The interval between the preparation and the execution of the budget would thus be reduced to a minimum of eight or nine months:

> "We think that the result of this measure will be that on the one hand the budget will be prepared at a date nearer to the time when it will be put into operation, and on the other hand that its estimates will be more sincere." (Speech of the Minister of Finance, Chamber of Deputies, June 1, 1888.)

We see that both in 1888 and 1819[1] the same causes, viz.: the uncertainty or the lack of sincerity in the original estimates brought forth the same suggestions. The plan was passed by the Chamber of Deputies on June 1, 1888, by 287 votes to 228. In the Senate, however, following the example of the *Chambre des Pairs* in 1819, the Commission on Finances began to formulate decisions hostile to the proposed reform. Then the Assembly—following the advice of M. Léon Say, who reported on the budget after a short debate—refused, by raising the hands, to enter into the discussion of the article; thus no ballot was taken. (June 12, 1888.)

The principal objections which were formulated, however, have only secondary features.[2] As a matter of fact, nobody

[1] It has been set forth both in 1888 as in 1819 that an improvement of the "method of work" was the thing looked for. "There is only one difference, so far as parliamentary work is concerned, between the year which begins on January 1 and the year which begins on July 1: this difference is that in the first instance the vacations fall in the second half of the year, while in the second instance they are transferred to the beginning of the year. In the first instance the vacations interrupt the study of the budget at the most decisive moment; they involve a loss of time which is always necessary to get the work under way after a long interruption; the vacations leave only two and a half months of continuous work instead of five months which are interrupted but a brief while by the Easter holidays, these five months extending from January 1 until June 30." (Report of M. Camille Pelletan, Deputy, May 28, 1888.)

[2] In 1888 as well as in 1819 politics played the principal part in the discussion of this financial question. The very moment that this suggestion came from a radical Ministry the party opposing it combated it with closed eyes without seeming even to comprehend its importance.

The newspaper *Le Temps* wrote as follows: "This question could have suitably occupied the leisure time of the Byzantines at the time that Byzantium probably had a decadent budget. . . . The com-

000,000 in 1911. These sums were used for railways, posts and telegraphs, roads, canals, rivers and harbors, neighborhood roads, military buildings, army, etc. As we see, almost all branches of the service avail themselves of the extraordinary budget. Submitted and voted separately, with no connection with the ordinary budget, but so drawn as to be carried forward from one fiscal period to the next,[1] the Belgian extraordinary budget has all the objectionable features of the institution,[2] and it would be dangerous in a country less wisely administered than Belgium.[3]

The Practice in Japan: Japan could not very well be reproached for failing to keep within the scope of the ordinary budget the expenditures of its stupendous and rapid expansion. Since its war with China, in 1881, Japan has had an extraordinary budget, which is increasing from year to year. There are many indications, however, that she does not ignore the merits of budgetary unity. In the meantime, in order to avoid the excesses which its system involves, Japan never provides the ordinary budget with funds through loans. Quite to the contrary, the surpluses of fiscal revenues invariably form the first item of extraordinary resources, amounting at times to 200,000,000 francs or more; nowadays this surplus is much less. Special accounts segregated the expenditures of the war with Russia.[4] For 1911-1912, the budgets show the following figures:

Ordinary expenditures,	1,058,000,000	francs
Extraordinary expenditures,	409,000,000	"
Grand total,	1,467,000,000	francs

[1] In France the power of carrying forward, which was first admitted by the law of 1878, was taken away from the extraordinary budgets in 1882 because of resulting abuses, obscurities and difficulties of control.

In Belgium, on the contrary, this power of carrying back still exists, resulting for 1905 in an amount of 111,916,000 francs carried forward as the balance of 1903 and 1904; in 1907 167,000,000 francs carried forward, the balance of 1905 and 1906, etc.

[2] See on this subject the above mentioned work of M. Ernest Dubois under the title, *Etude sur le système belge en matière de budget de l'Etat*, 1904.

[3] Thus Belgium appropriates for the expenditures of her extraordinary budget the surpluses of her ordinary budget, amounting frequently to quite considerable sums.

[4] The debit side of the account relating to the war with Russia now exceeds 5,000,000,000 francs.

collector of finances; the receipt issued by the latter is the only thing they submit to the chief collector, together with the memoranda and the accounts substantiating their receipt. The chief collector turns over to the collector of finances the amount of his own fiscal collections and the proceeds of his sales of monopolized products, in case he is a bonded storekeeper.

As far as the registration is concerned, the collectors go direct to the special collector's office, because there is no intermediate officer of their own administration in whose hands the funds can be centralized. The collectors of posts and telegraphs, as subordinate agents, also turn in the total amount of their collections.

Details of Making Collections: All collections, regardless of their source, in every district, enter the treasury of the special collector, who gives to each person who turns in money a counterfoil receipt. This receipt—in order to be valid and constitute a claim against the Treasury, according to the law of April 24, 1833,[1] had to be signed and detached from its counterfoil by the prefect or the sub-prefect within twenty-four hours. This provision was abrogated by the law of December 24, 1886, because the officers of the prefecture or of the sub-prefecture were not always on hand to execute their *visés;* hence the control worked badly and at times caused a deal of trouble to the parties trying to obtain such signature. The counterfoils are now kept at the collector's office, and are later turned over to the public accounting bureau. The loose-leaf is handed to the party making the payment.

The Three Functions of the Special Collectors

After the accountable officers receiving money have thus duly turned over their collections, we need bother with them no longer, as their function is terminated. We must now follow the funds deposited in the collector's office until they reach the central Treasury. Let us begin by specifying the hierarchical position of the special collectors, who are the first to receive these funds.

[1] The control organized by the law of April 24, 1833, already provided for, however, by the decree of January 4, 1808, and by the ordinance of November 18, 1817, which fell into disuse, was caused by the "deplorable abuse of confidence discovered in the beginning of 1832," avowed the deputy submitting the law of 1833; this deplorable abuse of confidence is known under the name of the *Kessner deficit.*

PREPARED UNDER THE DIRECTION OF

FREDERICK A. CLEVELAND, PH.D.

THE BUDGET

BY RENÉ STOURM

MEMBRE DE L'INSTITUT
PROFESSEUR A L'ECOLE DES SCIENCES POLITIQUES

A TRANSLATION
FROM THE SEVENTH EDITION OF *LE BUDGET*
(*COURS DE FINANCES*), PARIS, 1913

THADDEUS PLAZINSKI
TRANSLATOR

WALTER FLAVIUS McCALEB, PH. D.
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INTRODUCTION BY
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FOREWORD

As the title page of this book indicates, the translation was made by Mr. T. Plazinski. The manuscript came to me for editing only, and while I have modified the text extensively, it is still that of the translator. My changes have mainly dealt with the expression and not the sense, and only where some question was raised has the text been rigidly checked. Those who are experienced in the matter of translations know that many variations may flow from a single phrase—almost as many as there are translators. Hence this infirmity of language should be borne in mind by those critically inclined.

Although much care has been taken in its preparation, the editor feels it is his duty to say frankly that he is not satisfied with the translation of this notable book. However, this could hardly be otherwise, for no translation is ever entirely satisfactory. Even if the sense of the author is not missed on occasion, the spirit of the work defies all attempts to encompass it.

It was no light task to render into English the six hundred and twenty pages of "Le Budget"—even leaving out of consideration the difficulties presented by the text. In the first place, M. Stourm wrote with the evident design of telling a story of institutional development, largely designed for a French audience. While his story is instructive, even entertaining, not infrequently the details render it difficult to get a clear view of the broad principles at work and of the conclusions reached.

In faithfully following the text, not infrequently matter was included which, from the viewpoint of its use to American readers, might well have been omitted. The form of the discourse is also preserved. For instance, M. Stourm has occasionally lapsed into the first person, but we have not ventured even to vary this form of his narrative. We have felt that it was not for us to attempt to change his mode and manner of expression, to shape his meaning in phrase of our own, but rather to adhere to his structure and to express his meaning as nearly as we might—at all times feeling it a duty to make this clear to an English-speaking and particularly to an American-reading public.

With this clear task before us, at times we have despaired, and the shade of this despair has been dark enough. The difficulties of rendering official and technical French into the English language, barren of corresponding terms, can be appreciated only by one who has attempted it. When there have been added to this the mysteries of French idiom, a combination has been established well-nigh defying the ingenuity of any translator. Doubtless we have at times missed the exact meaning. For all these errors we can but crave the indulgence of both author and reader.

Just a word on the technique: We have been compelled in some cases to adopt French terms for which we are without equivalents in English, as, for instance, *département, cour des comptes, taxes assimilées, ordonnateur,* etc. We feel that here we have ample warrant for our course. Also we have followed M. Stourm's italics almost without exception and in those cases we have used quotation marks. We have, too, burdened our text with French official or technical terms and phrases, in parentheses, which appeared to us as possibly necessary for the student who might wish to pursue further the subject. There are a number of bracketed addenda and footnotes which, with a few exceptions, were supplied by Dr. Frederick A. Cleveland, under whose general direction the translation was undertaken, who, also, took occasion on nearly every page to leave the marks of his excellent judgment. While effort was made to locate all citations, some of them were hopelessly lost in foreign archives and we were forced to adopt the expedient of again rendering into English what M. Stourm had converted into French, a perilous venture at best. Where it has been necessary to do this the half quotation mark has been used.

Another liberty has been taken: To make the book conform to the style of the series, "Studies in Administration," we have introduced marginal sideheads, and revised the chapter synopses to follow these and the main heads of the chapter subdivisions. On account of delays and interruptions in the foreign mail service, it has appeared unwise to attempt to submit these to the author for approval before publication.

WALTER F. MCCALEB.

INTRODUCTION

The translation of M. Stourm's "Le Budget" into English is timely and significant. All about us are signs of increasing interest in finance and budget making. The amount of literature on these subjects already available in the United States is proof that American students and publicists are aware of their importance. Moreover, philosophizing is being followed by action. Even if the protests of the taxpayers had not become an impelling force in the direction of budget reform, the difficulties of the legislators in meeting the rising cost of government would have prepared them for a revision of their obsolete methods. The work has already been begun in a tentative and halting way. Evidences are to be found in the Maryland budget amendment of 1916 and in the recent legislation of New Jersey, Minnesota, Nebraska, Illinois and New York. In response to the outcry against waste and extravagance in government, four of the national parties in 1916 declared in favor of some measure of budget reform. Politicians most vociferous in their defense of practices discredited in every other civilized nation are beginning to admit that all is not well. Observant leaders in Congress and state legislatures are aware that the day of thorough-going reconstruction cannot be postponed much longer.

At such a season, it is fortunate that citizens who are taking thought about the matter now have at hand M. Stourm's excellent treatise on the art and practice of budget making. It is an admirable supplement to the first volume of this series, which deals with English methods alone.[1] With a scholar's respect for historical foundations, the author describes clearly and pertinently the leading steps in the evolution of modern fiscal devices. And yet, being essentially practical in his purpose, he gives his attention mainly to a systematic analysis of budget-making processes and to the formulation of concrete answers to the innumerable questions which must arise in the minds of those who are seriously interested in developing the most effective methods of preparing estimates of appropriations, consolidating and reviewing requests, shaping legislative procedure in fiscal matters, and securing administrative control over spending officers.

[1] "The Financial Administration of Great Britain."

In addition to being timely, M. Stourm's treatise is of special significance for the United States. In many ways the experience of France has been more akin to that of the United States than has the experience of England. The first French republic was established only a few years after the Declaration of Independence. Indeed the famous convocation of the Estates General, which really opened the French Revolution, was in the spring of the very year that saw the first inauguration of Washington. That Revolution, like the American uprising, took the form—at least so far as government was involved—of a revolt against executive authority. In France and the United States we do not find, as in England, a gradual evolution of democracy in which the executive or budget-formulating branch of the government was subjected to legislative control. In those countries there was a sudden and determined revolt against kingly government and a violent overturning of the authorities against which democratic control asserted itself. In this overturning, executive authorities were supplanted entirely by representatives of the people —the branch of the government which was designed for deliberation, rather than action, because the very idea of an executive had become associated in the minds of the people with cruel and irresponsible rulers, with oppressive taxation and arbitrary administrative practices. Louis XVI was forced to call the Estates General because his extravagance and inefficiency had brought his government to the verge of bankruptcy. For lack of support, the institutional retaining walls gave. Then came the deluge. The Third Estate, exasperated beyond measure and taught by experience to distrust royal promises, subjected the crown to legislative dominion and then in a short time overthrew the monarchy altogether. Arbitrary executive management of finances having failed miserably, by a chain of reasoning acceptable to the masses, legislative management was substituted for it.

This, too, was what was done in the United States. When the official representatives of George III were driven out, the people resorted to the legislature as the palladium of democracy. The representative body could do everything. In some states even the term "governor" was not used because it savored of royal despotism. The French and American "fathers" wisely determined upon securing liberty at any cost. And they so planned their institutions—giving little thought to things needful to make the government efficient. In fact one of the purposes to be achieved was inefficiency so far as the executive was concerned.

In the French Constitution of 1791, as in the American Constitutions, the dominant note was the defense of the individual against governmental interference. Historians have recorded how American state constitutions were translated into French and widely circulated in Europe on the eve of the great French uprising, and no one can doubt that they profoundly influenced French thinking. The remedy for the evils of state which the people at that time suffered was thought to be a constitutional declaration of rights and legislative supremacy. A government endowed with power to act speedily and effectively was regarded as dangerous to individual liberty. Insecurity of persons and property was associated with arbitrary government in the eighteenth-century mind. There seemed to be more promise for mankind in weakness than in strength. Moreover, before the age of steam and corporate enterprise, the philosophy was sound enough, although there were grave difficulties in the way of consistent practice. In the century which followed the Revolution, political power in France shifted unsteadily backward and forward between the legislature and the executive, until at last there was established a ceremonial presidency and responsible cabinet government.

For citizens of the United States there are many lessons in the French struggle to reconcile strong administration with popular control—to establish strong leadership and to safeguard democracy. First in this country came the reaction against arbitrary executive power, so strong that the legislature took over the work of administration as well as of legislation. M. Stourm tells us of the efforts of the assemblies of 1789 and the following years—directed not alone to securing the right of approving or disapproving the acts and proposals of a responsible executive, but to conducting the actual administration of public offices and of finances in general and in detail. It is not necessary to criticize this development. It is important rather that it should be understood. Having suffered from the undoubted evils of an arbitrary monarch, the Third Estate bent its energies to the inhibition and then to the destruction of his authority. When once this was done, however, the French people found that they had government by irresponsible committees instead. Thus Mirabeau, the great leader in the transformation of the Estates General into the National Assembly, finding himself surrounded by a hungry crowd of representatives, was forced to exclaim, "I never hear anything but that . . . we must have more."

It must be conceded that the popular assemblies which took the place of the absolute monarchy contributed much to democracy but little to efficient administration. The wickedness of despots was overborne, but other evils sprang up. In the place of the king's favorites at the "pork barrel," there were the hungry politicians from the provinces. Without questioning the immense and enduring services of the French Revolution to democracy, one cannot help observing that the burden of extravagance and waste thrown upon the nation can hardly be said to have been lightened.

When the revenues failed to cover expenditures, the assemblies resorted to paper money. As American boards of aldermen issued fifty-year bonds to pay the cost of ordinary government, so the French assemblies issued legal tenders to meet current bills. M. Stourm observes: "When the *assignats* came into use, every calculation, every provision for the future, and in a word every idea of the Budget plan, disappeared. What was the use of bothering about a balance when the paper revenues would most assuredly balance the expenditure?" By inflation and numerous borrowings, the French statesmen were able to cover their ever-growing extravagance and escape the day of reckoning. Those familiar with the course of American financial history will have no difficulty in drawing parallel illustrations of their own.

Having destroyed unity and responsibility in the government, the French made the individual members a law unto themselves by permitting them to introduce without limit measures carrying charges upon the treasury and to use the power of trading to force through their special and local demands. "In France the deputies until recently," says M. Stourm, "had the power of proposing individually and at will any increase of expenditures and any reduction of revenues. The initiative of the Parliament in the matter of the Budget was coincident with the initiative of the Executive which was thus proportionally reduced. From this resulted two great abuses: An open door for ill-advised action and destruction of the equilibrium of the Budget, the first causing the second. Ill-advised action was inevitable from the moment each deputy was permitted to set forth on the floor his reasons for asking an increase of expenditures or for a reduction of revenues, according to his individual opinion or in behalf of his constituency. Such pleadings, studied with particular care by their authors, masterfully presented, often with passion, stood a good chance for influencing the Assembly. In a general way, however, it should be noted how matters of taxation or public expenditures treated separately and without regard to balance became misleading. A suggestion to increase the appropriation for some branch of service in need, to increase the salaries of subordinate employees insufficiently paid, or to increase the pensions of former servants of the State or those of poor members of mutual aid societies, etc., to make an appeal to the generosity of the heart or patriotic pride of the auditors, is an easy way to achieve an irresistible success."

In the matter of legislative procedure upon appropriation bills, the French experience for a long time paralleled that of the United States. When the King was overthrown, Parliament began to do its work through committees. Thus responsibility for expenditures was transferred from the King to the assembly and from the assembly to the committee room, each committee becoming a small legislature with almost absolute authority over the business committed to it. Parliament was reduced to the level of a mere ratifying body. Committees became jealous of their powers. If a member resisted action of a committee of which he was not a member, he jeopardized not only his personal measures, but also those of the committee upon which he served. Debate upon measures thus became as futile as in the New York State legislature. Although within recent years, as M. Stourm points out, there have been many modifications in committee government and although attempts have been made to adjust it to the necessities of executive leadership and efficient administration, there are still remnants of the old decentralization that remind us of the American system.

In M. Stourm's record of the development of the appropriation bill, the reader will likewise find many passages that seem familiar. In the early days the appropriation bill in France embraced only one item. Gradually the legislature resolved upon a higher and higher degree of itemization until at last it undertook to list in advance hundreds of petty details which should have been left to executive discretion. In reading these chapters from French history we are constantly reminded of President Wilson's illuminating treatise on "Congressional Government."

It must not be thought that this system was without its opponents even among early French parliamentarians. But reform was long postponed. Expenditures steadily mounted and the public debt increased to alarming proportions. At length men of financial experience, like M. Ribot, declared that the right of private members to initiate money bills enabled the most active and the noisiest rather than the most deserving to reap the benefits. Finally some very interesting changes, duly reported by M. Stourm, were introduced. The executive, that is, of course, the responsible cabinet, was enabled to take the initiative, and individual members were deprived of the right to exercise functions which should be attached to acknowledged leadership. But France did not go the whole length and adopt the British practice in this matter. As M. Stourm observes, "This attempt to make the executive responsible for initiating the Budget has been resisted until there is little prospect in the near future of the principle obtaining the support which it deserves. The only thing that can be done is for the practice to remain as at present and for the modification referred to above to render such service as it may, until a wave of economy gives it a broader application."

Slowly in France the idea was evolved also that the business of the nation should be handled as a whole in a broad and intelligent way. It then became necessary to break down little monopolies of committees and administrative bureaus and to bring all revenues and expenditures under review as a single national plan. M. Stourm relates the history of this effort and of the opposition on the part of the bureaucracy—legislative and administrative. In going through these pages, one imagines that he is reading a description of American legislatures and administration. It was found during the reform movement in France that institutions and divisions of government which had long been receiving appropriations as a matter of course had grown to regard their revenues as private property and were unwilling to surrender any part of their incomes or even to give a full accounting of their own operations and the uses to which their funds were put. Millions of francs were hidden away in little side pockets of the administration and it required all the ingenuity and determination of statesmen driven to desperation by financial distress to break down the system of special funds and continuing appropriations.

The one thing that seems necessary, in M. Stourm's view, to perfect French practice is to follow the lines of English experience to their logical conclusion. He gives it as his personal opinion that England has outdistanced all other nations in financial management. He especially commends the spirit and purpose of the British rule of 1706, which places the responsibility for the initiation of appropriation measures solely upon the executive branch of the government, and deprives the House of Commons of the power to add to the demands made upon the treasury by the executive. In passing, it is interesting to note that M. Stourm has ancient and honorable authority for his view. More than a century ago that famous Minister of Finance, Necker, said: "The National Assembly made a mistake by requiring its committees to give an account of the condition of finances. This is a mission which the National Assembly should have left to the chief of the Department of the Public Treasury, reserving only to the commissioners appointed by the Assembly the right of revision and control of the accounts."

It is not necessary to cite further parallels in order to show that M. Stourm has a distinct message for this country. In closing, however, it is worth while to call attention to another outstanding feature of his volume. In these pages we find how inadequate is the notion, entertained in many quarters in the United States, that a complete budget system can be installed by a brief act of the legislature providing for executive preparation and submission of estimates.

As the New York Bureau of Municipal Research has properly warned us:[1] "It might as well be said, once for all, that a budget system involves fundamental executive and legislative practices, carefully devised accounting methods, adequate expert service, efficient record keeping and work reporting—in short, all of the processes of good management. This is so in England, it is so in Germany, it is so in France, it is so in Japan, in Canada, and in every country where a budget system is in operation, even though there are, of course, certain differences in procedure. It involves an abandonment on the part of the public of the traditional attitude that the treasury exists for the satisfaction of local needs. It involves the training of public servants equipped to operate a system based on sound business principles. Whoever expects, therefore, to rush a 'budget bill' through the coming legislature and to see an immediate revolution in finances is destined to be disappointed. Advocates of a budget system have before them a season of scientific research into accounting and reporting methods, civil service practices, public works management, cost measurement and record keeping. Moreover, they have before them a long campaign of public education." M. Stourm's volume is an eloquent commentary on the complexity of the budget-making process.

CHARLES A. BEARD.

May 11, 1917.

[1] See No. 80 of "Municipal Research."

AUTHOR'S PREFACE

This new edition makes no change in the arrangement of subjects previously adopted, and contains exactly the same number of pages as the edition of 1909. Have there been no changes in budgetary history and ideas during the past four years? If this were the case, it would be rather surprising. The changes which have been made consist primarily of the progressive development in practices, good or bad, already indicated; on the one hand, there has been an increase in expenditures, and on the other, greater strictness as to formalities [procedure] has been observed—two things which seem in a sense to contradict one another.

Expenditures—already alarming in 1889, 1891, 1896, 1900, 1906 and 1908, as shown in an impressive way by the extracts from the prefaces printed below—in the last few years have shown new and considerable increases. The budget for 1913, without speaking of unavoidable additional appropriations and excluding the expenditures for Morocco and other regrettable items, reached the figure of 4,664,000,000 francs. This exceeded the most pessimistic anticipations. Everybody is disquieted but helpless—the Minister of Finance, the budget commissions, speakers, writers, and undoubtedly the whole country, although the manifestations are not sufficiently outspoken.

The thing which most perplexes the cautious mind is the impossibility of discovering anything on which to base a hope for the future curbing of these excesses. In the last resort, the evil might be endured, as France is financially strong, if this condition had been brought about by a specific expenditure or through the operation of a limited program to be concluded within a given period of time. But nothing is limited and nothing is temporary in the multiplied increases of appropriations constantly granted to the ministers, the total of which is huge—disbursals we should hesitate at calling waste but which certainly do not deserve the term economy. Grave events alone will some day put an end to these destructive practices, leaving to us, however, the burden occasioned by the irreparable errors of the past.

Unfortunately, neighboring countries encourage this constant increase of expenditures by their example, which example, however, is conservative. In England, the evil is restricted to expenditures for the Army, the Navy, and for social betterment—the limits of which may soon be reached. The plague of additional appropriations, which in our country [France] affects all the ministries, occurs in England only in exceptional cases, as for instance, in connection with the Navy in July 1912. As a rule, at the year's end the Chancellor of the Exchequer regularly renders accounts showing *disbursed* expenditures lower than the amounts actually *voted.* We are not considering in this connection the large amortizations practiced in connection with the English public debt, which is smaller than ours, nor do we include surpluses of revenues by which the budgets are very materially supplemented. The statistics of German finances, of the Empire as well as of the individual States, show considerable increases of appropriations and of debt since 1871. During the past few years, however, the total of extraordinary expenditures has decreased materially. Furthermore, regardless of the degree of intensity of the budgetary development in these countries—much more recently and much less heavily indebted than ours—we discover in them the existence of considerable taxable resources available in case of necessity, not found elsewhere. As yet the budgetary levies have not exhausted the taxable substance.

The second phenomenon, the development which has kept pace with increasing expenditures, lies, as has been stated, in greater strictness of budgetary regulations (*formalités*). It is obvious that strict regulations do not succeed in checking the rising tide of expenditures, but they guarantee the order, the clearness, and the regularity of budgetary operations. This means much, much more than the public at large realizes. It follows that officials charged with carrying budgets into effect commit no error. All ministers of finance, executives reporting to commissions, speakers, members of the legislature, understand this fact so well that they address themselves with zeal, as we have mentioned elsewhere,[1] to the task of setting up regulations to prevent abuses. This struggle, which characterizes the present epoch, has doubled in intensity during the last few years. Not only did the law of July 13, 1911, specify and widen the functions of comptrollers of expenditures appointed to all ministries, but the decrees of May 13 and August 31, 1911, organized the machinery to make the reports of the *Cour des Comptes* (Court of Accounts) effective, and to prevent the criticisms made in its annual reports from becoming dead letters. The decrees above mentioned have had the approval of all the members of the Cabinet.

Another decree of August 31, 1911, approved in the same way, requires that the comptrollers of expenditures appointed to all the ministries shall meet every three months at the office of the Minister

[1] See our article, "L'armature des budgets," in the *Economiste Français* for June 8, 1912.

of Finance, under the chairmanship of the director general of public accounts. Finally, the decree of October 6, 1912, sets in motion the machinery of special control (an interministerial commission)—composed of the ministries of War, the Navy, the Colonies, the Interior, and Finance—which is to focus its attention on the execution of the budget and to examine into the question of regularity and conformity with the votes of the legislature, under the high authority of the Minister of Finance.

The present tendency, then, is to place the ministers—issuing payment vouchers and therefore acting primarily in a disbursing capacity—under the control of the Minister of Finance, who will naturally strive to be economical because he alone is responsible for the equilibrium of the budget. Generally speaking, the program followed with new vigor during the past few years may be recapitulated as follows: Maintenance of the unity of the budget, improvement of its plan, supervision of dark corners and of divided interests, avoiding confusion as between revenues and expenditures, struggling against additional appropriations, against waste, or rather against plunder and against annulments, compelling the disbursing agents to observe scrupulously the decisions of the legislature, carefully guarding credit commitments, closely supervising the carrying into effect of the budget, compelling the agents engaged in this service to render accounts. This is pretty nearly the list, more congested than ever, of matters contained in the present book, which is devoted exclusively to the description of regulations, stripped of illusions as to their possible influence upon the growth of expenditures. The expenditures grow because the legislature wants them to grow. No regulation of itself can possibly prevent this growth. In the wisdom of the legislature lies the only hope for the country.

Regulations, however, prepare the way for wise legislation. They warn the chambers of infractions which have been ascertained, of irregularities and mistakes committed, thus enabling them either to continue in their course or to reform. Beyond this, matters are set out in order and clearly, so that the country may know the condition of its affairs and something of the road on which it moves with the attendant dangers. Finally, the regulations, accompanied by their commentaries, distinguish between the good and the bad, the success and the failure of every measure, on the basis of past experience, marking the reefs on which foundered in former times the argosies of finance, the emergency measures that were used, the causes of periods of prosperity, the origins of new regulations, the examples of neighboring countries. Already a certain degree of wisdom has been displayed, making possible the assembling of regulations which may prove susceptible of bringing about such results, and of teaching such lessons. Possibly we shall then be excused for having devoted to their study a book of 620 pages, particularly if this digest of regulations shall be followed by a spontaneous and real outburst of wisdom on the part of the legislature, which shall finally restore a reign of economy.

Bercenay-en-Othe,
November, 1912.

Extract from the Preface of the Sixth Edition

. . . .

On two occasions, in 1789 and at the end of the Directorate, the finances of the country sank into chaos, with nobody able to strike a balance. Today, however, sharp lights disclose the blind progress of the budgets toward a future of expenditures without limit and of taxes, without measure, but the balance sheet of the present public wealth, if it had to be made, would be absolutely correct. The scientists of the future will not need to glean imaginary figures in order to reconstruct it.

Such a statement, including the excessive expenditures, would disclose abnormal and rather alarming characteristics. It is like a too well-kept road, too smooth, too level, which tempts the audacious traveler to exaggerate his pace, to rush at top speed toward the unknown, without possibility of foreseeing the end of his foolish race. Thus, the formal budgetary restrictions seem to have become the accomplices of the abuses of which we are the witnesses. However, one cannot reproach them for only partially protecting us, nor accuse them of abuses which they only try to curb. Their merits, on the contrary, stand out clearly against the evils just mentioned, which grow out of the confusions arising from disorganized finances. Chaos, the forerunner of ruin, is their primordial enemy, and it is already a big task to preserve the budgets from chaos. As long as one sees clearly, it is possible to avoid the reefs most to be dreaded. Furthermore, is it not possible that some day, under the inspiration of this vision, the country may finally become aware of the perils of its extravagances and, while there is time, return to the sane practice of economy? This would mean a real triumph for the budgetary restrictions. The latter, by the way, have only the most honest purposes; their fault is temporary lack of results. Who can number, however, the many ignored cases in which their modest activity prevented or mitigated the evil? Why, therefore, should one lack the courage to extol them, to show the details of their scientifically complicated mechanism, to recall their origin, to expose to the light their reason for existence and the salutary mission they have to fulfill?

Bercenay-en-Othe,
November, 1908.

Extract from the Preface of the Fifth Edition

. . . .

The idea of economy, notwithstanding its small success in the budgets of the State, lies at the bottom of the French mind. But, while in our country individuals economize with obstinacy, the representatives of these very same individuals, charged with their collective interests, abandon themselves to extravagance with equal obstinacy. The actual totals of the French budget for 1906 exceed 3,700,000,000 francs, without speaking of future additional credits [appropriations].

Here would seem to be a case for discouragement, for abandonment of praised principles which appear to lack opportunity of application, but there are motives which not only oppose but urge perseverance.

January, 1906.

Extract from the Preface to the Fourth Edition

. . . .

In 1896 the French budget plan for 1897 with its 3,387,000,000 francs looked enormous compared with the 3,150,000,000 of 1890. During this period of seven years, the expenditures increased 230,000,000. We termed it an "alarming phenomenon." This phenomenon does not cease to recur; and its very persistence renders it more alarming.

. . . .

We attempted last year, in an article in the *Economiste français*,[1] to calculate what our budgets are likely to be about the middle of the century. At the present rate of increase the 3,500,000,000 francs of 1899 would be doubled in 1947.[2] The figures of 1901 already exceed

[1] *Economiste français* for December 16, 1899: "La Restauration financière."

[2] Here is given a table of the estimates of future budgets cited in that article:

Budget of	1900	3,500,000,000	francs
" "	1901	3,552,500,000	"
" "	1902	3,605,800,000	"
" "	1910	4,060,800,000	"
" "	1915	4,374,400,000	"
" "	1920	4,713,400,000	"
" "	1925	5,076,800,000	"
" "	1937	6,069,300,000	"
" "	1945	7,055,500,000	"

the prediction. Shall this be the case to the end? Taking the average, it is to be feared that the figures will be found to be right. If, therefore, the budgets of France should, in the middle of the century, really reach 7,000,000,000 francs, what is to become of the taxpayers? . . . The fable of the man, proud of carrying a young steer the weight of which finally overwhelmed him, is sufficiently familiar.

September, 1900.

Extract from the Preface to the Third Edition

The French fiscal system, even if casually approached, looks formidable enough to inspire prospective reformers with respect. Shaped by the Revolution and by succeeding régimes for nearly a century, its waves of progress and retrogression shown in the course of this volume, form particularly encouraging symptoms. . . .

Everything has an end, however, even the good humor of the taxpayers. And from one moment to another conditions may set them in opposition. Accordingly, we entertain no illusions as to believing that the present régime of increasing expenditures can continue indefinitely. Let us be satisfied in knowing that we have more of forbearance than our neighbors can possibly claim for themselves, and that, notwithstanding the heavy budgets, which are forced upon us by dangerous conditions, the marvelous regularity in the payment of taxes may, after all, indicate that we are willing to show our patriotism by substantial monetary sacrifices.[1] But let us acknowledge that the moment has arrived—it arrived long ago—for changing the method.

September, 1896.

Extract from the Preface to the Second Edition

The abolition of the budgets of extraordinary resources has just been accomplished in France, thus making the first step toward the unity of the budget. One can hope, therefore, soon to see the guaranty of interest in the text of the ordinary budget, as the budget plan for 1892 proposed to include guaranties of interest on the railways of Algiers. But, for the time being, our budgets still consist of four parts, not totaled up (instead of five parts as in former times), and their operations remain obscure and entangled. Additional appropriations, after the excessive ones of 1881 to 1885, appear to have been

[1] See our article, "Le Trésor de Guerre," in the *Revue de Paris*, for March 1, 1896.

checked two years ago. Today, the tendency again to increase manifests itself and the nature of the demands again becomes alarming.

In England additional appropriations are nearly unknown. Two years ago Mr. Goschen stated, with a justified feeling of pride, that he did not have to ask for a supplement during the fiscal year 1887-1888. The year 1890-1891 balanced with a surplus of revenues of 43,-900,000 francs; while 162,500,000 francs had been used for the amortization of the public debt. This is undoubtedly a situation to be envied.

. . . .

Italy, owing to her heeding of sound principles, has already succeeded in emerging victoriously from her former difficulties. About 1880 she appeared to reach a sound basis of prosperity. Let us hope that Italy's faith in the fiscal rules may be rewarded, if she but persist in following them.

. . . .

In the United States public expenditures, particularly appropriations for military pensions,[1] developed in a disturbing way. In 1878 the number of veterans from the War of Secession drawing pensions did not exceed 223,000. Since then they have multiplied, their number today reaching about 538,000; they draw annually in pensions 533,000,000 francs; it is estimated that they will impose on future budgets a burden of 800,000,000 francs. The American Treasury is perhaps the only one in the world which could stand such a drain.

. . . .

The present revolution in Chile resulted wholly from the conflict which arose over finances between the chief executive and the legislature. In July, 1890, in connection with the bill for revenues, certain difficulties of a constitutional nature suspended their collection for three weeks throughout the country. On January 1, 1891—as President Balmaceda put into execution on his own authority the budget of expenditures, which the chambers had refused to vote—the partisans of Congress appealed to arms and gave the signal for a general uprising.

August, 1891.

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[1] "The most menacing specter today endangering the security of the Government and the happiness of the people is the brazen and mischievous extravagance in our public expenditures. I believe this to be the most monstrous offspring, born of governmental perversion." (Speech of Mr. Cleveland, quoted in an article of M. Moireau, in the *Revue des Deux Mondes,* of July 1, 1891.)

AUTHOR'S PREFACE

Extract from the Preface to the First Edition

Of the three divisions of the program: Budget, taxes, and extraordinary resources, only the first, the budget, forms the subject of this book.

The experiences of my administrative career have been of great help to me in my work. Having had a close view—in the office of the general inspector of finances, in the cabinet of the Minister of Finance, in the office of the secretary general, and in the administration of indirect taxes—of the operations of the machinery of the budget under various aspects, I have thought to support my work as frequently as possible, by examples drawn from practical experience, in arriving at my deductions in the science of finance.

Besides, the road in this direction has, for a long time, been officially traced. Beginning with 1871-1872, M. Paul Leroy-Beaulieu began his course in the *École des Sciences Politiques.* Then he wrote his two volumes, *Traité de la science des finances,* which are generally known. Even today his pupils recognize no financial writer other than their first illustrious teacher. Anyone who comes to lecture before them must strain himself to imitate M. Paul Leroy-Beaulieu, if, while lecturing, he does not wish to hear them turning the pages of the work which everyone consults on these subjects.

M. Paul Leroy-Beaulieu occupied the chair of finance at the *École des Sciences Politiques* from 1871-1872 until 1880. After him, the chronological list of professors contains the following names:

M. Alfred de Foville, 1879-1880 to 1883.

M. René de Laboulaye, 1883-1884.

M. Léon Say, 1884.

Such predecessors have rendered difficult my task. From the bottom of my heart, I must express my thanks to my attentive and loyal students with whom at all times I have endeavored to sympathize; finally, to their director, our eminent director, M. Boutmy. He has guided me from the first, and made me accept—with show of gratitude on his part, a rare thing—advice of which I was sorely in need.

September, 1889.

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(1)

form of threat—the possibility of invoking the *douzièmes provisoires.*[1]

It is doubtful whether in themselves the *douzièmes provisoires* really deserve such absolute condemnation. Are they not condemned, in the first place, because they are introduced irregularly and hastily, without due consideration? Let them become a regular institution and perhaps we shall be able to appreciate them. This is what their advocates claim, basing their contentions on the example of foreign countries; an enthusiastic supporter has gone so far as to say: "Only in savage countries, like Turkey, are *douzièmes provisoires* unknown." (Chamber of Deputies, Session of December 15, 1887.)

Votes on Account in Belgium

It must be admitted that certain countries live very happily under the régime of the *douzièmes provisoires.*

Belgium's Experience

Chapter IV has already indicated how, by this means, Belgium succeeds in bringing the date of the preparation of the budget closer to the date of its execution. As the result of long experience, the budgetary procedure f Belgium has transformed the *douzièmes provisoires* into normal institution. Our neighbors vote only the budget of ways and means before December 31, and also occasionally the budget of *non-valeurs* and of reimbursements. Then, in the course of the fiscal period, the Minister of Finance suggests, as a customary thing without objection or astonishment, the series of *douzièmes provisoires* in order to finish the discussion and the vote on the budgets of the various ministries. This discussion is prolonged during the first months of the year and closes in August or September.

Certain Defects

This system, although made regular, is still not perfect, because the revenues are voted as early as December and the expenditures which these revenues are designed to meet are sanctioned very much later. In order to maintain the equi-

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and finally, taken with enthusiasm, they applauded the Government's action." (New outburst of laughter.) "Well, I repeat, it is time that the jokes cease and I hope that they are not going to be told us again!" (Chamber of Deputies, Session of December 15, 1891.)

[1] A deputy who was driving straight for the purpose he wanted to achieve, suggested the suspension of the salary of the members of the legislature for as many months as the number of *douzièmes provisoires* they had voted. (Bill No. 416, November 27, 1906.)