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# Accounting change in central government

## The adoption of double entry bookkeeping at the Portuguese Royal Treasury (1761)

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### Abstract

**Purpose** – The purpose of this paper is to look at the adoption of double entry bookkeeping at the Royal Treasury, Portugal, on its establishment in 1761 and the factors contributing to this development. The Royal Treasury was the first central government organization in Portugal to adopt double entry bookkeeping and was a crucial first step in the institutionalisation of the technique in Portuguese public administration.

**Design/methodology/approach** – Set firmly in the archive, this paper adopts new institutional sociology (NIS) to inform the findings of the local, time-specific accounting policy and practice at the Portuguese Royal Treasury.

**Findings** – Embedded within the broader European context, this study identifies the key pressures exerted upon the Royal Treasury on its formation in 1761, which resulted in major accounting change within Portuguese central government from that date. The study provides further evidence of the importance of the state in the institutionalization of accounting practices by means of coercive pressures and highlights for Portugal the importance of individual actors who, as powerful change agents, made key decisions that influenced accounting change.

**Originality/value** – This study examines a major instance of accounting change in European central government and broadens the application of NIS in accounting history research to a different country – Portugal – and to a different time – the eighteenth century. It also serves to illuminate the difficulties of collecting pertinent evidence pertaining to this long-dated time period in identifying certain forms of institutional pressures.

**Keywords** Accounting procedures, Book keeping, Central government, Portugal, Public administration

**Paper type** Research paper



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## Introduction

Developments in private sector accounting have been explored in most European countries, specifically on a country by country basis (Edwards, 1989; Walton, 1995). There is, however, a much smaller literature on accounting developments in the public sector within European and other countries (Carnegie and Napier, 1996, p. 26). In the case of Portugal, little is known about the early adoption of double entry bookkeeping (DEB) in both the private and public sectors (Rodrigues *et al.*, 2003, p. 96). The general focus of this study is on the public sector and, in particular, on the earliest use of DEB within Portuguese central government.

From the sixteenth to the nineteenth centuries the governments of different European countries implemented accounting reforms which resulted in the introduction of DEB for managing public finances within central government. Such accounting developments however, did not always accomplish the initial objectives. Portugal was one of the European countries, together with Spain, The Netherlands, Sweden, Germany/Austria and France which implemented measures to adopt DEB in key central government organizations before the 1770s. Positioning accounting developments within central government in Portugal within the broader European context, this study aims to augment an understanding of accounting change in European central government by specifically examining the initial adoption of DEB at the Royal Treasury, Portugal, on its establishment, in 1761, under the leadership of the Chief Minister, the Marquis of Pombal. The Portuguese Royal Treasury was the first central government organization in Portugal to introduce DEB. The case study seeks to provide an understanding of the processes involved and of the factors influencing the introduction of DEB within central government in Portugal at that time. In so doing, the study is intended to extend and expand the literature on the initial adoption and use of DEB in central government in Europe, in general, and on the earliest adoption of DEB in central government in Portugal, in particular.

The actions by a government of any country in the diffusion and adoption of DEB are instrumental in providing, across time, a network of distribution of the technique into the receptor country. For Portugal, the key accounting change within central government involved the adoption of DEB at the Royal Treasury on its formation. It was a crucial first step, among others, in the institutionalisation of the technique within that organization but also ultimately throughout the public administration of the country. As in other European countries, the use of DEB for mercantile purposes, especially within large commercial establishments, provided evidence for key decision makers of the technique's potential relevance to public administration.

In examining the first time adoption of DEB in Portuguese central government, this study views accounting as a social practice, rather than a mere technical practice, and provides insights of the evidence using the literature on institutional theory, more specifically the literature stream designated as "New Institutional Sociology" (NIS) (Powell and DiMaggio, 1991; Scott, 2001)[1]. The use of NIS is intended to broadly assist in identifying the institutional pressures on the Royal Treasury in 1761 on adopting DEB and to highlight the role of individuals in the institutionalization process of DEB within Portuguese central government. This theoretical approach is intended to serve as a response, at least in part, to the general call by Hopwood (2000, p. 763) for "research that can provide more adequate insights into the wider institutional and social positioning of financial accounting." Indeed, the use of institutional theory in

historical studies enables our “knowledge of how forms of financial accounting [such as DEB] emerge from, sustain and modify wider institutional and social structures” (Hopwood, 2000, p. 763) to be expanded, especially where the investigations are set firmly in the archive and are based on examinations of surviving accounting records (Hopwood, 2000, pp. 764-5), as occurs in this study.

The paper is organised as follows. The next section presents an overview of the initial adoption of DEB within central government in other European countries prior to the 1760s so as to situate the specific accounting developments under examination in Portugal in 1761 within the broader European context. There follows an elaboration of the theoretical foundations of the study, which includes a review of the literature on institutional theory, from a sociological perspective, and an overview of its use in accounting research, in general, and in historical accounting research, in particular. An overview is then presented of the Portuguese economic and social context within which the accounting developments under investigation occurred, dealing with a period of approximately 250 years to 1750. The next section examines the rise to power of the Marquis of Pombal (hereafter known as “Pombal”) as a key environmental agent who, as Chief Minister from 1756, governed the country as a powerful, well-travelled and well-educated politician for the following 21 years. This overview is followed, in turn, by an examination of the accounting system adopted at the Portuguese Royal Treasury in 1761, including the identification, based on available evidence, of the key pressures exerted upon the organization at that time. A discussion of the findings and concluding comments are then presented.

### **Adoption of DEB in European central governments**

Before the late 1590s, DEB was a technique that was readily associated with merchants as a means of accounting for their commercial activities. While its use within public administration for local government purposes has been traced to as early as 1340, where it was applied by the *Massari* of Genoa (Chatfield, 1996a, p. 400; Martinelli, 1983; Mills, 1994, pp. 81-2; Peragallo, 1956, p. 215; Yamey, 1940, p. 135), the earliest adoption of the technique for public finances within central government (that is, the Royal finances) appears to have been in Spain in 1592 (Hernández Esteve, 1992, p. 538). Early advocates of the use of DEB within central government believed that the technique offered a means of improving administration and enhancing control within central government organizations based on its effective use by merchants (Hernández Esteve, 1984; Lemarchand, 1999; Vlaemminck, 1961).

Calls for the use of DEB in an array of different contexts, such as religious entities and non-profit organizations, as well as for managing public finances, became more numerous during the eighteenth century (Lemarchand, 1994, p. 137; Vlaemminck, 1961, pp. 184-205). Early authors advocating the use of DEB for non-commercial purposes, specifically within the central government organizations include Stevin (1608) in The Netherlands, and also Ison (1678) and Barrême (1721), both of France (Amorim, 1968; Chatfield, 1977; Lemarchand, 1999; Ten Have, 1956; Vlaemminck, 1961; Volmer, 1996; Zurdo, 1996). Both Stevin and Nicolas Barrême were personally involved in the reforms that resulted in the adoption of DEB in their respective countries (Lemarchand, 1999; Vlaemminck, 1961).

Other independent European countries followed the Spanish in adopting DEB within central government organizations in assisting to reform public administration. These reforms were typically adopted by the Royal Treasury, as the controller of the

public finances, within each of the respective countries concerned. In The Netherlands DEB was adopted for the administration of the royal finances in 1604, followed by Sweden which did so in 1623 (Filios, 1983, p. 444; Forrester, 1990, p. 310; Sandin, 1991, pp. 283-4; Ten Have, 1956, pp. 244-5; Vlaemminck, 1961, pp. 185-8). While it appears that DEB may have been initially adopted in the Austro-Hungarian Empire around 1703, only in 1760 was DEB adopted in Germany/Austria in the administration of the Imperial Treasury (Filios, 1983, p. 444; Forrester, 1990, p. 307). For overview purposes, Table I summarizes in chronological date order the reforms implemented in Spain, The Netherlands, Sweden, Germany/Austria and in France prior to the adoption of the method at the Portuguese Royal Treasury in 1761.

The study of accounting reforms at the level of central government has shown that the initial adoption of DEB within central government in some countries was not a straightforward process. In Spain, there was much discussion about the suitability of DEB for central government purposes prior to its adoption (Hernández Esteve, 1986). In some instances, DEB was not fully adopted immediately, rather being adopted only at some levels of public finances, as occurred in The Netherlands (Stevin, 1608; Ten Have, 1956, p. 244) and in France (Lemarchand, 1999, p. 234). Associated with the generally slow process of adoption of DEB was usually the lack of skilled persons with knowledge and experience in DEB, which conditioned the implementation of the system. In addition, the adoption of DEB within the Royal Treasury in some countries was preceded by the adoption of the method in certain other branches of public administration, such as in Spain (Donoso Anes, 1996, p. 120, 2002, p. 94) and France (Lemarchand, 1999, p. 230). Notwithstanding, the initial adoption of the technique was short-lived in certain countries, especially in Spain and in France.

Accounting history research has also highlighted important interactions between public and private sector practices, involving similar motivations underlying the adoption of specific accounting systems within central government and possible influences between reforms implemented in different countries. In fact, governments were generally found to have adopted DEB at their respective Royal Treasury based on the method's successful use by merchants. Spain had even mandated the adoption of the method by bankers and merchants prior to its first time adoption at the *Real Hacienda* in 1592 (Donoso Anes, 1996, p. 120, 2002, p. 94). The use of the method for public administration at the central government level was, therefore, supported by leading businessmen, such as in Spain (Hernández Esteve, 1985b, 1986, 1992), France (Lemarchand, 1999, p. 230) and in Sweden (Filios, 1983, p. 444; Forrester, 1990, p. 310; Sandin, 1991, p. 283), who were among its leading proponents, illustrating the roles played and the power exerted by certain key individuals in the adoption of specific accounting practices. The motivations for accounting change within central government was related, in some cases, to deficiencies of the previously used accounting system which did not provide the necessary information to administer the country, to financial difficulties experienced by the government which prompted the necessity to control better the public expenses, and also to the conduct of frauds and other misconduct by the individuals in charge of managing public money (Hernández Esteve, 1986; Lemarchand, 1999; Stevin, 1608).

Portugal adopted DEB in managing the public finances, as determined in the Letter of Law of December 22, 1761, which led to the creation of the Royal Treasury. The Portuguese central government reform constitutes a unique case when compared with

the reforms implemented in other European countries. Unlike what happened in Spain, in 1592 (Hernández Esteve, 1985a, 1986, 1992, 1998), and in France in 1716 (Lemarchand, 1999), where DEB was initially adopted as a new method in a pre-existing organization, the method was adopted in Portugal on the creation of a completely new organization, as a result of an earthquake which completely destroyed the previous organization as will be elaborated upon later.

As shown in Table I, while DEB had previously been adopted within central government within other European countries, Spain and France, as two of the most influential countries in Europe during this time, were not, however, applying DEB in 1761. In the case of Spain, there is no evidence to suggest that the country exercised any clear influence on Portuguese financial organization during the time Portugal was part of the Spanish dominion in the period 1580-1640. Although new attempts were made in Spain after 1621 to introduce DEB within certain branches of the Spanish public administration, by the end of the eighteenth century the method was considered to be a novelty stemming from France and the attempts did not gather any momentum (Donoso Anes, 1996, pp. 138-42). France's first attempt to adopt DEB in central government occurred in 1716 and was disbanded in 1726. While a period of 45 years separates the initial adoption of this reform in France to the year of the adoption of the method at the Portuguese Royal Treasury, the French experience does not appear to have been influential in the Portuguese reforms given that the method was not used by the Royal Treasury in France for a period of 35 years to 1761. Although DEB was introduced in Germany/Austria in 1703 and, after being disbanded in 1715, was later reintroduced in 1760, no evidence was found to suggest that the reforms of the German/Austrian Imperial Camera influenced the adoption of DEB at the Portuguese Royal Treasury. Even though Pombal had been ambassador in Vienna and had important contacts there with key government Figures (Barreto, 1986, p. xxvi), and while acknowledging that the enlightenment ideals were followed in the Court of Vienna (Correia, 1965, p. 96; Serrão, 1996b, p. 22), no evidence was found to indicate that Pombal was knowledgeable of, or influenced by, these attempts to adopt DEB at the Imperial Camera. Therefore, no evidence has been gleaned to specifically connect the adoption of DEB at the Portuguese Royal Treasury with earlier accounting developments within central government in any of the European countries listed in Table I.

Exploring the wider organizational and social context is fundamental to gaining an understanding of the initial implementation of DEB within central government in Portugal. In fact, the adoption of new accounting systems in organizations such as the Royal Treasury in 1761 cannot be studied effectively in isolation without considering the institutional environment in which they are immersed. To assist in undertaking this contextualized analysis NIS is adopted, as previously indicated, as the theoretical framework in this study, as will be developed in the following section.

Country	First introduction	Organization	Interruption	Re-introduction
Spain	1,592	Real Hacienda (Royal Treasury)	1,621	
The Netherlands	1,604	Royal Finances	Not known	
Sweden	1,623	General Ledger of the Kingdom	1,654	1,659
Germany/Austria	1,703	Imperial Treasury	1,715	1,760
France	1,716	Royal Treasury	1,726	1,808
Portugal	1,761	Royal Treasury		

**Table I.**  
First time adoption of  
DEB in European Central  
Government



### Theoretical foundations

Recently, a focus on studying accounting in the contexts in which it operates (Burchell *et al.*, 1985; Hopwood, 1981, 1983, 1987) has contributed to the emergence of an enhanced perception of accounting as a social practice, rather than a mere technical practice (Hopwood and Miller, 1994; Miller *et al.*, 1991; Miller and Napier, 1993), thus leading researchers to challenge the use of economic rationales alone to explain specific modes of accounting. Indeed, accounting is increasingly seen as an instrument of power and control rather than as a value-free body of ideas and practices for adopting and monitoring contracts entered into between equals (Carnegie and Napier, 1996, 2002; Hopwood, 1983, 1987; Napier, 2006). This study is based on the proposition of accounting as a social practice as well as a technical practice which can be studied across time and also across both time and space.

Institutional theorists represent one group of researchers who view accounting as a social practice and, more particularly, as a means of legitimising organizations and their activities through the construction of appearances of rationality and efficiency (Carruthers, 1995; Covalleski *et al.*, 1996; Meyer, 1986; Meyer and Rowan, [1977] 1991). Under institutional theory, organizations are deeply immersed in wider institutional environments upon which their existence depends and with which they interact. Accordingly, accounting practices are viewed as a key component of organizational structure (Collier, 2001; Meyer, 1986; Meyer and Rowan, [1977] 1991; Scott, 1998). These practices are affected by institutional pressures as shown by previous researchers in accounting. As stated by Dillard *et al.* (2004, p. 507), different accounting studies using institutional theory:

[...] provide evidence suggesting the importance of social culture and environment on the practice of accounting; the use of accounting practices as rationalizations in order to maintain appearances of legitimacy; and the possibility of decoupling these rationalizing accounting practices from the actual technical and administrative processes.

#### *Institutional theory*

In organizational theory and sociology, institutionalism encompasses a rejection of rational-actor models, an interest in institutions as independent variables, and a turn toward cognitive and cultural explanations (DiMaggio, 1988, p. 7; DiMaggio and Powell, 1991, pp. 8-9). Institutional theorists are sceptical about the use of technical reasons to justify the adoption and maintenance of practices or procedures. Technical explanations are perceived as masking political and cultural features (Carruthers, 1995, p. 316). An organization that incorporates in its formal structure practices and procedures that are institutionalized in society increases its legitimacy and its survival prospects (Meyer and Rowan, [1977] 1991, p. 50; Scott, 2001; Tolbert and Zucker, 2003, p.178). Accounting practices and personnel selection among other technical procedures “become taken-for-granted means to accomplish organizational ends” and, as institutionalized techniques, they “establish an organization as appropriate, rational, and modern” (Meyer and Rowan, [1977] 1991, p. 45). In order to survive or even thrive, organizations need more than just material resources and technical information, “they also need social acceptability and credibility” (Scott, 2001, p. 58). However, possible conflicts between institutionalized rules and efficiency can be solved by the organization through a certain gap, known as decoupling, between its formal structure and the work activities (Meyer and Rowan, [1977] 1991; Scott, 2001, p. 173).

Institutional theorists see organizations as occupants of an institutional environment that defines and delimits social reality. Although for an initial period new institutional theorists concentrated on the processes of legitimization and social reproduction, later on issues of change[2], power[3] and efficiency[4] began to be addressed (Scott, 2001; DiMaggio, 1988; DiMaggio and Powell, 1991; Powell, 1991) and these are often addressed in accounting research that is informed by institutional theory (Abernethy and Chua, 1996; Collier, 2001; Covalleski *et al.*, 1993). Attention was then devoted to the “ways in which both individuals and organizations innovate, act strategically, and contribute to institutional change” (Scott, 2001, p. 75).

As recently argued by institutional theorists, researchers should not neglect the role of key institutional actors in the political process of institutionalization (Beckert, 1999, p. 778; DiMaggio and Powell, 1991, p. 27; Lawrence *et al.*, 2001; Scott, 2001, p. 193), since what becomes institutionalized will depend on the power of the organizational actors who support, oppose, or even struggle to influence it. As is the concern in this study, it is important to not only clarify the conditions and processes that lead accounting practices, such as DEB, to become institutionalized (Tolbert and Zucker, 2003, p. 186) but also to be apprised of the role played by what has been described by DiMaggio (1988, p. 14) as the “institutional entrepreneur.” Such an individual is recognised as an agent who has an interest in specific institutional structures, “someone who commands resources which can be applied to influence institutionalized rules, either by committing those resources to the support of existing institutions or by using them for the creation of new institutions” (Beckert, 1999, p. 781). There may, of course, be more than one institutional entrepreneur in any setting or context.

Institutional entrepreneurs can support processes of socialization of actors and the mobilization of “subsidiary actors” within the organizational field as strategies for institutional change (Beckert, 1999, p. 781; DiMaggio, 1988, p. 15). Referring to Schumpeter’s notion of the entrepreneur Beckert (1999, p. 786) argued that the entrepreneur is “the innovator who leaves behind routines (...) devotes his attention to new options, he takes over unusual tasks, and realizes new combinations in the production process, against the adaptive pressures of his/her surroundings.” Therefore, the initial tendency by institutional theorists to deemphasize human agency has conducted, in more recent times, to an emergence of interest in “institutional entrepreneurship” (Delbridge and Edwards, 2007, p. 192; Beckert, 1999, p. 778; Dorado, 2005; Greenwood and Suddaby, 2006). In this study, the role played by Pombal, in particular, in the stimulation of accounting change within central government and in the institutionalization of accounting practices in Portugal is specifically examined.

Special attention is given under NIS to the process of homogenization. The “constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions” is defined as “isomorphism” (DiMaggio and Powell, 1983, p. 149). Placing their analysis at the organizational “field” or sector, DiMaggio and Powell (1983, p. 150) identified three key forms of institutional isomorphism: coercive, mimetic, and normative isomorphism. The authors acknowledged that all three forms intermingle in empirical settings but emphasised that they tend to derive from different conditions and provide different outcomes (1983, p. 150).

Coercive isomorphism results from formal and informal pressures exerted on organizations by other organizations upon which they are dependent as well as cultural expectations in the society in which organizations function. It stems from

political influence and legitimacy; therefore some pressures may be attributed directly to government mandates, as in the case of certain accounting practices and procedures (Carruthers, 1995; Carmona and Macias, 2001; Carpenter and Feroz, 2001). Mimetic isomorphism emerges under uncertainty as a powerful force that encourages imitation. Organizations will model themselves on similar organizations in their field whose practices are considered to be legitimate (Tolbert and Zucker, 1983). Normative isomorphism is derived from two key aspects of professionalization: formal education and professional networks that span organizations and across which new models and practices diffuse rapidly (DiMaggio and Powell, 1983, p. 152). These three forms of institutional pressures are useful categories for understanding the actions of organizational actors and can be applied both today, in contemporary accounting research, and in the past, in historical accounting research, as previous studies have shown (Abernethy and Chua, 1996; Carmona *et al.*, 1998; Carmona and Macias, 2001). Nonetheless, when applying the concept of isomorphism it is important, as explained above, not to exclude an examination of “the role that organizational actors in their fields play in interacting with the environment and interpreting the meanings of the contexts to construct and re-construct their environment” (Robson *et al.*, 2007, p. 415).

Institutional theory has been specifically applied in a number of recent studies on accounting, in general, and also in studies on accounting’s past. An overview of this literature follows in order to reinforce the aptness of the perspective for use in this study.

#### *Accounting research and institutional theory*

Studies of contemporary accounting using institutional theory as a theoretical construct have been set in a number of different organizations belonging to different organizational fields. Within contemporary accounting research institutional theory has made a number of contributions, including making the analysis less static and more contextualized informed, broadening the scope of the research, providing additional insights not available through other lens, aiding in the interpretation of the dynamics of processes of accounting change and in structuring the inquiry such as in selecting testable propositions (Abernethy and Chua, 1996; Fogarty and Rogers, 2005; Fogarty, 1996; Granlund and Lukka, 1998; Modell, 2003). Through the lens of the institutional perspective these studies have collectively demonstrated that accounting practices represent means through which organizations can accomplish external legitimacy and document institutional compliance with external requirements (Ansari and Euske, 1987; Covaleski and Dirsmith, 1988; Geiger and Ittner, 1996; Rahaman *et al.*, 2004; Rollins and Bremser, 1997).

Particularly insightful for accounting research are the concepts of legitimacy, institutional isomorphism, decoupling, and the notions of power and self-interest involved in the process of institutionalization of accounting practices. These have been the main concepts used by contemporary accounting researchers and which have helped to highlight the institutional pressures exerted by different actors in the process of institutionalization of accounting practices, thus contributing back to institutional theory development in general (Abernethy and Chua, 1996; Covaleski and Dirsmith, 1988; Covaleski *et al.*, 1993; Hussain and Hoque, 2002; Lapsley and Pallot, 2000).



*Historical accounting research and institutional theory*

During recent years institutional theory has been adopted in a number of historical studies in accounting[5]. Historical accounting studies applying institutional theory relate to a broad period of time that spans from the sixteenth century to the twentieth century, with a significant concentration of research in the last century. In addition, these studies have served to illuminate the need to understand accounting practices within the context in which they are developed and to depict how changing institutional pressures across time influence organizational accounting (Carmona *et al.*, 1998; Carmona and Macias, 2001; Carpenter and Feroz, 2001). Institutional theory has also helped to highlight how processes of change in accounting practices and procedures have provided credibility, visibility and legitimacy to the parties involved in the process before their external constituents (Bealing *et al.*, 1996; Carmona and Donoso, 2004; Carmona *et al.*, 1998; Covaleski *et al.*, 2003; Fogarty *et al.*, 1997; Touron, 2004).

Among the three forms of isomorphism evident in historical contexts the most prominent form found to date is coercive isomorphism as exerted by the State (Carmona *et al.*, 1998; Carmona and Macias, 2001; Carpenter and Feroz, 1992, 2001; Núñez, 2002). The prominence of coercive isomorphism seems to be related to the emphasis placed in general on the public sector within the existing accounting history research studies, where the state is an important institutional agent. This is consistent with the institutional theorists' argument that state actors are more likely to employ coercion in pursuing their ends (Scott, 2001, p. 15). In addition, the historical distinctiveness of these studies may also provide constraints to the identification of the different institutional pressures. Coercive pressures can be easily identified when exercised through written documents, such as laws, usually preserved along the centuries.

On the other hand, mimetic pressures can be difficult to determine since it may be difficult or even virtually impossible to find conclusive evidence that some accounting practices were being mimicked, and from whom, when a long period of time has passed by and primary records may have been lost and the contact with participants in the events is no longer possible. Normative pressures may be easier to identify in the past as long as there were formal professional and educational organizations whose documentation has survived. However, if the time period under investigation precedes the development of certain organizations, such as professional accounting bodies, as known today, it may be hard, if not very difficult, to determine if there were any prevailing normative pressures in local, time-specific historical contexts. While all three forms intermingle in empirical settings (DiMaggio and Powell, 1983, p. 150), it is necessary to be aware that in historical studies the temporal distance from the events may indeed impede or at least restrain the gathering of evidence of the existence of normative and mimetic pressures.

The current study is unique in focussing on public administration within central government in eighteenth century Portugal, a hitherto unexplored setting in the literature on institutional theory in accounting history. Previous works were concentrated mainly in the USA and in the twentieth century, while more contemporary studies were concerned with the accounting of government-owned monopoly institutions, as commercial enterprises. Therefore, the work broadens the application of institutional theory in accounting history research to a different country, to a different time period and to a different organization. In addition, central government organizations, as the Royal Treasury, are usually studied as the institutions that are exercising pressures, and not as

the ones made subject to prevailing pressures, however “essential features of public sector organizations make them not just capable of generating pressures but also potentially very vulnerable to these same pressures” (Frumkin and Galaskiewicz, 2004, p. 286). This contribution distinctively concerns accounting developments within a newly formed central government organization, notably its actual accounting practices as elucidated from records held in public archives, as well as the pressures that were exerted upon the organization at the time of its formation. While governmental organizations have been identified as being more vulnerable to all three types of pressures than other organizations (Frumkin and Galaskiewicz, 2004, p. 283), difficulties arise in obtaining credible evidence of normative and mimetic pressures when examining past periods and practices, as mentioned before and as will be illuminated in this study. Notwithstanding the significance of the concept of isomorphism, and following the tendency of recent NIS research, it is important in examining the processes of accounting change to devote attention to the exercise of power and its impact on accounting change, with a particular focus on the roles played by key individuals, such as the “institutional entrepreneur” as mentioned above. In this study, the comprehension of the role played by Pombal, the way he was influenced by mercantilist policies and enlightened ideals, and his absolutist conception of power, is fundamental in seeking to understand the key accounting change within Portuguese public administration.

The next section on economic and social context deals with the period in Portugal up to 1750 and addresses key social and economic developments which occurred primarily in the preceding period of 250 years.

### **Economic and social context**

In exploring the economic and social context for this study it is important to take into consideration “worldwide models [which] define and legitimate agendas for local action, shaping the structures and policies of nation-states and other national and local actors in virtually all of the domains of rationalized social life” (Meyer *et al.*, 1997, p. 145). Models, such as mercantilism, enlightenment and absolutism, prevailed in Europe for the time period of this study, and exerted influence throughout the European nation-state. Portugal was no exception. As pointed out by Meyer *et al.* (1997, p. 145), “world models have long been in operation as shapers of states and societies” and the institutionalization of these world models can help to explain some features of national societies.

Portugal by the late fifteenth century/early sixteenth century was a leading colonial power, assuming this position as a major trading nation possessing strong navigation capabilities (Boxer, 1969; Godinho, 1981; Livermore, 1976; Serrão, 1980). Favourable conditions offered by the country’s kings, such as exemptions from taxes and privileges provided to trade certain products, served to stimulate the arrival and retention of foreign merchants (Marques, 1984, p. 124; Rau, 1984, p. 203; Serrão, 1990, p. 320), especially from England, The Netherlands, Germany, Spain, and France as well as from Italy (Amorim, 1929, p. 79; Rau, 1971, 1984). Such commercial developments assisted in making Lisbon one of the most important navigation ports of Western Europe and contributed to the growing prosperity of the country (Boxer, 1969; Rau, 1984).

Subsequently, Portugal’s influence as a colonising nation was overshadowed by the rise of other major colonial powers. A major reason for this change, together with a general downturn in trade revenues, was the advent of the Portuguese Inquisition in

1531 and its effects which prompted a significant number of Portuguese Jews, who had played an important role in Portuguese discoveries, to depart the country (Kayserling, 1971; Nogueira, 2001; Tavares, 1995). This loss of influential merchants resulted in the departure of much capital from Portugal and the depletion of the country's entrepreneurial skills (Kayserling, 1971, pp. 147, 199; Marques, 1984, p. 120; Serrão, 1980, pp. 256-63). In addition, Portugal lost its independence to Spain in 1580, thereby beginning one of the most disturbed political periods in Portuguese history (Livermore, 1976; Serrão, 1990). Progressive economic degradation accompanied the country's political volatility (Marques, 1973, p. 430; Serrão, 1990, pp. 145-251; Serrão, 1996a). While Portugal has resumed its independence from Spain in 1640, and continued to maintain her colonial empire, the country was unable to recover its previously held position as a premier trading nation in Europe and, indeed, it struggled to compete with other nations in Europe (Marques, 1973, p. 361; Nogueira, 2001, p. 303; Serrão, 1994, p. 25, 1996a; Sideri, 1978, p. 37).

The country's situation during the seventeenth century was aggravated by the constant threats of war with Spain, and the disputes with other European nations over its colonies (Boxer, 1969; Marques, 1984, pp. 181-2; Serrão, 1996a). The political support of France during the 20 years after restoration of independency ceased and, as a result, Portugal established an alliance with England which provided both political and economic support, which would increase significantly during the first half of the eighteenth century (Fisher, 1984; Marques, 1973, p. 377, 1984, p. 351; Serrão, 1996a, p. 64, 230; Sideri, 1978, p. 39). Nonetheless, the economic standing of many other European countries continued to improve as they invested heavily in international trade, while the on-going Portuguese Inquisition continued to have adverse effects on many influential businessmen and their families, thus progressively weakening the bourgeoisie and throwing Portugal to "abysm and ruin" (Kayserling, 1971, p. 284; Nogueira, 2001; Serrão, 1990, p. 322, 1996a, p. 83). The Inquisition, through the censorship of an increasing number of books, especially those concerning the protestant doctrine, also brought about a detachment of the country's citizens from general social movements that were developing momentum within Europe (Dias, 1952, pp. 292-7; Fonseca, 2000, p. 640; Marques, 1984, pp. 134-8)[6].

During this period, in Europe, some of the most influential books on the role of government and the Monarch were inspired by Bodin's idea of sovereignty, such as *The Leviathan* (1660) by Thomas Hobbes, and advocated the absolute power of the Monarch, that is, power without restrictions (Fonseca, 2000, pp. 631-42; Franklin, 1972). This absolute conception of the state, known as absolutism[7], prevailed in Europe during the eighteenth century and was complemented by government practices that were inspired by rationalist and enlightened principles. These practices consisted of the centralization of the administrative structure, the creation of a loyal and competent bureaucracy and the divisionalization of the governmental functions (Falcon, 1982, p. 134; Maxwell, 1995, pp. 18-19). Usually, these practices were accompanied by a reform of education and a growing professionalization in government and administration (Black, 1990, p. 378).

Throughout the first half of the eighteenth century the European enlightenment[8] only slowly began to penetrate in Portugal during the reign of *D. João V* (King John V) (1706-1750). During this period enlightenment ideals tended to migrate from France, through print media, such as magazines, and by diplomatic means, as well as through

the activities of travellers and merchants (Caeiro, 1980; Coelho, 1962, p. 198; Serrão, 1996a, pp. 208-12). Following the French model, *D. João V* sought to expand his power base and endeavoured, with limited success, to modernize the country's public administration, thereby reinforcing in Portugal an absolute monarchy regime (Livermore, 1976, p. 208; Marques, 1984, p. 351; Serrão, 1996a, pp. 325-6)[9]. Despite such political reforms and the attempts made by enlightened Portuguese who were living abroad to influence affairs in Portugal, the strong conservatism, cultural backwardness and religious intolerance which existed provided a weak base for the adoption of enlightenment ideals (Cunha, 1976[10]; Dias, 1952; Marquis of Pombal, 1741, 1742).

During the first half of the eighteenth century Portugal benefited from the flow of diamonds and gold from Brazil[11], thus making the Portuguese Court one of the richest in Europe (Livermore, 1976; Maxwell, 1995; Serrão, 1996a). Nevertheless, by 1750 Portugal's importance in Europe had decreased significantly; the economy was under-industrialized in comparison with other European nations, and a significant part of the country's commerce had, by then, become controlled by foreign merchants (Birmingham, 1993; Black, 1990, p. 75; Livermore, 1976; Macedo, 1951, p. 114; Maxwell, 1995).

The socio-economic conditions in Portugal around 1750 were characterized by powerful nobility and an influential Church, namely by means of the Jesuits, complexity in public administration, and a political crisis that was brought on by the illness of *D. João V* (Macedo, 1971b, p. 291; Marques, 1984, p. 321). However, the slow uptake of European developments and ideals in Portugal, originating largely from France, aided by the influence of Portuguese living abroad, favoured the emergence of the cultured and enlightened elite in the second half of the eighteenth century. By 1750 a new scenario is created with the nomination of the new King *D. José I* (King Joseph I) (1750-1777), and the appointment of an enlightened diplomat, Sebastião José de Carvalho e Mello, to the post of Foreign Affairs and War Minister in 1750.

The reign was marked by an increased intervention by the Monarch, which resulted in a new phase of absolutism, characterized by the unlimited power of the king, known as "enlightened despotism"[12]. The political and administrative reforms that were conducive to strengthening the power of the king, and which led to the modernization of Portuguese economy and society, started mainly after 1755. On November 1, 1755 an earthquake causing a tsunami and massive fires devastated Lisbon[13]. Sebastião José de Carvalho e Mello, who was at the time Foreign Affairs and War Minister[14], assumed control of all the measures to be implemented to face the destruction and restoration in Lisbon, increasing his reputation and connectedness (Marques, 1984, p. 353; Serrão, 1996b, p. 28) and, on the death of the Chief Minister in 1756, he ascended to this position. Soon after, in 1759, Mello became Count of Oeiras and in 1770 he became Marquis of Pombal, as indicated previously. Pombal's leadership resulted in the adoption of many important economic and social reforms in the country during a phase in Portugal's past that is now known as "Pombalism" (Falcon, 1982; Marques, 1984; Serrão, 1996b).

The next section provides an outline of the life and career of Pombal, and portrays his rise to prominence as a dominant political figure, whose actions influenced profoundly all aspects of Portuguese society, including the dissemination of accounting practices in both the private and public sectors.

**Pombal: a key environmental agent**

A focus on Pombal, as a powerful political figure, is central to understanding key facets of the distinctive and novel programme of the Portuguese government during 1756 and 1777. As argued by institutional theorists, the power, support, or opposition of key organizational actors impacts the nature and timing of the important measures and practices that become institutionalized (Covaleski *et al.*, 1993, p. 67; DiMaggio, 1988, p. 13).

Pombal was part of the enlightened Portuguese elite, and more specifically, he was part of a group of officials and diplomats who were concerned with understanding the imperial organization and economic practices which they believed were the reasons for the power and wealth of France and Great Britain (Marques, 1984; Maxwell, 1995; Serrão, 1996a). Although Pombal was a graduate in Law of the University of Coimbra, his diplomatic career took him to London, where he represented the Portuguese Crown from October 1738 until May 1743 and during a further period of six months in 1745, and also to Vienna where he resided from 1745 to 1749 (Barreto, 1986, p. xxvi). The period of time Pombal spent abroad allowed him to have access to different literature and ideas[15] and, therefore, to develop an understanding of economy and society in many prominent European countries, particularly in England, France and in The Netherlands (Serrão, 1996b, pp. 98-100).

From his writings while living in London, Marquis of Pombal (1742, p. 158) believed that:

[...] all the nations of Europe augmented themselves in the past, and are still augmenting today, by reciprocal imitation. Each observes carefully the actions of the others. Therefore, all nations derive benefit by using the information collected by their ministers about the useful inventions of others.

In Marquis of Pombal's (1742, p. 158) own words, as translated, his "most interesting duty in London was this careful observation", which allowed him to have a detailed appreciation of the British position (Francis, 1985; Maxwell, 1995)[16]. Europe itself provided a setting for the development of ideas and technology which, as they become known and useful, were eligible for adoption, modification or abandonment within individual countries in the region. Processes of isomorphism (DiMaggio and Powell, 1983; Meyer *et al.*, 1997), therefore, operated between European nations during Pombal's reign.

During this period Marquis of Pombal (1742, paragraph 37) developed important contacts and connections with foreign businessmen, attended "conferences with important professors of commerce", gained admission to the Royal Society of London, and fostered close links with many members of the Portuguese enlightened who were living abroad. Many of the people he met during this time influenced his thinking and shaped the mindsets behind the subsequent reforms that he implemented in Portugal as Chief Minister (Dias, 1984; Israel, 2001, p. 537; Leite, 1982; Serrão, 1982)[17]. Pombal considered that it was necessary to create large and solid commercial houses, stimulate the creation of new industries and also to provide Portuguese merchants with an adequate education in commercial affairs, as he believed that they did not generally possess sufficient commercial knowledge. He also believed that state intervention was required in order to initiate and progress such developments (Marquis of Pombal, 1742). Marquis of Pombal (1742) further considered that the commercial success of France and Britain, in particular, and some other European countries was more directly related to the effective leadership and actions of statesmen, the economic policies



adopted and the creation of monopolistic trading companies, rather than to the entrepreneurship of merchants. Indeed, Marquis of Pombal (1742) argued that Portugal should create companies similar to the entities that were created in England, France and in The Netherlands.

On the ascendancy in 1756 to the position of Chief Minister, Pombal yielded supreme power, consolidated by enlisting into the government persons of his trust, while the King devoted his time to hunting and religious observances (Leite, 1982; Livermore, 1976; Maxwell, 1995). The authoritarian and sometimes ruthless character of Pombal was so strong that all subjects concerned with the administration of the nation, regardless of their rank, were assigned to his supervision (Chagas, 1867, pp. 543-4; Ribeiro, 1934, pp. 211-28; Schneider, 1980, p. 209). Notwithstanding his public duties, Pombal also conducted private business and, according to Ratton (1813, p. 140):

[...] he reserved Sunday mornings for the businesses of his house, in which he meet in the chamber of his control office, methodically organized with books that were prepared using the double entry bookkeeping system, with all the persons in charge of the administration of his properties and businesses.

Pombal's main actions in leading the country were influenced by "worldwide models" (Meyer *et al.*, 1997, p. 145) prevailing in Europe at that time, that is, by enlightenment ideals, and mercantilist[18] policies and by the experiences of several European countries based on his own observations and also those of other individuals (Marques, 1984; Serrão, 1996a, b), as evidenced in the following statements:

[...] I applied myself with all the care (as far as my small talents allowed) to choose the books that best taught Political Arithmetic[19], State Economy; and to study them as well as the commercial and navigation laws.

[...] these notions that I kept on my memory were the reason why he [the King] remembered me to become a Minister of State [...] (Marquis of Pombal, 1777, p. 257).

From his own writings, Pombal held a strong admiration for French public administration, particularly the actions of French Statesmen, as indicated in the following statements:

[...] lately France with the King Louis XIV having the help of the important Minister Jean Baptiste Colbert (facing the opposition against the novelties) made all the useful establishments of Commerce and Navigation, in what imitated all the others mentioned before [cities of Genoa and Venice, Hansa cities, The Netherlands, and England] (Marquis of Pombal, 1777, p. 256).

[...] and from all of this [talking about the French measures related with industry and commerce] came as a natural consequence all the measures that the King adopted (imitating the example that the King Louis XIV had practiced with Colbert), and made me the honour of serving him and help with my diligences to establish the manufactures and industries of this kingdom [...] (Marquis of Pombal, 1777, p. 298).

#### *Specific measures introduced during Pombalism*

Among the considerable number of key measures implemented by Pombal, which came to define and reflect the Pombalism phase of Portugal's economic and social development, are the following: the establishment of several monopoly trading

companies to be responsible for the commercial trade with the Portuguese colonies and within the country; the establishment of the Board of Trade (1756); advent of the School of Commerce (1759); the establishment of the Royal Treasury to organize public finances (1761); the abolishment of slavery in Portugal (but not in the colonies) (1761); the establishment of the College of Nobles to provide the children of the nobility with professional skills in government or in military service (1761); the reform of the army (1765); the creation of the first group of professors for public schools (1772); the reform of the University of Coimbra (1772); and the end of the distinction between “New Christians” and “Old Christians” (1773).

In order to implement all these measures and to reinforce the state’s power, one fundamental aspect to be managed was an improvement of the state’s finances. The increase of state income was to be obtained through a more efficient collection of public money (with the creation of the Royal Treasury with a centralized system of accounting, as will be discussed later, the reduction of smuggling, an increase in taxes) and through economic development (Fonseca, 2000, p. 703; Macedo, 1951). Through such initiatives and by following a mercantilist policy, Pombal endeavoured to develop commerce and industry in Portugal and to reduce imports and, as a consequence, to restrict the amount of gold that went abroad to pay for imported goods and, at the same time, to create a powerful class of Portuguese businessmen with the necessary skills and capital resources to compete with foreign businessmen (Macedo, 1971c, 1982; Maxwell, 1995, p. 67; Pedreira, 1995; Serrão, 1996b, pp. 191-205).

Among the different measures implemented by Pombal to stimulate industry and commerce were specific developments in accounting practice and education. One of these measures was the establishment of the Board of Trade by Royal Decree September 30, 1756, to help in the creation of new factories and to better organize commerce. Several factories were created under the supervision of the Board of Trade and, in at least a number of these establishments, DEB was adopted[20], sometimes with the help of foreign accountants from other European countries, who provided a means for accounting techniques and ideas to be transferred from one country to another (Carnegie and Napier, 2002, pp. 695-6, 700-702). Marquis of Pombal (1775, p. 246) confirmed that accountants were “ordered to come from Venice and Genoa, for an amount of *um conto de reis e três mil cruzados* of fees.” This is also confirmed by the Italian and French accountants who were at the service of the Portuguese monopoly companies and manufacturers[21].

Another important measure was the establishment of the School of Commerce, by Royal Decree of May 19, 1759, in order to improve the educational level of Portuguese businessmen[22]. The students were inculcated in commercial subjects, particularly arithmetic, algebra and geometry; exchange, weights and measures from different countries; Insurance as well as DEB system (Rodrigues *et al.*, 2004, p. 63). When the course graduates obtained work in different areas, such as in business houses as bookkeepers, or within commercial, military and religious establishments (Rodrigues *et al.*, 2004, p. 65), or in public organizations such as the Royal Treasury, they put into use the knowledge acquired through the formal education provided:

The school significantly improved the cultural level and technical knowledge of merchants, public employees and society in general [...] and became a very important stepping-stone to a career in commerce or the public service.

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as stated by Rodrigues *et al.* (2004, p. 64) and confirmed by the Letter of Law of August 30, 1770.

On addressing what was described as the “Colbert case”, Miller (1990, p. 323) stated:

Whilst the events that prompted these varied innovations may have been disparate, and whilst individually they doubtless served quite varied purposes, the key moment is that at which they are drawn together and deployed in the name of “the State”.

In the Portuguese case the key moment was the rise to power of Pombal who strived to transform and develop Portugal to the level of the most important nations in Europe. Indeed, in his own words, Marquis of Pombal (1777, p. 85) intended “to make the Portuguese Crown a powerful and brilliant one”. His wide ranging initiatives and actions were, however, controversial (Serrão, 1996b, pp. 19, 85; Serrão, 1982). Among other things, he has been described as the “Paradox of the Enlightenment” (Maxwell, 1995). Pombal’s leadership was described by one of his closest collaborators in the years after his demise as follows: “[Pombal] wanted to civilize the nation and at the same time to enslave it. He wanted to spread the light of philosophical sciences and at the same time elevate the royal power of despotism” (quoted in Boxer, 1969, p. 191).

### **The adoption of DEB at the Royal Treasury**

On its advent the Portuguese Royal Treasury became immediately immersed in the wider institutional environment upon which its existence depended and with which it was required to interact. The advent of DEB within organisations cannot be effectively studied in isolation of a consideration of these pressures.

As indicated previously, the adoption of DEB at the Royal Treasury is a unique case, since in Portugal the method was first adopted for central government purposes on the creation of a completely new organization, while in Spain and France in 1592 and 1716, respectively, DEB was initially adopted as a new method in a pre-existing organization. Established in 1761, the Royal Treasury superseded *Casa dos Contos* [Customs House][23] that was effectively destroyed by the Lisbon earthquake. The Customs House was perceived as inefficient and incapable of handling public monies without corruption (Rau, 1951; Azevedo, 1971; Santareno, 1998). In the aftermath of the earthquake it was regarded as essential to establish a new organization with improved accounting methods over those adopted by the *Casa dos Contos* (Azevedo, 1971; Rau, 1951; Santareno, 1998). Therefore, the Royal Treasury was able to apply new procedures and methods, such as DEB, without the usual tensions and difficulties that often apply when reforms of this nature are proposed for application in long-established organizations. By happenstance, the pathway for administrative reform of the Royal finances was smoothed by the creation of a completely new organization.

As mentioned earlier, in other countries, such as in Spain (Hernández Esteve, 1986) and in France (Lemarchand, 1999), the key accounting change was preceded by public discussion about the suitability of DEB for use in the public sector. In Portugal, however, the advantages of the method were evidently taken for granted. Despite extensive investigations, no evidence has been found to date of any public debate or discussion on the introduction of DEB within the new entity, including the identification of any perceived shortcomings on the technique’s adoption. The creation of the Royal Treasury, by the Letter of Law of December 22, 1761 (referred to hereafter as “the 1761 Law”), was intended to make more effective and speed up the collection of

Rents and, more generally, to assist in augmenting the wealth of the monarchy, as stated in the introduction to the 1761 Law:

[...] the establishment, conservation, and increase of monarchies [...] [is dependent upon] the regular, and exact collection of Rents, that constitute the public treasury; because without making effective and fast the collection of Rents, to be with the same effect, and promptly applied to their destinations [...]

[The Royal Treasury] is in reality public, and common; because not only the conservation of the monarchy in general depends on him, but even the daily maintenance of the State, and main persons of the Monarchy [...]

The introduction of the 1761 Law also contains a reference, without specifying any individual nations, to the example of the “Cortes Pollidas da Europa” (European civilized courts) that:

[...] went sometime ago through some bad experiences that diminished their strength [...] because of the division of the Rents in many items and in many offices, and because of the delay in the collection of money.

The Law also points out that the situation in Portugal was aggravated by the abuse of the different collectors of public monies. Accordingly, the objective of the new organization was to centralize collections and payments of rents, improve the efficiency of the means of collection and to rationalize all the procedures related with the public money[24]. With the establishment of the Royal Treasury, the King “decided to make his people enjoy the same benefits that at the present are enjoyed by the people of other European Monarchies . . .” (the 1761 Law). As stated later by Marquis of Pombal (1777, p. 20):

The objective in establishing the Royal Treasury was to create a public bank capable of paying the Royal expenses [...] To put in practice this important system it was necessary to use, in many parts of the Royal Treasury, the mercantile system observed in the houses of big commerce.

Although the creation of the Royal Treasury was intended to centralize the collection of receipts and payments and hence to enhance efficiency in the collection of public monies, no key technical reasons appeared to be prominent or publicly promoted in relation to the organization’s adoption of DEB from its formation. Importantly, the method was regarded as fundamental to the successful instigation of the new organization given the acceptance of DEB within prominent houses of commerce which, accordingly, conferred legitimacy on the method for central government administration purposes. According to Lemarchand (1999, p. 231), DEB was seen at the time as reflecting “the order kept between honest merchants all around the universe, among whom there is neither dispute nor fraud”. This serves to illustrate how “the technical advantages of double entry were subordinate to the symbolic ones” (Carruthers and Espeland, 1991, p. 55) and, accordingly, the method served a role in constructing an aura of legitimacy around the new organization.

Attention is now turned to the identification of institutional pressures on the Portuguese Royal Treasury in 1761 on its formation, with an emphasis on the external forces exerting influence on the organization’s adoption of DEB from that date and on the extent of application of the technique within the organization’s structure. The evidence gathered in this study shows that coercive pressures were particularly important in the adoption of DEB at the Royal Treasury. Notwithstanding, evidence of

decoupling in the application of the technique, as required by the 1761 Law at the Royal Treasury, is reported upon. Little evidence was found to confirm the existence of specific mimetic and normative pressures within Portuguese central government and, accordingly, such institutional pressures were found not to have impacted upon the adoption of DEB at the Royal Treasury, as will be further addressed later.

### *Coercive isomorphism: the 1761 Law*

The organization of the Royal Treasury was intended to centralize all of the state's payments and receipts of money, as previously mentioned, and to place such affairs under the supervision of one person, the *Inspector-Geral* (general inspector) of the Treasury, as shown in Figure 1. Considerable importance was attributed to the new accounting system to be adopted from formation and also to the individuals to be employed in applying the accounting method. As will be outlined (Figure 1), DEB was initially required by the 1761 Law to be adopted at the level of the four *Contadorias Gerais* (general control offices), while single entry bookkeeping was applied at the other different levels. Consequently, the government instilled coercive isomorphism by promulgating a letter of law that specified the method to be used and related implementation requirements to be applied in the accounting system of the Royal Treasury.

The 1761 Law established the structure of the Royal Treasury, as shown in Figure 1, and was written in different sections, that were described as titles, where the organization and functioning of the new entity was established, as summarized below:

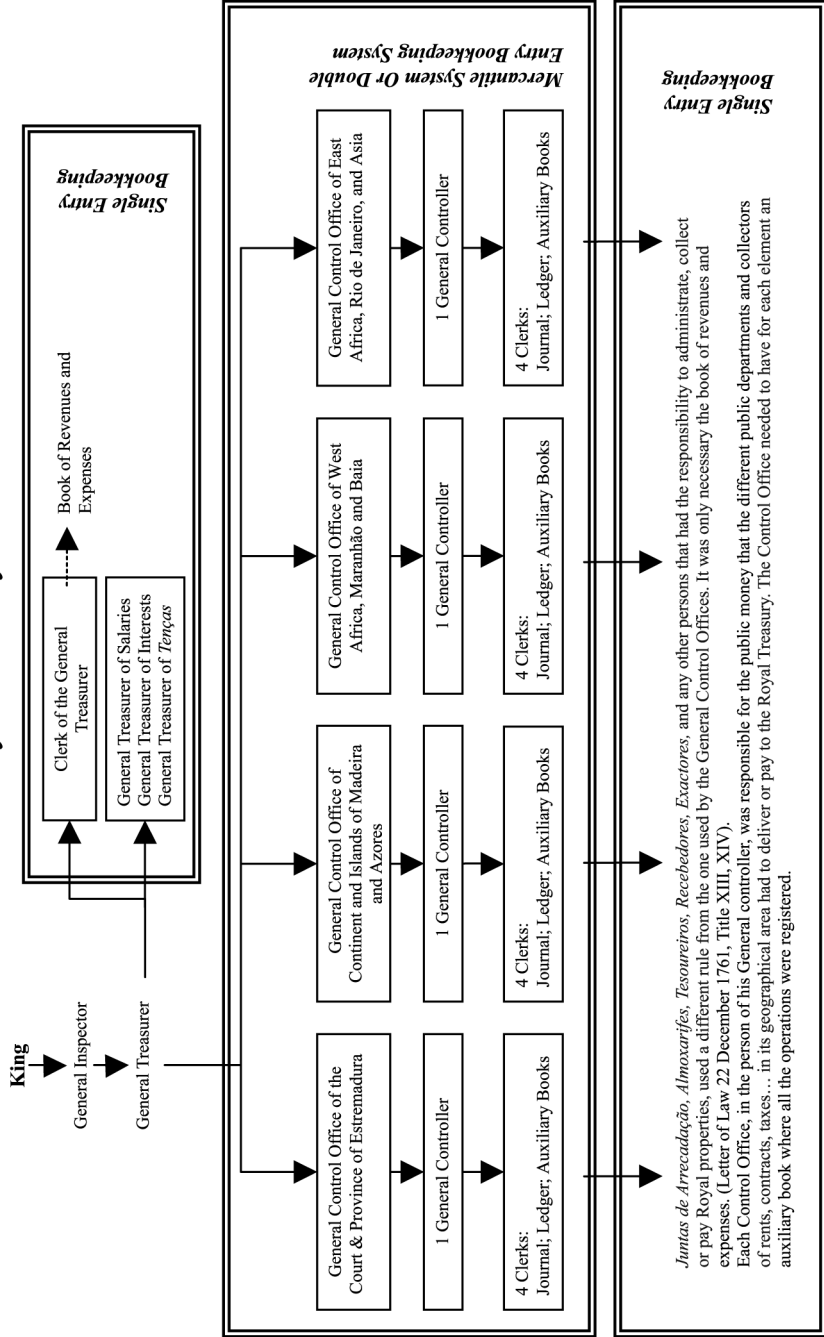
- The extinction of the Customs House and the creation of a General Treasury, as the collector and dispenser of public monies (Title I).
- The creation of the posts of *Inspector-Geral* (general inspector) of the Treasury, who would be the highest authority and would represent the King (Title II); *Tesoureiro Mór* (general treasurer), who would be the responsible for all the departments of the Treasury, and who had to present the financial situation of the treasury to the King weekly (Title III); and the *Escrivão do Tesoureiro Mór* (clerk of the general treasurer), with the function of registering, in the appropriate book, all the revenues and expenses (Title IV).
- The segmentation of the Treasury into four *Contadorias Gerais* (general control offices), in accordance with the exact division of the Empire, as shown in Figure 1[25].
- The creation of the posts of *Contadores Gerais* (general controllers)[26], one for each of the general control offices, and which should be filled by "persons who have the necessary skill in the mercantile calculation, who understand, and practice the keeping of the Books by Double Entry, and persons of trust . . ." (Title V).
- The advent of *Escrivários* (clerks), who should be:

[...] persons of trust, and instructed in the form, of writing clean, and orderly the mercantile Books by the mentioned method of Double Entry, without the necessity of being experts in the Art of keeping the books [...]

in order to support the general controllers (Title VI), and several other posts (Titles VII, VIII, IX, X).



### Royal Treasury 1761



**Figure 1.**  
Organizational structure  
of the Royal Treasury on  
its establishment

- The adoption of the DEB System was compulsory in each of the four general control offices of the Treasury:  
[. . .] the method for the collection [of public monies] should be the mercantile system [. . .] which at present is followed by all the civilized Nations of Europe, as the most simple and clear, and the most conclusive to organize the administration of the big amounts, without subterfuges (Title XII)[27].
- The compulsory elaboration of weekly summaries of the situation of the treasury, and balances of revenues and expenses, both semi-annual and annually (Title XV).

In summary, the Portuguese government exercised coercive pressures through its legislative power not only to require the Royal Treasury to adopt DEB but also mandated a knowledge and understanding of the technique for those holding senior positions within such organizations. As indicated above, DEB was regarded as the best method to be adopted since it was implemented by what was regarded as “all the civilized Nations of Europe” and it was considered as the most simple and clear method to organize the administration of the public moneys helping to prevent frauds (Title XII). The restricted use of DEB at the Royal Treasury is now addressed.

#### *Decoupling*

As mentioned above, DEB was only adopted within the four general control offices at the Royal Treasury. Within the 1761 Law, the objective was to emphasize the adoption of a recognized accounting method that was followed by the most developed nations in Europe and particularly by the large houses of commerce, but on introducing the method its application was restricted to the main four general control offices, therefore “decoupling operating processes from symbolic change” (Abernethy and Chua, 1996, p. 597)[28]. In view of the rationale outlined in Title XII for applying the method, the reasons for its restricted application, from 1761, are now considered.

Elucidation of the local, time-specific conditions is provided by reference to the instructions given in 1769 to Pernambuco, in Brazil, which contains the following explanation:

Although by the fundamental Law of the Royal Treasury, Title XII §1 has His Majesty determined that the method of collection was the mercantile, and in it the one of double entry, this Royal determination does not apply outside the General Control Offices of the same Royal Treasury: because in case of professors' death, those who were sent to all the collection houses, it would imply the suspension of the bookkeeping or it could otherwise continue with mistakes, and once these were introduced, they would cause greater confusion; and also because, applying this method gives a bigger expense, and it is not necessary to the accuracy of the accounts, and of the balances, that are sent to the Royal Treasury (AHTC, ER, Book 4233, pp. 152-3).

Furthermore, in 1770 a similar argument was applied in the instructions sent to *Ilha de S. Tomé e Príncipe* (Sao Tome and Principe islands, that is, another Portuguese colony at the time):

[. . .] because the mentioned double entry bookkeeping is an art, that cannot be practiced by all of the public offices due to the lack of teachers, and if wrongly used causes greater confusion; and also because it is not necessary to the accuracy of the accounts and balances of those public offices in which the incomes are small [. . .] (AHTC, ER, Book 5322, pp. 7-23).

The key factor to explain the restricted adoption of DEB at the Royal Treasury, based on these instructions, seems to relate to the relatively small number of people who had knowledge of, and experience in, the implementation and effective use of DEB. When Pombal was nominated General Inspector of the Royal Treasury, by Royal Decree of December 29, 1761[29], it was necessary to make part-time appointments to the positions of general treasurer, clerk of the general treasury, and general controllers, because of the limited number of skilled persons for the available positions. All the appointees were merchants who were permitted to continue to develop their private activity as businessmen (Pedreira, 1995; Ratton, 1813). The post of General Treasurer was filled by José Francisco da Cruz, who was a prominent merchant in the city of Lisbon and had been involved in the creation of the *Depósito Público* (public deposit) and who was administrator of the Grão-Pará and Maranhão General Trading Company, and Deputy of the Board of Trade. The post of Clerk of the General Treasury was filled by João Henriques de Sousa, who was also the person responsible for the implementation of the accounting system. He was, at the time, the first teacher of the School of Commerce, and also an inspector of the Board of Trade, as well as an important merchant in Lisbon. He became the General Treasurer of the Royal Treasury on May 31, 1781[30]. The initial General Controllers were António Caetano Ferreira, Baltazar Pinto de Miranda, Manuel Pereira de Faria, and Luís José de Brito. The first three were important merchants in the City of Lisbon (Pedreira, 1995, p. 164).

The restricted application of DEB at the Royal Treasury was consistent with the experience within central government elsewhere in Europe. In the case of The Netherlands the adoption of DEB had been confined to certain levels of its respective Royal Treasury since it was impracticable to give instructions in DEB to all the officials involved (Stevin, 1608; Ten Have, 1956, p. 244). Furthermore, in the case of France the method had not been implemented at the Royal Finances, as advocated by Colbert (1661-1683), prior to its first-time adoption in 1716 due to the lack of skilled persons with the knowledge to apply DEB (Barrême, 1721). When DEB was introduced at the French Royal Finances it was initially only applied in accounting for taxes and, from 1723, in accounting for expenses (Lemarchand, 1999) and, as indicated earlier, was soon after abandoned. Both Stevin (1608) in The Netherlands and Barrême (1721) in France confirmed that the lack of widely held skills and experience in using DEB had inhibited its widespread adoption within central government in these two countries. The shortage of specialised accounting skills in Portugal at the time contributed to the concentration upon DEB at the central administrative level only of the Royal Treasury in 1761. The School of Commerce had also yet to produce many graduates with the appropriate skills required to use DEB effectively at other levels within the organization. It would have been intended that such problems were to become less acute as the School of Commerce matured as an organization, thus releasing more graduates for appointment at the Royal Treasury and other organizations, both in the private and public sectors in Portugal. Decoupling was a key means by which the Portuguese government was able to ease the initial difficulties of implementing the new method due to the lack of knowledgeable and skilled persons on the adoption and use of the DEB system. It also assisted in alleviating the perceptions, as outlined in the instructions sent to the colonies, that the adoption of DEB would impose higher costs and was considered not to be necessary in ensuring

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the accuracy of the accounts (AHTC, ER, Book 4233, pp. 152-3), especially in those public offices where the income amounts were small or immaterial.

### Discussion and conclusion

This study examines a major instance of accounting change in European central government and is intended to augment the literature on the initial adoption of DEB in central government in Europe, in general, and in Portugal, in particular. During the second half of the eighteenth century, and especially following the Lisbon earthquake in 1755, the State appeared as a dominant element in Portuguese economy and society with a commitment to both encourage and impose the application of specific organizational procedures, both by private and public sector organizations. As indicated, the Portuguese State intended for Portugal to be, once again, among the most developed nations in Europe and, accordingly, adopted reforms to stimulate cultural and economic development. Accounting change was an integral part of certain major reforms that were adopted within central government and soon DEB became an institutionalized practice within Portuguese public administration following its first time adoption in the public sector at the Royal Treasury as a new central government agency that was formed for administering public monies.

The Royal Treasury was established in unusual circumstances under sweeping reforms initiated by Pombal immediately following the devastating Lisbon earthquake which not only destroyed the city but also effectively brought about the demise of the Customs House and virtually destroyed all of its records. The creation of the Royal Treasury, together with other measures, resulted in the centralization of the administrative structure. It also stimulated the advent of a loyal and competent bureaucracy, where the functions and qualifications for each function or post were specified, and the division of the governmental functions, all of which were characteristics of an enlightened government. Creating a new agency in the form of the Royal Treasury assisted in overcoming the problem of structural inertia and resistance to change that appears to have been evident in the case of the French fiasco manifest in abandoning DEB within ten years of its initial introduction in 1716. Notwithstanding, the Portuguese reforms in general were clearly concerned with modernizing the state, and were seen as an important step, among the others, for bringing the country closer to the most developed countries of Europe.

For a better comprehension of the reforms implemented at the beginning of the second half of the eighteenth century it is important to give particular attention to the role played by individual actors in that process. In the Portuguese case the actions implemented by the Portuguese government in the beginning of the second half of the eighteenth century were, as shown in this study, the collective result of the knowledge and experience as well as the determination and power of one key person – the Marquis of Pombal – who played a central role at all levels of Portuguese society as Chief Minister. Pombal, as a key “institutional entrepreneur” (DiMaggio, 1988, p. 15), possessed strong ideals and convictions of what actions were to be necessarily taken in order to develop the country to the level of the most advanced nations of Europe. His stay in London and elsewhere in Europe, combined with his readings, together with his particular interest in identifying the attributes which made other European nations become leading nations, were influential in stimulating a general process of

isomorphism, particularly from the time of his appointment as the country's Chief Minister.

Indeed, Pombal was the underlying force behind all the initiatives occurring between 1750 and 1777. To assist in facilitating this process, Pombal surrounded himself with a small group of important and influential businessmen, enlightened personalities, and public officials who shared his ideals to develop the country. His wide ranging reforms touched all sectors of the Portuguese society, from the creation of new industries, the establishment of monopoly trading companies, the introduction of educational reforms with an emphasis in increasing the commercial knowledge of Portuguese businessmen, as well as the adoption of reforms to public administration. Among the different measures implemented by Pombal were specific developments in accounting practice and education, such as the creation of the School of Commerce, where DEB was taught and the establishment soon after of the Royal Treasury where DEB was used on a partial basis, consistent with the notion of decoupling under institutional theory as explained earlier. As argued by institutional theorists, the power and support of important organizational actors, or even the opposition of such actors, affects the measures and practices that become institutionalized and, as shown, the power and support of Pombal were determinant in the accounting change witnessed in Portugal. As explained, Pombal himself held foreign books on accounting in his personal library and was familiar with DEB as the method was applied in his own private business (Ratton, 1813).

In addition, the study provides support for the view that the adoption and use of recognised accounting practices is associated with the quest for social acceptability and credibility. As shown to be important under the 1761 Law, the objective in creating the Royal Treasury was to centralize collections and payments of rents, to improve the efficiency and effectiveness of the means of collection and to rationalize all the procedures related with the public money (1761 Law, p. 2). The adoption of DEB was, therefore, intended to legitimize the new organization by constructing an appearance of rationality and efficiency, based on the fact that the method had been adopted by the most important business houses in the most developed European nations, thus acquiring a "taken-for-granted quality of institutionalized practices" (DiMaggio, 1988, pp. 4-5). It had also been applied in managing public finances within certain other central governments based, at least in part, on the perception of the method as an efficient and successful technology among businessmen (Hernández Esteve, 1986; Lemarchand, 1999; Vlaemminck, 1961). In fact, the apparent importance attributed by Pombal and his government to accounting practices and related knowledge seems to add support to the view that DEB assumed a pre-eminent role in reforms of public administration.

More specifically, the 1761 Law itself illuminates an appreciation that DEB was connected with a system of rational beliefs which underlined the method's adoption at the Royal Treasury. The rationale is related with the belief that the mercantile system was equally useful for public administration, as it was "the most simple and clear, and the most conclusive to organize the administration of the big amounts, without subterfuges," as argued by the 1761 Law (Title XII) and also by Marquis of Pombal (1777, p. 20) himself. It was believed that by controlling the collection of revenues and payment of expenses at the four general control offices and by adopting the DEB method, centralization would be effectively operationalised and maintained, thus avoiding the problems of the previous organization which was perceived as inefficient and incapable of handling public monies without corruption (Rau, 1951).



Furthermore, it was believed that the new DEB system would provide for better control of revenues and expenses through the preparation of regular summaries and balances of revenues and expenses, as ordered in the 1761 Law (Title XV). Such reforms were intended to assist in enhancing the wealth of the state. Hence, during the Pombalism phase in Portugal, accounting in the form of DEB became instrumental in serving the objectives of mercantilist policies of wealth accumulation by the state.

Furthermore, the study demonstrates that public sector organizations are vulnerable to institutional pressures and that the government employed coercive pressures in pursuing its ends. Although the three key designated forms of institutional pressures (coercive, mimetic and normative) are useful categories for understanding the actions of organizational actors, in the specific case of the Royal Treasury mimetic and normative pressures were not found to have impacted upon the adoption of DEB at the royal finances. At that time in Portugal, there was no organized accounting profession and, indeed, knowledge of DEB was sparse and was often introduced to specific settings in the private sector by visiting merchants and other travellers. In addition, the State did not play any formal role in the instruction of Portuguese in DEB until the establishment of the School of Commerce in 1759. This newly established educational organization was only beginning to produce graduates with knowledge of DEB at the time the Royal Treasury was formed. In addition, the non-existence of Portuguese language books on the subject until 1758 would not have assisted in the creation of any general moves from any emerging occupational group for the widespread adoption of DEB in Portugal[31]. Hence, normative pressures are not recognised in this study, based on the available evidence, as having been influential in the adoption of DEB at the Royal Treasury.

While this study has shown that DEB was known in Portugal as a suitable method of accounting in managing large commercial establishments, thus making it suitable for a new organization that was specifically formed to administer public finances, the study has not uncovered any evidence that the use of DEB in any signal European country for central government purposes prior to 1761 was influential in its adoption at the Portuguese Royal Treasury. This does not mean, of course, that the earlier use of DEB in certain European countries for central government purposes, even where it had been adopted and later abandoned, was unknown or considered unimportant in Portugal. Rather, the evidence gleaned in the conduct of this study indicates that the effective use of DEB within the private sector at the time was more significant than its earlier adoption elsewhere in Europe within central government. Hence, based on the available evidence mimetic pressures in the context of specific accounting developments within central government at Royal Treasury organisations in Europe do not appear to have been particularly influential in Portugal. However, the time distance from the events of 1761 to the time of writing acts as an impediment to obtaining and presenting pertinent evidence, based on the gradual depletion of surviving primary records across time, in identifying all the relevant influences on the Portuguese actors of almost 250 years earlier.

This study has shown, however, that mandating DEB and specifying the skills of those who would implement the new accounting system under the 1761 Law was an important process of coercive isomorphism exerted by the State. The study has also shown that decoupling was apparent and evidently necessary due to the relatively small number of Portuguese who were skilled at that time in using DEB. As also

shown, the pivotal role played by Pombal, notably the interplay between his views and actions, as elucidated, in the enactment of the 1761 Law was instrumental in this episode of accounting change in Portugal.

In conclusion, this case study has contributed to the accounting history research agenda in a number of ways. First, it extends and expands the literature on the initial adoption and use of DEB within central government in Europe, in general, and on the earliest adoption of DEB in central government in Portugal, in particular. Second, it broadens the application of institutional theory in accounting history research to a different country and to a different time period in the context of European central government. In the process, the collection of evidence of mimetic and normative pressures, as opposed to that of coercive pressures which are often more readily apparent to the history researcher, is argued to be increasingly problematic as the time span from the historical events subject to examination extends beyond mere decades to two or more centuries.

Third, by analysing the initial sequence of an “instance of institutionalization” (Lawrence *et al.*, 2001, p. 627) through which DEB became and remained diffused across the Portuguese public administration, the study highlights for Portugal the importance of individual actors, as powerful environmental agents, in making key decisions which influence the institutionalization of accounting practices and, by implication, create an environment that tends to restrict major changes in future years. Applying the principles of enlightened despotism, Pombal played a dominant role in reforms aimed at developing and strengthening Portugal’s mercantile capability. Accordingly, this study contributes to overcoming an important limitation identified in the work of early institutional theorists (Dacin, 1997; DiMaggio, 1988; Powell, 1991) and answers a call made by accounting researchers to give more attention to the role of individuals in a context of accounting change (Hopwood, 1974; Pihlanto, 2003).

Fourth and finally, the study provides further evidence of the importance of accounting as a system of rational beliefs through which the organizational structure is legitimized and of the state as an important agent in the process of institutionalization of accounting practices. The adoption of DEB was intended to legitimize the new organization by constructing an appearance of rationality and efficiency in response to the quest for social acceptability and credibility of the reforms implemented by the Portuguese government, particularly the creation of the new agency. Accordingly, it adds support to the findings of previous investigations of accounting developments within public administration in the eighteenth century that applied institutional theory (Carmona *et al.*, 1998; Carmona and Macias, 2001; Núñez, 2002). In Portugal, DEB was perceived as a successful practice among businessmen and, accordingly, was transferred into the public sector with the state “imprinting such practices as the *only* acceptable methods” (Carpenter and Feroz, 2001, p. 566, emphasis in original). This locally held perception may assist in explaining why no evidence was found of any criticism or debate about the use of DEB at the Royal Treasury from its formation in 1761.

This contribution may stimulate further avenues of enquiry on the nature and processes of accounting change in Portuguese central government. In particular, further investigation of the accounting practices at the Portuguese Royal Treasury from 1761 until it ceased to operate in 1832 is proposed. Such an examination may seek to assess the influence of the Royal Treasury on accounting development in public

administration generally within Portugal and in her colonies during this period. This study may also provide a ready model for use in conducting similar investigations in other countries in a bid to assist in the development of a literature on “comparative international accounting history” in the public sector (Carnegie and Napier, 1996, pp. 27-28, 2002).

## Notes

1. As already mentioned, this work draws upon new institutionalism in social science and, in particular, a branch which has made a mark on organizational theory which is closely associated with sociology (DiMaggio and Powell, 1991, p. 1; Tolbert and Zucker, 2003), also designated as “NIS” or “Neoinstitutional Theory in Sociology” (Scott, 2001). For a general discussion of institutional theories of organization (Zucker, 1987). Furthermore, see Scott (1987, 1995, 2001) for a discussion of the different forms of what has been referred to as institutional theory. For a discussion of the various organizational and sociological theories, including institutional theory, see Covalleski *et al.* (1996). For an overview of institutional theory and its relevance to accounting research, refer to Carruthers (1995) and Moll *et al.* (2006). For an overview of institutional theories in management accounting refer to, among others, Ribeiro and Scapens (2006) and Scapens (2006).
2. Institutional change became an important subject more recently among institutionalists and research has shown that “the weakening and disappearance of one set of beliefs and practices is likely to be associated with the arrival of new beliefs and practices” (Scott, 2001, p. 184).
3. Nonetheless, and according to Collier (2001, p. 466), “power is implicit, rather than explicit in much of the institutional literature.”
4. There has been a move from the restricted conception prevailing at the beginning of institutional theory, in which institutional processes worked in opposition to justifications based on efficiency considerations, to a widened understanding of institutional processes as shaping and interacting with efficiency considerations adopted in more recent studies (Scott, 2001, p. 135).
5. Such studies have been set in a number of countries including the USA (Bealing *et al.*, 1996; Carpenter and Dirsmith, 1993; Carpenter and Feroz, 1992, 2001; Covalleski and Dirsmith, 1995; Covalleski *et al.*, 2003; Eden *et al.*, 2001; Fogarty *et al.*, 1997; Siegel and Rigsby, 1998), Spain (Carmona and Donoso, 2004; Carmona *et al.*, 1998; Carmona and Macias, 2001; Núñez, 2002), the UK (Jack, 2005), UK and the USA (Power, 1992), Sweden and Norway (Bergevärn *et al.*, 1995), and also France (Bhimani, 1994; Touron, 2004).
6. Important scientific works, such as those of Galileo and Newton, were known in Portugal by only a small and clandestine intellectual community in the last years of the seventeenth century (Dias, 1972, p. 5; Fonseca, 2000, p. 642).
7. Absolutism can be defined as a form of government which is not hampered by parliamentary institutions, but there is the voluntary submission to laws and the acknowledgement of the rights of subjects (Maxwell, 1995, p. 158; Black, 1990, p. 329; Hartung, 1957). This form of government was adopted by the monarchs of most of the European states, except Poland, Britain and The Netherlands (Woloch, 1982, p. 1). Generally it is accepted that this political regime started in the second half of the fifteenth century and ended with the French Revolution in 1789 (Macedo, 1971a, pp. 8-14).
8. Usually, the Enlightenment period is comprehended as spanning the period 1650-1800 (Snyder, 1955, p. 7). The Enlightenment constituted an integrated cultural and intellectual movement, that represented “a tendency towards critical enquiry and the application of reason” (Black, 1990, p. 208; Coppieters, 1993; Gay, 1969; Hof, 1995; Israel, 2001; Mepham, 1988a, b).

9. This was reinforced by the fact that the Portuguese courts were not assembled between 1698 and 1821.
10. This paper was written by D. Luis da Cunha (1662-1740), who was at times the Portuguese ambassador to England, The Netherlands, Spain and France. He had close relations with Pombal and was a proponent of mercantilist and enlightened ideals and policies (Falcon, 1982; Maxwell, 1995). The exact date of elaboration of the paper, following the indications of the National Library, is unknown.
11. The Portuguese empire around this time included the Madeira and Azores islands, and territories in Asia, Africa and South America. Brazil was the largest and most important from all the Portuguese colonies (Livermore, 1976, pp. 208-09; Schneider, 1980, p. 7).
12. The expression “enlightened despotism” is usually used to describe the government of many European states in the decades before the French Revolution, in particular, the attacks on clerical power and privileges (especially those of the Jesuits), the support of religious toleration, the legal reforms, the abolition of torture, and the interest in educational reform (Black, 1990, p. 378; Bluche, 1968; Hartung, 1957; Hof, 1995; Macedo, 1971b, pp. 290-2). Hartung (1957) made the distinction between absolutism – a form of government, as indicated earlier, which is not hampered by parliamentary institutions, but where there is voluntary submission to laws and acknowledgement of the rights of subjects – and despotism which is equivalent to unchecked tyranny. In the opinion of Maxwell (1995, p. 158), Portugal was a hybrid case, described as “part-absolutist, part-despotic.”
13. Most of the city of Lisbon was destroyed, including the commercial centre of the city and most of the infrastructure related to commercial recordkeeping. The *Casa dos Contos* (customs house), the institution responsible for public finances before the establishment of the Royal Treasury in 1761, was destroyed as well as the documentation stored at this institution (Birmingham, 1993, p. 65; Mendonça, 1758, p. 129; Serrão, 1996b, pp. 27-33).
14. Between 1750 and 1755 the government was led by Pedro da Mota e Silva, as the Chief Minister. Pombal’s roles and actions, however, were influential as he participated actively in all the decisions and measures adopted, as occurred in the case of the establishment of the Company for Trade with Asia (1753) and, accordingly, he won the trust of the King (Serrão, 1996b, pp. 27, 36).
15. From the list of books that Pombal had in his library in London (Appendix) it can be seen that he had a significant number of books relating to trade and trading companies, along with books from important writers and thinkers of that period (such as Montesquieu, Voltaire, and Tomas Mun).
16. Pombal focussed on augmenting an understanding of the commercial relations between England and Portugal. This tendency is demonstrated in the paper *Relação dos Gravames* (Report on Grievances), authored by Pombal in 1741 while he was living in London. This provocative title reflects Pombal’s angst at economic exploitation by England. Marquis of Pombal (1741, Introduction) criticized the “unfair advantages the British enjoyed in Lisbon and Oporto, advantages for which, Pombal claimed, Portuguese merchants in Britain had gained no reciprocal privileges” (Maxwell, 1995, p. 7).
17. The period of time spent in Vienna was also important in the construction of Pombal’s thought (Serrão, 1996b, p. 22). Although Correia (1965, p. 96) concludes that it is not possible to say that the measures implemented by Pombal were a direct influence of his stay in Vienna, Pombal nevertheless had close contact with important figures in the government in Vienna.
18. Mercantilism is used to designate the set of doctrines, beliefs, theories and practices used to explain economic policies between the end of the fifteenth century and the end of the eighteenth century. Mercantilist policies were aimed at wealth accumulation by the State, especially through the accumulation of precious metals, and involved the effective use of

monetary policies (Chatfield, 1996b, p. 415; Coornaert, 1967, p. 239; Denis, 1974; Macedo, 1971c, pp. 271-5; Tinker, 2004, p. 460). Its dogma was based on State intervention in economic life that was intended to advance and reinforce the power of the State (Filios, 1983, p. 443; Mann, 1995).

19. For an understanding of the significance of "Political arithmetic" (Miller, 1986, pp. 86-8).
20. The Royal Silk Factory, which became state-owned in 1750, came under the supervision of the Board of Trade and was required by statute to adopt DEB (*Alvará* (Royal Decree) August 6, 1757, Estatutos da Real Fábrica das Sedas (Statutes of the Royal Silk Factory), point V).
21. The Grão-Pará and Maranhão General Trading Company (1755) employed a French bookkeeper, whose name was Darnaud, to apply the DEB system (Ratton, 1813, p. 181). Further, the Board of Trade (1756) employed an Italian merchant (Nanceti) as bookkeeper, who was succeeded by another Italian bookkeeper (Avondano), while the third appointed bookkeeper was a Portuguese who was a graduate of the School of Commerce (Ratton, 1813, p. 201). The Real Fábrica da Covilhã (Royal Factory of Covilhã) (1758) also employed an Italian merchant as bookkeeper, as well as Pedro Bray, a British manager (Serrão, 1996b, p. 194).
22. This school was part of a broad educational reform, both at the secondary and university level. The objectives of the reform were to bring education under the control of the state, secularize instruction, and standardize the curriculum (Carrato, 1977; Maxwell, 1995; Serrão, 1996b). Moreover, it is asserted that the School of Commerce is the first-known government-sponsored school to specialize in the teaching of accounting (Rodrigues and Craig, 2004; Rodrigues *et al.*, 2007, 2004).
23. The Customs House was the first Portuguese public organization responsible for the administration and supervision of the finances of the State, and was established around the end of the thirteenth or beginning of the fourteenth centuries. During the centuries some changes in the organization were introduced, but only in 1761, by the Letter of Law of December 22, 1761, was it formally disbanded (Rau, 1951). The accounting system adopted by the Customs House was the charge and discharge system (Paixão and Lourenço, 1999).
24. At the same time, by a Letter of Law of the same day, December 22, 1761, the *Conselho da Fazenda* (Royal Council), was reorganized. The intention was to concentrate in this institution the legal authority concerned with the collection and administration of royal properties, with jurisdiction to solve disputes and other problems that could arise concerning the collection and payments of the Royal rents, which were previously distributed by different offices. In the case of legal executions, the current accounts elaborated by the Royal Treasury were acceptable evidence for the Royal Council to take all legal actions.
25. Each of these general control offices was served by several *Juntas de Arrecadação* (collection houses), and other entities or persons with responsibility for the collection of public moneys. The *Juntas de Arrecadação* (collection houses) were the offices responsible for the administration, collection and expedition of all the matters related with the Royal Treasury at the colonies, promoting the effective collection of all the income administered by them or third parties (Paixão, 1998, p. 5).
26. The general controller was the person in charge for the Contadoria (control office), who was responsible for all dealings with the collectors under their geographical jurisdiction and who was required to prepare the account books by DEB.
27. The system was composed of one journal book, one ledger book and several auxiliary books for the different incomes: contracts, rents, rights or taxes (Title XV).
28. Such gaps in the application of procedures and methods within organizations may not be known to external parties who may mistakenly believe that the new techniques are applied generally and rigidly within subject organizations.
29. See AHTC, ER, Book 405, p. 44.



30. See AHTC, ER, Book 461, p. 410. The information available seems to confirm that João Henriques de Sousa acquired his knowledge of DEB while working with Italians and through books of instruction on the subject. It is known that he was sent by his father, at the early age of seven, to the house of a French tailor master (Michel Leboutoux) to be raised and educated, where he resided for five years. When his father died, Sousa, aged 12, was sent to work in an Italian commercial house in Lisbon that was owned in partnership by two Florentines, Enea Beroardi and Girolamo Paulo Medici (ANTT, *Habilitações para a Ordem de Cristo*, Letra J, Maço 25, no. 2). Sousa worked for this firm from 1732 to 1741, first as a clerk and then as a bookkeeper. Subsequently, he became bookkeeper of the Macau Company for a short period, after which he went to Buenos Aires to reside, staying there for about nine years. In 1755 Sousa returned to Lisbon where he was a businessman, becoming one of the most important Portuguese businessmen in that city (ANTT, *Cartório da Junta do Comércio*, Livro 372; Pedreira, 1995, pp. 164-7).
31. In Portugal the first book on DEB in the Portuguese language only appeared in the eighteenth century, by Bonavie, João Baptista, in 1758, *Mercador Exacto nos seus Livros de Contas* (exact businessman in his account books) (Amorim, 1968, p. 122).

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(The Appendix follows overleaf.)



Books	Source
Anon. (1719). <i>Testament politique du Cardinal Du de Richelieu</i> , Amsterdam	PBA 166
Anon. (1650). <i>Histoire du Ministère du Cardinal de Richelieu sous Louis XIII</i> , Paris	PBA 165
Montesquieu (1735). <i>Considerations sur les causes de la grandeur des Romains et leur décadence</i> , Amsterdam	PBA 165
Anon. (1684). <i>Testament politique de Jean Baptiste Colbert</i> , Haye	PBA 166
Anon. (1695). <i>Testament politique du Marquis de Louvois premier Ministre d'Etat sur le règne de Louis XIV</i> , Cologne	PBA 166
<i>L'Utopie de Thomas Morus</i> , Leide (1715)	PBA 166
Anon. (1739). <i>Institution d'un Prince; où Traité des qualités, des vertus et des Devoirs d'un Souverain</i> , Leide	PBA 166
Anon. (1736). <i>Essai politique sur le Commerce</i>	PBA 166
Anon. (1740). <i>Réflexions politiques sur les finances et le commerce</i>	PBA 166
Anon. (1718). <i>Mémoires sur les commerce des Hollandois dans tous les Etats et Empires du Monde. Ouvrage nécessaire a tous les Négocians</i> . Amsterdam	PBA 166
<i>Ordonnances de Louis XIV, Roi de France et de Navarre, sur le commerce des négocians et marchands</i> , Bruxelles, 1707	PBA 166
<i>Recueil des réglemens généraux et particuliers concernant les manufactures et fabriques du Royaume</i> . Paris (n.d.)	PBA 166
Dufrène de Francheville (1738). <i>Histoire générale et particulière des finances, où l'on voit l'origine, l'établissement, la perception et la régie de toutes les impositions</i> , Paris. (The history of the Indies Company is on the 3rd volume)	PBA 166
Anon. (1739). <i>Histoire du Système des finances, sous la Minorité de Louis XV. . . pendant les années 1719 et 1720. Précédé d'un abrégé de la vie du Duc Régent et du Sieur Law</i> , La Haye	PBA 166
Jacques Savary (1723). <i>Dictionnaire Universel du Commerce</i> , Paris	PBA 166
Jacques Savary (1726). <i>Le parfait Négociant</i> , Amsterdam	PBA 166
Jacques Savary (1742). <i>Dictionnaire Universel du Commerce: continué par le Frère de l'auteur</i> , Genève	PBA 677
Samuel Ricard (1723). <i>Traité Générale du Commerce. Augmenté par Henri Désaguliers</i> , Paris	PBA 166
M. de la Porte (1732). <i>La Science des négocians et teneurs de livres de comptes</i>	PBA 166
Véron de Forbonnais (1758). <i>Recherches et considérations sur les finances de la France</i> , Basle: Cramer	PBA 677
Anon. (1672). <i>Norte de la Contratation de las Indias Occidentales</i> , Sevilha	PBA 677
Irson (1692). <i>Arithmétique pratique et raisonnée</i> , Paris, 4 Vols	PBA 677
Paulo Paruta (1645). <i>Historia Vinetiana</i> , Vinetia	PBA 677
Anon. (1737). <i>Vie the Philippe d'Orleans, petit-fils de France, Regent dy Royaume pendant la minorité de Louis XV</i> , London	PBA 677
Boulanvilliers (1737). <i>Le Corte de Etat de la France, dans le quel on voit tout-ce qui regarde le gouvernement</i> . London	PBA 677
Barrême (1723). <i>Les comptes faits ou le tarif générale de toutes les Monnayes</i> , Paris	PBA 677
Barrême (1740). <i>Les livres nécessaires pour les comptables</i> , Paris	PBA 677
Barrême (1747). <i>L'Arithmétique ou le livre facile pour apprendre L'Arithmétique de soi-même</i> . Paris	PBA 677
[Larue] (1747). <i>Bibliothèque des jeunes Negociens, ou L'arithmétique a leurs usage</i> , Paris	PBA 677
Bonavie (1758). <i>Mercador exacto. . .</i> , Lisbon	PBA 677

**Table AI.**  
A descriptive list of  
books found in the library  
of the Marquis of Pombal

(continued)

Books	Source
Anon. (1732). <i>The Complete English Tradesman</i> , London, 2 Vols	PBA 677
Domenico Manzoni (1573). <i>Libro Mercantile ordinate col suo giornale ed alfabeto, per tener conti doppi al modo di Venetia</i> , Venetia	PBA 677
Jean Monier (1723): <i>Le Commerce rendu facile, ou l'arithmétique universelle des Négocians</i> , La Haye	PBA 677
Anon. (n.d.) <i>The Modern practice of Exchequer</i>	Caixa 33, reservados
Diderot (n.d.). <i>Dictionnaire des Sciences</i>	Box 33.
Voltaire (1734). <i>Lettres écrites de Londres sur les Anglois et autres sujets</i> , Basle	PBA 167
Thomas Mun (1700). <i>Tresor du Commerce</i> [England's Treasure by Forraign Trade], Paris	PBA 167
Josiah Child (1742). <i>A New Discourse of Trade</i> , London	PBA 167
Anon. (1720). <i>Advantages of the East-India Trade to England Considered</i> , London	PBA 167
Anon. (1741). <i>The Trade to India Critically and Calmly Considered</i> . London	PBA 167

**Sources:** *National Library, Coleção Pombalina, reservados, PBA 165*. Catalogue dès livres de Sabastien Joseph de Carvalho e Mello, envoyé extraordinaire de Sa Majesté le Roi de Portugal auprès de Sa Majesté Britannique. A Londres 1743; *National Library, Coleção Pombalina, reservados, PBA 166*. Catalogue où l'on trouve un secours dès livres politiques les plus remarquables qui on été composés pour l'instruction des ministres du cabinet, c'est-à-dire, ceux desquels on peut apprendre les maximes et observer les exemples pour faire qu'un Etat ait la prospérité, la richesse et la sûreté au-dedans et le respect et le pouvoir au dehors, par les moyens de l'encouragement et le l'augmentation des forces tant par mer que par terre, des sciences, du commerce et l'agriculture et la bonne administration des finances qui en proviennent . . ., Londres, 1743; *National Library, Coleção Pombalina, reservados, PBA 167*. Catalogue dès livres de Sabastien Joseph de Carvalho e Mello, envoyé extraordinaire de Sa Majesté le Roi de Portugal auprès de Sa Majesté Britannique, pour ce qui concerne l'Angleterre, son commerce interieur et externe, ses colonies, ses corporations, sa marine, sa navigation et ses finances, la constitution et la politique des Anglois, 1743; *National Library, Coleção Pombalina, reservados, PBA 677*. Cathalogo methodico de livros impressos; *National Library, Coleção Pombalina, reservados, caixa 33*. Cathalogo dos livros de que se compõe a Livraria antiga situada no Plácio de Oeiras, pertencente à Casa de Pombal

Table AI.

### Legislation

- Royal Decree September 30, 1756: *Estatutos da Junta do Comércio* (Statutes of the Board of Trade).
- Royal Decree August 6, 1757, *Estatutos da Real Fábrica das Sedas* (Statutes of the Royal Silk Factory).
- Royal Decree May 19, 1759, *Estatutos da Aula do Comércio* (Statutes of the School of Commerce).
- Letter of Law December 22, 1761.
- Letter of Law of August 30, 1770.

### Archives

- (1) National Library:
  - *Coleção Pombalina* (Pombal Collection), reservados PBA 165, 166, 167, 677.
  - *Coleção Pombalina* (Pombal Collection), reservados, caixa 33.

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- (2) *Arquivo Histórico do Tribunal de Contas* (AHTC) (National Audit Office Historical Archive):
- AHTC, *Erário Régio* (Royal Treasury), Book 405.
  - AHTC, *Erário Régio* (Royal Treasury), Book 461.
  - AHTC, *Erário Régio* (Royal Treasury), Book 4233.
  - AHTC, *Erário Régio* (Royal Treasury), Book 5322.
- (3) *Arquivos Nacionais da Torre do Tombo* (ANTT) (National Archives Torre do Tombo):
- ANTT, *Habilitações para a Ordem de Cristo*, Letra J, Maço 25, no. 2.
  - ANTT, *Cartório da Junta do Comércio*, Livro 372.

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