



Filling the gaps: Accounting for the first 223 years of the Banque de France Balance Sheet

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SUMMARY

- **Motivation:** Economics studies relation between the size/composition of central bank balance sheet & credit, GDP...
 - Demand for (and use of) long-run series
 - Distinction btw the « monetary » vs the « accounting » balance sheet
- **Banque de France:**
 - Created in 1800
 - Balance sheet published from 1840 onwards and with gaps
- **This presentation:**
 - What information did the public balance sheet contained?
 - What differences with the internal, daily, balance sheet?
 - How can the internal daily balance sheet be used/adjusted for in order to fill the gap in the series of published balance sheet??

- DE FRANCE
31. Décembre 811 au matin.

BANQUE DE FRANCE.

(Publication prescrite par la loi du 30 juin 1810.)

ÉTAT N° 1.

		1 ^{er} . Bilan de la Banque de France, au 31 décembre 1810.			
		2 ^e . Moyennes des situations de la Banque pendant le dernier trimestre.			
		3 ^e . Opérations réalisées dans le courant du dernier trimestre.			
		§ 1 ^{er} . Bilan de la Banque.			
1 ^{re} Espèces en caisse, compris 10,934,567 fr. 42 c. d'effets échus le 31 décembre, à encaisser le 1 ^{er} janvier.....		257,225,732 »	1 ^{re} Circulation.....	Billets au porteur (non compris ceux des comptoirs), 240,294,000 »	241,002,010 40
2 ^e Escomptes et prêts.....		135,876,129 05	Billets à ordre.....	1,568,010 40	
3 ^e Avances sur dépôts de lingots et monnaies.....		25,780,100 »	2 ^e Comptes courants.....	Compte courant du Trésor.....	108,106,925 54
4 ^e Avances sur effets publics.....		8,280,621 45	Comptes courants divers.....	65,007,543 06	176,850,066 57
5 ^e Comptes courants divers.....		10,046,105 20	Récepissés payables à vue.....	7,116,500 »	
6 ^e Rentes, effets publics et réserve.....		12,030,000 »	3 ^e Capital et réserves.....	Capital de la Banque.....	67,900,000 »
7 ^e Rentes, effets publics et réserve.....		9,000,000 »	Réserve.....	10,000,000 »	81,900,000 »
8 ^e Rentes, effets publics et réserve.....		50,175,739 40	Réserve immobilière.....	4,000,000 »	
9 ^e Rentes, effets publics et réserve.....		4,000,000 »	Dividendes à payer.....	4,874,774 75	
10 ^e Créances et objets divers.....		1,000,000 »	4 ^e Articles divers.....	Mandats des comptoirs de la Banque.....	6,568,083 21
		500,759,662 48	Comptes divers.....	1,181,329 05	
					500,759,662 48
		§ 2. Moyennes des situations de la Banque pendant le dernier trimestre.			
1 ^{re} Moyenne des espèces en caisse.....		254,271,000 »	1 ^{re} Moyenne de la circulation.....	Billets au porteur.....	253,549,000 »
2 ^e Moyenne des escomptes et prêts.....		115,500,000 »	Billets à ordre.....	1,510,000 »	254,850,000 »
3 ^e Moyenne des avances sur dépôts de lingots et monnaies.....		25,044,500 »	2 ^e Moyenne des comptes courants.....	Du Trésor.....	115,784,500 »
4 ^e Moyenne des avances sur effets publics.....		8,916,000 »	Divers.....	68,258,500 »	105,474,000 »
5 ^e Moyenne des comptes courants divers.....		10,820,500 »	Des récepissés à vue.....	9,454,000 »	
		§ 3. Opérations réalisées dans le courant du dernier trimestre.			
1 ^{re} Les escomptes, avances et prêts en portefeuille.....		227,565,100 »	2 ^e Mouvement général.....	Entrées.....	En espèces..... 100,725,500 »
2 ^e Sur lingots et Dépôts.....		55,140,000 »		En billets..... 206,474,500 »	
3 ^e Sur effets publics.....		7,757,500 »		En espèces..... 120,478,500 »	5,045,569,500 »
4 ^e Sur loans de la Monnaie.....		7,880,200 »		En billets..... 542,765,500 »	
5 ^e Divers.....		1,252,655,800 »		Virements.....	1,742,807,700 »
2 ^e Mouvement des comptes courants.....		1,510,570,000 »			
3 ^e Du Trésor.....		85,526,500 »			
4 ^e Divers.....		108,245,000 »			
		194,772,100 »			

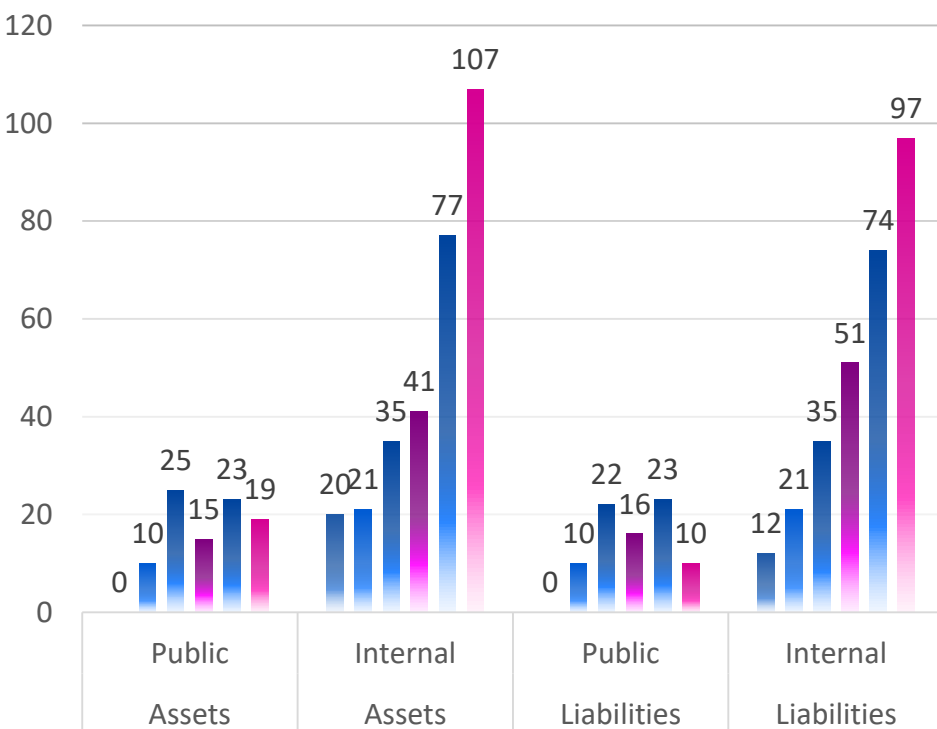
(1) Sur les encaissements opérés pour les comptes courants, ont été recouvrés en effets au comptant, 105,759,000 francs, montant à 257,547,500 fr.



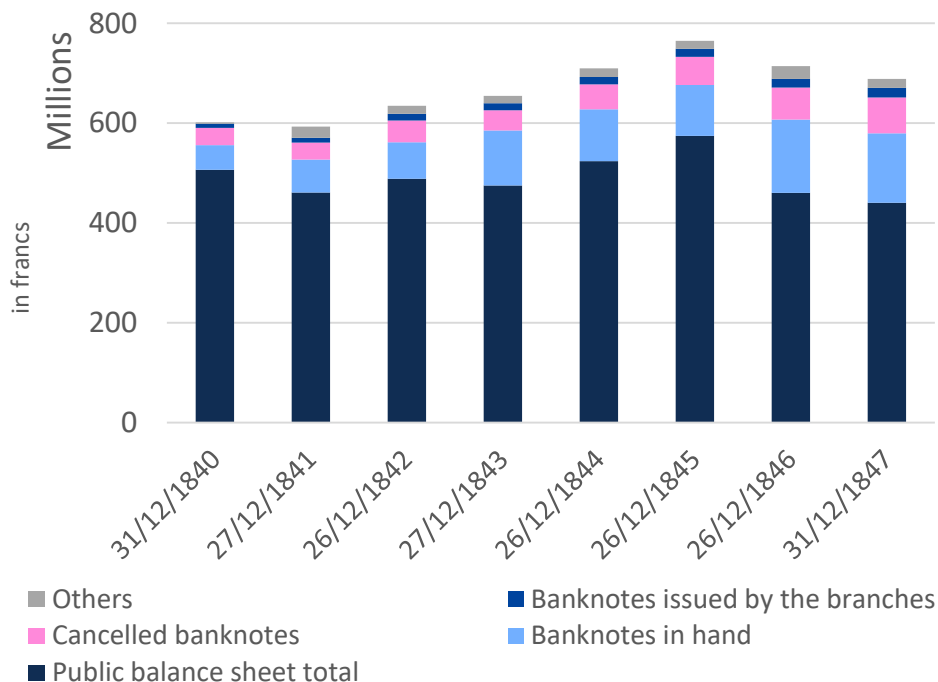
DIFFERENCES BTW PUBLIC AND INTERNAL BALANCE SHEETS

- Total of the public balance sheet is systematically lower than the internal BS (by 20% at least)
- It is also less detailed (less BS items)

OF ITEMS OF THE BALANCE SHEET



1840-47: Comparison of 2 balance sheets



- 1848 : change in the consolidation method of the branches balance sheet
- Public BS only circulating banknotes
- Internal BS adds new bknates not in circulation and those to be burnt



PUBLISHING THE BALANCE SHEET: A LEGAL REQUIREMENT ONLY?

■ The Banque did more :

“Mr. Count d'Argout, Governor of the Bank of France, did not take long to make the publication required by the law (...). **He went even further, giving the balance sheet as of June 30, 1840**, and the results of operations ending on June 30, 1840.”

■ 1852 Bank's general council views:

“In the absence of certain and indisputable documents, imagination can go beyond the truth, and there are more dangers there than in accurate knowledge of the situation.”

“the Bank is, in France, the only major credit establishment, that **credit only lives on publicity**, and that therefore, it has the greatest interest in putting its work in broad daylight.”

1800 – 29.06.1840		No publication
30.06.1840 – 31.12.1847	Quarterly	Law of June 30, 1840 – art. 5
5.3.1848 – 08.04.1852	Weekly	Decree of March 15, 1848 – art.6
08.04.1852 – 09.06.1864	Monthly	1848 decree repealed new 'decree'
16.06.1864 – 2003	Weekly	BdF general council decision published in the official gazette, Law in 1928 & decree in 1936



IMPEDIMENTS TO A YEARLY SERIES : GAPS IN THE PUBLICATION

Date	Reason for the absence of publication
1800 to 30 June 1840	No legal provision to publish a complete balance sheet
15 September 1870 to 6 July 1871	Outbreak of the Franco-Prussian war caused difficulties of communication with branches Paris Uprising (Commune)
30 July 1914 to 28 January 1915	Outbreak of the World War I : communication difficulties with the branches
6 June 1940 to 7 August 1941	End of the Phoney war, beginning of the invasion of France by German army communication difficulties with the branches
13 July 1944 to 28 December 1944	Liberation of France disrupts communications with the branches
31 May 1945 to 2 August 1945	First monetary reform, swap of banknotes
22 January 1948 to 4 March 1948	Second monetary reform (withdrawal of the 5k banknotes)
23 May 1968	Civil unrest



METHOD TO FILL IN THE GAPS

Use internal balance sheet to construct a « synthetic » balance sheet, similar to the published one but with 3 general adjustments

1. General accounting principle of public accounts:

- The Bank never published amounts of assets that were also liabilities to itself. The following adjustments are therefore to be implemented.
- ⇒ banknotes to burn (assets side) cancelled out with cancelled ones (liabilities side)
- ⇒ banknotes held in Bank's vault not published.
- ⇒ Btw 1807 & 1834, BdF equity shares owned by the Bank are both on assets & liabilities sides.

2. Accounting for relations with the Banque branches:

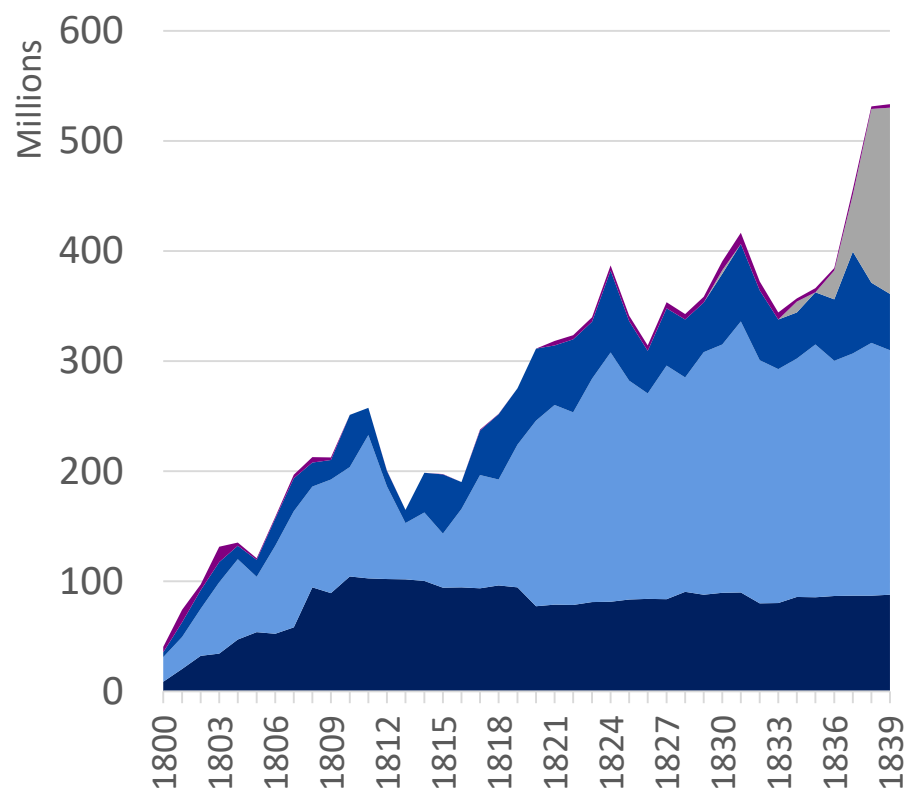
- Before 1848, the Bank consolidated the balance sheet of its branches using the equity method, i.e. *as if* it had no majority control over them
- ⇒ In public balance sheet, the item “Branches, their current account” appeared either on assets or liabilities sides, depending on the net position.
- After 1848, the Paris & branches' balance sheets are fully consolidated

3. A third adjustment : ‘Bills payable at sight’ are subtracted from the amount of current accounts



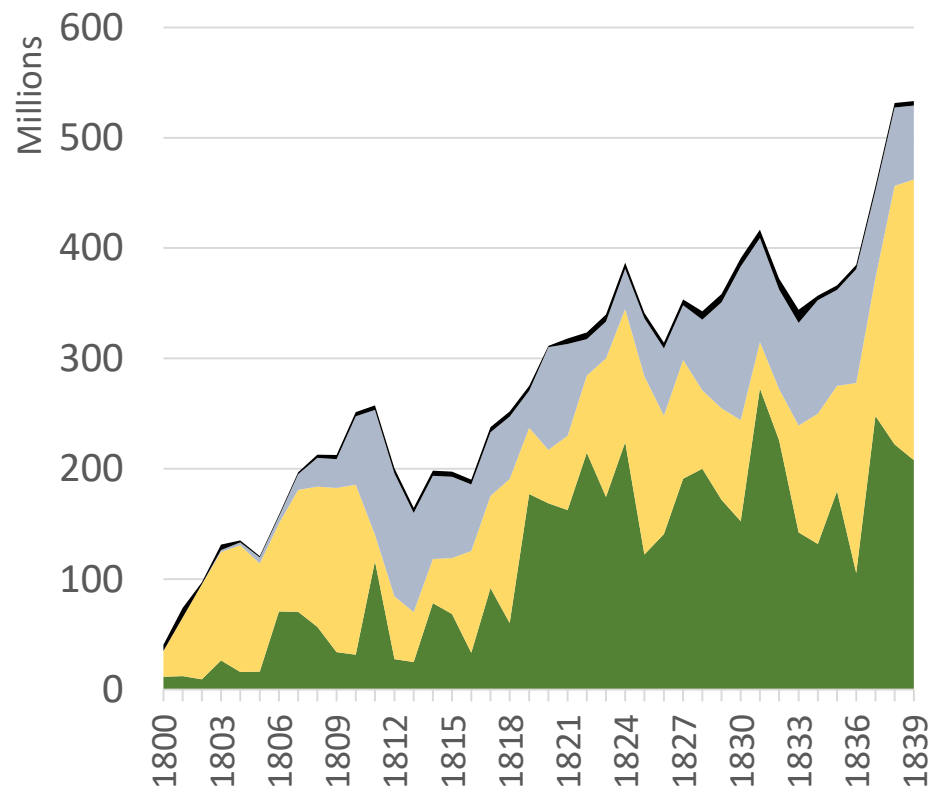
EVOLUTION AND COMPOSITION OF THE BALANCE SHEET, 1800-39

Assets side



■ Equity ■ Banknotes ■ Deposits, private
■ Deposits, public ■ Others

Liabilities side



■ Bullion and coins ■ Claims, private
■ Claims, public ■ Others

The method allowed us to construct a synthetic balance sheet in 1870 & 1914 but not in 1940