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ROBERT MORRIS AND REPORTING FOR THE TREASURY UNDER THE U.S. CONTINENTAL CONGRESS

Abstract: This paper examines the accounting and reporting practices established by Robert Morris during his term as Superintendent of Finance under the Continental Congress from 1781 to 1784. Generally known as the financier of the American Revolution, Morris enacted many important accounting reforms, including his rearrangement of the Treasury to speed the settlement of accounts and the establishment of Continental receivers to collect money from the states. His most important contribution was the preparation of annual statements of receipts and expenditures of public money of the Confederation government. These statements, along with a detailed account on money received from the individual states, were circulated to put pressure on the states to meet their tax quotas. Several of these accounts are reproduced as exhibits in this paper.

INTRODUCTION

Historians have generally regarded Robert Morris as an astute merchant and faithful government servant, his paramount role being that of financier of the American Revolution [Sumner, 1891; Ver Steeg, 1954]. When appointed as Superintendent of Finance during the later stages of the war, he was responsible for furnishing the troops, restoring the public credit, and injecting economic efficiency into the Confederation government. In carrying out these duties, he was given a wide range of power over the funds he was able to raise under the

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restrictive terms of the Articles of Confederation.[1] According to some historians, the financier's influence during his term as Superintendent from 1781 to 1784 was probably second only to that of George Washington [*Morris Papers*, Vol. 1, p. xvii].

Generally overlooked are Morris' administrative reforms and contributions made in establishing reporting practices for the Treasury. Upon taking office, Morris rearranged the Treasury to speed up settlement of accounts and improve control over expenditures. He later initiated the preparation of annual statements of revenues and expenditures as part of his plan to raise revenues for the war effort. His financial statements, including a statement of taxes received from the states, were circulated to the public to put pressure on the states to meet their tax quotas. The Treasurer's Reports also served an additional purpose; to silence some of his critics in the Continental Congress (e.g., Arthur Lee).

The annual reporting practices and accounts established by Morris served as a model followed into the next century. The U.S. Constitution, ratified in 1788, required regular statements of receipts and expenditures (Article I, Section 9). There was no such requirement under the Articles of Confederation; Morris published such statements based on his notions of accountability to the public and to promote his long-range fiscal plans. Prior to Morris' appointment as Superintendent of Finance, accounts of the Treasury's affairs were issued on a sporadic basis, if at all [Bullock, 1895, p. 257].

This paper deals with the administrative reforms of the Treasury for payment of accounts under Robert Morris and the external reporting practices initiated during his term as Superintendent of Finance under the Continental Congress. Also examined is the establishment of Continental receivers to help in the collection of taxes from the states. The remainder of the paper begins with a review of the economic and political climate prior to Morris' appointment in 1781 and the previous organization of the Treasury Department. This is followed by background on Robert Morris and his plan to reorganize the Treasury Office for payment of the public accounts. Next is an examination of the Continental receivers used for the collection of taxes and the financier's annual statement of accounts. The

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[1]For a primer on the relationship and relative timing of the Declaration of Independence, Articles of Confederation, U.S. Continental Congress, and U.S. Constitution, see Patrick [1995] or Curtis [1861].

paper then looks at federal reporting requirements drafted into the U.S. Constitution. The study concludes with a limitations section and a summary.

FINANCIAL CRISIS FOR THE CONFEDERATION GOVERNMENT

In 1781, the U.S., operating under the Continental Congress, was in a financial crisis. Public credit had nearly collapsed as reflected by the rapid depreciation of the Continental bills of credit. These bills of credit circulated as paper money and were first issued in 1775 to raise revenues for the war [*J.C.C.*, Vol. II, June 22, 1775, p. 103]. The plan behind this Continental paper was to allow Congress to pay for current expenditures, while binding the states to pay for the expenditures by taxation, at which time the paper would be destroyed [*Morris Papers*, June 15, 1781]. However, few taxes were collected, and since the bills of credit bore no interest, they began to depreciate. In 1775, Congress passed a plan for regulating and funding the bills of credit under which each colony was to provide the ways and means to sink its proportion of the bills emitted by Congress in the usual mode of levying taxes in each colony [*J.C.C.*, Vol. II, July 29, 1775, pp. 221-224]. However, as later summarized by Congress in 1781, "Unfortunately, the tax failed, and the sums obtained from loans were greatly inadequate to the expenditure; consequently more money was emitted; and notwithstanding the favourable turn in our affairs in 1778, depreciation encreased with amazing rapidity" [*J.C.C.*, Vol. XIX, April 18, 1781, p. 408]. By the beginning of 1780, $241.5 million of these bills of credit had been issued [*U.S. Congress,* 1859*, Statement of the Issues of Continental Money,* Vol. V, p. 764], and their specie value had fallen to two cents per dollar [*U.S. Congress,* 1859, *Amount of Continental Money Issued during the Revolutionary War, and Depreciation of the Same,* Vol. V, pp. 763-771].

Efforts to raise taxes from the states to fund the war achieved little success. The weaknesses of the Articles of Confederation are well known in this regard. Under the Articles, passed by the Congress in 1777 [*J.C.C.*, Vol. IX, November 15, 1777, p. 907], the Confederation government did not have the authority to tax citizens directly. Article eight provided for the establishment of a common treasury, "to be supplied by the several states, in proportion to the value of all land (and improvements thereon), within each state." The state allocations for funds requisitioned, or quotas, were to be determined by Congress; but the taxes were to be levied and collected by the state governments. The problems encountered by these provisions were numerous. Each state thought its allocation unjust and sought to shift the burden to other states. In addition, the states experienced difficulties in collecting their own taxes from the citizens. Between 1777 and 1779, the Congress made four requisitions upon the states for taxes [Bullock, 1895, p. 158]. These four requisitions totaled $95 million and allowed for payments in the Continental currency. Based on then current scales of depreciation, the specie value of these requisitions was $5,054,972. The amount actually collected was estimated at $1,856,000 specie value [*U.S. Congress*, 1832, *Money Received From or Paid to the States*, Vol. I, pp. 54-55, 59-62].

This figure was small compared to the domestic and foreign loans acquired prior to 1781. In 1776, loan offices were opened in each state to borrow directly from the citizens [*J.C.C.*, Vol. V, October 3, 1776, p. 845]. By 1781, approximately $67 million in interest-bearing, loan-office certificates had been issued, with a specie value of $11.5 million [*U.S. Congress*, 1832, *Public Credit*, Vol. I, p. 27]. This figure, however, greatly understates domestic borrowing because it excludes commissary and quartermaster certificates. These certificates of indebtedness were issued by the army's purchasing agents as compensation for supplies seized to support the troops. A report to Congress in February 1781 indicated that approximately $64 million of these certificates were outstanding with a specie equivalent of $852,822 [*J.C.C.*, Vol. XIX, February 19, 1781, p. 165]. The Confederation also received help from its allies overseas, securing $2.2 million from France and Holland in a series of loans from 1777 to 1780 [*P.C.C.*, Roll 41, p. 23]. This loan amount does not include secret grants and subsidies supplied by France and Spain, estimated by Bullock [1895, p. 166] at $2,588,500.

With domestic and foreign debt mounting, the U.S. was pressed to pay its interest and other expenditures. Public credit was substantially ruined and by 1781 the Confederation government was in a desperate financial situation. This situation was second priority to the most urgent need of keeping the war effort moving. The ineffectiveness and disorganization of the Treasury Department contributed to the dilemma.

PRIOR ORGANIZATION OF THE TREASURY DEPARTMENT

The nature of the Confederation hampered establishing an effective treasury body to manage the nation's finances from the outset of the Revolution. Both executive and legislative power were united under the Continental Congress. Special congressional committee's were appointed to handle the nation's treasury. The first such committee, consisting of five members, was appointed in February 1776 [*J.C.C.*, Vol. IV, February 17, 1776, pp. 156-157]. Creation of the treasury "office" did not come until April when Congress resolved that:

> . . . a treasury office of accounts shall be instituted and established, and that such office shall be kept in the city or place, where Congress shall, from time to time, be assembled and hold their sessions [*J.C.C.*, Vol. IV, April 1, 1776, p. 244].

Congress was to appoint an auditor general and a "competent number of assistants or clerks," who would take an oath of secrecy before taking office. The Auditor and his assistants were responsible for "stating, arranging, and keeping the public accounts," under supervision of the Treasury Committee. In addition, the Treasury was to keep on file all contracts, securities, and obligations, for the "use and benefit of the United Colonies."

Few details were provided by Congress concerning actually running the Treasury and settling accounts. These were apparently to be provided later by the Treasury Committee. This first Treasury was primarily an office to adjust accounts and record collections. Congress maintained control over all expenditures and Treasury personnel hiring decisions. Making key decisions on financial matters and raising capital were not among Treasury Committee's duties. This was usually done by the Secret Committee on Commerce or by other congressional committees.[2] Because Congress refused to delegate power, it spent an inordinate amount of time voting on petty appropriations and debating new ways to regulate the Treasury Department.

Due to an increase in wartime transactions and a desire to change the overall slowness in settling accounts, the Treasury

[2]In 1778, a special committee was appointed to consider the state of the money and finances of the U.S. [*J.C.C.*, Vol. XI, August 27, 1778, p. 843]. This committee served as a ways and means committee and reported to Congress from time to time.

was remodeled around functional areas in 1778 [*J.C.C.*, Vol. XII, September 26, 1778, pp. 956-961]. The new Treasury consisted of three offices (Comptroller's, Auditor's, Treasurer's) and two Chambers of Accounts. Congress was to appoint officers to run each department, and these officers would appoint their own clerks. For the settlement of accounts, each chamber was to consist of three commissioners and two clerks. The duties of the officers and commissioners were prescribed in more detail in this act. The Auditor received all accounts brought against the U.S. for money lent, expended, or advanced. After examination, the Auditor forwarded the account to one of the two Chambers of Accounts. The clerks in the Chambers of Accounts authenticated and adjusted the account. After endorsement by the commissioner, the account was send back to the Auditor. The Auditor examined the account a second time, hearing any appeals brought by the parties concerned. After final approval by the Auditor, the account was forwarded to the Comptroller.

The Comptroller filed all vouchers, recorded the transactions in the public accounts, and maintained the Treasury books. For payment of accounts, it was the Comptroller's duty to notify the payee and issue a draft on the Treasurer. The Treasurer was responsible for receiving, safeguarding, and transmitting all monies of the U.S. After payment, the Treasurer was required to transmit a copy of the receipt to the Comptroller. Under this new arrangement, the five-member Board of the Treasury remained intact to supervise the officers and commissioners involved in running the Treasury.

This changed in July 1779, when Congress passed the *Ordinance for Establishing a Board of Treasury, and the Proper Officers for Managing the Finances of the United States* [*J.C.C.,* Vol. XIV, July 30, 1779, pp. 903-909]. Under the *Ordinance*, the five-member Treasury Board was to consist of two members of Congress and three outside members who were not delegates of Congress. Most of the other provisions in the earlier act remained in place. One noteworthy change was that the Comptroller was eliminated, leaving the Auditor General's Office, the Treasurer's Office, and two Chambers of Accounts. Primary record-keeping duties were now assigned to the Auditor General, under the supervision of the new Treasury Board. In addition, the *Ordinance* provided for six new auditors to examine and settle accounts of the army.

Unfortunately, the reconfiguration of the five-member Treasury Board did little to enhance the efficiency of the department because it did not address the real problems. There was no authority or accountability at the head of the Treasury and little cooperation between the various offices. The Treasury officers acted with all the autonomy of the individual states. Since these officers were congressional appointments, only Congress could remove them. As a result, affairs at the Treasury during this period were characterized by political infighting and accounts that were slowly or never settled [*J.C.C.*, Vol. XVII, June 12, 1780, pp. 504-505; *J.C.C.*, Vol. XVII, August 10, 1780, pp. 715-716]. The Treasury Board was never able to streamline the system of checks and balances required under the *Ordinance*. Treasury officials constantly quibbled over their record-keeping duties [*J.C.C.*, Vol. XIV, December 14, 1779, p. 1380; *Letters of Delegates,* 1989, October 26, 1780, pp. 267-278]. In one report to Congress, the Auditor General noted:

> . . . the machine is so clogged, as to defeat in a great measure the intention of having the public accounts speedily settled. There are many accounts the Investigation of which will take up a set of Commissioners from three to six months . . . they must pass the like Examination in the Auditors Office . . . and consequently there cannot be more than from two to four of such [accounts] settled in the course of a year [*J.C.C.*, XIII, April 13, 1779, p. 445].

The administrative procedures and conduct of the Treasury came under intense scrutiny during 1780. Charges were brought against two members of the Treasury Board, John Gibson and Ezekiel Forman. These charges were brought by Francis Hopkinson, the Treasurer of the Loans Department. The Loans Department and the Treasury interacted out of necessity due to the many transactions that flowed through their offices. The two offices often argued over matters such as who had authority to issue warrants for payments and what constituted proper documentation [*P.C.C.*, Roll 147, Item No. 136, June 28, 1780, p. 389; *P.C.C.*, Roll 147, Item No. 136, June 29, 1780, pp. 391-392].

The formal charges brought against the two Treasury Board members were *undue pride and insolence of office, issuing absurd and incorrect orders, a dangerous usurpation of power,* and *altering records* [*P.C.C.*, Roll 76, October 27, 1780, pp. 309-316]. Gibson and Forman attempted to deflect the charges against them by making their own allegations against the commissioners of the Chambers of Accounts. The charges brought against the commissioners included *neglect of duty, in-*

dolence, inattention to the public interest, incapacity, and *partiality* [*P.C.C.*, Roll 76, October 27, 1780, pp. 343-347]. As a result of these charges, relations between the Treasury Board and the Chambers of Accounts were so strained that until the Auditor General was appointed to serve as a liaison between the two parties, all communications had been reduced to writing [*P.C.C.*, Roll 33, Item No. 26, May 25, 1780, p. 183].[3]

A congressional committee was appointed to investigate the charges and the overall "uneasiness" within the Treasury [*P.C.C.*, Roll 76, July 10, 1780, p. 450]. The resulting congressional hearings focused mainly on character issues or personal conflicts. For example, in one instance according to Hopkinson, the door to the Treasury was slammed in his face when he went to visit the Board over the noon hour about loan-office business. The minutes of these hearings also point to incompetent personnel and careless record-keeping procedures in the Treasury [*Letter of Delegates*, Treasury Inquiry Minutes, October 25, 1780, pp. 259-262]. In a report to Congress, the committee investigating the Treasury's conduct and procedures found:

> That the several errors in accts. which have been laid before your Committee by the Treasurer of loans . . . are all of such nature as might have been readily adjusted without the least injury to the public, had not the Demon of Discord pervaded the whole Department [*J.C.C.*, Vol. XVIII, November 24, 1780, pp. 1091-1092].

It ended by noting, "it is the opinion of the Committee, the Treasury should be under the direction of a single officer, accountable to Congress for the conduct of the Department." Congress was eager to dispose of the Treasury Board for reasons besides the jealousies and animosities within the department. Due to its lack of reports on the nation's finances, Congress was constantly in the dark about financial matters. Much of the financial picture from this period was reconstructed or estimated years later by Morris or Alexander Hamilton.

All of these events, the ruined economy, the internal disorder within the Treasury Department, the slowness and errors in accounts, and the lack of financial reports finally persuaded Congress to create the office of Superintendent of Finance on February 7, 1781.

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[3]The friction between the Treasury Board and the Chambers of Accounts is not well documented, but some letters suggest that jealousies over office space contributed to the rivalry.

BACKGROUND OF ROBERT MORRIS

Robert Morris came to America from Liverpool with his father in 1747 at the age of 13, taking residence in Oxford, Maryland [Ver Steeg, 1954, p. 3]. His father died in an accident three years later, leaving a modest legacy to young Robert. At the time Robert was attending school in Philadelphia, where he later began work as an apprentice at the mercantile house of Thomas Willing. Morris advanced quickly to became a full partner of Willing & Morris in May 1757. By 1781, Morris was one of the most prominent merchants in the colonies and the owner of ten vessels used in mercantile transactions from Europe to the West Indies. He was involved in numerous partnerships and had interests in trade, land, mills, privateering, and securities [Ver Steeg, 1954, p. 41].

Morris was elected as a member of the Pennsylvania Assembly in 1775. That same year he was appointed a member of the Continental Congress[4] and quickly became involved in several important congressional committees. One of these was the Secret Committee (later named the Secret Committee of Commerce) to which he was appointed on November 29, 1775 [*J.C.C.*, Vol. III, November 29, 1775, p. 390]. The purpose of this committee was twofold. First, it was to acquire clothing, muskets, gunpowder, etc. to support the Confederation army; second, it had to find the means to pay for these items. Goods were usually acquired through contracting, and the firm of Willing & Morris profited from these wartime business ventures. In many transactions Willing & Morris performed the multiple roles of contractor, shipping agent, and banker. Willing & Morris was one of the largest dealers in the Continental bills of credit and could also lay its hands on gold or silver if the need arose. Thus, it quickly became the primary procurement arm of the Continental government. As a matter of routine, Congress would station guards at the warehouses of Willing & Morris to protect the stores belonging to the United Colonies [*J.C.C.*, Vol. III, December 2, 1775, p. 396].

The U.S. needed someone with Morris' connections to arrange the complex transactions, such as the exchange of tobacco to Europe for military wares. Even so, from the outset, some members of Congress criticized Morris for his business arrangements. Willing & Morris often mixed goods for private

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[4]Morris was reappointed to Congress in 1776 and was a signer of the Declaration of Independence [Sumner, 1891, Vol. II, pp. 192-197].

trade with goods belonging to the public. This practice caused problems for Morris in 1779, when he was accused by Henry Laurens of receiving compensation from the Treasury for the loss of private goods. Laurens accused Morris regarding private goods carried aboard the vessel *Farmer*, which was captured by the British [*J.C.C.*, Vol. XIII, January 19, 1779, pp. 78-86]. However, after hearing Morris' testimony and examining documents of the Secret Committee, a committee appointed to investigate the matter cleared Morris of any wrongdoing. The committee investigating the *Farmer* incident concluded that " . . . Robert Morris has clearly and fully vindicated himself; and . . . in the execution of the powers committed to him by the said Secret Committee . . . has acted with fidelity and integrity and an honourable zeal for the happiness for his country" [*J.C.C.*, Vol. XIII, February 11, 1779, pp. 163-176].

About this same time Morris came under attack from two of the most notorious dissidents in Congress, Thomas Paine and Arthur Lee. Paine had initiated a campaign against wartime profiteering and corruption in the *Pennsylvania Packet* under the pen name "Common Sense." Morris was one of Paine's favorite targets, along with Silas Deane, who was a political ally of Morris and an agent for the firm of Willing & Morris.[5] Later, when Morris was Superintendent of Finance, Paine reconciled with Morris, and in 1782 Morris hired Paine to urge the state legislatures to raise taxes to pay for the war and national debt. Paine used his pen in earnest, battling the State of Rhode Island for refusing to accept an import duty of 5 percent on imported goods [Fruchtman, 1994, pp. 139-149].

On the other hand, Lee's "war against the financier," as put by Madison [*Madison Papers*, July 2, 1782], lasted throughout Morris' tenure at the Treasury. Lee harbored a deep resentment over the magnitude of Morris' powers as financier and despised his personal values as a profiteer [Potts, 1981, p. 260]. Lee made constant accusations, mostly unsubstantiated, against Morris and his contracts with the Secret Committee [Potts, 1981, p. 256]. Although the charges never led to any sanctions, the allegations of using his public position for private gain followed Morris throughout his career.

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[5]Deane, Franklin, and Lee had been appointed commissioners to France to seek loans from the French court and to acquire military wares to support the war. For an analysis of the commissioners' accounts, see Carstens and Flesher [1987].

REORGANIZATION OF THE TREASURY DEPARTMENT

Notwithstanding the aforementioned criticism, the choice of Robert Morris to fill the newly created position of Superintendent of Finance was unanimous [*J.C.C.*, Vol. XIX, February 20, 1781, p. 180]. Morris did not accept the post immediately. He knew that in order to implement fully his proposed administrative reforms and to liquidate the public debt, he would need complete control. This included control over hiring of all Treasury secretaries, clerks, etc., and "Absolute Power" to dismiss all persons concerned in the expenditure of public monies [*Morris Papers*, March 13, 1781]. When asked for clarification by Congress, Morris stipulated that absolute power included the *right to dismiss* in the offices of the Quartermaster General, Commissary General, Paymaster General, the Medical Department, and virtually every department that settled accounts in his office, excepting the Secret Service [*Morris Papers*, March 26, 1781]. At first some members of Congress balked at granting these broad powers. Morris insisted that they were critical to "prevent the dangerous affects of inattention or corruption" and to provide for a "proper and early settlement" of accounts. Congress ultimately conceded to Morris the powers he requested, and Morris accepted the position on May 14 [*Morris Papers*, May 14, 1781].

One of Morris' highest priorities was to reorganize the Treasury and to put competent men in place for the payment of accounts. Only when proper record-keeping procedures were established and accounts were settled in a timely fashion, could he focus on other important matters, such as raising tax revenues from the states, pursuing loans from overseas, creating a mint, and establishing the Bank of North America. His first move was to hire Gouverneur Morris, a former Congressman from New York,[6] to serve in the position as "Assistant to the Superintendent of the Finances of the United States of North America" [*Morris Papers*, July 6, 1781]. Gouverneur Morris was

[6]Gouverneur Morris, no relation to Robert Morris, was from a distinguished Welsh family that arrived in New York in 1688. Their close alliance with the Crown elevated the family to a prominent role in New York, New Jersey, and Pennsylvania politics during the 18th century [Mintz, 1970, pp. 3-6; Kline, 1978, pp. 6-16].

a political ally of Robert Morris and had published several insightful articles on finance in the *Pennsylvania Packet*.[7]

Robert Morris submitted his plan for reorganization of the Treasury to a congressional committee on August 27, 1781 [*Morris Papers*, August 27, 1781]. According to Morris (p. 111), the Treasury office naturally consists of three branches:

> 1st the Liquidation of Accounts, 2dly. Keeping the public Books, and 3ly. the Custody of public Money. These branches, altho distinct, ought however to be so connected as that the different parts may form one whole.

His plan provided for a comptroller, a register, a treasurer, and auditors and clerks to assist these officers and the Superintendent of Finance. The comptroller had primary authority over the liquidation of public accounts, to see that they were expeditiously and properly adjusted. For settlement, the comptroller would first submit the account to one of his clerks. According to Morris (p. 112):

> Every account ought to be first stated in one certain form, so that a person once acquainted with that form, could go through the public Accounts with equal Facility.

The clerk's job was to correct any arithmetic errors, determine the validity of the vouchers, and judge the propriety of the charges. After noting any objections, the clerk would pass the account with his comments to the auditor. The auditor would listen to testimony from the party and the clerk, making any final adjustments if need be. He would then pass the audited account back to the comptroller. As a measure of internal control, the clerks were to be appointed by the comptroller, and the auditors were to be appointed by the Superintendent. Morris reasoned that, "It would not be proper that the Appointment of Auditors should also be in the Comptroller, as that Officer would then be uncheckd . . . " [p. 113].

If the party was not satisfied with the judgment of the auditor, he had the right to appeal his case to the comptroller within a reasonable time. Congress later determined that a

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[7]After his work at the Treasury was done, Gouverneur Morris went on to have a distinguished career in public service. He played a major role in drafting the Constitution at the Convention of 1787 [Mintz, 1970, p. 181], and later served as minister to France during the French Revolution [Mintz, 1970, p. 222].

reasonable time for appeal was 14 days [*J.C.C.*, Vol. XXI, September 11, 1781, p. 949]. The comptroller's decision, however, was final. If the comptroller and the Superintendent rejected the party's claim, a final alternative was to apply directly to Congress [*Morris Papers*, March 21, 1782, March 26, 1782]. The adjusted account was then delivered to the Superintendent of Finance, who prepared a warrant for payment. The warrant had to be countersigned by the register, who also recorded the transaction.

The treasurer was responsible for receiving and safeguarding the monies of the U.S. and making payment for warrants drawn by the Superintendent of Finance. He was to issue or take receipts for all money transactions and to render his accounts quarterly to the comptroller. The register had primary record-keeping responsibilities. "He should keep all the Public Accounts, both of Receipts and Expenditures, and every warrant drawn on the Treasurer." According to Morris, the register, or "Book Keeper," " . . . ought to be a very good Accountant, faithful, Just, accurate, attentive and industrious."

Morris' plan addressed several deficiencies inherent in the old system. The office of the Auditor and the two Chambers of Accounts were eliminated, centralizing power in the comptroller's office for the settlement of accounts. This eliminated duplication in efforts which had caused disputes among Treasury personnel. The change generated more attention to internal control and the importance of record keeping, as evidenced by the addition of the office of the register.

The plan was approved by Congress in the same general form proposed by Morris. On September 11, 1781, Congress issued *An Ordinance for Regulating the Treasury, and Adjusting the Public Accounts* [*J.C.C.*, Vol. XXI, September 11, 1781, pp. 948-951]. With the enactment of this *Ordinance*, the old Treasury Board was dissolved and a new system for the settlement of accounts and accounting for transactions under the U.S. Continental Congress was implemented.

MORRIS' TAX COLLECTION EFFORTS AND THE ESTABLISHMENT OF CONTINENTAL RECEIVERS

After the *Ordinance* to regulate the Treasury was approved by Congress, Morris needed to fill the open posts in the Treasury Office. Congress appointed Joseph Nourse as Register of the Treasury [*J.C.C.*, Vol. XXI, September 19, 1781, p. 974]. Nourse had previously served on the Board of War before joining the Treasury as Assistant Auditor General in 1779. Nourse's job was to keep track of revenues and expenditures and to prepare statements of accounts. On the same day as Nourse's appointment, Michael Hillegas was named Treasurer. Hillegas had served as Treasurer under the old Treasury Board since inception of the office in 1776, and thus provided continuity in the handling of public monies. The position of Comptroller took longer to fill because the first choice, Congressman William C. Houston of New Jersey, declined the office. Congress settled on James Milligan, who had served as Auditor General under the prior Treasury Board [*J.C.C.*, Vol. XXI, October 13, 1781, p. 1050]. Thus, all the men appointed to serve under Morris had prior experience in the Treasury.

With competent men in place to settle accounts under his supervision in Philadelphia, Morris turned his attention towards Treasury business affecting the individual states. Generating tax revenues was imperative. It was also time to reign in the loan offices which had begun to outlive their usefulness. As noted earlier, these offices had been opened to borrow from the public (see FINANCIAL CRISIS FOR THE CONFEDERATION GOVERNMENT). The loan-office business essentially dried up in 1779 when Congress demanded specie instead of depreciated Continental bills of credit in exchange for loan certificates. Also, the loan officers, in order to make interest payments on outstanding loans, were issuing outdated certificates in lieu of monies. Morris ordered this practice stopped and requested that all blank certificates be returned to the Treasury for destruction [*Morris Papers*, October 13, 1781].

With public creditors relentless in requesting payment, Morris stepped up efforts to collect tax revenues from the states. Morris continued to face the problems caused by the Articles of Confederation. Only states could levy specific taxes, and a portion of these would be applied to the state's quota. The state's quota would go into the "common treasury." Unfortunately, taxes were usually collected locally by officials who were loyal to their own communities. There was little left over for the Confederation government. Alexander Hamilton, in a letter to Morris [*Hamilton Papers*, August 13, 1782, pp. 135-136], summarized the problems incurred in New York:

> The Legislature first *assesses*, or quotas the several counties. The members cabal and intrigue to throw the burthen off their respective constituents. . . . The supervisors, of whom are upon an average of sixteen in each county, meet at the notification of the county clerk,

> and assign their proportions to the sub-divisions of the county; and in the distribution play the same game.

According to Hamilton, the state was composed of 14 counties. Of these, five "are in the hands of the enemy," two have revolted, and two others are desolated. In terms of actually collecting the taxes, Hamilton [August 13, 1782, p. 136] noted:

> It now remains for the collectors to collect the tax, and it is the duty of the supervisors to see that they do it. . . . The collector is entitled to the trifling of sometimes four — sometimes six pence out of each pound he collects. . . . The supervisors have no interest at all in the collection; and it will on this account appear not extraordinary, that with continual delinquencies in the collector[s] there has never been a single prosecution.

After taxes were collected, they were remitted to the county treasurer, who, according to Hamilton (p. 137), also had "no sufficient inducement to incur the odium of compelling them (i.e., the collectors) to do their duty." Finally, the county treasurer paid what he received into the state treasury.

Morris was determined to change this arrangement with the states, notwithstanding the Articles. In November 1781, Congress requisitioned an additional $8,000,000 from the states [*J.C.C.*, Vol. XXI, November 2, 1781, p. 1090]. The act recommended that the states fill the requisitions by levying taxes "separate from those laid for their own particular use," and that taxes were to be paid to the Commissioners of the loan officers (as before), or to "such other person as shall be appointed by the Superintendent of Finance." Congress also recommended that the "receivers" be given power to recover money from the collectors, and that the funds received were subject "only to the orders of Congress, or the Superintendent of Finance [p. 1091]." Conceptually, this act gave Morris power over the collection process. He could now bypass the state treasurers and the loan officers who were appointed by the individual states. Morris could appoint his own receivers to represent the interests of the Confederation. In April 1782, Morris [April 13, 1782] instructed his receivers:

> You must use the most strenuous and unremitting Efforts, by all the lawful and just Ways and Means in your Power, to urge the Collection of Taxes within that State; as also from Time to Time to impress the Legislature with the Necessity of laying such Taxes as may be necessary to comply with the Requisitions of Congress.

Morris also requested that the receivers update him on all developments regarding state tax levies, the state's economic picture, and even the "character and disposition" of the state's high-ranking public officials.

Morris sent instructions to his receivers regarding their duties, including directions on handling bank notes and a request for weekly transmissions on receipts of money [*Morris Papers*, February 12, 1782]. However, Morris used his receivers for many duties besides the collection of taxes. For example, they were asked to place advertisements in local newspapers soliciting bids for government contracts [*Morris Papers*, October 10, 1782] and subsequently to execute contracts [*Morris Papers*, December 12, 1782]. As transactions increased, the receipt of specie caused problems for the receivers due to its bulk and the threat of robbery [*Morris Papers*, June 15, 1782, letter of W.C. Houston]. To obviate the need to transfer specie, Morris had government contractors draw on the receivers for payment by the Treasury Department [*Morris Papers*, September 14, 1782, letter of W.C. Houston; *Morris Papers*, October 3, 1782].[8] The receivers' compensation was also deducted from their cash receipts. Receivers were paid on a commission basis, which varied from .00125 to .005 of monies collected [*Morris Papers*, March 10, 1783].

In addition to keeping Morris informed about tax receipts, Morris requested that at the end of every month, the receiver should "cause to be published in one of the News papers of the state," the names, dates, and amounts of monies received by the taxpayers for the support of the war [*Morris Papers*, April 13, 1782]. Morris had these receipts published for two reasons. A first was to inflict social pressure on the state and its residents, including pressure on individuals to pay taxes, collectors to remit taxes to the receivers, and state assemblies to levy taxes [Ver Steeg, 1954, p. 101]. In a letter to W.C. Houston, the receiver for New Jersey, Morris [October 29, 1782] noted:

> Your Publications of Receipts from the Collector would stimulate Curiosity and besides that, when Persons of Influence in the Counties have paid it would be well to hint to them an Enquiry why others have not paid.

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[8]The hazards of safekeeping and transferring specie were also experienced by receivers of public monies for the district land offices created under the Land Act of 1800 [Schoderbek, 1994]. The Secretary of the Treasury, Albert Gallatin, followed Morris' example by having departments of the U.S., such as the Surveyor General, regularly draw on the receivers for payment.

Social pressure was only one reason for the publication of tax receipts. According to Morris [February 12, 1782], it was "proper and necessary that, in a free Country the People should be as fully informed of the Administration of their Affairs as the Nature of things will admit." This was Morris' view on government accountability, and the beginning of his policy on financial disclosures that would lead him to disclose comprehensive statements of accounts. These accounts, along with the subsidiary statement of tax revenues received from the states, are discussed next.

THE FINANCIER'S STATEMENTS OF ACCOUNTS OF THE U.S.

Morris was persistent in his efforts to open a stream of permanent revenues from the states. It was his view that the injustice suffered by unpaid creditors of the government was morally wrong. It was the states' duty "to comply with the Requisitions of their Sovereign Representative" [*Morris Papers*, May 9, 1782]. Morris constantly harassed governors of the states and the President of Congress for revenues to pay for the war and meet outstanding interest. He initiated the practice of preparing annual operating statements of revenues and expenses as part of his efforts to persuade.

His first operating statement covered the period from the day of his appointment on May 14, 1781 to December 31, 1781.[9] It was a partial-year statement because he did not want to include Treasury transactions from the previous administration. When Morris accepted the position as financier, he noted " . . . the adjustment of all past transactions and of all that relates to the present system may be compleated by the Modes already adopted" [*Morris Papers*, May 14, 1781]. While he was mostly referring to liquidation of the public debt, he did not want to be held accountable for transactions adopted before he took office. The 1781 statement was for a partial year and did not encompass the complete spectrum of transactions. It is omitted here in favor of his statement for 1782. Most notably, the statement for 1781 did not include any tax revenues from

[9]This first operating statement in the handwriting of Joseph Nourse is titled *A General View of Receipts and Expenditures of Public Monies, by Authority from the Superintendent of Finance, from the Time of his Entering on the Administration of the Finances, to the 31st December, 1781* [*P.C.C.*, Roll 155, Item 142, Vol. II, pp. 23-24].

the states as there was no collecting going on when he took office. However, the format as well as the principles upon which these statements worked are substantially the same.

Morris' operating statement for 1782, entitled *A State of the Receipts and Expenditures of Public Monies upon Warrants from the Superintendent of Finance, from the 1st of January 1782, to the 1st of January 1783*, is reproduced in Exhibit 1. Exhibit 1 is divided into two pages, with the receipts in part A and the expenditures in part B.[10] The first item in part A represents the fund balance of receipts over expenditures from the prior year in the amount of $292,453.69.[11]

The third item is the taxes that were paid into the Treasury by the Continental receivers. These taxes, totalling $302,734.84, are from the $8,000,000 requisition of November 2, 1781. The subsidiary account for these tax receipts is presented in Exhibit 2. This account has both a debit and a credit side. On the credit side appears a breakdown by state of the taxes paid to the Treasurer, Michael Hillegas.[12] Of the 13 states, seven had remitted taxes to the Treasury, with Pennsylvania being the largest contributor. Note that while the amount paid into the Treasury was $302,734.84, the amount actually collected by the receivers was $422,161.63. The difference represents the amounts still in the receivers hands and due to the Treasury. A breakdown of the amounts payable by each receiver is provided directly underneath the first schedule. One state, New York, had two receivers (Alexander Hamilton and Thomas Tillotson). Some of the states, such as Massachusetts and Virginia, had fairly large sums not yet remitted to the Treasury. Both schedules in Exhibit 2 make reference to account numbers for each state. The account referred to as No. 6 for the State of New Jersey is provided in Exhibit 3. This schedule shows all the separate remittances from the receiver for New Jersey to Treasurer Michael Hillegas, as well as the balance due of $687.36.

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[10]The original handwritten statement of Joseph Nourse has the receipts and expenditures on the same page, with receipts on the left and expenditures on the right [*P.C.C.*, Roll 155, Item 142, Vol. II, pp. 121-122]. In all other respects the statements are the same.

[11]Note that at the time this statement was prepared in 1783, the convention of using dollars signs had not been adopted.

[12]In some cases there may be insignificant arithmetic errors in the totals (i.e., $302,734.84 should be $302,734.64). The totals provided by the register will be cited in the paper.

EXHIBIT 1
Part A

A State of the Receipts and Expenditures of Public Monies upon Warrants from the Superintendent of Finance, from the 1st of January 1782, the 1st of January 1783

	£ s. d.		Dollars	90ths	Dollars	90ths
Balance remaining in the Public Treasury on the 31st of December, 1781, as per account rendered for that year Received,					2,292,453	69
From David Ross, in discharge of bonds given for goods sold in Virginia, viz.						
Original cost, including charges returned outstanding in the last years account	3360 0 4					
Advance thereon,	4092 11 6					
Sterling amount	£7452 12 0	equal to			33,122	60
The federal Receivers of Continental Taxes, in part of 422,161 63-90 dollars, the amount of payments made to them by their respective states on account of the sum of 8,000,000 dollars, required by the United States in Congress assembled, for the effective supplies of the year 1782, as per account No. 1					302,734	84
Note, The states of South-Carolina and Georgia have contributed towards their quotas by furnishing Southern army with provisions, the accounts whereof have not yet been received at the Treasury,					000,000	00
Bills of Exchange drawn by the Superintendent of Finance, as per account sales thereof filed in this office, viz,						
On Mons. Grand, Banker at Paris, 6,330,995 Liv. 15 s. 10 d., produced at various exchanges,			1,080,447	77		
On Messes Fizeau, Grand and Co. Merchants at Amsterdam, 15,510 liv. 10 s.			2,672	8		
On Messes Wilhelm, J. Willinck, Nicholas and Jacob Van Staphorst, and De la Lande and Finje, of Amsterdam, for 2706 Florins			1,056	80		
					1,084,176	75
Sundries, Viz.						
Amount of account sales of provisions delivered by the Commissary General Issues to Mons. Le Ville Brune, of the French navy, for which he paid 9,316 Liv. produced,			1,738	89		
Nett proceeds of sundry articles, being part of the specific supplies from the state of Maryland, per Levi Hollingsworth his account sales,			7,074	73		

EXHIBIT 1
Part A (continued)

A State of the Receipts and Expenditures of Public Monies upon Warrants from the Superintendent of Finance, from the 1st of January 1782, the 1st of January 1783

			Dollars	90ths	Dollars	90ths
Sales of cannon not deemed necessary for public use, ...			4,413	30		
Profit and loss account for gain on the receipt, exchange, and payment of paper money	519	40				
Interest arising on notes of hand given for bills of exchange,	356	8				
			875	48		
Ephraim Blaine, late Commissary General of Purchases, on account of public flour sold by him			840			
John Moylan, Clothier General			1,700			
Nett proceeds of sundry public goods imported in the Heer Adams, sold at vendue, as per account sales filed in this office			42,889	41		
Nett proceeds of sundry naval stores, as per ditto, ...			4,534	69		
Upon the settlement of accounts at the Treasury, viz.					64,066	80
Balance paid by the Honble Jeffe Root, in two sums, ...			143	53		
paid by the Inspectors of the Press, ...				19		
paid by Major David S. Franks, in two sums, ...			525	45		
paid by John Brown, late Secretary of the Marine Board, in three sums, ...			7,959	2		
Freight of private money in the General Washington from Havanna, ...			525	14		
from the discharge of German prisoners on account of their subsistence			20,560			
Clothing delivered to John Moylan, Clothier General, being a part of the cargo of the Heer Adams, original cost					29,713	43
whereof, as per entry in the public books, 84,268 Guilders, which at the average advance on imported goods of 6s. per Guilder, is the amount included in the clothing department, as per contra					67,414	36
Excess of payments beyond the receipts, being an anticipation on the public credit, ...					404,713	9
					2,278,396	6

EXHIBIT 1
Part B

A State of the Receipts and Expenditures of Public Monies upon Warrants from the Superintendent of Finance, from the 1st of January 1782, the 1st of January 1783

			Dollars	90ths
Payments made to the several Departments, viz.				
Paymaster general's department,	per Account, No.	1	299,611	33
Military and ordnance stores, do.		2	56,651	43
Quartermaster General's, do.		3	343,697	53
Clothier General's do.		4	296,755	13
Contractors for supplying the army with provisions, &c		5	617,152	38
Medical department,		6	22,629	51
Late Commissary General of Issues, do.		7	6,810	
Late Commissary General of Purchases, do.		8	7,290	20
Civil and Military Staff, do.		9	10.038	11
Commissary of Prisoners, do.		10	1,025	
Marine, do.		11	166,249	11
Settled accounts,		12	103,555	20
Civil List, do.		13	70,948	64
Salaries of Ministers and Foreign Agents,		14	38,467	64
Contingencies,		15	198,159	54
General Post Office,		16	12,952	18
Annuities and Pensions,		17	3,569	23
Invaded States,		18	6,500	
Paid John Chaloner for 100,000 Livres, to be delivered in bills of exchange on France, at 6s. 1d. 1/2 for five Livres, pursuant to an agreement made with the Superintendent of Finance,			16,333	30
JOSEPH NOURSE, Register.				
Register's Office, January 31st, 1783.			2,278,396	6

Source: P.C.C., Roll 155, Item 142, Vol. II, pp. 121-122.

EXHIBIT 2

General Account of Monies Received and Paid by the Several Receivers of Continental Taxes in Account with the United States

Dr.							Cr.
1782 Dec. 31							
The Amount received as per Account herewith	422,161.63	By Michael Hillegas Esq: Treasurer, paid to him by the Receivers as follows viz:					
		James Lovell	Massachusetts	as per	No. 2	51,390.00	
		George Olney	Rhode Island	" "	No. 3	32,115.60	
		Hezekiah Merrill	Connecticut	" "	No. 4	37,126.60	
		Alex: Hamilton	New York	" "	No. 5	6,250.00	
		Wm: C. Houston	New Jersey	" "	No. 6	38,849.88	
		Jn: Swanwick	Pennsylvania	" "	No. 7	107,925.24	
		Benj: Harwood	Maryland	" "	No. 9	29,077.32	302,734.84
		Balance due by the Receivers as follows - Viz.					
		Wm: Whipple	N. Hampshire	as per	No. 1	3,000.00	
		James Lovell	Massachusetts	"	2	41,455.86	
		George Olney	Rhode Island	"	3	5,669.17	
		Hez: Merrill	Connecticut	"	4	17,128.45	
		Alex: Hamilton	New York	"	5	184.90	
		T. Tillotson	Ditto	"	5	2,550.00	
		Wm: C. Houston	New Jersey	"	6	687.36	
		Benj: Harwood	Maryland	"	9	13,041.56	
		Geo: Webb	Virginia	"	10	35,710.00	119,426.69
The above amount carried to the Debit of the General Account of Receipts and Expenditures for the year 1782	302,734.84	Register's Office January 31, 1783 Extract from the Treasury Books Joseph Nourse Register					422,161.63

Source: P.C.C., Roll 155, Item 142, Vol. II, pp. 162-163.

EXHIBIT 3

William C. Houston, Receiver of Continental Taxes in the State of New Jersey for the Year 1782, in Account with the United States

Dr. Cr.

	Dollars 90ths			
To State of New Jersey on Account of their Quota required by Act of Congress of 30:th October 1781. for the Effective supplies of the year 1782, received at sundry times	39,537.34	By Michael Hillegas Treas:r, for warrants in his favor granted by the Superint:t of Finance - viz.		
		May 14 Warrant in his favor for	5,500.00	
		June 18 ditto ditto for	5,505.00	
		" 25 ditto ditto for	3,472.79	
		" 26 ditto ditto for	1,002.20	
		" " ditto ditto for	4,807.50	
		Aug:t 8 ditto ditto for	2,130.00	
		" 22 ditto ditto for	3,000.00	
		Oct:r 14 ditto ditto for	7,484.74	
		Dec:r 7 ditto ditto for	5,947.45	38,849.88
1783 Jan:y 1st		Balance due by said Houston:		687.36
				39,537.34
To Balance as above brought down	687.36			
		Register's Office 31 January 1783 Extract from the Treasury Books Joseph Nourse		

Source: *P.C.C.*, Roll 155, Item 142, Vol. II, pp. 210-211.

Returning to Exhibit 1, after the tax receipts are bills drawn on foreign banks, including bills in the neighborhood of 6,330,995 *livres* (equivalent to $1,080,447.77) on Ferdinand Grande.[13] Loans from France and Holland were typically deposited in these foreign banks so Morris could draw on them, using up their lines of credit in the process [*Morris Papers*, December 3, 1781]. Under sundry accounts are the proceeds from miscellaneous sources. For example, there is the sale of extra cannons for $4,413.30 and the sale of flour and beef for $7,074.73 by Levi Hollingsworth, a Philadelphia merchant and flour factor [*Morris Papers*, February 25, 1782, May 6, 1782, June 1, 1782; June 1, 1782 (letter from L. Hollingsworth)].

The largest sundry item was from the sale of goods for $42,889.41 which arrived on board the ship *Herr Adams* on September 10, 1781 [*Morris Papers*, September 11, 1782]. Also aboard the *Herr Adams* was cloth for uniforms delivered to John Moylan, the Clothier General of the Continental army (third line from bottom). Both of these were procured in Amsterdam by Colonel John Laurens and were financed by a donation of six million *livres* from the French court [*Morris Papers*, July 26, 1781, letter from B. Franklin]. Unfortunately, Franklin and Comte de Vergennes, the French minister, had a prior agreement that the goods would be purchased in Paris. Indeed, many of the goods were manufactured in Britain and could not be brought into the country. To salvage the whole situation, Thomas Barclay, American counsel to France, exchanged the British material for the clothing which was then shipped on *Herr Adams* and turned over to Moylan [*Morris Papers*, March 4, 1782, letter from B. Franklin].

The final revenue discussed here is the receipt of $20,560 from the discharge of German prisoners. During this time, it was customary for countries at war to pay for the subsistence of their soldiers held prisoner by the enemy. However, the British refused to pay for the Hessians [*Morris Papers*, May 1, 1782]. Congress tried different strategies, including trying to enlist them in the Continental army or having them work as indentured servants (*J.C.C.* June 5, 1782, pp. 317-318). Few prisoners wanted to fight for the American side, so they were allowed to

[13]Grand was a banker in Paris who had earlier conducted secret business with the commissioners before the Franco-American alliance [Carstens and Flesher, 1987].

buy their freedom for $80 each if they swore an oath of allegiance to the U.S. [*Morris Papers*, July 11, 1782].

Morris classified the expenditures in part B of Exhibit 1 into 18 accounts.[14] The majority of these accounts are for departments of the military, such as the Quartermaster General's Department and Military and Ordnance Stores Department. The number of transactions in these accounts are too numerous to include here. An account that is more manageable, the Hospital Department, is reproduced in Exhibit 4. Most of the transactions involve the Purveyor General, Dr. Thomas Bond, who handled the disbursements for supplies and salaries for the hospitals. The specific entries in the expenditure accounts follow the same format, beginning with the date of entry, which is usually the same as the date the warrant was issued. The next column references the blotter or wastebook, which were books used to record the original entry or detail on account transactions. The next two columns include the person to whom the warrant was issued and a description of the transaction. This is followed by an additional account reference and the amount of the transaction.

For comparison, the Marine Department account is shown in Exhibit 5. The purpose of the Marine Department was to procure vessels and supplies for the Continental navy. The Marine Department was one of the five executive departments. As such, the salaries of Marine Department employees, such as Joseph Pennell, paymaster of the navy, are included in account No. 13, "Civil List." The Treasury was another one of the executive departments, so the salaries of its officers and clerks also appear under "Civil List." Account No. 15, "Contingencies," contains several hundred transactions, mostly miscellaneous expenditures. For example, there is a payment of $70 for the purchase of firewood for Congress and $79.74 to rent office space for the Treasury Department [*P.C.C.*, Roll 155, Item 142, Vol. II, pp. 321-325]. The total expenditures listed in part B for 1782 is $2,278,396.06, which is greater than the total receipts in part A by $404,713.09. This difference is a plugged number at the bottom of part A and represents unfunded expenditures.

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[14]These 18 accounts are on microfilm in *Papers of the Continental Congress* [*P.C.C.*, Roll 155, Item 142, Vol. II].

EXHIBIT 4

Payments Made to the Hospital Department from the 1 January 1782 to the 1 January 1783

Date of Entry	Date of Warrants or payments	W. Book or Blotter Entry	to whom paid	for what purpose	General or particular Account	Dollars	90^{ths}	Dollars	90^{ths}
1782									
Jan^y 11	Jan^y 11	C 113	Thomas Bond	for the use of his department as Purveyor General of the Hospitals	Thomas Bond	2,000			
Feb^y 1	Feb^y 1	166	ditto	for the use of ..... ditto	d^o	1,000			
March 8	March 8	226	ditto	to enable him to break up the Hospitals at Wilmington	d^o	200			
			ditto	to enable him to discharge a Draft of Doc. Craicks	d^o	909			
13	13	228	ditto	to enable him to discharge part of the Acct. of B. Davis for Medicine	d^o	1,400			
20	20	242	ditto	to enable him to purchase sundries for the use of Apothecaries Depart.	d^o	1,000			
21	21	244	ditto	to discharge the Acct. of Dean Timmons for Soap & Candles for the Hospitals	d^o	666	60		
			ditto	to discharge the Acct. of M. Shaw for Carpenters work done at the Hospitals	d^o	200			
April 29	April 27	314	ditto	to discharge sundry debts & for pay due several persons employed at ditto	d^o	1,293			
May 14	May 14	335	ditto	for the use of his department	d^o	2,808			
May 23	May 23	343	ditto	to pay for 2 casks of Madeira & Port Wines & 2 Hhds of Rum	d^o	666	30		
July 22	May 25	493	ditto	for his draft favor of John Ross for 12 cases of Chirurgical Instruments	d^o	4,495	72		
Aug. 15	Aug. 15	510	ditto	for the use of his department	d^o	500			
Octo. 5	Octo. 4	D 35	ditto	for the use of ... d^o	d^o	500			
Nov. 5	23	89	ditto	for the use of ... d^o	d^o	4,000			
6	Aug. 7	100	ditto	for the use of ... d^o	d^o	160		21,798	72
"	20	97	Nathan Brownson	for the use of ... d^o as purveyor of the Hospitals So. departmt	Nath. Brownson			500	
27	Nov. 27	120	Wadsworth & Carter	for sundries supplied the General Hospital in Virginia	General Hospital			125	37
Dec. 31	Dec. 26	B1031	Mon^ Boullange	for Amt. of Provisions, Medicines &c furnished the Sick at Williamsburgh	ditto			205	32
								22,629	51

Source: *P.C.C.*, Roll 155, Item 142, Vol. II, pp. 314-315.

EXHIBIT 5

Payments made to the Marine Department from the 1 January 1782 to the 1 January 1783

Date of Entry	Date of Warrants or payments	W. Book or Blotter Entry	to whom paid	for what purpose	General or particular Account	Dollars	90ths	Dollars	90ths
1782									
March 20	March 19	C 242	John Brown	for the use of the marine department	John Brown	2,954	75		
July 22	June	493	ditto	for the use of ..... ditto	ditto	981	5	3,935	80
March 25	March 25	251	Joseph Pennell	for the use of ..... ditto	Joseph Pennell	500			
June 15	April	393	ditto	for the use of ..... ditto	ditto	1,798	30		
28	June 28	457	ditto	for the use of ..... ditto	ditto	1,000			
July 1	July 1	"	ditto	for the use of ..... ditto	ditto	800			
22	May & June	491	ditto	for the use of ..... ditto	ditto	3,088	23		
Sept. 17	Sept. 13	D 15	ditto	to pay Capt. James Nicholson to compleat the Frigate Bourbon	ditto	5,000			
Nov. 6	June & Sep.	95	ditto	for the use of the Marine department	ditto	40,596	21		
Dec. 9	Dec. 9	129	ditto	to pay a Balance due to the Chev. Paul Jones	ditto	596	30		
31	Oct. & Nov.	B 963	ditto	for the use of his department	ditto	3,738	29		
			ditto	sundry Marine stores sold by him	ditto	4,534	69	61,652	22
June 15	March 11	C 406	James Nicholson	to defray his Expenses on a Journey to the Eastward	James Nicholson			200	
" "	Feb. & Mar.	407	John Langdon	for the use of the Ship America	John Langdon	433	30		
July 22	Ap. & May	487	ditto	for the use of the Marine Department	ditto	483	45		
Nov. 6	August	D 96	ditto	for the purpose of equipping the Ship America	ditto	20,100		21,016	75
July 15	July 15	C 474	Allibone, Patton,	for the Hire of the Ship Gen. Washington	Allibone, Patton,				
Nov. 20	Nov. 19		& Guerney		& Guerney	4,000			
27	27	D 112	ditto	for ... ditto ... ditto	ditto	3,942	34		
"	"	119	ditto	for the purchase of the Ship Gen. Washington	ditto	21,507	30		
21	21	"	ditto	for Balance of the Outfits of ditto	ditto	2,085	64	31,535	38
		113	Peter Whiteside	for freight of 9 Casks of IndigoShip Gen.					
Dec. 31	Oct. & Dec.		& Co.		Washington			288	60
		B 968	Thomas	on account of the Ship Duke O La Lauzun	Thomas				
			Fitzsimmons		Fitzsimmons			47,620	60
								166,249	11

Source: *P.C.C.*, Roll 155, Item 142, Vol. II, pp. 324-325.

Morris prepared his statements of revenues and expenditures for several reasons. First, he wanted to use them to apply pressure on the states to ante up and fill their tax quotas. Morris had 500 copies of his statements for 1781 and 1782 printed [*Morris Papers*, November 25, 1782, April 3, 1783].[15] The copies were distributed to both the governors and receivers of the individual states [*Morris Papers*, April 7, 1783]. Morris also circulated the account of taxes received and paid to the Treasury (Exhibit 3) so each state would know how much the others had paid. Upon receipt of his statements, William Whipple [*Morris Papers*, April 23, 1783], the receiver for New Hampshire, responded that at the next meeting of the legislature:

> I shall then lay before that body the accounts You have Published, and endeavour to draw their attention to the situation of the Public debt — which I hope they will now consider as an object of the first Magnitude . . .

Morris sent his statements to General Washington. He also sent them to Benjamin Franklin in France, possibly to help secure more foreign aid from the French [*Morris Papers*, January 11, 1783, April 7, 1783].

Preparing operating statements was also a response to the oversight committees formed to investigate civil departments. These committees were formed partly in response to the persistent agitation of Arthur Lee. Lee, having been reelected to the Continental Congress in December 28, 1781, continued his efforts to discredit Morris [Potts, 1981, p. 253]. Lee distrusted all mercantile men from Philadelphia, and he viewed Morris' power as financier a threat to the "liberties of the country" [Potts, 1981, p. 260]. The settlement of Lee's account from his service as commissioner to France was also a source of friction between Lee and Morris. Lee's account had been settled under the old Treasury, and he had the misfortune of being paid with a loan-office certificate. Loan-office certificates were not being redeemed at that time because of a lack of funds [*Morris Papers*, October 7, 1782, letter from J. Nourse; *Morris Papers*, October 9, 1782]. Morris refused to make payment on Lee's certificate until funds had been provided for the "general Mass of Loan Office Certificates." Lee complained to Morris that all the other

[15]The printed versions of these statements can be found in *P.C.C.*, Roll 150, Item 137, Vol. III, p. 319 (1782 statement) and p. 337 (1783 statement).

foreign ministers had been paid in money certificates (bills of exchange), and it was therefore Morris' duty to correct this "Manifest injustice" by redeeming his certificate for cash [*Morris Papers*, November 2, 1782, letter from A. Lee]. The situation was not resolved until Congress passed an act permitting the exchange of Lee's certificate of $9,850.55 for £2,238.17.9 [*J.C.C.*, Vol. XXII, November 18, 1782, pp. 727-728].

On June 17, 1782, following a motion by James Madison, Congress resolved that committees should be formed to examine the proceedings of the Department of Finance as well as the other civil departments.[16] The first such committee, appointed on July 2, included James Duane, Samuel Osgood, Abraham Clark, Arthur Lee, and Thomas McKean [*J.C.C.*, Vol. XXII, July 2, 1782, p. 370]. This committee met on an irregular basis and changed members several times [*J.C.C.*, Vol. XXIII, November 21, 1782, p. 748]. It does not appear to have accomplished much although Lee used every opportunity to badger the financier about Treasury affairs.[17] On January 6, 1783, a new committee headed by Nathaniel Gorman was selected to investigate the Department of Finance [*J.C.C.*, Vol. XXIV, January 6, 1783, p. 37]. After a six-month investigation which included an examination of the Superintendent's accounts of 1781 and 1782, the committee issued a report to Congress on June 17, 1783 [*J.C.C.*, Vol. XXIV, June 17, 1783, pp. 396-399]. The report spoke favorably about the success of Morris' administrative reforms, including the "order and economy which has been introduced" into the Treasury and the "great savings of public money." In the report [p. 397] it was noted:

> In the course of this enquiry, the committee have found that since the appointment of the Superintendant of finance, the public accounts of receipts and expenditures have been regularly kept; that many of the accounts which preceded this institution have already been settled, and most of the others put on a train of adjustment.

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[16]The other departments under review were the Department of Foreign Affairs, the Department of War, the Department of Marine, and the Post Office [*J.C.C.*, Vol. XXII, June 17, 1782, p. 334].

[17]Morris had the following entry in his diary on August 20, 1782: "The Hon: Arthur Lee Esqr. came this morning as a member of a Committee of Enquiry, staid one hour and no other Member of that Committee appearing he then retired and I complained of loosing my time so uselessly" [*Morris Papers*, August 20, 1782].

The report was clearly supportive of Morris and served to silence some of his critics. Thus, his statements of receipts and expenditures, while consistent with his notions of government accountability and instrumental in his tax-raising plans, served other purposes as well.

FRAMING THE U.S. CONSTITUTION

After Morris' statements for 1781 and 1782, he prepared a statement of receipts and expenditures covering the first six months of 1783 (*P.C.C.*, Roll 149, Item 137, pp. 635-636). But by the end of 1783, Morris was already preparing for his departure from the Treasury. The war over, he was eager to return to his mercantile concerns. Morris resigned his position as Superintendent of Finance in November 1784 [Ver Steeg, 1954, p. 187]. He prepared a final statement of receipts and expenditures covering his complete administration which was submitted to Congress on March 26, 1785 [Sumner, 1891, Vol. II, p. 208].

Congress then appointed a three-member Treasury Board to supervise the nation's finances. With Morris' reporting mechanism in place, the new Treasury Board continued the practice of preparing statements of revenues and expenditures. These statements were prepared on a quarterly basis and signed by Joseph Nourse,[18] who remained Register of the Treasury for the duration of the Continental Congress.[19]

The significance of Morris' statements well outlasted the Continental Congress. In drafting the U.S. Constitution, a clause was inserted requiring the preparation of operating statements. Article 1, Section 9, Clause 7 states:

> No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time [*Documentary History*, p. 311].

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[18]These quarterly statements prepared by Joseph Nourse are scattered about in *P.C.C.*, Roll 154, Vol. II. As an example, the statements for the first, second, third, and fourth quarters of 1785 are on pages 49, 231, 283, and 57 respectively.

[19]After the Continental Congress was disbanded, Nourse was reappointed as Register of the U.S. Treasury by President Washington. He served in this same position until 1829 [*Appleton's Cyclopaedia of American Biography*, 1887-1888, Vol. IV, p. 541].

Among the framers of this reporting requirement were James Madison and Gouverneur Morris, both of whom had been schooled by Morris on the relation between taxation and federal reporting [Prescott, 1968, p. 734]. Under the Articles of Confederation, there was no such reporting requirement.

An appropriate question is, why did the framers require statements from "time to time," when Morris had published the statements annually? The debates surrounding the 1787 Convention shed light on this question.[20] Madison thought that one-year time intervals were too short for accurate and meaningful financial statements. In the Virginia debates, he reasoned:

> Because if the accounts of the public receipts and expenditures were to be published at short, stated periods, they would not be so full and connected as would be necessary for a thorough comprehension of them, and detection of any errors. But by giving them an opportunity of publishing them from time to time . . . they might be more full and satisfactory to the public, and would be sufficiently frequent [Elliot, 1863, Vol. III, p. 460].

Madison additionally thought that this provision went farther than the constitution of any state in the union, or perhaps in the world.

George Mason, also from Virginia, felt that the public had the right to know about the expenditures of its money, but was worried about potential damage to national interests. Mason argued, "In matters relative to military operations and foreign negotiations, secrecy was necessary sometimes" [Elliot, 1863, Vol. III, p. 459]. He concluded that, although from "time to time" was an ambiguous expression, it allowed flexibility to avoid conveying sensitive information in statements of receipts and expenditures.

The New York contingent felt differently about this "time to time" clause. In its convention, a delegate from Duchess County, Melancton Smith, noted that "from 'time to time' might mean from century to century, or any period of twenty or thirty years" [Elliot, 1863, Vol. II, p. 347]. The problems caused by

[20]Robert Morris was a delegate from the State of Pennsylvania to the federal convention, but he did not play an active role in the proceedings or drafting the Constitution [Farrand, 1913, p. 206].

some of the Antifederalists in New York and other states in adopting the Constitution is well known. New York grudgingly ratified the Constitution by a vote of 30 to 27 and submitted a list of 32 subsequent amendments. One of these proposed amendments related to the statements of receipts and expenditures. It read:

> *Provided*, That the words *from time to time* shall be construed, as that the receipts and expenditures of public money shall be published at least once in every year, and be transmitted to the executives of the several states, to be laid before the legislatures thereof [Elliot, 1863, Vol. II, p. 407].

In Fall 1788, the first federal Congress met in New York City. In addition to setting up the new government, it had to deal with the constitutional amendments proposed by the individual states during ratification. Most of these amendments concerned states' rights and individual liberties. The debates in the House and Senate culminated in December 1791 when the states ratified ten amendments to the Constitution, comprising the Bill of Rights [Patrick, 1995, p. 247]. But New York's proposal on the publication of receipts and expenditures was not among those amendments adopted.

LIMITATIONS OF THE STUDY

This study involving Robert Morris and matters concerning finances of the Revolutionary War has several limitations. First, this paper looks at Morris' contributions in the area of accounting with primary emphasis on his operating statements. His many other contributions during his term as financier, such as the establishment of the Bank of North America, the creation of the Morris notes, and his plans for a mint generally fall within the realm of finance and have been examined elsewhere [Sumner, 1891; Ver Steeg, 1954]. Also, the various books and journals used internally by the Treasury to record, classify, and summarize transactions are not examined. This system, which utilized "wastebooks" and "blotters," was largely in place before Morris took office. This study has focused on the accounting innovations of Robert Morris, mainly his statements of receipts and expenditures and the subsidiary accounts that comprised these statements.

SUMMARY AND CONCLUSIONS

This paper has examined the accounting practices established by Robert Morris during his term as Superintendent of Finance under the Continental Congress from 1781 to 1784. Although known mostly by his reputation as a merchant and as *financier* of the American Revolution, Morris enacted many important administrative reforms. Among them were his plans for the settlement of accounts and the establishment of Continental receivers to collect money from the states. He initiated the preparation of annual statements of receipts and expenditures of funds for the Confederation government. These financial statements, including a statement of taxes received from the states, were printed and circulated. Morris believed circulation was required for public accountability and for pressuring states to meet their tax quotas. An additional outcome of the circulated statements was to silence some of his outspoken critics in Congress, most notably his nemesis Arthur Lee of Virginia.

Morris supervised the department for just over three years, but his establishment of reporting practices at the Treasury was a lasting contribution. The Treasury Board that succeeded Morris continued his reporting practices, and when the U.S. Constitution was drafted in 1787, a clause was inserted in Section 9 of Article 1 requiring a regular statement of receipts and expenditures of public money to be published from time to time [*Documentary History*, p. 311]. His contribution was indeed lasting!

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