

The Compte rendu au roi: transparency as a weapon

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

In 1781 Necker published the *Compte rendu au roi* [Account rendered to the King], a document presenting the state of the kingdom's finances.¹ It was the first time that a minister had made public, in an accessible form, the revenue and expenditure of the monarchy. The document was a considerable success and sold in large numbers. It presented an ordinary budget in surplus, which reassured the state's creditors.

The *Compte rendu* has attracted much criticism. It showed only ordinary expenditure, leaving out the extraordinary expenditure connected with the war, which was financed by borrowing. The surplus it displayed therefore gave too favourable a picture of the financial situation. Historians have debated Necker's good faith and the exact significance of his figures.²

The initiative nonetheless marks a turning point. By publishing the accounts, Necker made public opinion a participant in the finances of the state. He used transparency as an instrument of confidence, to facilitate borrowing, and as a political weapon, to strengthen his position against his adversaries at court. Those adversaries, irritated by his reforms and by the publicity given to court expenditure, secured his resignation shortly afterwards.³

The *Compte rendu* offers a lesson that reaches beyond its own time. Financial transparency strengthens the confidence of creditors, provided that it is complete. Selective transparency, which presents the favourable figures and omits the others, may reassure for a while, but it exposes its author to a loss of credibility when the reality comes to light. Contemporary standards for the presentation of public and private accounts, and the disclosure requirements imposed on issuers in the financial markets, aim precisely to guarantee complete and comparable transparency.

Caution. The *Compte rendu au roi* shows both the power and the limits of transparency. A partial publication of accounts may support credit in the short term while preparing a crisis of confidence once the omitted commitments come to light. Investors who finance a state or a company must therefore examine the exact scope of the information published.

Necker returned to office in 1788, in a far graver situation. The monarchy was on the verge of bankruptcy, and the convocation of the Estates-General had been decided. His dismissal in July 1789 provoked the unrest that led to the storming of the Bastille, and he was immediately recalled. He was unable, however, to master the financial and political crisis, and he left the ministry for good in 1790 to retire to Coppet, on the shores of Lake Geneva, where he died at the beginning of the nineteenth century.⁴

1 Notes

1. Dictionnaire historique de la Suisse (DHS) [Historical Dictionary of Switzerland], article “Necker, Jacques”: *Compte rendu au roi* published in February 1781; Wikipedia (en), “Jacques Necker”: the *Compte rendu* made France’s budget public, “a novelty in an absolute monarchy where the state of finances had always been kept a secret”. ↩
2. Encyclopædia Britannica, article “Jacques Necker”: the *Compte rendu au roi* (1781) purported to demonstrate a budget surplus by leaving war expenditure in the shade; the controversy led to Necker’s dismissal in May 1781; Calonne revealed in 1787 the existence of a considerable deficit, contradicting the claims of his predecessor. ↩
3. Dictionnaire historique de la Suisse (DHS), article “Necker, Jacques”: Necker “was obliged to resign in May” 1781. ↩
4. Dictionnaire historique de la Suisse (DHS), article “Necker, Jacques”: recalled in August 1788, “dismissed on 11 July 1789”, “recalled on the 15th”, he “resigned in September 1790” and retired to the château de Coppet (acquired in 1784). ↩

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