

Public Expenditure Financing in the Colonial Treasury: An Analysis of the Real Caja de Buenos Aires Accounts, 1789–91

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The Problem

THE financing of public expenditure by the colonial treasury of the Río de la Plata is a matter almost neglected in the specialized literature, which indirectly advances the idea that expenses were only met by available funds. There is virtually no discussion of how these obligations were met when funds did not exist.¹ It is known that forced contributions from merchants and forced loans from other official treasuries, for example, the *cabildo* and *consulado*, were used to meet extraordinary expenditures such as those arising from the British invasions of 1806–7 and the revolution of May 25, 1810; however, the problem of meeting short-term deficits due to a lack of synchrony between the rhythms of current expenditures and fiscal tax collection has not been studied.

In order to analyze the public expenditure financing mechanism in this latter case, I have chosen the *cartas cuentas* of the Buenos Aires Royal Treasury (Real Caja de Buenos Aires) from 1789 to 1791. The reason for my choice was to point out some accounting particularities that modify Herbert Klein's income and expenditure estimates for the Viceroyalty of

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1. We refer mainly to José A. Terry, "Contribución a la historia financiera de la República Argentina," *La Nación* (Buenos Aires), May 25, 1910, p. 60; Ricardo Levene, *Investigaciones acerca de la historia económica del virreinato del Río de la Plata* (Buenos Aires, 1962), pp. 418–455; Herbert Klein, "Structure and Profitability of Royal Finance in the Viceroyalty of the Río de la Plata in 1790," in *HAHR*, 53 (Aug. 1973), 440–469; and Tulio Halperin-Donghi, *Guerra y finanzas en los orígenes del estado argentino (1791–1850)* (Buenos Aires, 1982), pp. 25–50, 73–117.

the Río de la Plata in 1790. I did not intend to reproduce his analysis of its profitability on the basis of new data but to show how *cargo* (entries) and *data* (outlays) of each account included transfers to and from other accounts of the same *cartas cuentas* (ledgers), with the subsequent inflation of the grand totals of income and expenditure. As revealed by the analysis of such transfers this was the usual way to meet short-term deficits, and afterwards, long-term ones as well.

The Accounting System

From 1785 to 1788 the ledgers of the Caja de Buenos Aires were kept under the double entry system.² The *Instrucción práctica* for the *Nuevo método de cuenta y razón para la Real Hacienda de las Indias* was approved by the king on May 9, 1784, and on April 20, 1785, the Tribunal de Cuentas de Buenos Aires was ordered to keep the accounts in accordance with it.³ But on October 25, 1787, a Real Orden mandated a return to the old system. This was done in the Viceroyalty of the Río de la Plata through a provision from the Superintendencia de Real Hacienda dated March 10, 1788. The double entry system was still applied to the Caja de Buenos Aires ledgers of 1788 and to those of Salta until 1790.⁴

The previous system was reestablished for obscure reasons, and the change provoked some opposition.⁵ According to it, entries were carried to the *cargo* and outlays to the *data* of each account, but they were not balanced; and not all entries had their counterpart in another account of the same ledger. There were three categories of income in the ledgers, drawn according to the destination of the funds: *ramos de hacienda en común* ("common treasury funds"), *ramos particulares de Real Hacienda* ("Royal Treasury special funds"), and *ramos particulares ajenos* (funds not belonging to the royal treasury itself). Current public expenditure was met from the first category alone; incomes belonging to the other two

2. On the establishment of the double entry system, see Pedro Santos Martínez, "Reforma a la contabilidad colonial en el siglo xviii (el método de partida doble)," *Anuario de Estudios Americanos* (Seville), 17 (1960), 525–536.

3. The *Instrucción Práctica* has been published in *Revista de la Biblioteca Nacional* (Buenos Aires), 4:14 (1940), 267–319; the order to the Tribunal de Cuentas is in Archivo General de la Nación, Buenos Aires (hereinafter AGN), IX–25–4–9.

4. AGN, Biblioteca Nacional, leg. 298, no. 4770.

5. The Peruvian viceroy maintained the double entry system until 1790 (Archivo General de Indias, Indiferente General, 1712; and AGN, Biblioteca Nacional, leg. 340, no. 5614). On the old system, see Martínez, "Reforma," pp. 525–528; and also Héctor José Tanzi, "La contaduría de Buenos Aires y la instrucción de 1767," *Revista del Instituto de Historia del Derecho* (Buenos Aires), 19 (1968), 267–280. A wider but nontechnical description of the accounting system is found in María Encarnación Rodríguez Vicente, "La contabilidad virreinal como fuente histórica," *Anuario de Estudios Americanos* (Seville), 23 (1966), 1523–1542.

categories had a previously determined destination and could not be used to meet expenditures other than those specified by law. While accounts in the second and third categories always used the same *cargo* and *data* headings to indicate entries and outlays, first category accounts did not use the same headings for *cargo* and *data*, except in the case of four accounts. Income entered through the first category accounts formed a common fund to meet several different expenditure accounts, which for their part had no distinct *cargo* (such as salaries, administrative expenditure, army supplies, and so forth).⁶

The Financial Device

Mechanism

The three accounting categories in which the accounts were grouped established differences in the availability of funds and in their rate of expenditure, which was much faster in the common treasury fund than in the other two categories. The link to a previously fixed destination of funds in the second and third categories turned them into a reserve to which the Royal Treasury could have recourse in order to meet deficits in the first category. As a great deal of the income of the Caja de Buenos Aires—70.2 percent in 1790—came from Alto Perú, the transfer of funds from slower accounts of the second and third categories to the common fund provided the cheapest resource to maintain the flow of payments until the Upper Peruvian *situado* arrived. These transfers—loans without interest—amounted to 543,000 pesos in 1790 and 570,000 pesos in 1791, with reimbursements being made to their source accounts of 100,000 pesos in the first year and 753,000 pesos in the second. There was a special account in the first category to deal with these transfers—known as *extraordinarios* up to 1790, and *Real Hacienda en común* from 1791 onward. The transfers were entered in the *cargo* of this account as *suplemento* from another account and the reimbursements in *data* as *reintegro*. Therefore, according to its role, this account had *cargo* and *data*, as the four first category accounts already mentioned.

6. For a description of every account in the three categories, see Gaspar de Escalona Agüero, *Gazophilacium Regium Perubicum*, 3d ed. (Madrid, 1775), pp. 93–302; and Fabián de Fonseca and Carlos de Urrutia, *Historia General de Real Hacienda*, 6 vols. (Mexico City, 1845–53). For shorter and less detailed descriptions, see Levene, *Investigaciones*, pp. 428–443; and Klein, “Structure,” pp. 444–447 (see also Appendix I, pp. 458–461, even though second and third category accounts are listed together as *Ramos particulares*). The four accounts of the first category that had *data* were *media annata*, *pulperías*, *papel sellado*, and *otras tesorerías*—outlays due to payments to tax collectors in the first three cases and to the *situadista* in the last (AGN, XIII–14–2–4).

TABLE I: Buenos Aires Royal Treasury: *Cargo* and *Data* by Category, 1789–91 ('000 pesos)

	1789		1790		1791	
	a	b	a	b	a	b
<i>Cargo</i>						
<i>Real Hacienda en común</i>	1750.0	1688.0	1709.1*	1166.1*	2176.2	1561.1
<i>Particulares de Real Hacienda</i>	204.7	204.7	125.3	125.3	502.6	205.6
<i>Particulares ajenos</i>	225.3	225.3	319.9	219.9	686.2	176.2
Total	2180.0	2118.0	2154.3	1511.3	3365.0	1942.9
<i>Data</i>						
<i>Real Hacienda en común</i>	1599.0	1599.0	1888.0**	1701.7**	2117.7	1364.7
<i>Particulares de Real Hacienda</i>	198.3	136.2	242.4	104.4	437.1	163.1
<i>Particulares ajenos</i>	128.2	128.2	673.1	268.1	584.4	189.4
Total	1925.5	1863.4	2803.5	2074.2	3139.2	1717.2

Note: a) including financial transfers

b) excluding financial transfers

*deducting *descuento de buenas cuentas*

**deducting the *cargo* entry of *descuento de buenas cuentas*

Source: AGN, XIII-14-2-3 and XIII-14-2-4.

Facts

The *cargo* and *data* totals for each category are summarized in Table I, including (column *a*) and excluding (column *b*) these financial transfers. This table displays the extent to which the *cargo* and *data* totals offered by the ledgers were altered by financial transfers. Actual income for the first category is 3.5 percent, 31.8 percent, and 28.3 percent lower in 1789, 1790, and 1791 than the respective *cargo* totals of the ledgers. For the same years, actual income for the three categories is 2.8 percent, 29.8 percent, and 42.3 percent lower. Meanwhile, actual expenditure belonging to the first category does not suffer any alteration in 1789, but is 9.9 percent and 35.6 percent lower in the subsequent years; and actual expenditure for the three categories is 3.2 percent lower in 1789, 26.0 percent in 1790, and 45.3 percent in 1791.

The financial transfers to and from *extraordinarios* and *Real Hacienda en común* are shown in Table II. This table displays the second and third category accounts advancing the funds to and being reimbursed from the special account of the first category. The exception to this flow is an ad-

TABLE II: Buenos Aires Royal Treasury: Financial Transfers in *Extraordinarios* (1789–90) and *Real Hacienda en común* (1791): Advances and Reimbursements.
(‘000 pesos)

Account advancing the funds and being reimbursed	1789		1790		1791	
	a	r	a	r	a	r
<i>Producto de azogues</i>	—	62.1*	—	86.3**	45.0**	—
<i>Reales novenos</i>	—	—	40.0	—	70.0	70.0
<i>Cruzada</i>	—	—	—	—	25.0	25.0
<i>Vacantes menores</i>	—	—	45.0	—	40.0	85.0
<i>Medias annatas eclesiásticas</i>	—	—	8.0	—	8.0	16.0
<i>Mesadas eclesiásticas</i>	—	—	27.0	—	26.0	53.0
<i>Represalia de ingleses</i>	—	—	6.0	—	6.0	12.0
<i>Alcances de cuentas</i>	—	—	12.0	—	—	12.0
<i>Impuesto</i>	—	—	245.0	100.0	200.0	245.0
<i>Depósitos</i>	—	—	110.0	—	170.0	160.0
<i>Monte pío militar</i>	—	—	50.0	—	25.0	75.0
Total	—	62.1	543.0	186.3	615.0	753.0

Note: a) advances

r) reimbursements

*reimbursement of a previous year advance.

**funds advanced from *Real Hacienda* to *Producto de Azogues* in 1790 and reimbursed in 1791.

Source: AGN, XIII-14-2-3 and XIII-14-2-4.

vance from *extraordinarios* to *producto de azogues* in 1790, partially reimbursed in 1791 (double asterisk in Table II).⁷

Table III shows the liquid assets by category and account at the end of 1789, 1790, and 1791. These assets were the financial reserve of the Royal Treasury. The fall in most accounts in 1790 against the previous year was the consequence of financial transfers from the second and third categories to the first one and 1791's rise was caused by partial reimbursement of such advances.⁸

7. Neither the amounts in Table II nor those of the text include transfers from advances before 1789 or from settlements of accounts (minor amounts in both cases). Transfers between accounts are excluded as well if *Extraordinarios* in 1790 or *Real Hacienda en común* in 1791 were not involved. Therefore, only three big transfers are not accounted for in Table II or in the amounts in the text—one from *Cruzada* to *Municipal de Guerra* for 30,000 pesos; another from *alcances de cuentas* to *producto de azogues* for 12,000 pesos; and the second's reimbursement to the original account, all of them in 1791, for a total of 54,000 pesos. Adding up this amount to the 753,000 pesos in Table II's column of reimbursements and to the 615,000 pesos of advances in the same table, we have the difference of 1,422,000 pesos between the two columns of *data* in 1791 as shown by Table I.

8. The list of liquid assets by account in 1790 was erroneously taken by Klein ("Structure," p. 448) as the cumulative debt from previous years.

TABLE III: Buenos Aires Royal Treasury. Liquid Assets by Account at End of Each Year, 1789–91.
(*000 pesos)

	1789	1790	1791
<i>Ramos de Real Hacienda</i> (first category) (the common fund)	266.8	87.9	146.4
<i>Ramos Particulares de Real Hacienda</i> (second category)			
<i>Producto de Azogues</i>	0.1	9.4	2.9
<i>Donativo</i>	1.0	1.0	1.0
<i>Reales Novenos</i>	37.2	2.0	5.7
<i>Cruzada</i>	25.4	27.4	7.9
<i>Vacantes mayores</i>	10.5	8.8	2.1
<i>Vacantes menores</i>	42.3	1.4	42.5
<i>Expolios</i>	0.1	0.1	0.1
<i>Medias annatas eclesiásticas</i>	9.0	1.0	9.0
<i>Mesadas eclesiásticas</i>	27.5	0.5	27.6
<i>Represalia de ingleses</i>	6.8	0.8	6.8
<i>Alcances de cuentas</i>	10.5	0.6	13.0
<i>Subsidio</i>	3.8	3.8	3.8
	<u>174.2</u>	<u>56.9</u>	<u>122.4</u>
<i>Ramos Particulares Ajenos</i> (third category)			
<i>Impuesto</i>	133.4	2.5	84.4
<i>Depósitos</i>	202.7	73.4	32.3
<i>Penas de Cámara</i>	2.1	1.9	0.6
<i>Real Orden de Carlos 3°</i>	9.7	—	—
<i>Bienes de difuntos</i>	19.2	20.7	22.7
<i>Imbúldos</i>	—	6.7	9.3
<i>Monte pío militar</i>	48.4	7.2	57.0
<i>Monte pío de ministerio</i>	1.1	4.0	1.1
<i>Municipal de guerra</i>	70.5	19.4	30.0
	<u>487.1</u>	<u>135.9</u>	<u>237.5</u>
Total	<u>928.0</u>	<u>280.7</u>	<u>506.3</u>

Source: AGN, XIII–14–2–3 and XIII–14–2–4.

Accounting Problems

The differences between the amounts of *suplementos* and *reintegros* for 1790 and 1791 already mentioned (loans for 543,000 and 570,000 pesos; reimbursements for 100,000 and 753,000 pesos, respectively) and the amounts shown by Table II, stem from several advances totaling 86,259 pesos 6 reales from the first category common fund (*extraordinarios*) to a second category account (*producto de azogues*) in 1790 and from the reimbursement of 45,000 pesos from this account to the first category common fund (*Real Hacienda en común*) in 1791 (double asterisk in Table II). This

transfer illustrates a peculiarity of the old accounting system. Expenditures belonging to *producto de azogues* were met by first category common funds in 1790, entering the *data* in *extraordinarios* but not the *cargo* in *producto de azogues*. In 1791, when reimbursing 45,000 pesos to the common fund, the *data* of *producto de azogues*, it was noted that they corresponded to the previous year's advances. These 45,000 pesos were then entered in the common fund as *cargo* in *Real Hacienda en común*. Thus, an outlay from one account did not necessarily mean an entry in another and, if not in this case, the converse may be true as well.

Other kinds of advances were made through special first category *data* accounts—*buenas cuentas*. One of them poses another interesting accounting problem. In 1790, some funds advanced through *buenas cuentas a las tropas* were not used and were therefore reimbursed to the first category common fund. Instead of entering this reimbursement through *extraordinarios*, a special *cargo* entry was made under a *descuento de buenas cuentas* heading. In Table I, the reimbursement has been discounted from both columns of *cargo* total; and the same amount reimbursed through the said *cargo* heading has been discounted from both columns of *data* total. In this way, an accounting device inflating both *cargo* and *data* totals has been eliminated.⁹

Conclusion

Klein and Halperín-Donghi are the latest and most distinguished contributors to the analysis of the finances of the Viceroyalty of the Río de la Plata. Despite mentioning these transfers, they have not assigned them the character of a regular means of financing public expenditure. Halperín took into account their effect on the *cargo* and *data* totals offered by the ledgers, but considered them an exceptional financial device, which became permanent only after the 1806–7 British invasions.¹⁰ In constructing his income table, Klein eliminated transfers from other *cajas* (Potosí, La Paz, and so on) as well as the carryover from the previous year (*residuo del año anterior*), but not the financial transfers.¹¹

Let us look then at the consequences of this mechanism for Klein's numbers. Total income of the Caja de Buenos Aires, according to him, was 1,357,379 pesos in 1790, not including transfers from Potosí of 818,769

9. In order to estimate the Caja de Buenos Aires's total income, Klein ("Structure," p. 463) subtracted the *descuento de buenas cuentas*—which he refers to as *descuento de Buenos Aires*, even in the Spanish version of his paper, "Las finanzas del virreinato del Río de la Plata en 1790," *Desarrollo Económico* (Buenos Aires), 13:50 (1973), 374. He did not subtract the same amount from *buenas cuentas a las tropas*, however, when estimating total expenditure, as needs to be done, that being unused funds.

10. Halperín-Donghi, *Guerra*, p. 19.

11. Klein, "Structure," p. 462.

TABLE IV: Buenos Aires Royal Treasury: Advances to the *Real Hacienda* by *Ramos Particulares*, Individuals and Independent Treasuries, at the End of Each Year, 1809–11. ('000 pesos)

	1809	1810	1811
<i>Ramos Particulares de Real Hacienda</i>	163.6	161.0	149.4
<i>Ramos Particulares Ajenos</i>	312.0	312.0	312.0
Individuals and other treasuries	<u>1643.2</u>	<u>1847.0</u>	<u>2246.5</u>
Total	2118.8	2320.0	2707.8

Source: AGN, III-39-3-3 and III-39-3-11.

pesos. If this amount transferred from Potosí is deducted from total income shown in Table I (1,511,300 pesos), the actual income of the Caja de Buenos Aires was 692,500 pesos, 51.0 percent of his figure, which means an overestimate of 96.0 percent. His estimate of total expenditure for the same year is 3,032,388 pesos. After subtracting financial transfers, the actual expenditures are 2,074,200 pesos (as shown in Table I), 68.4 percent of his figure, or an overestimate of 46.2 percent.¹² Taking into account only the first category (since the second and third were handled by but did not belong to the Buenos Aires treasury), actual income falls to 347,300 pesos and actual expenditure to 1,701,700 pesos, 25.6 percent and 56.1 percent of Klein's figures.

The considerable extent of alterations introduced by such transfers makes it necessary to revise the totals of *cargo* and *data* offered by the ledgers. As financial movements did not follow a regular pattern, it is difficult to find information about them except through the careful examination of every entry in each year's ledgers. The small differences found for 1789 alert us to the impossibility of taking later, more substantial, alterations as normal. Notwithstanding, this very fact—the irregular pattern of alterations—hinders the manipulation of *cargo* and *data* totals as offered by the ledgers without subtracting financial transfers, even as indicators of long-range tendencies.

As a reference point from which to observe the evolution of this mechanism, Table IV shows the funds advanced to the Caja de Buenos Aires at the end of 1809, 1810, and 1811. Funds transferred during these years came from individuals and independent treasuries, but debts to second

12. Klein did not take into account *reales*, and our amounts are rounded up to hundreds. Klein's amounts in "Structure," pp. 458–459 (Appendix I, first column) and pp. 465–466 (Appendix II, first column).

and third category accounts at the end of 1809 were almost unaltered two years later. While 76.6 percent of debts in both 1790 and 1791 were repaid by the end of 1791, only 3 percent of those in 1809 were reimbursed by the end of 1811. By this time, these funds were being used for long-term interest-free financing of public expenditure. Shortly after the May 1810 revolution, the Upper Peruvian *situado* was no longer available as a fiscal resource in Buenos Aires. For that reason, the new national government made extensive use of independent treasuries' funds, exhausting them by 1812. These debts—like those to *ramos particulares*—were never repaid and disappeared from the ledgers with the 1821 financial and accounting reform.