 orders it represented, to administer government spending while it was not in session, an arrangement that eventually evolved into a fully fledged public administration.³⁶

³¹See clauses 12 and 14, for example in Vincent (2012, pp. 114–15). Another medieval charter worth mentioning in relation to transparency is the *Usatges of Barcelona*, which codified the law of the land and decreed that princes must speak truthfully (see clause 60, in Kagay, 1994, p. 78).

³²Philippe de Commines (1447–1511), quoted in Fortescue (1997, p. 88, n. 29).

³³For scrutiny of accounts in England in the 1340s, see Einzig (1959, especially chap. 10); Ertman (1997, p. 175); and Harriss (1975, pp. 261–63 and 441–42). For scrutiny of accounts in France in 1484, see Ertman (1997, p. 93).

³⁴Ertman (1997, p. 84).

³⁵Ertman (1997, p. 84).

³⁶O’Callaghan (1975, p. 444).

V. ABSOLUTISM AND FISCAL SECRECY IN THE 1600S AND 1700S

The openness of medieval kingdoms and city-states should not be exaggerated. Rulers' desire to keep things secret (evidenced by their employment of "secretaries"), the power of the elite, the limits of technology, and low rates of literacy meant that the number of people who could get hold of and understand fiscal information was no doubt small.³⁷ As time passed, improvements in technology and the gradual spread of literacy reduced these obstacles to effective transparency. In particular, the diffusion of knowledge about paper-making (from around 1150) and then printing (from around 1450)³⁸ dramatically reduced the price of books. (See Figure 1 for an estimate of the decline in England). But fiscal transparency did not increase in the way that improvements in technology would have allowed. City-states were taken over by unaccountable strongmen, parliaments lost power, and if anything fiscal transparency declined.³⁹

Figure 1. England. Index of the Real Price of Books, 1300–1860
(1860 = 100)



Source: Clark (2004, Table 9).

Note: The index measures the cost of a standardized quantity and quality of text. The estimated cost of living used for the inflation adjustment is for a relatively prosperous consumer and incorporates the price of books, with a weight of 5.6 percent.

Kings claimed to have absolute power and to rule by divine right. In a speech to the English parliament in 1610, James I declared that kings were "God's lieutenants on earth" and were

³⁷On the power of the elite, see Stasavage (2011, p. 60).

³⁸Davies (1996, pp. 350, 445).

³⁹On the decline of parliaments, see Stasavage (2011, p. 50 and p. 58, fig. 3.1). On the rise of strongmen in city-states, see Skinner (1998, vol. 1, p. 23).

“accountable to none but God.”⁴⁰ His successor, Charles I, likewise said that he owed an account of his actions to God alone.⁴¹ In Denmark, the royal law of 1665 said that the “absolute hereditary king of Denmark and Norway shall hereafter be . . . above all human laws and [shall know] no other head or judge above him . . . except God alone.”⁴² And, in France, to take one last example, Louis XV declared in 1766: “It is in my person alone that sovereign power resides . . . It is to me alone that legislative power belongs . . . the rights and interests of the nation . . . rest only in my hands.”⁴³

Absolutism found support in the work of political theorists such as Jean Bodin and Jacques-Bénigne Bossuet in France and Robert Filmer and Thomas Hobbes in England. Bodin, for example, argued that a country needed the stable rule of a single absolute ruler and said that a genuinely sovereign prince was “answerable only to God.”⁴⁴ Interestingly, his defense of absolutism was qualified: a king had no right to sell or mortgage his lands or to impose taxes without consent.⁴⁵ Some subsequent defenders of absolutism dropped the qualifications and argued that the king needed no one’s consent to levy taxes.⁴⁶

Political theorists also advised kings to keep their affairs secret, to prevent their enemies from gaining an advantage over them and to enhance the mystique of their power. Machiavelli (1469–1527) famously told the Medici prince who had taken power in Florence that it was sometimes necessary to deceive the people.⁴⁷ Other Italian writers also urged rulers to keep matters of state secret.⁴⁸ Similar advice can be found in the writings of French absolutists,⁴⁹ as illustrated by the second epigraph of this paper. And early on in a book about

⁴⁰James I (1918, pp. 307, 308). Here and elsewhere spelling and punctuation in quotations from old sources have been modernized.

⁴¹See Hughes and Fries (1959, p. 203).

⁴²Ekman (1957, p. 106).

⁴³Doyle (2002, p. 38).

⁴⁴Bodin, *Les Six Livres de la République*, book 1, chap. 8 (Bodin, 1992, p. 4).

⁴⁵Skinner (1978, vol. 2, pp. 293–94, 296–97).

⁴⁶In particular, Cardin Le Bret (1558–1655) and Charles Loyseau (1564–1627). See Nemo (2002, p. 134).

⁴⁷See in particular *The Prince*, chap. 19 (Machiavelli, 1988, pp. 61–63).

⁴⁸Francesco Guicciardini (1483–1540), *Maxims and Reflections*, no. 48 in series B (Guicciardini, 1972, p. 108); Giovanni Botero (1544–1617), *Reason of State*, Book 2, Section 7 (Botero, 1956, p. 47). See also Skinner (1998, vol. 1, pp. 248–49).

⁴⁹See Bossuet (1990, p. 126) and Ives (2003b, pp. 2–3) on Bodin.

the divine right of kings, Filmer concedes that he will not “meddle with mysteries of the present state”:

Such *arcana imperii* [secrets of state], or cabinet councils, the vulgar may not pry into. An implicit faith is given to the meanest artificer in his own craft; how much more is it, then, due to a prince in the profound secrets of government . . .⁵⁰

As the king’s power rose, parliament’s fell. To take up the example of Spain again, the parliament of Castile was weak enough during most of the 1500s that it could not even see the records of its own prior sessions.⁵¹ Although it enjoyed periods of strength in the late 1500s, and mid-1660s, during which it was able to scrutinize the king’s accounts, it exercised no real power from then until the 1800s.⁵² In France, no national parliament was called at all between 1614 and 1789. In England, parliaments continued to meet, but their influence declined.⁵³

Throughout most Europe, royal finances thus became state secrets.⁵⁴ Not only did kings refuse to reveal their accounts, they forbade others to discuss royal policy or royal finances. “Do not meddle,” James I said in a speech to parliament “with the main points of government; that is my craft.”⁵⁵ And to judges he declared: “That which concerns the mystery of the King’s power is not lawful to be disputed, for that is to wade into the weakness of princes and to take away the mystical reverence that belongs unto them that sit in the throne of God.”⁵⁶ James II complained that his subjects were taking the liberty of meeting in coffee-houses to criticize government policy, and he prohibited such meddling in

⁵⁰Filmer (1984, p. 54).

⁵¹Thomson (1994, p. 185).

⁵²Thomson (1994, p. 189–195).

⁵³Einzig (1959, p. 75); Ertman (1997, p. 178).

⁵⁴Some of the clearest evidence of secrecy during the age of absolutism comes from accounts cited below of the end of secrecy. Other pieces of evidence are provided by Spoerer (2010, p. 105) on the nonpublication of budget data by German states; Duggan (2007, p. 79) and Puviani (1973, p. 68) on secrecy about public finances in Lombardy and in Piedmont-Sardinia and Tuscany, respectively; Cardoso and Lains (2010, 271) on secrecy in Portugal; and Félix (1999, chap. 1) on secrecy in France.

⁵⁵James I (1918, p. 315).

⁵⁶James I (1918, p. 333).

affairs of state.⁵⁷ And on March 28, 1764 Louis XV specifically prohibited the publication of anything about the reform or administration of royal finances, past, present, or future.⁵⁸

Of course, kings continued to have an interest in better understanding their own finances, and the period did see improvements in the quality of confidential fiscal information, including the spread of double-entry bookkeeping. In a book dedicated to the French minister Sully (1560–1641), the Dutch mathematician and civil engineer Simon Stevin (1548–1620) argued that merchants were better informed than princes about their finances and were therefore less often defrauded by their employees. Large merchants, he said, did not use the style of accounting used by governments because if they did there would soon be few large merchants left.⁵⁹ Stevin, who also contributed to fiscal transparency by popularizing the use of decimals, did not persuade Sully to adopt double-entry bookkeeping, but he seems to have influenced other rulers, including in the Netherlands (Table 1).

Table 1. Adoption of Double-Entry Bookkeeping by Selected European Governments

Country	Institution	Introduction	Interruption	Reintroduction
Italy	Government of Genoa	c. 1340		
Italy	Government of Venice	c. 1400		
Spain	Royal Treasury	1592	1621	
Netherlands	Royal Finances	1604	?	
Sweden	General Ledger of Kingdom	1623	1654	1659
Germany/Austria	Imperial Treasury	1703	1715	1760
France	Royal Treasury	1716	1726	1808
Portugal	Royal Treasury	1761		
United Kingdom	Central government	c. 1829		

Source: Gomes, Carnegie, and Rodrigues (2008, p. 1148), with the addition of information from Martinelli (1983) for Genoa, Hocquet (1999, p. 406) for Venice, and Nikitin (2001, p. 89) for the United Kingdom.

When double-entry bookkeeping was adopted, it was often applied only to tax collection, not throughout the whole administration. And, as Table 1 shows, it was sometimes abandoned. Part of the opposition to the new system arose from its very effectiveness in establishing control over tax collectors and others.⁶⁰ There were also problems finding accountants with

⁵⁷Included in *A Collection of State Tracts Published on the Occasion of the Late Revolution in 1688 and During the Reign of William III, Vol. 1* (1705, p. 52). See also Habermas (1989, p. 59).

⁵⁸The “Déclaration du Roi qui fait défense d’imprimer, débiter [ou] colporter aucun écrit, ouvrages, ou projets concernant la réforme ou administrations des Finances” is reproduced in, among other volumes, the *Recueil des Édits, Déclarations, Lettres-Patentes, etc. Enregistrés au Parlement de Flandres*, Vol. 7 (1787, pp. 48–50). See also Baker (1990, pp. 170, 338, n. 7).

⁵⁹Stevin (1979, p. 6) and Lemarchand (1999, pp. 235–36).

⁶⁰Lemarchand (1999, pp. 239–40); Hernández Esteve (1985, p. 231).

the necessary skills and in training other people in those skills.⁶¹ Some said that the new method had benefits, but was too expensive.⁶² Sully is reported to have rejected Stevin's proposal because he thought it would create complication and obscurity where there was currently clarity and simplicity.⁶³

VI. BRITISH PARLIAMENTARY DEMANDS FOR INFORMATION IN THE 1600S

Absolutism naturally met with resistance and, when that resistance was successful, a degree of fiscal transparency was preserved or re-established. The Netherlands offers an early example. There, a rebellion against absolutist Spanish rule in the late 1500s and early 1600s eventually established an independent republic. The rebellion was partly a revolt against taxes, and a revolutionary pamphlet of 1586 complained that the king had no power to tax his subjects without the express consent of their representatives.⁶⁴ The new Dutch Republic had a federal structure, and the federal government was dependent on funds provided by the republic's seven constituent provinces. This dependence led the federal government to share information on its finances with the provinces and, by the second half of the 1600s, it is said to have been presenting something like an annual budget.⁶⁵

The best-documented case of early resistance to absolutism, however, comes from England. There, too, there were objections to taxation without representation. John Locke (1632–1704), in particular, contended that kings governed only by the consent of the people and could tax only with the consent of the majority.⁶⁶ Other theoretical underpinnings of absolutist government also came under attack. John Milton (1608–74) claimed that “to say kings are accountable to none but God is the overturning of all law and government.”⁶⁷ Others mocked Filmer's view that one should have an “implicit faith” in the king's dealings.⁶⁸

⁶¹Lemarchand (1999, p. 238); Gomes, Carnegie, and Rodrigues (2008, p. 1163–64).

⁶²Lemarchand (1999, p. 238).

⁶³Montcloux (1840, p. 38).

⁶⁴Veenendaal (1994, p. 107).

⁶⁵Veenendaal (1994, p. 116).

⁶⁶Locke, *The Second Treatise*, Section 140. See Locke (1988, p. 362).

⁶⁷Milton, *The Tenure of Kings and Magistrates* (Milton, 1999, p. 61).

⁶⁸Sidney (1990, pp. 12–13).

Over the course of the 1600s, as kings sought to raise taxes for increasingly expensive wars, the English parliament eventually established its right to control taxes and review public spending. In 1610, it claimed the right to discuss revenue from certain taxes the king could levy without parliamentary approval.⁶⁹ In 1624, it approved new taxes, but to ensure that they were spent as proposed, it imposed a new condition: spending had to be approved by a commission whose members were accountable to the parliament.⁷⁰ In 1628, it asserted that the king could levy no taxes or forced loans without its consent.⁷¹ And in 1667 (after the restoration of the monarchy following a civil war caused in part by disputes over the power to tax) it established a commission to investigate the new king's accounts.⁷² The commission brought some scandals to light, but parliament seems to have been unsure what to do with all the new information it received.⁷³

Although the concerns of taxpayers and their representatives appear crucial in the gradual rise of English fiscal transparency, there is also evidence of the influence of the government's creditors. In 1665, parliament passed an act that required the king to keep his accounts in a particular manner and gave lenders, including the suppliers of goods on credit, the right to view the accounts during ordinary business hours.⁷⁴ The design of certain loans issued at the time also made creditors' scrutiny of the accounts crucial, because the loan contracts specified the order in which creditors would be repaid from revenue.⁷⁵

After the Glorious Revolution of 1688, in which James II was overthrown and replaced by a new king, parliament further strengthened its control over taxes and spending and reasserted its right to audit spending.⁷⁶ The Bill of Rights of 1689 provided "that levying money for or to the use of the Crown by pretence of prerogative, without grant of Parliament, for longer time, or in other manner than the same is or shall be granted, is illegal."⁷⁷ And another audit

⁶⁹The House of Commons, Petition of Right, 1610 (see Hughes and Fries, 1959, pp. 173–75).

⁷⁰Subsidy Act, 1624 (Hughes and Fries, 1959, pp. 184–86).

⁷¹Petition of Right, 1628 (Hughes and Fries, 1959, pp. 200–02).

⁷²Act for Taking the Accompts of the Several Sums of Money Therein Mentioned (Browning, 1953, pp. 176–78).

⁷³Einzig (1959, p. 91); Miller, (1982, p. 9).

⁷⁴Supply and Appropriation Act, 1665 (Browning, 1953, p. 174).

⁷⁵Braddick (1996, p. 40).

⁷⁶Ertman (1999, p. 209–11).

⁷⁷See Browning (1953, p. 123).

of government spending was undertaken by a new commission of public accounts. Although the King agreed to the audit, hoping that it would help in the collection of taxes,⁷⁸ he was not especially cooperative, and the commission appended many qualifications to its summary of his receipts and expenditures. It said, for instance, that it could get “no account from the Treasurer of the Chamber to the late King James, who is presumed to have great sums remaining in his hands”; that it had “no account of the receipts and payments of the revenue of North Wales”; and that “the accounts of principal and interest paid are undistinguished and intermixed.”⁷⁹

At around the same time, the Irish parliament, which existed alongside its counterpart in London until 1800, also succeeded in examining the government’s accounts.⁸⁰ After the revolution of 1688, for example, it refused to rubber-stamp the government’s request for revenue, and demanded access to the government’s accounts. In the first decade of the 1700s, the Public Accounts Committee of the parliament undertook a detailed investigation of the government’s accounts and concluded that, contrary to the government’s claims, there was no need for additional taxes to meet the government’s expenses.

This kind of parliamentary scrutiny was an important step toward fiscal transparency, but it did not mean that information on the government’s finances was routinely made public. For parliamentarians were not always inclined to share their information, even with their colleagues. During the English civil war, the parliamentarian Clement Walker (died 1651) accused his parliamentary leaders of hiding information by considering public accounts only in closed-door committees and never finishing their work. If the leaders were not so corrupt, he said

(1) Our taxes would be fewer in number and more in effect. (2) They would be put to run in one channel, under the fingering of fewer harpies, and perspicuous and true entries made of all receipts and disbursements, which would be public to common view and examination.⁸¹

Citing Walker, David Hume (1711–76) remarks in his *History of England* that

the method of keeping accounts practiced in the exchequer was confessedly the exactest, the most ancient, the best known, and the least liable to fraud. The exchequer was, for that

⁷⁸Downie (1976, p. 36). See also Einzig (1959, p. 168).

⁷⁹Accounts Commissioners, 1691, “A Brief Revenue from the 5th Day of November 1688, to the 29th of September . . .,” “Memorandum” (Historical Manuscripts Commission, 1892, p. 400).

⁸⁰O’Regan (2003, especially pp. 111–125).

⁸¹Walker (1648, p. 8).

reason, abolished, and the revenue put under the management of a committee, who were subject to no control.⁸²

Although some information about parliament's business was included in the published *Votes and Proceedings* of the English House of Commons from the 1680s,⁸³ it was almost two centuries before relatively good information on public finances was publicly available. Parliament's proceedings were generally secret, protected by "parliamentary privilege," so debates about public finances were not available to the public.⁸⁴ Moreover, the quality of the information provided by the government was by today's standards poor. During most of the 1700s, it did not give parliament a statement showing all government revenue and spending.⁸⁵ Only in 1802 did it present an annual statement of all amounts paid into and out of the treasury, and only in the 1850s did it show information on gross government spending and revenue.⁸⁶

VII. THE FRENCH GOVERNMENT'S 1781 REPORT ON PUBLIC FINANCES

During the second half of the 1700s, pressure for open government grew throughout Europe, culminating most dramatically in the French government's publication of a report on public finances in 1781. Many factors appear to have played a part in the changes, including continuing improvements in the technology of information and communication, kings' continuing need to raise money from taxpayers and lenders for increasingly expensive wars, and a current of thinking associated with the Enlightenment that favored reasoned public discussion of political issues.

The costs of making fiscal information available had certainly fallen. The role of cheaper books has already been mentioned. In addition, literacy was spreading, newspapers were flourishing, better roads were reducing the time it took to travel between cities, and the coffee-houses that had worried James II were sprouting up all over Europe.⁸⁷ All this made it easier to spread any fiscal information that leaked from the government, and may have helped create an expectation that information about government finances should be made

⁸²Hume (1983, vol. 5, chap. 59, p. 500).

⁸³Bentham (1999, p. 42, n. 1); Rodgers (1980, pp. 76); Brewer (1989, p. 227).

⁸⁴Bentham (1999, pp. 41–44). Rodgers (1980, p. 72) notes that the *Journals* of the House of Commons were printed, with a delay, from 1762, but were, in theory at least, unavailable to the public.

⁸⁵Horn and Ransom (1957, p. 293).

⁸⁶Einzig (1959, pp. 175, 251).

⁸⁷Allen (2011, p. 25); Blanning (2007, chap. 1, especially p. 11); Darnton (2002); Doyle (1999, chap. 7).

public. Certainly, some writers of the time argued that the invention of printing and the post had brought into the open what had previously been state secrets.⁸⁸

The ability of the English government to tax and borrow also attracted attention. At the time of revolution of 1688, it owed very little. By 1780, however, it owed an amount equivalent to 120 percent of GDP, before going on to borrow even more (Figure 2). The huge growth in debt implied that creditors trusted the government to raise increasingly large amounts from taxpayers. To some observers the explanation of the government's extraordinary ability to borrow was its relative openness about public finances and the role that parliament played in controlling those finances. "Contemporaries were convinced that England's fiscal system was successful," writes one historian, "because it was visible. Public accounting and public knowledge, it was argued, created a climate of public confidence which produced willing investors and compliant taxpayers."⁸⁹ In 1771, for example, a Dutch financier praised the English government's credit, saying that through parliament the whole nation had in effect agreed to every loan.⁹⁰ By contrast, the French government's debt was considered the obligation of the king alone, who in fact paid more to borrow than some of his subjects.⁹¹

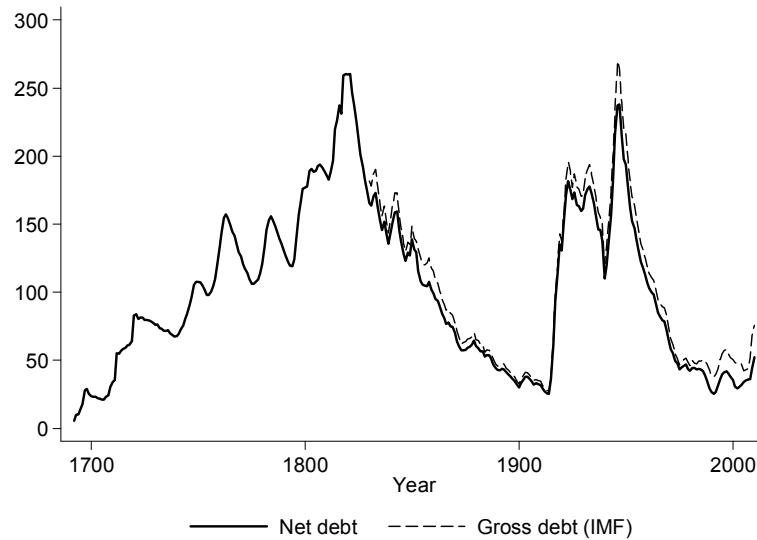
⁸⁸Ives (2003b, pp. 2, 7).

⁸⁹Brewer (1989, p. 131). Also relevant is Montesquieu's dictum from his *Spirit of the Laws* of 1748 that "one can levy heavier taxes in proportion to the liberty of the subjects and one is forced to moderate them insofar as servitude increases" (Montesquieu, 1989, p. 220).

⁹⁰Pinto (1771, pp. 41–42).

⁹¹Schama (1989, p. 64); Doyle (1999, p. 49).

Figure 2. United Kingdom: Public Debt, 1692–2010
(Percent of GDP)



Source: <http://www.ukpublicspending.co.uk/index.php> and IMF Historical Public Debt Database, September 2011.

Political writers continued to develop theories of the accountability of governments. Jean-Jacques Rousseau (1712–78) argued that direct taxes, at least, ought to be approved by the people, and he inveighed against corruption in the use of public funds. But he placed no faith in accounts as a device to prevent corruption, saying that they served less to reveal wrongdoing than to conceal it. For him, the only way to prevent corruption was to ensure that public finances were managed by honest men.⁹² By contrast, Hume emphasized the ability of institutions to encourage people to act in the public interest.⁹³ In an essay first published in 1741, he had argued that, though men are often honorable, a constitution nonetheless had to prevent the depredations of the corrupt by aligning the private incentives of politicians with the public good:⁹⁴

... in contriving any system of government, and fixing the several checks and controls of the constitution, every man ought to be supposed a *knave*, and to have no

⁹²“Économie ou Oeconomie,” an article in the *Encyclopedia* of Diderot and D’Alembert; see Rousseau (1997, pp. 24–38).

⁹³Skinner (1998, vol. 1, pp. 44–45). In his analysis of institutions, Hume is sometimes remarkably modern. Binmore (1998, p. 506) describes him as the “first person to recognize that the equilibrium ideas now studied in game theory are vital to an understanding of how human societies work.” Musgrave (1985, p. 5) notes that he understood the rationale for the public provision of public goods 30 years before Adam Smith treated the subject less satisfactorily.

⁹⁴“Of the Independency of Parliament” (see Hume, 1987, pp. 42, 43).

other end, in all his actions, than private interest. By this interest we must govern him, and, by means of it, make him, notwithstanding his insatiable avarice and ambition, co-operate to public good.

In an essay on the optimal constitution, first published in 1754, Hume made the inspection of public accounts one of those checks and controls. He gave responsibility for the inspection to a “court of competitors” made up of politicians who had narrowly missed out on election to the government and who could therefore be expected to be especially vigilant in their scrutiny of the government.⁹⁵

In France, the Enlightenment led to more questioning of the tradition of secrecy about government and the eventual breach of the “seven seals” referred to in the first epigraph of this paper. Reacting to the 1766 law that forbade public discussion of public finances, a French economist wrote a pamphlet, not published until 1775, that argued that governments were more likely to make good policy, including in financial matters, if they had the benefit of published works on the subject.⁹⁶ In 1776, Condorcet defended the right to discuss government policy when public money was at stake, saying that this would protect the king from mistakes made by his ministers.⁹⁷ There were also calls by judicial bodies for the government to publish fiscal information.⁹⁸

By the 1770s, the new thinking about the publicity of government finances was apparent inside the French government. Anne-Robert-Jacques Turgot, a founder of classical economics and French minister of finance 1774–76, proposed that the government publish the terms of contracts for road building to show taxpayers the relationship between their taxes and public spending. He also persuaded the king to discontinue the use of payment orders that were secret even within the executive, arguing that this would aid the work of those preparing the (still-unpublished) accounts and remove suspicion about the purpose of the payments.⁹⁹

⁹⁵“Idea of a Perfect Commonwealth (see Hume, 1987, pp. 519–20, 524).

⁹⁶Morellet (1814, especially pp. 1–27). See also Félix (1999, pp. 17–18) and Ives (2003b, pp. 14–16).

⁹⁷Condorcet (1847, pp. 276–77). See also Ives (2003b, p. 16).

⁹⁸On the demands of the *parlement* of Rouen in 1763, see Kwass (2000, pp. 184–85), and on those of Lamoignon de Malesherbes, president of Paris’s *Cours des aides*, in 1775, see Baker (1987, pp. 51–70, especially pp. 54, 60–61, 64). Henri de Boullainvillier had complained about the secrecy of public finance in a book written in 1701 and published in 1727 (see Soll, 2009, pp. 159–60).

⁹⁹On Turgot’s concern for openness, see Ives (2003b, p. 15); on the publication of road contracts, Schama (1989, p. 85); and on secret payment orders, Turgot (1876, pp. 75–76) and Stourm (1885, vol. 2, p. 154–55).

The most dramatic change came in 1781 when a new finance minister, Jacques Necker, published a report on the government's normal revenues and spending.¹⁰⁰ The former Genevan banker explained that publication would make it easier for the government to borrow.¹⁰¹

... another cause of England's great credit is, without doubt, the publicity to which the state of its finances is submitted. Each year, the accounts are presented to parliament and then printed, and all the lenders, knowing thus by regular means the balance that is maintained between revenue and spending, are not troubled by suspicion and chimerical fears, those inseparable companions of obscurity.

In France, we have constantly made a mystery of the state of public finances. Or, if sometimes we have spoken of them, it was in the preambles of edicts and always when we wanted to borrow. But these words, too often the same to be always true, have necessarily lost their authority, and men of experience no longer believe them, unless they happen to trust the moral character of the minister of finance. It is important to found confidence on more solid ground.

Necker also addressed the argument that financially troubled governments can best maintain the confidence of lenders by concealing information.

I acknowledge that we have sometimes profited from the veil spread over public finances, and obtained in the midst of disorder a mediocre loan that was not merited. But this passing advantage, by fostering illusion and encouraging the indifference of the administration, has soon been followed by unhappy transactions, whose effect still lingers and which will be long in curing ...

Necker did not speak only of winning favor with creditors. He said that openness would encourage ministers of finance to do their jobs properly because opacity encouraged carelessness, and because publication would ensure that the king's advice was informed.¹⁰² According to an historian, his simple language testified to a desire to create an "engaged citizenry."¹⁰³

¹⁰⁰Necker (1781). The publication was thus neither an account of spending and revenue in the past year, nor a budget of planned spending and revenue in the coming year. Unpublished reports on normal spending and revenue appear to have been common at the time (Puviani, 1973, pp. 57–58; Félix, 2013). Félix (2013) also explains that some information on French government finances was available to public before Necker's publication. One notable source was a report published in 1715 by Nicolas Desmarests, French minister of finance 1708–15, on public finances during his term in office (Stourm, 1885, vol. 1, pp. 4–5).

¹⁰¹Necker (1781, pp. 2–3).

¹⁰²Necker (1781, pp. 1–2).

¹⁰³Schama (1989, p. 95).

A best seller in French, Necker's budget was translated into Danish, Dutch, English, German, and Italian.¹⁰⁴ In France, it inspired the publication of further information on government finances, including historical data.¹⁰⁵ Yet the publication was opposed by others, including the powerful foreign minister, who said that Necker's appeal to the people undermined the authority of the king.¹⁰⁶ Necker soon resigned, and next year's budget was not published.

The pressures for openness did not abate, though. Matters came to head in 1787 when the government tried to persuade an assembly of notables to approve new taxes. A committee of the assembly said, however, that it could not consider the proposal because it wanted "before any deliberation, to see the accounts of revenues and expenditures . . . and the measures of economy His Majesty proposes for the relief of his people . . ."¹⁰⁷ Later, the *parlement* of Paris, a judicial body whose duties included registering new tax laws, made a similar demand.¹⁰⁸ The king initially refused, saying at one point, with an allusion to the Justinian principle mentioned above, that the new taxes were legal simply because he wished them so. But, increasingly desperate, he eventually published the accounts and agreed that "a statement of revenues and expenditures" would be published every year.¹⁰⁹ In 1789, the Declaration of the Rights of Man and of the Citizen made the publicity of government finances a matter of high principle. Two of its 17 articles touched on matters of fiscal transparency:

14. All citizens have the right to ascertain, personally or through their representatives, the necessity of the public tax, to consent to it freely, to know how it is spent, and to determine its amount, basis, mode of collection, and duration.

15. Society has the right to demand that every public agent give an account of his administration.¹¹⁰

¹⁰⁴Kwass (2000, p. 214); Schama (1989, p. 92). On its influence in Tuscany, see Puviani (1973, p. 68, fn. 28).

¹⁰⁵Kwass (2000, pp. 244–45, 247–48).

¹⁰⁶Baker (1990, p. 192).

¹⁰⁷Protest of the Third Committee, March 16, 1787, quoted in Baker (1987, pp. 131–32). See also the statement of Lafayette quoted in Doyle (2002, p. 72).

¹⁰⁸Doyle (2002, p. 76). On the role of the *parlement*, see Doyle (2002, p. 37).

¹⁰⁹See Doyle (2002, pp. 80, 84); Baker (1987, p. 205); Stourm (1885, vol. 2, p. 238); and, more generally, Doyle (1999).

¹¹⁰Translated in Baker (1987, p. 239).

The constitution of 1791 then specified that detailed accounts were to be printed and made public.¹¹¹

VIII. ACCEPTANCE OF THE PRINCIPLE OF TRANSPARENCY IN THE LATE 1700S

The late 1700s were indeed a time when at least the *principle* of fiscal transparency received some of its strongest support, not just in France but throughout much of Europe and beyond.

Sweden, which then included Finland, had a tradition of parliamentary scrutiny of taxes and, from 1719, of government spending as well.¹¹² But in 1766 a law was passed that not only relaxed censorship but also gave citizens a right to official information of all kinds. The law also stated that no taxes could be levied and no laws passed except by the authority of the parliament and that councilors of state were always accountable to the parliament for the advice that they gave to the king.¹¹³ The law was repealed in 1772, but the principle of openness about public finances continued to be influential in the country. Six months before the French declaration of the rights of man, a Swedish constitutional amendment proclaimed that “The Swedish people have the incontestable right to discuss and reach agreements with the king on all things concerning subsidies to the state.”¹¹⁴

Ideas about openness penetrated several absolutist governments. In 1770, the Danish government, which was still operating under the royal law mentioned above, briefly introduced the world’s most radical freedom of the press, which applied also to its territories Iceland, Norway, and the Faroes.¹¹⁵ In Austria in 1783, the enlightened despot Joseph II wrote to his officials that he had to “account to the state as a whole and to each individual” for his use of taxes.¹¹⁶ His brother Leopold I, Grand Duke of Tuscany (ruled 1765–90) proposed toward the end of his reign a new constitution according to which the minister of finance would have to submit annual accounts to a parliament.¹¹⁷

¹¹¹Title V, Article 3. The constitution is available at <http://www.conseil-constitutionnel.fr/>.

¹¹²Personal communication from Gunnar Wetterberg, August 6, 2013.

¹¹³Anders Chydenius Foundation (2006, pp. 8–17).

¹¹⁴See Palmer (1959, pp. 400, 512).

¹¹⁵Israel (2011, p. 823).

¹¹⁶Quoted in Beales (2005, p. 277).

¹¹⁷Napier (1847, p. 307). See also Puviani (1973, p. 68).

European ideas about open government also influenced, and in turn were influenced by, developments in the United States. Most notably, the U.S. constitution, drafted in 1787, specifically required the publication of the government's accounts:

No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.¹¹⁸

Support for open government was also expressed by philosophers with diametrically opposed views of how public policies should be evaluated. Bentham (1748–1832), the utilitarian who thought that the French declaration's talk of people's rights was “nonsense on stilts” nevertheless argued that open government was essential. In a piece written at the time of the French revolution, he claimed that an opponent of openness had to be a “malefactor,” a “tyrant,” or a “timid or indolent man, who complains of the general incapacity in order to screen his own,”¹¹⁹ Yet Kant (1724–1804), who thought in terms of rights and duties, not utilitarian consequences, not only defended (educated) citizens' freedom to discuss government policies such as taxation, but also suggested that policies were just *only* if they could withstand publicity.¹²⁰ Nor was it only philosophers who lauded publicity. A poem that circulated in Germany at the end of the 1700s sums up the perceived power of the new idea.¹²¹

The magic word before whose power
Even the people's masters cower
Flapping their wigs officiously—
Prick up your ears; the word—it is publicity.

IX. AN “AVALANCHE OF DATA,” 1820–1850

Despite the talk of the late 1700s, it took a few decades for fiscal transparency actually to take hold. Revolutionary demands for the end of absolutist government met with determined resistance from some those governments and their conservative supporters. The writings of

¹¹⁸“From time to time” was a compromise. George Mason had proposed “annually,” but others thought this impractical. James Madison suggested “from time to time,” saying, “require too much and the difficulty will beget a habit of doing nothing (see the discussion of Article 1, Section 9, Clause 7 in Kurland and Lerner, 1986).

¹¹⁹Bentham (1999, p. 30).

¹²⁰See “An Answer to the Question, ‘What is Enlightenment?’” (1784) and “Perpetual Peace: A Philosophical Sketch,” (1796) appendix 2, in Kant (1991, pp. 56, 126).

¹²¹See Habermas (1989, p. 70).

some of those supporters give a sense of the intellectual grounds of opposition to fiscal transparency, even if they do not touch explicitly on the issue. Reacting to the French revolution, Joseph de Maistre (1753–1821) wrote that “if each man makes himself the judge of the principles of government you will see immediately the rise of civil anarchy . . . Government is a true religion; it has its dogmas, its mysteries, its priests: to submit it to individual discussion is to destroy it . . .”¹²² But the liberal reformers eventually won the battle, and from about 1820 to 1850 there was an “avalanche” of fiscal data.¹²³

In France, routine publication of budgets and accounts began with the restoration of the monarchy after Napoleon’s overthrow in 1814.¹²⁴ The constitution of the restoration was not as favorable to transparency as either the constitutions of the 1790s or the constitution introduced by Napoleon himself during his one-hundred-day return in 1815.¹²⁵ But the restored monarchy published its accounts. A finance minister of the time affirmed that “the administration of finances should be so transparent that each taxpayer can, in a sense, judge it like his own finances and observe the journey of his taxes up until the destination for which he paid them.”¹²⁶

Where France went, the rest of Europe followed. Constitutions introduced in the early or mid-1800s required (or, in later cases, implied) the publicity of budgets and accounts, and actual publication followed, though sometimes with a long lag (Table 2). In Spain, the influential liberal constitution of 1812 required the executive to present budgets and accounts to the parliament every year for approval and specified that the accounts were to be “printed, published, and circulated.”¹²⁷ But the constitution was never fully implemented, and budgets were not actually published until the 1820s and accounts not until the 1850s.¹²⁸ Similarly, in

¹²²Maistre (2012, pp. 108–09). See also Burke (1987, especially p. 67).

¹²³The expression is from Hacking (1990, e.g., p.18), a study of the development of statistical thinking. Hacking observes, “If there is a contrast in point of official statistics between the eighteenth and nineteenth centuries, it is that the former feared to reveal, while the latter loved to publish” (p. 20). He dates the beginning of the avalanche of statistics to about 1820 (p. 19).

¹²⁴Nikitin (2001, p. 83).

¹²⁵See, in particular, articles 13, 32, and 44 of the constitution of 1814 and articles 19–20 and 35–37 of the constitution of 1815, both of which are available at <http://www.conseil-constitutionnel.fr/>. The constitution was drafted in part by Benjamin Constant, who defended openness in government except “in a few rare and temporary circumstances” (Constant, 1988, p. 232).

¹²⁶Baron Louis, quoted in Stourm (1896, p. 630).

¹²⁷See title VII, especially article 351. The constitution can be found at http://www.congreso.es/constitucion/ficheros/historicas/cons_1812.pdf.

¹²⁸Personal communication from Francisco C3min, August 30, 2012.

Portugal, the liberal reforms enacted in the constitutions of the 1820s established the principle of fiscal transparency, but it was not until the 1830s that regular publication occurred.¹²⁹ In the Kingdom of Piedmont-Sardinia, the king's accounts were first published in 1848, the same year in which the kingdom's first constitution provided for budgets and accounts to be presented to the parliament.¹³⁰ (This constitution became Italy's on the unification of the country in 1861.)

By the twentieth century, the principle of publicity was sufficiently well-established that even dictatorships published information on their finances. For example, the joint World Bank–IMF library includes statistical yearbooks for Portugal and Spain from the 1950s and 1960s that contain much data on public finances,¹³¹ as well as Portuguese government budgets from the 1950s.¹³² The Portuguese dictator Salazar, despite generally being secretive and believing that sovereignty lay not with the people but with God, is said to have wanted to explain government finances to the public.¹³³ In East Germany, fiscal data were published in at least the 1970s.¹³⁴ The reliability of the published information was, however, sometimes doubtful. In East Germany, military spending is said to have been concealed, while in Italy during Mussolini's dictatorship the reports of the court of auditors were used to advertize the government's successes, accurate information being kept confidential.¹³⁵

¹²⁹Mata (2001, p. 657) and personal communication from Eugenia Mata, August 21, 2012. See also Cardoso and Lains (2010, p. 271).

¹³⁰Puviani (1973, p. 68). The constitution can be found at <http://www.quirinale.it/qnrw/statico/costituzione/statutoalbertino.htm>.

¹³¹See INE, Spain (1954) and INE, Portugal (1954).

¹³²For example, the “Orçamento Geral do Estado para o Ano Económico de 1956,” law 2079 and decree 40453 of December 1955, published by the Imprensa Nacional in Lisbon in 1956.

¹³³Meneses (2009, pp. x, 29, 57–59).

¹³⁴See Buck (1987, p. 177) and Vortmann (1989, p. 145).

¹³⁵Forte and Eusepi (1994, pp. 154–54).

**Table 2. Early Publication of Budgets or Accounts:
Law and Practice^a**

	Constitutional Requirement	Actual Publication
Austria	1849?	1848?
Belgium	1831	1831?
Denmark	1849	1830s
Finland ^b	1919	1862
France	1791	1781
Germany (Prussia)	1848	1848
Greece	1822?	1835
Iceland ^b	1874	1850s
Italy (Piedmont-Sardinia)	1848	1848
Netherlands	1814	1814?
Norway	1814	1824
Portugal	1822	1830s
Spain	1812	1820
Sweden	1809	1821
Switzerland	1849	1849

Sources: On the dates of liberal constitutions generally, Davies (1996, p. 1295). For Austria: personal communication from Clemens Mungenast, September 12, 2012. Belgium: the constitution of 1831 is available at <http://mjp.univ-perp.fr/constit/be1831.htm> (see in particular articles 108 and 115); also, personal communication from Xavier Debrun, September 4, 2012. Denmark: Nordstrom (2000, p. 215) and personal communication from Lars Jessen, May 22, 2012, referring to H. C. Johansen, *Danish Historical Statistics 1814–1980* (in Danish), 1985, p. 304. Finland: personal communication from Seppo Tiihonen, May 28, 2012 and April 5, 2013 and Tiihonen (2012, p. 51). France: the constitution of 1791 is available at <http://www.conseil-constitutionnel.fr/> (see Title V, Article 3). Germany: Friauf (1976, pp. 67–68); NAO (2012, p. 103). Greece: the description of the constitution of 1822 as “highly liberal” by Clogg (2002, p. 33) suggests that it would have made budgets or accounts public; Woodhouse (1998, p. 158) refers to publication of accounts. Iceland: personal communication from Gunnar Hall and Nökkvi Braggasson, May 21 2012; and Jonsson and Magnuson (1997, p. 732). Italy: the constitution of 1848 is available at <http://www.quirinale.it/grnw/statico/costituzione/statutoalbertino.htm> (see article 10, in particular) and Puviani (1973, p. 68). Netherlands: Dincecco (2011, pp. 24–25). Norway: Nordstrom (2000, p. 183) and personal communication from Astri Tverstøl, August 14, 2012. Portugal: personal communication from Maria Eugenia Mata, August 21, 2012. Spain: the constitution of 1812 is available http://www.congreso.es/docu/constituciones/1812/ce1812_cd.pdf (see article 351); also, personal communication from Francisco Cómin, August 30, 2012. Sweden: personal communication from Lennart Schön, September 20, 2012 and Tiihonen (2012, p. 51). Switzerland: personal communication from Adrian Martinez, October 30, 2012.

Notes: ^aThe Table includes only states in existence now or, in the case of Germany and Italy, two major predecessors of such states. There were almost certainly early cases of transparency in states that no longer exist. In the late 1790s, for example, constitutions modeled on the French constitution of 1795, which required transparency, were created for several short-lived republics in various parts of what are now Italy, the Netherlands, and Switzerland (Palmer, 1964, pp. 346–49). Specifying when publication of budgets or accounts began in Ireland and the United Kingdom is particularly difficult, since increases in transparency were gradual (Section VI); they are therefore excluded. Cyprus, Luxembourg, Malta, and San Marino are excluded for lack of information. ^bIn Iceland and Finland, the first publications took place when the countries were parts of Denmark and Russia, respectively, as part of liberal reforms in those countries; the constitutions are those enacted when the countries became independent.

X. DEBATES ABOUT THE DETAILS

As secrecy gave way to openness, the issue of fiscal transparency lost some of its political significance. For example, whereas the Declaration of the Rights of Man said that citizens had a right to know whether taxes were justified, a right to know how taxes were spent, and a right to demand that every public agent give an account of his administration, the Universal Declaration of Human Rights of 1948 made no such claims, even though it was twice as long. And even the most ardent advocate of fiscal transparency today probably would not go as far in its praise as Charles Ganilh (1758–1836), the French economist and politician quoted in the third epigraph above.

Two factors probably explain the change. The first is that when publication of budgets and accounts became the norm there was no longer much reason to talk about the issue. Second, in previous centuries parliaments used control over taxes as a way of influencing kings who could not be voted out of office. That in turn made parliamentary demands for governments' budgets and accounts central to politics. When governments came to be elected, there was no longer the same need to use the power of the purse to control them.¹³⁶

Specialists, however, were still interested in the nature of the information that was published. It was soon realized that publishing budgets and accounts did not automatically allow the public to understand the true state of government finances, both because of the technical difficulty of accurately summarizing the financial activities of entities as complex as governments and because of governments' frequent desire to conceal and dissimulate.¹³⁷ While the issues that have arisen are too numerous to review here, two will give a sense of the debates.

One issue has been whether governments should adopt the kind of accounting used by firms. Bentham, a great defender of the publicity of government accounts, had vehement objections to the adoption of commercial accounting when it was proposed for the U.K. government in the 1820s. His concern was not so much with the essence of the system but its abstruse terminology. Conceding that it was well understood by merchants, he said it was "utterly unintelligible" to everyone else.¹³⁸ By contrast, Thomas Jefferson wished that "the finances of the Union [were] as clear and intelligible as a merchant's books, so that every member of Congress, and every man of any mind in the Union, should be able to comprehend them, to investigate abuses, and consequently to control them."¹³⁹

¹³⁶Wehner (2010, p. 131).

¹³⁷See Puviani (1973, especially pp. 80–81).

¹³⁸Bentham (1843, vol. 5, p. 383).

¹³⁹Letter to Albert Gallatin, Secretary of the Treasury, January 1, 1802 (Jefferson, 1859, p. 429).

Improvements since Bentham's time in reporting by firms, as well as the increasing complexity of government operations, have probably encouraged the adoption by governments of accounting similar to that used by firms. The first widely held companies, such as the Dutch East India Company, were at least as reluctant as governments to disclose financial information, even to their own investors.¹⁴⁰ As late as the mid-1800s, some listed companies revealed almost no financial information to their shareholders: in response to a request from the Stock Exchange in 1866, the treasurer of the Delaware and Lackawanna Rail Road said simply, we "make no reports and publish no statements and have done nothing of the sort for the last five years."¹⁴¹ When companies did publish financial statements, the nature of the statements could vary markedly from year to year.¹⁴² But corporate financial reporting gradually improved as a result of investor pressure, government regulation, and some managers' beliefs that openness toward investors was in the company's interests.¹⁴³ Moreover, the development of accounting standards helped make companies' reporting more reliable and more uniform—if still far from perfect. Eventually, the merchant's shareholders came to seem better informed than the prince's taxpayers, and from the 1990s governments such as those of Austria, Denmark, Finland, France, Iceland, Spain, Sweden, Switzerland, and the United Kingdom began adopting systems of accrual accounting similar to those used by firms.¹⁴⁴

Another controversial issue has been the institutional coverage of fiscal information: that is the range of public entities that are included in public accounts. Perhaps the first person to show a sophisticated understanding of the issue was the French political analyst Alexis de Tocqueville, who in the 1830s wanted to compare the burden of taxes in France and America. He appeared to take it for granted that public accounts were available in each country, but he was not satisfied by the information that was available to him. Indeed, his remarks show how hard it is for governments to satisfy demands for information. He had data on the finances of the federal government, all the U.S. states, the French central government, and all the French *departments*. But he lamented the absence of data for U.S. towns and counties and for French *communes* and his consequent inability to compile figures for the totality of government, the importance of which he stressed by explaining that the tiers of government had different functions in the two countries. He was more fastidious than many

¹⁴⁰Ferguson (2008, p. 133).

¹⁴¹Quoted in Hawkins (1963, pp. 135–36).

¹⁴²Giroux (1998).

¹⁴³Hawkins (1963).

¹⁴⁴Blondy and others (2013).

fiscal economists are allowed to be today, stating that “when statistics are not based on rigorously accurate calculations, they mislead rather than guide” for “the mind is easily taken in by the false air of exactitude that even aberrant statistics retain,” and he ultimately abandoned quantitative analysis.¹⁴⁵

The development of systematic macroeconomic statistics has made the work of modern fiscal analysts much easier. The framework underlying these statistics divides the economy into several sectors, one of which is the government sector, which includes local and provincial governments as well as central government. As a result, macroeconomic statisticians publish data that consolidate all levels of government. Statistics for the government sector became especially important in Europe in the late 1990s when they were chosen as the basis of the data to be used to measure compliance with the European Union’s rules for member countries’ debts and deficits. As a result, data on the finances of the government sector are readily available throughout Western Europe.

XI. CONCLUSIONS

Public fiscal reporting in Western Europe is now impressively extensive. Governments publish their budget, report on its execution during the year, and then publish audited end-of-year accounts. At the same time, fiscal statistics provide a comprehensive picture of the government sector. There are also medium- and long-term fiscal forecasts and many narrative discussions of the health of public finances.

Yet the hopes of the Enlightenment have not been completely fulfilled.¹⁴⁶ On the one hand, the avalanche of data has created a need for plain-language summaries of public finances that is not always met. On the other hand, there are still problems at the technical level. Some European governments, for example, do not yet publish financial statements that include both accrual- and cash-based statements of fiscal flows as well as a balance sheet of fiscal stocks. As a result, it may be difficult or impossible to find information on, among other things, the values of these governments’ nonfinancial assets, pension liabilities, or derivatives. Similarly, although data on the government sector are available for all members of the European Union, there are no data in most European countries on the consolidated finances of the public sector, which includes government-owned businesses. As a result, a government can use these businesses to carry out some government spending without this showing up in the government’s accounts. Tocqueville would still have reason to complain about his data, and a curious diplomat might wonder whether he could find all the information he wanted in the public domain.

¹⁴⁵Tocqueville (2004, pp. 246–51).

¹⁴⁶See IMF (2012) for a discussion of problems with contemporary fiscal reporting, in Europe and elsewhere.

But the evidence presented in this paper suggests that the coming years will witness further improvements in fiscal transparency. The goals of accountability and transparency remain prominent in political discourse, and the fiscal problems of many Western European states create pressure for improvements in published budgets, accounts, and fiscal statistics. Indeed, there are signs this is already happening. On the other hand, the ever-falling costs of storing, analyzing, and transmitting information may radically increase the amount of information that governments in Europe and elsewhere make available about their finances. Until recently, the costs of preparing financial information and printing budgets and accounts encouraged annual presentations of summarized financial information; computerized accounting systems and publication on the Internet eliminate many of those costs and may eventually lead to real-time estimates of deficits and debts, as well as the publication of much more detailed information that can be organized and summarized as the user of the information chooses.

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