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**Accounting and the enactment of power: Municipal
Reform by Peter Leopold 1774-1775**

Laura Maran
Warwick Funnell

Abstract

Purpose – The purpose of this study is to understand the enduring, fundamental contributions of accounting practices in the pursuit of decentralization by governments, with an examination of Peter Leopold's Reform of the Municipalities in the late 18th century in Italy.

Design/methodology/approach – An extensive textual analysis of the very comprehensive collection of primary sources of the Grand Duchy of Tuscany during the de' Medici and Hapsburg-Lorraine's rule identified the reasons for Peter Leopold's decision to decentralize his government's authority and responsibilities. A systemic comparison of the 1765-66 and 1775-76 financial reports of the Municipality of Castrocaro and Terra del Sole disclosed the importance of the micro-practices of accounting and reporting for the Reform.

Findings – In the context of the 18th century Enlightenment, Peter Leopold legitimized his Reform by the introduction of a modern style of government based on the rationalisation of the municipal administrative system and decentralization of central authority and responsibility. The Reform was made feasible by the substitution of a birth right principle with an economic discourse which linked tax payments to property ownership. This had the unintended consequence of increased taxes, higher municipal expenditures, and possible inequalities between municipalities.

Research limitations/implications – The findings of the study are dependent on the resources which have survived and are now preserved in the official archives of Galeata and Florence. This work contributes to the extant literature on administrative reforms in a crucial period for the redefinition of sovereignty by the ruling classes, with the rise of the modern State. It extends historical understanding of the public sector with a focus on local government in the 18th century in a non-Anglo-Saxon context.

Practical implications – Examination of the Reform of Peter Leopold contributes to an enhanced understanding of present-day decentralization by governments in the context of the new public management (NPM). It provides to NPM advocates a broader temporal and contextual understanding of the impact of current decentralization reforms.

Originality/value – Few accounting studies have considered the micro-aspects of decentralization reforms at the municipal level and tried to identify their impact on the wealth of the population. Moreover, Peter Leopold's Reform is considered one of the most innovative and enlightened of the 18th century, while the remainder of Europe was still overwhelmingly committed to the centralization of administrative apparatuses. Finally, this study relates to the multi-disciplinary debate about the recognition, qualification and accountization of the impact of decentralization of responsibility for the delivery of government services.

Keywords – administrative reform, accounting system, decentralization of government, eighteenth century, Grand Duchy of Tuscany, municipality

Paper type Research paper

1. Introduction

The transition from the feudal State to the modern State (Anderson, 1986; Pierson, 2004; Poggi, 1978, 1984; Tilly, 1975) is ascribed to a period that spans the second half of the fifteenth century to the end of the eighteenth century, when States experienced a process of concentration and centralization of political power and redefinition of the bases of their sovereignty over a specific territory (Foucault, 1982; Miller and Rose, 1992). This promoted a more formal coordination of their administrative divisions which, according to Poggi (1984), was a necessary step towards the emergence of the modern State (see also Barkey and Parikh, 1991; Capra, 1984). The eighteenth century is recognized as the Age of Enlightenment, an era of cultural and ideological change when intellectual forces in Western Europe, in particular philosophers such as Kant (1724-1804), Beccaria (1738-94), and Hume (1711-76), emphasized reason and individualism as the basis of society and government, rather than traditional lines of authority. Prompted by enlightened ideas (Venturi, 1970), a wave of administrative and judicial reforms characterized the main European monarchies, but especially the Hapsburg-Lorraine Empire whose extensive geographical boundaries and territorial acquisitions between the second half of the seventeenth century and the time of the reforms are indicated in Figure 1. Between the eighteenth and nineteenth centuries the Hapsburg-Lorraine Empire was the dominant presence in Europe. In Italy it embraced the territories from the Grand Duchy of Milan in the north to the Grand Duchy of Tuscany in the south.

Figure 1 - Hapsburg-Lorraine Empire and Grand Duchy of Tuscany



Source: Elaboration from Homo laicus, modern history, historical maps. Available at: http://www.homolaicus.com/storia/moderna/monarchie_nazionali/guerra_trentanni2.htm (accessed on 8 October 2017).

The instalment of the Hapsburg-Lorraine dynasty in the Grand Duchy of Tuscany occurred in 1737 when the last member of the Italian de' Medici family, Gian Gastone, died without legitimate heirs (La Rosa, 1997). Subsequently, a junior branch of the Hapsburg-Lorraine dynasty ruled the Grand Duchy of Tuscany from 1737 to 1858, a few years before Italian unification. This long domination is divided into two periods (Bellatalla, 1984). During the first period, from 1737 to the Seven Years War in 1763, there were some attempts at financial and administrative reorganization of the Grand Duchy. This first period of domination, when the Grand Duchy was recognized merely as part of the jurisdiction of the Hapsburg-Lorraine Empire, includes the efforts of Maria Theresa (Empress and mother of Peter Leopold) to influence the financial and administrative reorganization of Tuscany by greater centralisation of authority and responsibilities (Baldacci 2000; Bellatalla, 1984; La Rosa 1997; Peham, 1990). In the second period of domination (1763-1858), when the Grand Duchy became a regency which was assigned to Peter Leopold in 1765, Tuscany experienced the most innovative phase of the Hapsburg-Lorraine's rule, during which the emphasis was on decentralizing State responsibilities to municipalities. Thus, the first ten years of Peter Leopold's regency (1765-1774) are identified by historians as the period for "the building of a new State" (Capra, 1984; Valsecchi, 1931-34). It was a time when there was a very different State from that which had existed during the de' Medici era, "A State of cities, grown out of a process of aggregation and constituting therefore a mosaic of autonomous units, held together by a thick web of bilateral compacts" (Mannori, 1994: 21).

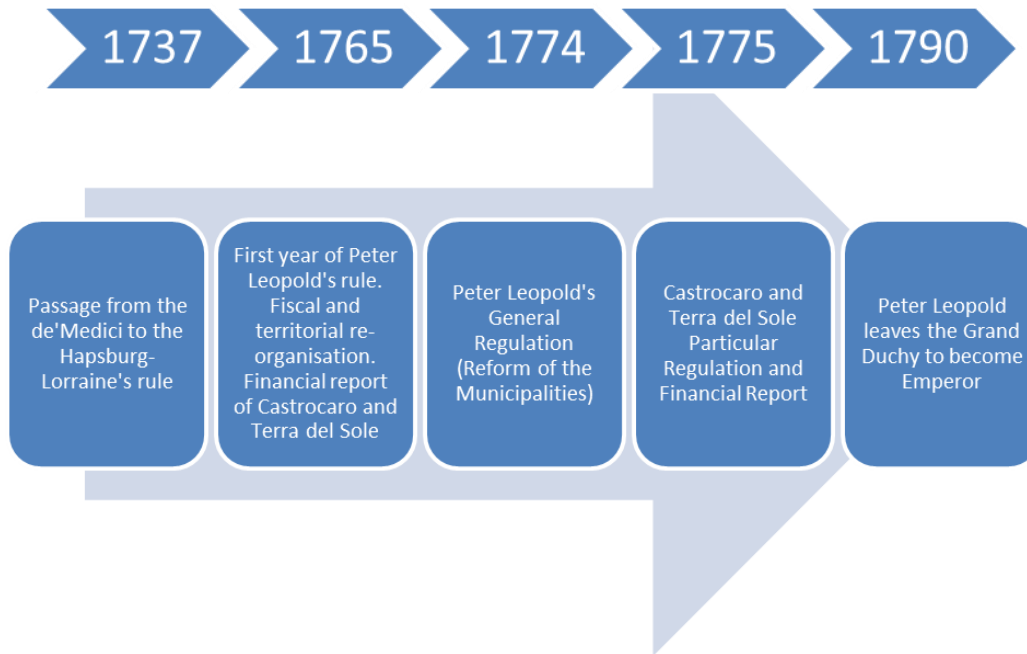
Between 1765 and 1774 Peter Leopold's government finalized the general reorganization of peripheral territories, including those of the Romagna-Tuscany Province, an area of strategic importance with its location at the boundaries of the Grand Duchy with the Papal State (Vasina, 1981). The town fortress of Terra del Sole, one of the most important military achievements of the de' Medici family (Donatini, 1998; Zaghini, 1981), was merged with Castrocaro, thereby bringing to the new municipality also the Parishes of Montecchio, Converselle, Salatara, Castello and Zola. This new municipality was brought back into the administrative district of Florence, where the reigning dynasty was embarking on a détente with the local élites (Contini, 2002). Wandruszka (1968: 129) described Peter Leopold's main challenge in Tuscany as:

On one hand, there was a little region with ancient traditions [Tuscany], far from the European 'high' policies (like almost all the other parts of Italy) and on the other hand, there was the Austro-Hungarian Empire that had many problematic issues to solve, but it also had an intellectual political class. That class was open to the Enlightenment ideas and to the Physiocrat theories, therefore, the vital willingness and desire of reform finalization which that class searched for was found in the young Peter Leopold.

The period from 1774-75 to 1790 is recognised as important for the reforms of Peter Leopold (hereafter the Reform) that affected administrative, judicial and economic aspects of life in the Grand Duchy of Tuscany (Wandruszka, 1968). The Reform (see Maran et al., 2013) is considered to be one of Peter Leopold's first and most important assaults against the legacy of the de' Medici policies (Fasano Guarini, 1997; Mannori, 1994). Whereas other European monarchies gave a priority to the centralization of political and administrative apparatuses consistent with the development of a modern State (Poggi, 1978), Peter Leopold instead

chose a decentralist approach that empowered government at the municipal level rather than the central government. The main events in the period of Reform are summarised in Figure 2.

Figure 2 – Definition of the Period of Interest – Grand Duchy of Tuscany



Peter Leopold's overall style of governing privileged more practical and technical solutions, based on detailed analyses of the local population, rather than theoretical ideas. This was demonstrated by the three volumes of *Reports of the Government of Tuscany* (Silvestrini, 1969) which he left for his successor's benefit when he moved in 1790 to Vienna to take the crown of the Hapsburg-Lorraine Empire. The peculiar aspect of Peter Leopold's Reform was his early interest in the local population, while the remainder of Europe was still overwhelmingly committed to the centralization of administrative apparatuses. Indeed, in the remainder of the Hapsburg-Lorraine Empire under Maria Theresa, and then Joseph II (first son of Maria Theresa to inherit the Crown), centralization remained the preferred reformist choice (Capra, 2005; Sargiacomo, 2009). Oestreich (1982) and Rose (1991) have shown how studies of the European "science of police" in the seventeenth and eighteenth centuries have primarily emphasized centralization in the exercise of surveillance and discipline (Rose, 1991: 676). More specifically, Miller (1990: 318) emphasized the strengthening of the centre of government during Colbert's period in France. The centralization of public sector accounting practices has also been documented in France before and after the French revolution (Nitikin, 2001) and a study by Sanchez-Matamoros and Gutierrez Hidalgo (2012) analysed the implications of coinage policies in Spain as part of the process of the centralization of government, a very similar approach to the central management of tsarist finances in Russia (Platonova 2009). Dunleavy and Hood (1994), Pollitt (2005), McLaughlin and Osborne (2005), Guthrie et al. (1999), Gruening (2001) and Hyndman and Liguori (2016) show how understanding the enduring aims and approaches adopted across different institutions and locations in the pursuit of decentralisation is enhanced by historical analyses of prominent attempts to move responsibility, and where necessary authority, for the delivery of government services from the centre of government to local bodies.

This study engages with a call to expand historical understandings of the public sector with a focus on local government, that is the municipality, in the eighteenth century and in a non-Anglo-Saxon context (see the call from Anderson, 2002; Bisman, 2012; Carmona, 2004; Platonova, 2009; Sargiacomo and Gomez, 2011; Wanna, 2005; William and Wines, 2006). Despite a high level of attention which public sector reforms have attracted (Black et al., 2001; Cobbin and Burrows, 2010; Funnell, 2008; Nitikin, 2001; Platonova, 2009) few accounting studies have considered the micro-aspects of decentralization reforms at the municipal level and tried to identify their financial impact. The micro-aspects of decentralisation move beyond values and principles which drive the reforms to the operationalization of the reforms, such as the amount saved at the local/central level with the shift of responsibility in service delivery and tax collection from the central to the local government.

Examination of Peter Leopold's innovative Reform gives the opportunity to provide historical context to the ongoing debate today around the decentralization processes in a "modern" State by using historical data to examine a completed decentralisation project. Support for the decentralization of public services by the adoption of private sector models of management continues to dominate the cross-disciplinary debate around the role of the State (Blumfield and Coombs, 1992; Hutchcroft, 2001; Ho, 2004; Lowrie, 1922; Miller and Napier, 1993; Tommasi and Weinschelbaum, 2007). Over the past three decades the public sector of OECD countries and others has been transformed according to the imperatives and values of the New Public Management (NPM) with dramatic shifts in the roles of governments and the means with which they fulfil their mandates (Naschold, 1995: 1). These changes introduced under the NPM umbrella of reforms have sought to correct perceived pathologies associated with the public sector, including the size of government, the inefficiency of government agencies and programmes (Alonso et al., 2015; Pollitt and Bouckaert, 2004; Van de Walle and Hammerschmid, 2011) and related deficiencies in the accountability of public sector managers for their performance (Hood, 1991; Pollitt, 1993; Pollitt and Dan, 2011). NPM has been influenced by an eclectic range of ideas from many different disciplines, including public-choice theory and transaction-cost economics (Gruening, 2001). The emphasis has been on the themes of responsibility and accountability relationships, the dividing of state functions into controllable tasks, the adoption of business-like management styles and the decentralization of decision making (Groot and Budding, 2008). Pollitt (2007) has characterised NPM as a two-level phenomenon consisting of, on the political level, a general motivation to improve the public sector and, on the administrative level, a set of specific concepts, policies and practices to bring about reform of the public sector.

There is considerable debate around the benefits of decentralization, most importantly expected revenue mobilisation of local sources, improved allocative efficiency and a decrease in tax pressure. These are set against possible disadvantages, the most obvious of which might be increased expenditure and reduced service quality. There is also disagreement about the way to measure public sector performance where decentralization occurs in developed countries (Ackroyd, 1995; Haider, 1971; Kaufman, 1969) and developing countries (Conyers, 2007; Andrews and Shah, 2003). Zafra-Gómez et al. (2012) note that the evaluation of the impacts, or implications, of decentralization reforms requires a close examination of the financial reporting at the local (municipal) level both before and after reform. Sargiacomo (2006) reminds us that the role of accounting is to disclose the way in which money is raised

and spent, thus specifying and quantifying the major homogeneous groups of expenses at the local level, the adopted social priorities and concerns at the time. Although accounting studies have dealt with the use of accounting as a technology of government (Alvarez et al., 2002; Carmona and Gomez, 2002; Carmona et al., 1998, 2002; Donoso, 2002; Gutiérrez and Romero, 2007 and 2010; Hoskin and Macve, 1988, 2000; Sargiacomo, 2008), few have extended this to local levels of government (for a comprehensive review see Sargiacomo and Gomes, 2011). Examination of Peter Leopold's reform provides the means to recognize the enduring, non-temporally dependent nature of the aims of public sector reforms which seek to implement political priorities that depend upon the more effective and efficient delivery of services at the local level. Indeed, the origin and typology of modern States in Western monarchies can be better contextualized through an accounting analysis at the local level where "arts of government" and economic calculation are not easily separable (Bonney, 1995, 1999; Foucault, 1982; Hirschman, 1984; Miller, 1990; Miller and Napier, 1993).

The analysis is presented in six sections. Section 2 provides details of the way in which the study was conducted and the themes which directed the research. Section 3 discusses the new logic of Peter Leopold's Reform and Section 4 shows the impact on the accounting practices of Peter Leopold's Reform. Section 5 identifies the financial impact of the Reform at a local level with reference to the Municipality of Castrocara and Terra del Sole. Section 6 provides some final remarks, stressing the contribution of the present work to the extant literature.

2. Methodological aspects

Whereas the historical emergence of the "modern" State occurred during the Enlightenment period (Sargiacomo, 2006), the concept of "decentralisation" is mostly associated with the wave of NPM reforms and the related re-conceptualisation of relationships between central (higher) and local (lower) levels of government in the delivery of public services, to improve the effectiveness of policies and the efficiency and quality of services. Accordingly, "modernity" relates to the separation of powers between the legislature, the executive and the judiciary when power no longer resides in one individual and an administrative apparatus to serve the executive power. Most of the "modern" States of the period under analysis, in particular the Hapsburg-Lorraine and Russian empires, the French, Spanish and British monarchies, were not "decentralised" according to the way in which government is conceptualised by NPM. The delivery of public services was firmly controlled and managed by the central level of government with no devolution of autonomy and responsibilities to the local levels. Consequently, following Sargiacomo (2006), this study extends our understanding of the decentralization rationale and its impact to the historical period when the "modern" State emerged with a detailed examination of the impact on Peter Leopold's Reform of the Municipalities in the Grand Duchy of Tuscany in the eighteenth century when he held the regency of the Grand Duchy of Tuscany from 1765 to 1790. His Reform was amongst the first major reforms which reflected the transformation of government from the feudal State, embedding the decentralisation of responsibilities to the local level of government.

The present study identifies the rationale, implications and impacts of Peter Leopold's Reform at the local level (see Beccattini, 2012; Capra, 2005) through an accounting and accountability perspective, with specific reference to the Municipality of Castrocara and Terra del Sole. Castrocara and Terra del Sole maintained a strategic position in the Grand-Duchy of Tuscany under two subsequent rulers, the de' Medici family and the Hapsburg-

Lorraine dynasty. This has left some of the richest and most complete archives covering civil and judicial administration (Dal Lauro, 1989; Puccetti Caruso, 2007; Zaghini, 1981; Fasano Guarini, 1968, 1973). Access to this very comprehensive collection of primary sources, pre- and post-reform, provides the ability to conduct a comprehensive evaluation of decentralization processes within a well-defined historical period. It also helps in understanding the intended and unintended consequences of political and administrative decentralization. Moreover, studies of the Reform have been dominated by economic-juridical scholars who have focussed on only some of its aspects, such as the wealth conditions of the Grand Duchy of Tuscany (see Dal Pane, 1965; Diaz, 1966; Mirri, 1972; Turi, 1969; Valsecchi, 1931-34; Venturi, 1958, 1969, 1970, 1987) or the figure of Peter Leopold and his government (see Benedikt, 1964; Wandruszka, 1968), with very limited references to the accounting impact.

When evaluating decentralization reforms, Alfonso et al. (2015) emphasize the importance of considering both the political and administrative levels involved. The political level is concerned with the discourses motivating reform which set the motives of the administrative decentralization (Pollitt, 2007). In relationship to allocative and distributive efficiency, the political discourse refers to the transfer of electoral power and political authority (autonomy) from the central government to lower levels (Falletti, 2005), whereas the administrative level involves the means used in the actual transfer of autonomy for public policy management, personnel and control of public finances (Rondinelli et al., 1989). Decentralization reforms, such as Peter Leopold's Reform in 1774, have a symbolic meaning that is generally aimed at furthering the legitimacy of the new political leadership (Lægreid and Olsen, 1984). In the present study, Peter Leopold not only introduced values, principles and structures that were obviously different from the former mode of governing, they gave a strong signal that the new ruling style in the management of the Tuscany region was embedded in significant decentralisation. Decentralization reforms are often presented with the rhetoric of norms and values (Downs and Larkey, 1986; March and Olsen, 1983; Power, 1997) that portray a new beginning along promising new paths of substantial improvements, as elucidated by the accounting practices (Sargiacomo, 2006). From the analysis of the expenses 1670-1682 of the Commune of Penne, Sargiacomo (2006, p. 492) identified that "one of the major concerns of the Commune was related to the obligation of providing financial support to the Spanish government, due to the need of military surveillance in the territories belonging to the Vice-Kingdom of Naples". Another "social priority of the time was represented by the funding of Church activities, which involved the Commune in paying salaries for religious personnel working in certain churches, and alms to religious institutions, as well as paying for yearly religious events, such as the feast held for S. Massimo, the town Patron Saint" (Sargiacomo, 2006, p. 492).

In both theory and practice, decentralization of responsibilities for service provision has been recognized as one of the main components of the prescriptions for reform associated with NPM (Pollitt, 2007), although it predates the NPM movement. The transfer of responsibility and accountability for the delivery of programmes and related services from the centre of government to local authorities with the implementation of NPM reforms, emphasize Pallott (2001) and Smith (2004), has been recognized especially as a complex, multidimensional process (Smoke, 2003) with respect to the socio-political and legal setting (Chan and Rosenbloom, 2010) and levels of fiscal/financial autonomy (Venugopal and Yilmaz, 2010; Yilmaz et al., 2010). Although a number of recent studies have examined the NPM reforms,

there have been relatively few systematic attempts to evaluate the effects of decentralization. Goodwin et al. (2004) discuss the role of coordination and trust in the development of network governance models in the delivery of public services while Martin and Boaz (2000) emphasize the difficulty of designing user-focussed services in “citizen-centred” forms of government. Moore and Keen (2007) present a study on “joined-up” forms of government of public services highlighting how the efficiency and quality of services as advocated by NPM reforms were translated into higher expenditure and made more difficult the representation of the variety of service configurations involved.

Other studies, such as those of Ferlie et al. (1996), Kettl (2000) and Pollitt and Bouckaert (2004), have been more explicit in evaluating the effects of decentralisation. Kettl (2000) defines devolution as the conferral of authority and responsibility for public service delivery from the higher level of government to lower levels, which in turn involved local for-profit and not-for profit organisations. Kettl (2000) implies that despite the survival of traditional forms of governance, that is bureaucracies, with a less invasive role of the central government decentralisation imposes the emergence of horizontal organisational networks. Decentralisation is mostly justified by expected savings (economies) in public expenditure, improving the quality, efficiency and effectiveness of policies (good government) and services, and enhancing accountabilities at the lower levels of government. Alonso et al. (2015) consider attempts to discuss the advantages and disadvantages of decentralisation to be limited in terms of the level of analysis, which has been mainly at the macro level and, of particular relevance for this study, the time periods examined. Thus, they call for a more extensive evaluation of the impacts of decentralization focussing on political and administrative decentralization in different contexts at different times to broaden and enrich access to experience which might inform more contemporary reforms of the NPM.

In a manner similar to Fairclough (2004), Pollitt (2001), Vaara et al. (2010) and Hyndman et al. (2014), who analysed the discursive dynamics that accompanied the legislative process of NPM reforms to evaluate the impact and success of Peter Leopold’s reforms, a detailed textual analysis was conducted of Peter Leopold’s General Regulation (1774, hereafter GR) and the Particular Regulation (hereafter PR) of the Municipality of Castrocaro and Terra del Sole (1775). This has provided the means to establish the importance Peter Leopold’s Reform at the municipal level of practices and their resonance with the themes which underlie recent NPM reforms. In this analysis, a specific focus has been given to the political rationalities of Peter Leopold (see Sargiacomo, 2008), which are shown to be similar to NPM-like principles of decentralisation, and how they were shaped into the GR (1774) and PR (1775) of Castrocaro and Terra del Sole. The way in which the Reform was enacted in the Municipality of Castrocaro and Terra del Sole is established with a comparative accounting analysis of the financial reports of Castrocaro and Terra del Sole before (1765-66) and after (1775-76) the Reform (see also Figure 2). The first year of Peter Leopold’s regency 1765-66, which was nearly a decade before any major reforms, has provided a point of reference to show the extent of the impact of his 1774-75 Reform. The second set of dates, 1775-76, refers to the first year after the enactment of the GR and the adoption of the PR in Castrocaro and Terra del Sole, when the Reform should have shown its full effects. The GR, which were applicable to all municipalities in the Grand Duchy, clearly showed the general changes and the new philosophy of the Reform conceived by Peter Leopold. The PR concerned only the Municipality of Castrocaro and Terra del Sole, emphasizing Peter Leopold’s practical interest in the local population (Silvestrini, 1969). The unit of analysis for both the GR and the PR of Castrocaro and Terra del Sole is the numbered “articles” of the Regulations.

When evaluating public sector reform the political economy literature emphasizes the following parameters: increase in real per capita gross domestic product, decrease of average unemployment rates, labour productivity growth, increase of per-capita real income of low-income households (Dalziel and Saunders, 2010). Taxation literature, meanwhile, focuses on distributional effects of taxation (Aaron and Gale, 2010). Unlike these studies, the current accounting literature does not address specific variables but shifts the assessment of public decentralization reforms to NPM standards of “good practices” (or “good government”) developed through a process of “fact” building, which involves the undertaking of local experiments by practitioners, the production of inscriptions in reports and their subsequent validation by other practitioners (Gendron et al., 2007). Other NPM accounting literature suggests consideration of the implementation of budgets, the adoption of financial standards (Bertrand and Chiapello, 2009; Covalski et al., 2013; Ezzamel et al., 2012; Guerreiro et al., 2012) and formal allocation of responsibilities (Humphrey and Miller, 2012) to evaluate specific aspects of decentralisation reforms such as the accomplishment of public accountability.

As a minimum, and most obviously, decentralisation should result in a reduction of the public deficit (Bird, 1993; Bird and Wallich, 1993). Economic growth should also be clearly promoted with a higher revenue mobilization from local sources, including revenues coming from duties on commercial and productive activities at the local level (Bhal and Linn, 1992; Gramlich, 1993; Oates, 1993). A further feature of decentralisation is the improved “allocative efficiency”, defined as the best match between the demand for services and their supply (Andrews and Entwistle, 2013). The opportunity of local administrations to better interpret and address community needs should ensure effectiveness in the provision of public services but also efficiency in terms of lower expenses of service provision than at the central level, lower central offices expenses given their lower involvement in the service delivery and less tax pressure given the improved efficiency. According to Andrews and Entwistle (2013), “allocative efficiency” should be read together with “distributive efficiency” or improved decision-making on expenditures and the delivery of public services. Local governments should have the ability to identify the best pattern of service delivery amongst different groups of citizens (Oates, 1972; Tiebout, 1956). Therefore, a common ground of the arguments advanced by Andrews and Entwistle (2013) on “allocative and distributive” efficiency in decentralisation reforms (Osborne and Gaebler, 1992) is shaped around the actual political participation of the local population, who seek greater control of their circumstances (Andrews and De Vries, 2007; Conyers, 2007; Inman and Rubinfeld, 1997) and trigger transference of authority to the local area (De Vries, 2000; Manor, 1999). Both these efficiencies are summarized by NPM in the “subsidiary principle”, now much discussed in the current European Union, which reinforces the idea that the central level of government should have a subsidiary function, performing only those tasks that cannot be performed effectively at a local level (Thomas, 1996, p. 43).

To be effective, the “subsidiary” principle should be coupled with “autonomy” of the local level of government (Halligan, 2006, p. 194). Christensen and Læg Reid (2006) argue that autonomy may have variations. Thus, they distinguish policy or managerial autonomy from structural, financial or legal autonomy (Christensen and Læg Reid, 2001; Verhost et al., 2004). They also stress that “autonomy” may apply in various degrees, depending on the devolution and delegation from the central level of government. Christensen and Læg Reid (2004) state that any effort to increase local autonomy is accompanied by instances of conflict between

“control and accountability” that creates tension with “autonomy” at the local level. This tension can be solved when both political and administrative authority are delegated to the locality (Olsen, 2009). Llewellyn (1998) emphasizes the centrality of the concept of “public service” in terms of allocated responsibility in decentralization processes (Hart, 1951; Shaver, 1975): “having assigned tasks” and “responsiveness to the others” (Spann, 1978). Accordingly, the textual analysis of the Reform is focussed on identifying how Peter Leopold’s Reform was shaped by principles of decentralisation which have characterised NPM: good government (or good practices), subsidiary, public service, autonomy of the municipality and control. The analysis of financial reports at the municipal level from before and after the Reform used for this study focused on variation in the level of revenues and expenditure at the municipal level, variation of tax amounts and repartition of the expenses between the municipal and central level. The primary sources used for this purpose were originally written or typed in Italian for the Tuscany region (and translated in English by the authors). They are stored in the Historical Archives of Florence and Galeata in Italy, with the latter Archives containing a specific and parallel collection of regulations for the whole Grand Duchy of Tuscany, annotated by a lawyer.

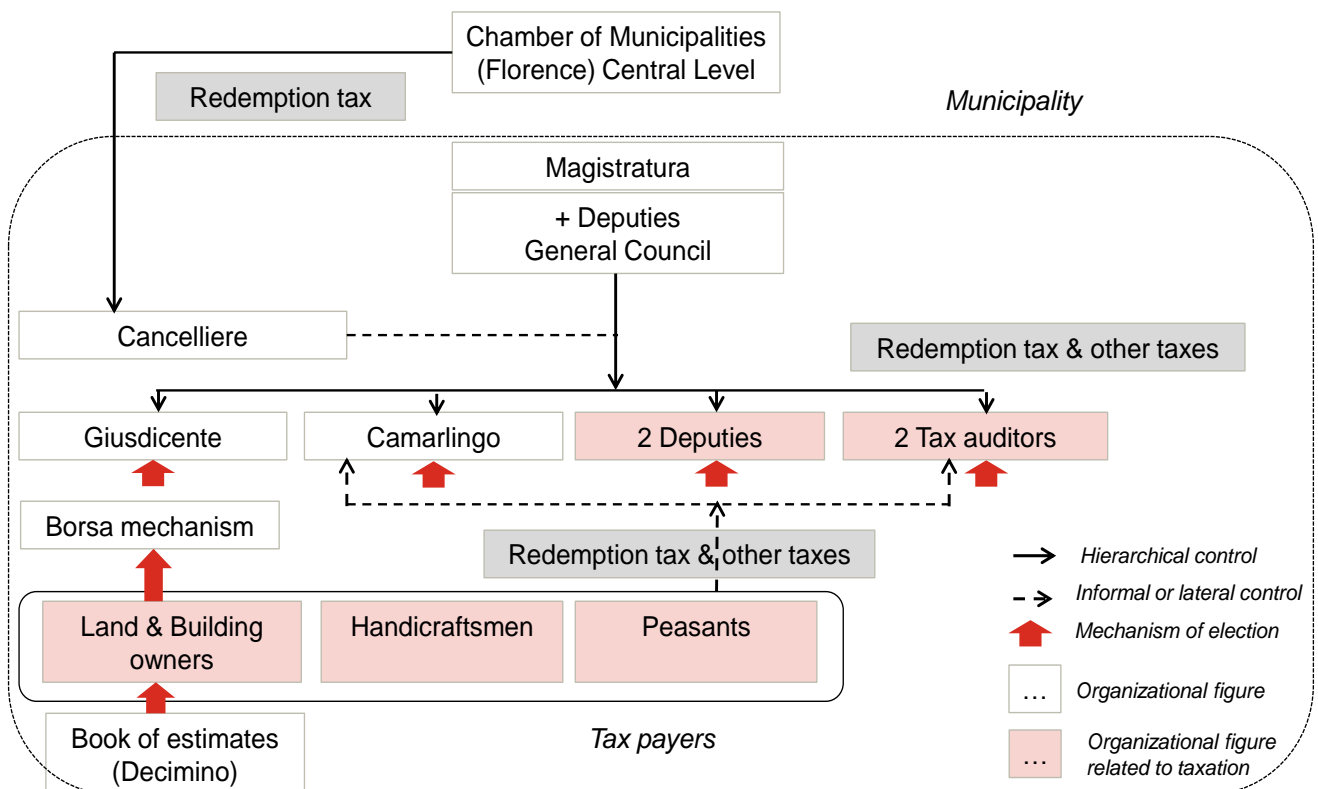
3. Peter Leopold’s Reform: The “New” Logic?

The new Regulations for the Municipality of Castrocaro and Terra del Sole introduced by Peter Leopold’s Reform were substitutes for the entire former legislation based on the de Medici’s Statute of 1513, becoming the only sources of law for the population of the Grand Duchy. Peter Leopold noted that the de’ Medici administration was not characterised by the need for ordered and clear government (Anzilotti, 1910b). The Reform of Peter Leopold was conceived to reorganize the Grand Duchy and to modify the nature of the relationships between the central organs and the periphery (Anzilotti, 1910a, 1910b). The GR, a substantial document, contains an Introduction, 101 articles or sections, and a final table with the details of the new geographical and administrative organization of the municipalities of the Grand Duchy. The PR of Castrocaro and Terra del Sole is much smaller, containing an Introduction and 18 articles. The application of the PR of Castrocaro and Terra del Sole meant that the new territorial asset required a new calculation of the value of real estate and durables and the creation of a new register of lands. Thus, the first article of the PR stressed that “the territories under the jurisdiction of Castrocaro and Terra del Sole must be defined through the real estate of their respective populations”. Peter Leopold defined his new logic as the introduction of “good government” principles and objectives (see section 2 and 3 of Appendix 1). In the first line of the GR Introduction the aim of the reform is specified as: “In the name of both good order and justice, it is necessary that the economic aspects are managed and administrated by those who have direct and main interests on them”, which introduces the “subsidiary principle” (see section 1 of Appendix 1). According to the logic of NPM, this principle implies the recognition that the municipal entity can exercise delegated tasks better than the higher entity (central government), given the better knowledge that the municipality will have of local needs. Therefore, the higher entity should not intervene, but simply support the activity of the municipality. This should increase the efficiency of the administrative apparatuses and avoid an excessive and bureaucratic centralism.

The link emphasized between the municipal administration and an economic rationale supports not only a focus on the population’s wealth (Foucault, 2007), which characterizes the emergence of a “modern” State, but also the need to normalize and instrumentalize people through a form of economic accountability (Rose, 1991). Even though Oestreich (1982) and

Rose (1991) claimed a general push towards centralization for the European monarchies in the eighteenth century, the choices made by Peter Leopold for the Grand Duchy of Tuscany demonstrates the possibility of a choice of forms of decentralization of government, which is similar to current NPM logic, the implementation of which carefully distributes responsibilities and tasks at the municipal level. Figure 3 depicts the organization of the Municipality of Castrocaro and Terra del Sole, as interpreted from both the GR and PR (see Appendix 1 with specific reference to sections 1, 4, 6 and 8).

Figure 3 – Administrative organization of the Municipality of Castrocaro and Terra del Sole, according to the GR guidelines



A new *Magistratura* and General Council were created which were in charge of the Municipality's wealth, with some autonomy from the central level. The autonomy was also linked to the consideration that the most efficient level at which to manage the economic aspects was that closest to the local population, which is very similar to the NPM decentralisation claim of subsidiary (see Zafra-Gómez et al., 2013). The GR affirmed that 'We mean that every member of *Magistratura* has to run and manage all business interests of their municipality' (GR, article 24) and that 'The local public offices have to manage their municipality trying to improve its economic interests' (GR, article 27, see section 4 of Appendix 1). This recognizes the benefits which are now accepted as most important from decentralization (De Vries, 2000; Manor, 1999) by enhancing responsibility and autonomy (Llewellyn, 1998).

The ‘good government’ principles of Peter Leopold’s Reform involved both a new mechanism of eligibility to be a member of the municipal public offices (section 2 of Appendix 1) and new taxation criteria (section 3 of Appendix 1). A person was eligible to be elected through the electoral mechanism of the *Borsa* as one of the new administrative figures, such as those included by the *Magistratura*, on the basis of the property that they owned and its value, without any regard to their place of residence (article 11 PR), family origins or titles. The *Decimino* (or *Book of Estimates*) was the database for the exercise of the *Borsa* and levying taxes (see Appendix 1, section 2). A further innovation, promoted through the GR and PR, was a new taxation system based on a two-step process of tax collection which relied upon a ‘Redemption tax’. The ‘Redemption tax’, as detailed in Appendix 1 section 3, was imposed by the central level on the municipalities and calculated as a fixed amount for each municipality (PR). The municipality could choose how to levy the tax over three main categories of owners: land or building owners, handicraftsmen and peasants. A limit was set for handicraftsmen and peasants, regardless of the municipality expenses (article 42, GR). The difference between the amount that the municipality had to pay to the central government and the total amount of taxes levied on handicraftsmen and peasants had to be paid by land or buildings owners (article 42, GR). This confirms that the Reform decentralised the collection of taxes and it allowed some autonomy to the local levels on decisions regarding how to distribute the taxation among the population for efficiency and equity purposes. However, it did not mean that the power of levying taxes was also transferred to the local level. Peter Leopold still expected that every municipality transferred the taxes collected to the central level. The new taxation system was to guarantee income for Peter Leopold at the central level.

Peter Leopold sought to use this taxation system to reinforce the rationality and efficiency of his Reform (see Prud’home, 1995; Spina, 2014). Thus, article 45 of the GR stressed how the release of control by the central level over municipal government would result in an overall decrease in taxation (see section 3 of Appendix 1). Therefore, the link between administrative participation and ownership was explained through the taxation system, the certainty of which, once again, was guaranteed through the calculation based on *Decimino* records (Maran et al., 2013). The ordinary taxation (“Redemption tax”) which represented the most important income at the central level (Contini and Martelli, 2007) was used to cover central government expenses and the municipal requests regarding roads maintenance, postal service and wages of the government departments.

In his Reform, Peter Leopold recognised the principle of public service by the municipal offices, giving specific attention to the behaviour of the officers and how they exerted their responsibilities. Appendix 1, section 4 shows how the activities of the local administrators were derived from a definition of rules, responsibilities and obligations. Peter Leopold emphasized ‘public conduct’ in the GR articles concerning the equality and impartiality of public officers (articles 24 and 27, GR). With regard to impartiality, Peter Leopold stated that municipal officers were to be paid only the ‘institutional’ wage and nothing more. To guarantee the competence of the public officers, article 50 of the GR stressed the need to choose *Deputati* (organs of control of the *Magistratura*) among those skilled persons who were eligible through the mechanism of the *Borsa*. Furthermore, some forms of public control were identifiable in articles 53 and 59 of the GR, such as joint accountability of the *Deputati* and accountability of the *Cancelliere* towards the *Deputati*. The NPM nature of Peter Leopold’s ideas regarding the benefits of decentralization (see Hart, 1951; Shaver, 1975) was tied to recognition of a political and economic interest of the elected bodies to

manage well the municipality (subsidiary principle, see Appendix 1). The level of specialization required by the Reform (as shown in Appendix 1 section 4) highlighted two essential aspects of responsibility typical of the creation of professional bureaucracies (see Llewellyn, 1998), namely “assignment of tasks” (see Spann, 1978) and “responsiveness to the others”, which are explicitly considered in the Reform principles.

The autonomy principle was included in many articles of the GR (see Appendix 1, sections 5, 6 and 7), which outlined three different types of autonomy: municipal autonomy, which related to the activities delegated to the *Magistratura* (articles 24, 27 and 45); expenditure autonomy, which provided municipal officers with a degree of freedom in the use of public funding (articles 27, 28, 29, 44), and income autonomy, which allowed some discretion to municipal officers to fix the taxation amount and managing the revenues from the estates (articles 27, 32, 35). The activities specifically delegated to the *Magistratura* were defined in a broad sense as ‘the management of everything that concerned the municipal interest’ (articles 27 and 45). The GR emphasized how Peter Leopold would set apart responsibility for expenditure from control of income (tax). Article 27 of the GR states that the central level leaves to the *Magistratura* of the municipality the ‘discretion to reform or decrease excessive expenditures when it seems necessary’. In addition, article 28 of the GR highlights that ‘the municipality is free from any obligation to ask for the central approval on payments of both the officers’ wages and the expenditures they incur, while they are acting for the public service [...] For this reason their expenditures have to be paid directly through the *Camarlingo* of the municipality’ (see section 6 of Appendix 1). The central level devolved a set of activities to the municipality and it linked financial autonomy to these activities. Article 32 of the GR notes that the *Giusdicente* (of the *Magistratura*) “has the possibility to cut off the municipal expenditure when he thinks that it is too burdensome or not useful for the municipality”. In this case, Peter Leopold seemed to emphasize the autonomy of the municipal level for expenditure. However, a different approach was applied to income where a more constrained degree of autonomy was shown (see section 7 of Appendix 1). This diversified approach is clarified in article 32 of the GR, which establishes that the municipality “cannot bind neither sell its estate directly. It cannot compromise the amount of rents, receivables or other credits in order to increase the municipal public funding, without the explicit agreement of the central level”. Article 35 of the GR, further imposed the reinvestment of the amount from sales of municipal or religious assets into the banks of Florence.

The Regulations emphasized new forms of controls and a willingness to establish accountability relationships among the municipal actors. While Peter Leopold emphasized the decrease of central control, such as in article 45 which required that ‘the number of the Municipal accounting books checked by the accounting auditors of Florence will decrease’, three different control levels were established at the municipal level, as shown in section 8 of Appendix 1. *Magistratura* was the first level of management and control while *Deputati* were the second level, and the third one encompassed the tax auditors (article 54, GR). The latter level of control was meant to guarantee the correctness of the tax calculation and distribution of tax revenue. Thus, tax auditors had to control the *Deputati*’s actions concerning taxation and the *Deputati* had to send written reports of their activity to the *Magistratura* (art. 52, GR). Peter Leopold further suggested a general (social) control over the public officers, in addition to any other formal control. Article 60 noted that “Any owner or tax payer is always allowed to see the books of income and expenditure of his municipality *Cancellerie* without paying ...”. The financial reports of 1765-66 and 1775-76 which capture

municipal accounts before and after Peter Leopold's Reform identify the intent of the Reform. Although the accounts were very similar in the simple bookkeeping method used to ensure clarity and transparency, the 1775-76 accounts clearly show the nature of Peter Leopold's Reform.

4. The Accounting Dimension of Peter Leopold's Reform

The main sections of the financial reports in 1765-66 and 1775-76 remained similar, thereby indicating that there were pre-defined rules or accounting practices. Both the municipal financial reports show a clear partition between "Income" and "Expenditure". Income from regular activities was collected under "Standard Income". This included income from the mill, the warehouse and the cellar that formed a type of patrimony of the Municipality. Another source of income for Castrocaro and Terra del Sole, called "Income from Outsourcing" in 1765-66 and in 1775-76 referred to as 'Income included in the General Administration' was related to custom duties on bread, wine, oil and commercial activities of the Municipality such as taverns, mills, slaughterhouses and bakeries. "Custom duties on estimates" referred to a duty on the estimated rent of land-owners' properties and "rent" referred to buildings. However, the possibility of linking the payment of specific taxes to properties emerged clearly only in 1775-76 through the *Decimino Book*, which represented the first rational effort to determine the local population's wealth through estimates of their properties as a possible basis for both the taxation and the local electoral system. In 1775-76, the "interests from the census [1]", a duty to be paid, referred to buildings and land. The introduction of the 'property' element within the financial report of the Municipality represented a significant change, giving visibility to the social class of owners and thereby to their new political role. The new financial report of the Municipality was meant to increase the commitment of the Municipality towards the community it administered. The reference here is to the principle of subsidiarity that emerged from the textual analysis of the Reform (see Appendix 1), in particular the expected commitment of the Municipality to look after the interests of its own population, from an economic, political, administrative and social point of view with the provision of public services, support for the poor families and similar practices.

The provision of a financial report to a municipality and not to the central level of government, and the inclusion in the report of data regarding the above-mentioned support, recognises a broader consideration of the community of reference. Concern for the members of the community most in need was evidenced in the information related to "Economic privileges for families with [at least] twelve children", the management of which was completely devolved to the Municipality after the Reform in 1775. This is shown when the the "Economic privileges for families with [at least] twelve children" are recorded on both the "Income" side, which means the Municipality was funded by the central government to help those in need, and the "Expenditure" side of the financial report, which indicated how the Municipality decided to distribute the income received. In both the financial reports of 1765-66 and 1775-76 the "Exceptional income" concerned the reimbursement to the Municipality coming from the central administration for roads maintenance expenses.

[1]"Census", which referred to the wealth of the municipality in the financial reports of the municipalities under Peter Leopold's rule, records the contribution of the municipality, which was determined by the value of its population's properties (for example lands and buildings). In 1765-66 that contribution was partially returned to the municipality, following the practice of the de'Medicis, whereas by 1775-76, the *Decimino (Book of Estimates)* ought to provide the precise estimate of the municipal properties which was the base for levying taxes ("census").

Nevertheless, in 1775-76, the financial report requires the Municipality to be accountable for the use of this “Exceptional income”, shown also as “Exceptional expenses” on the other side of the financial report. This was meant to shift both the political and economic responsibility for poor people, security and road maintenance over to the Municipality.

The expenditures in 1775-76 included the salaries for the central and municipal officials: the *Commissario* was a decentralized official of the central government (see also Figure 3 on the administrative organisation of the Municipality), the *Donzello* and messengers of the Court pertained to the Florence imperial court, whereas members of *Magistratura* and the General Council (Judges), the *Camarlingo*, and tax auditors were considered municipal officials. The accountants in charge of the custody, recording and delivery of the accounting books were related to the municipal administration to ensure a systematic and ordered bookkeeping, which emphasized the Municipality’s increased responsibility for its operations. The record ‘Ordinary payment’ in 1775-76 identified specific expenses of the Municipality, including inspection of the roads, maintenance of the rivers and paying the salary of teachers, the surgeon, the clockmaker and the salt-dealer. These latter figures were considered as municipal officials. Other relevant public services were related to the post office or the reimbursement of the damages by wrongdoers. In contrast to the commercial activities that were subjected to “custom duties”, and thereby considered as source of income, the activities tied to the local authorities were considered to be a part of the ‘welfare services’ of the Municipality which had to be covered by the Municipality with its own resources. Moreover, the “Deductions on the income from auctions” and half of the “income (mid-earn) from customs duties” (in 1765-66) had to be transferred from the Municipality back to the central level.

In 1775-76, the central role formerly given to the *Chiesto* tax was substituted with a ‘Redemption tax’ and re-classified within ‘Expenditure’. The *Chiesto* tax was a set of taxes which was generally imposed on individual communities on the basis of their estimates and the population. From the census statistics of Repetti (1843), in 1745 the Grand Duchy had a population of 893,724 inhabitants, distributed in 248 communities. The community of Terra del Sole had 170 inhabitants and Castrocaro 808, but the Municipality of Castrocaro and Terra del Sole (as re-organised under Peter Leopold) counted 1,952 inhabitants. Due to the Seven Years war, this taxation system remained untouched until a first attempt to implement a real estate registry, between 1762 and 1763, which was postponed until 1765. But it is necessary to wait until 1774 to see the reform of the taxation and the introduction of the *Book of Estimates (Decimino)*. According to the Reform, the former *Chiesto* tax deposited at the Central Cash of Florence should have been credited against the Redemption tax amount of each Municipality. The economic importance of the “Redemption tax” within the Municipality’s financial report was directly tied to the new fiscal aspects implemented by Peter Leopold through the Reform. With respect to the *Chiesto* tax, the annual “Redemption tax”, the amount of which was fixed after being calculated once on the basis of the rents of the Municipalities assets and the estimates of their land-owners, was meant to cover the activity of the central authorities.

Article 16 of the PR of Castrocaro and Terra del Sole stipulated that the difference between the former *Chiesto* and the “Redemption tax” which pertained to the Municipalities and was stored in the Central Cash of Florence had to be given back to the Municipalities. The abolition of the *Chiesto* (article 17 of the PR of Castrocaro and Terra del Sole) and the introduction of the ‘Redemption tax’ (article 23 of GR and article 27 of PR) stressed the

relevance of the *Book of Estimates (Decimino)* to guarantee the fairness of taxation, especially “land taxation”. In 1775-76, the ‘Redemption tax’ is considered an expenditure for the Municipality as it is entirely transferred to the central level, while in 1765-66 the *Chiesto* was partially re-distributed to the Municipality and its actual amount seemed very little^[2]. Although the ‘Redemption tax’ substituted for the sole *Chiesto* (and a few number of other taxes), but it left the remainder of the taxation, mainly indirect taxation on patrimony, unaffected.

5. The financial impact of Peter Leopold’s Reform on the Municipality

The Reform’s financial impact is most obvious, as shown in Table 1, with the comparison of the financial reports of Castrocaro and Terra del Sole in 1765-66 and 1775-76 for items such as custom duties from commercial activities, tax and expenditures for the central offices, expenses of the Municipality (including municipal officers’ salaries), tax income, expenditure and balance of the Municipality. As one of the evaluation criteria of the Reform, the promotion of economic growth, the proxy of which in this study is the amount of duties on commercial and productive activities, a comparison of the financial reports in 1765-66 and in 1775-76 after the Reform reveals that income from “Custom duties over commercial activities” slightly increased in 1775-76 (from 380 lire in 1765-66 to 472 lire in 1775-76). This could have been derived from an increase of the underlying commercial activities under Peter Leopold’s rule and, hence, an increase in wealth as a result of the commercial development of the Municipality.

Table 1 – Reclassification and comparison of financial reports of Castrocaro and Terra del Sole 1765-66 and 1775-76.

1765-66	Lire	Soldi	Denari	1775-76	Lire	Soldi	Denari
Wages of public officials	1458	19	2	Wages of public officials	1514	1	8
Customs duties on commercial activities	380	2	8	Customs duties on commercial activities	472	0	6
Other expenses for public services	31	12	10	Other expenses for public services	102	6	4
Central offices (it includes the reimbursement to the Municipality of the expenses to compile a local census)	582	3	6	Central offices	122	11	4
Taxes (see Note)	4	2	0	Taxes (see Note)	819	10	3
Rent and properties	4567	12	0	Rent and properties (including interests on census)	7164	9	8
Economic privileges for families with 12 children (from central level)	34	0	4	Economic privileges for families with 12 children (paid by the municipality)	98	2	10

[2] The 1765-66 financial report does not contain the precise amount of the *Chiesto* tax for two reasons: a) there were not homogeneous criteria or rules for census and estimates which could differ in time and location (see Contini and Martelli, 2007); b) most of the *Chiesto* tax was re-distributed to the communities in various forms which were accounted for in the financial reports. Contini and Martelli (2007: 157) refer to an amount of taxation of the Grand Duchy of Tuscany of 955.775 scudi (or 7,168 lire, 6 soldi and 3 denari) in 1738, of which 157.327 scudi of direct taxes (based on the estimates and the population number of each community) and 798.448 scudi of indirect taxes (based on the consumptions).

Note: All figures shown have been obtained from numerous entries in the original reports.

Evaluation of the Reform has incorporated consideration of “allocative efficiency” measured by a lower amount of expenses for central offices, lower taxes and lower expenses for public services delivery at the municipal level. Table 1 shows the amount that the Municipality of Castrocaro and Terra del Sole owed to the central administration in Florence “for the payment of the salaries of central officers”. A significant lower amount of the municipal contribution to the central offices, as shown in Table 1 (from 582 lire in 1765-66 to 122 lire in 1775-76), indicates that the Reform might have actually reduced the involvement of the central offices in the local administration. This was reflected in changes in the role of accounting, encompassing the custody, delivery and archiving of the accounting books of the Municipality, which might have been subsumed in the emergence of some municipal officials, as recorded in 1775-76. However, the actual amount of taxation, including the *Chiesto* (in 1765-66) or the Redemption tax (in 1775-76), largely increased after the Reform, even if the former *Chiesto* tax (in the central cash of Florence) was credited against the amount of Redemption tax calculated for Castrocaro and Terra del Sole in 1775-76. From the former section, it was noted that the substitution of the variable *Chiesto* with the fixed “Redemption tax” was meant to introduce fairness and certainty in both the taxation principles and the calculation of the amount upon individual Municipalities, but it did not seem to affect the burden of taxation on tax payers. Furthermore, given that the “Redemption tax” was not redistributed among the Municipalities, as for the *Chiesto* tax, the pressure of taxation appeared disproportionately higher after the Reform (from 4 lire in 1765-66 to 819 lire in 1775-76).

Another main result of the Reform in 1775-76 was represented by an increased amount of municipal expenses for public services from 31 lire to 102 lire (see Table 1), including the municipal post office, inspections of the municipal boundaries, religious celebrations for Castrocaro and Terra del Sole, and reimbursement of the damages of the wrongdoers. However, both these results do not support an “allocative efficiency” perspective. Whereas an increase of the public services expenses might have been beneficial for the local population, the disproportionate amount of taxation required to support the Municipality appears to be far less desirable or beneficial at the municipal level. There is also a slight increase of the salaries of the local authorities, from 1,458 lire in 1765-66 to 1,514 lire in 1775-76 (see Table 1), which does not appear as significant as the decrease in the central offices salaries. This signifies that the Reform did not substantially change the administrative organisation at the municipal level but leveraged on the existing apparatuses of 1765-66, requiring them to do more with less.

One of the aspects of the Reform which is not tied to the efficiency of allocation but to the rhetoric which drove the increasing focus in 1775-76 on the ‘census’, is represented by revenues from land properties, buildings, bridges, and other properties. The amount shown in Table 1 is a net amount resulting by subtracting from the census revenues, such as customs duties on constructions, property fees and rents, the municipal expenses related to public works, including road construction, maintenance of the buttress, (see Table 1 for a complete account). In 1765-66 the amount of revenues from rent and property-related incomes was 4,577 lire, less 10 lire transferred back to the central level, whereas in 1775-76 the amount is 12,982 lire less 5,818 lire which represents, in this case, public works expenditure devolved to the Municipalities after the Reform. This change exposed the Municipality to a higher

attention to the estimates and a large increase in expenses tied to public works, which was completely absent in the period before the Reform. These considerations confirm a considerable increase in both the income (customs duties, taxes, rent and properties) and expenses managed by the Municipality (wages of public officials, other expenses for public services, economic privileges for families with 12 children) , which resulted in a slight decrease of the public deficit of the Municipality. Specifically, customs duties increased from lire 380 to lire 472; taxes rose from 4 lire to 819 lire; rent and properties increased from 4,567 lire to 7,164 lire. Regarding the expenditures, wages of public officials increased from 1,458 lire to 1,514 lire; other expenses for public services rose from 31 lire to 102 lire and the economic privileges for families with 12 children increased from 34 lire to 98 lire. Meanwhile, the amount paid by the Municipality to the central offices decreased from 582 lire to 122 lire. According to the criteria for the evaluation of the financial performance of a decentralization reform, this slight deficit decrease should be regarded as a positive signal. Overall, it becomes more obvious that implementation of the Reform appeared to be successful in guaranteeing a certain autonomy to the Municipality of Castrocaro and Terra del Sole, especially in terms of administrative apparatus and ability to leverage both incomes and expenses, leveraging mainly on properties and the “census”. However, the real cost of the Reform could be read in terms of an escalation of the costs of public works.

Most of the municipal expenses concerned public works and services which were re-directed to the Municipality instead of being performed or paid for by the central administration. As a consequence, it can be concluded that the Municipality found its new legitimacy in the ability to finance new public works, public services and poor families. However, differently from what was expected by the Reform rhetoric and evaluation, the amount of taxation increased enormously for the Municipality, with much less transferred back from the central level. As the attention of the Reform seemed to be more focused on the municipal reorganisation and the taxation (income side), it does not appear, from a financial point of view, that Peter Leopold regency intended to constrain the expenditure.

6. Concluding Remarks

This study has examined the rationale and accounting implications of Peter Leopold’s Reform between 1774 and 1775 at the municipal level in the Grand Duchy of Tuscany (Donatini, 1998; Vasina, 1981; Zaghini, 1981). By measuring the financial impact of the reforms on the Municipality of Castrocaro and Terra del Sole using a longitudinal comparison of financial reports before (1765-66) and after (1775-76) the Reform, the Reform was shown to be motivated and justified by the priorities which were consistent with the transformative public sector reforms of NPM from the late 20th century. The benefits of the decentralization of the responsibilities and powers of government related to “allocative efficiency” were evaluated by using the drivers of reform suggested by NPM and political economy and taxation studies, drawing upon the accounting records and financial reports of the Municipality of Castrocaro and Terra del Sole over a period of ten years, from the instalment of Peter Leopold in the Grand Duchy to the actual implementation of the Reform. The analysis was made possible by a high level of systematization and comparability of the accounting records, within the timeframe chosen.

Analysis of the GR and PR of Castrocaro and Terra del Sole supports the conclusion that the source of legitimation of the Reform was the introduction of a “new government style” (Evans, 2010; Potter, 1999) based on a rationalization of the municipal administrative system

according to the “subsidiary principle” by decentralizing responsibility for providing the services. The benefits of this new principle of government emphasized a reduction of the control of municipal activities by central government offices, thus greatly enhancing the Municipality’s “autonomy” in the choice of the best forms of “accountability and control” for the delegated functions. These included more direct control by the Municipality of tax auditors used by the *Deputati* and improved reports from the *Deputati* to *Magistratura* about their activities. Tax payers, who were property owners, would also have better access to the Municipal accounting records of income and expenditures.

The introduction of a new taxation system was meant to be supported by an economic discourse which related political participation in the municipal government to the status of ownership. Indeed, the *Borsa* electoral mechanism for municipal offices relied on the *Decimino* (or Book of Estimates) of the Municipalities. As a consequence, the possibility to be part of the municipal political and administrative system was not linked to any “birth right” but to ownership status when the estimated rent of properties ultimately resulted in qualification by being a taxpayer (Maran et al., 2013). This change was fundamental to decentralisation and to the enactment of principles which are very similar to those advocated by current NPM reforms. Unlike other European monarchies (see Bisman, 2009; Gomes et al., 2008; Miller, 1990; Nitikin, 2001; Oestreich, 1982; Platonova, 2009; Rose, 1991; Sanchez Matamoros and Gutierrez Hidalgo, 2012; Sargiacomo, 2009; Yayla, 2011), these results confirmed the similarity of Peter Leopold’s Reform to modern NPM reforms with its emphasis on the decentralisation of responsibilities to the local levels.

The rationalization of the fiscal system came about through the substitution of the previous variable *Chiesto* with an annually fixed and pre-defined “Redemption tax”, which was regularly accounted for in the financial report 1775-76 of Castrocaro and Terra del Sole. Evidence indicated that differences between *Chiesto* and “Redemption tax” concerned both their amount and classification within the financial reports which, in turn, supported a specific “political” aim. For example, the full account of the “Redemption tax” outlines how Castrocaro and Terra del Sole were held accountable for the actual calculation and collection of the taxation which, differently from the *Chiesto* in 1765-66, should have been transferred back to the central level of government. This result highlights how Peter Leopold’s decentralization was more concerned with the delegation of responsibilities and expenditure potential to the local level rather than the tax levy power. Thus, the “efficiency” should be read in terms of expected enhancement of tax collection at the municipal level, without attacking the actual fiscal pressure. This is particularly relevant also for the evaluation of current NPM reforms where both responsibilities and tax levy may be delegated to the local levels, implying a possible increase instead of a decrease of the fiscal pressure over the local population.

The detail of the financial records demonstrated that municipal “autonomy” became also quite explicit with regard to expenditure. This confirms that the main intention of Peter Leopold’s Reform was related to the principles of taxation and matters of income rather than expenditure. The evaluation of the “allocative efficiency” of the Reform is complicated by the financial result of the newly acquired “autonomy” for the Municipality of Castrocaro and Terra del Sole where income increased significantly (to approximately 14,172 lire in 1775-76 from 5,740 lire in 1765-66) as did the expenses (to 13,151 lire in 1775-76 from 2,193 lire in 1765-66, see Table 1), including those tied to public works, with a slight reduction of the deficit. In this regard, the findings at Table 1 show an increasing attention to the rent and

property aspect, the net amount of which grew to 7,167 lire in 1775-76 against 4,567 lire in 1765-66 for Castrocaro and Terra del Sole. A comparison of the amounts dedicated to the census exercise (5,565 lire in expenditure of the Municipality in 1775-76 against 40 lire in 1765-66 as a transfer from the central level to the Municipality for that service) also explains how the “ownership logic” of the Reform penetrated the financial reports classification and focus.

Following the encouragement of Platonova (2009) and Carnegie and Napier (1996, 2002), this study has enhanced understanding of the role of accounting in public administration. By highlighting the significance of Peter Leopold’s decentralization in the eighteenth century through a comprehensive effort of assessment of its political and financial impacts, the study provides further insights on both the modern State building process and on the possible application of NPM understanding of “performance”. At the same time, this study has provided the means to identify the methodological benefits, limitations and criticalities of using NPM tools of decentralization evaluation. The Reform brought forward a process of innovation that would have come much later with the Napoleonic rule, with all the elements of full recognition of property as a qualification to exercise political rights, and the rise of a State bureaucracy that created the future bourgeoisie even if they were not made by the bourgeoisie. The possible unintended consequence of this project was the spiralling increase of both income (tax) and expenditures at the municipal level.

Despite the limitations of the primary sources available, the results of this study provide the means to define and measure the costs of municipal autonomy. They give account not only to the new logic of the Reform but also to its consequences at the closest level of administration with respect to the administered population. Further research could seek to extend the analysis of the accounting impact of the Reform to the other Municipalities of the Grand Duchy of Tuscany. A comparison between the Hapsburg-Lorraine rule and the former Italian rule would emphasize the differences in the systems of values and the specific elements that were then transposed into the current public administration.

Appendix 1 - Excerpts from GR

Section	General Regulation	Main Sentences	Articles that refer to the Sentences
1	Subsidiary principle	<p>“[...] the economic aspects have to be managed and administrated by those who have direct interests on them”.</p> <p>The Municipalities have the “option to govern themselves [...] without a closed dependence from the central Chamber of Municipalities in Florence [...] as they [the municipal members of Magistratura] must have a deeper knowledge about the municipal needs. Leaving the Municipalities the freedom to examine the report of their own income and expenditures, We think that their zeal and public service will increase”.</p> <p>At the Municipal level, the “new Magistratura is composed of a Gonfaloniere and some Representatives of the Municipality. Each Municipality will also have a General Council. All the members of Magistratura or General Council will have equal votes on the decisions”.</p>	<p>Introduction</p> <p>Introduction</p> <p>Art. 1</p>
2	“Good government” – Focus on <i>Borsa</i> and <i>Decimino</i>	<p><i>Borsa</i> is composed of the names of the owners of demesne (depending on the estimated value of their demesne), who are eligible to public offices thanks to their ownership.</p> <p>The person/s who will become member/s of public offices (Magistratura, Council, Camerlengo, ...) is/are extracted from the <i>Borsa</i></p> <p>“<i>Decimino</i> is a register that contains the names of all the municipal owners, the description of their demesne (lands, buildings, ...) located in the Municipality, and the estimated value of the demesne, regardless of the place of residence or family origins of those owners...”.</p>	<p>Art. 4, 5, 7, 8, 10, 11, 12, 13, 14, 18, 55, 61, 96</p> <p>Art. 5, 7, 8, 28, 35, 42, 75, 89</p>
3	“Good-government” - Focus on the taxation system	<p>“Any Municipality will be charged with any kind of annual taxes generally called <i>chiesto</i> to face universal or ordinary expenditures of the Central level each time they emerge.</p> <p>Only when the Central level has extraordinary needs/emergencies, an extraordinary tax will be levied, after a previous publication”.</p> <p>“All forms of taxation, generally called <i>chiesto</i>, will be suppressed and each Municipality will have to pay the Cash of the Chamber of Municipalities in Florence an annual tax as a Redemption tax, the amount of which will remain fixed by the PR”.</p> <p>“It is absolutely forbidden to manage the yearly taxation, debiting eventual tax amounts collected in previous years”.</p> <p>“The Redemption tax has to be charged on peasants, handicraftsmen and, partially, on the owners of lands or buildings [...]”</p> <p>“For handicraftsmen and peasants, a fixed amount of Redemption tax is decided by each Municipality. The amount, when identified, has to remain the same, regardless of the subsequent Municipality expenditures and/or other occurrences”.</p> <p>“The difference between the total amount of Redemption tax due from the Municipality to the Central level and the fixed amount</p>	<p>Art. 37</p> <p>Art. 38</p> <p>Art. 40</p> <p>Art. 42</p> <p>Art. 42</p> <p>Art. 42</p>

		<p>charged to handicraftsmen and peasants, has to be charged to owners of lands or buildings, depending on the value of their ownership, as estimated in the <i>Decimino</i> book...”</p> <p>As a consequence of the reduction of the administrative apparatus of control, the connected taxation (tax of control) has to be reduced by each Municipality in a fixed amount.</p>	Art. 45
4	Public service principle	<p>“If the person who was extracted does not accept the office..., he has to pay the amount of [different amounts in consideration of the office] in favour of his Municipality [...]”</p> <p>“[...] so that the Municipality does not stay without administrative service”</p> <p>“[...] and in order to account for municipal people’s zeal, skills and attention, We recommend them to act in the general interest of their Municipality”.</p> <p>“We intend that each member of Magistratura [...] has to run and administer the businesses and interests of his own Municipality”</p> <p>“We recommend them (municipal public officers) the general interest of their own Municipality”</p> <p>“To guarantee and satisfy the general interest [...] two straightforward and skilled persons (named Deputati) can be elected among the eligible persons to Magistratura [...] with the assignments to calculate and share out the taxes on the taxpayers [...]”</p> <p>“Deputati are jointly accountable for their activities to their Municipality[...].”</p> <p>“The institution of tax Auditors is in the interest of all tax payers’ satisfaction [...]”</p> <p>The Cancelliere of the Municipality will be requested to guarantee the same assistance for all forms of taxation, as if these taxes came from Camera of Municipalities [...] with no extra pay for that assistance through his wage or other emoluments [...]”</p>	<p>Art. 18</p> <p>Art. 18</p> <p>Art. 27</p> <p>Art. 24</p> <p>Art. 27</p> <p>Art. 50</p> <p>Art. 53</p> <p>Art. 55</p> <p>Art. 59</p>
5	Autonomy of the - Municipality	<p>“[the Magistratura of the Municipality has] the full and free administration of the [Municipal] income and expenditure. ...”</p> <p>“[We] will decrease the number of the Municipal accounting books that has to be checked by accounting auditors in Florence [...]”</p> <p>“[Municipal officers have] to refer to their [Magistratura’s] discretion to reform or decrease excessive expenditures that seem to require a revision [...]”</p>	<p>Art. 27</p> <p>Art. 45</p> <p>Art. 27</p>

6	Autonomy of the Municipality on Expenditure	<p>“The Municipality is free from any obligation to ask for Central approval on payments of both the officers’ wages and the expenditures they incur on, while acting for the public service [...] For this reason their expenditures have to be paid directly through the Camarlingo of the Municipality.”</p> <p>“For the definition of new and extraordinary expenditures [...] the Municipal Giusdicente has the possibility to cut off the Municipal expenditure when he thinks that it is too burdensome or not useful for the Municipality.”</p> <p>“Any expenditure of the Municipality has to be paid yearly through both its own revenues and the funding that the Central level guarantees the Municipality thanks to the Redemption tax...”</p>	<p>Art. 28</p> <p>Art. 29</p> <p>Art. 44</p>
7	Autonomy of the Municipality on income	<p>“[The Municipality is free] to improve its income through the increase of estate and/or rents.”</p> <p>“[The Municipality] cannot bind neither sell its estate directly. It cannot compromise the amount of rents, receivables or other credits in order to increase the Municipal public funding, without the explicit agreement of the Central level.”</p> <p>“The income from the sale of Municipal estate or religious assets will have to be reinvested in the banks of Florence.”</p>	<p>Art. 27</p> <p>Art. 32</p> <p>Art. 35</p>
8	Control and accountability	<p>“[...] the number of the Municipal accounting books checked by the accounting auditors of Florence will decrease [...]”</p> <p>“And We want that all the controls [from the Central auditors] mentioned above will be run yearly in order to verify both the activity of the Municipal Camerlingo and the compliance to the General Regulation.”</p> <p>“... Deputati have to report to their Magistratura through written forms.”</p> <p>“The definition and sharing out of the taxation is defined by two Deputati, however the Magistratura will elect two other persons as tax auditors [...] they have to control the Deputati’s decisions and verify that no one will pay more or less taxes by mishap or mistake [...]”</p> <p>“Any owner or tax payer is always allowed to see the books of income and expenditure of his Municipality Cancellerie [a sort of Archives], without paying [...]”.</p>	<p>Art. 45</p> <p>Art. 48</p> <p>Art. 52</p> <p>Art. 54</p> <p>Art. 60</p>

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