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RESEARCH INSIGHTS

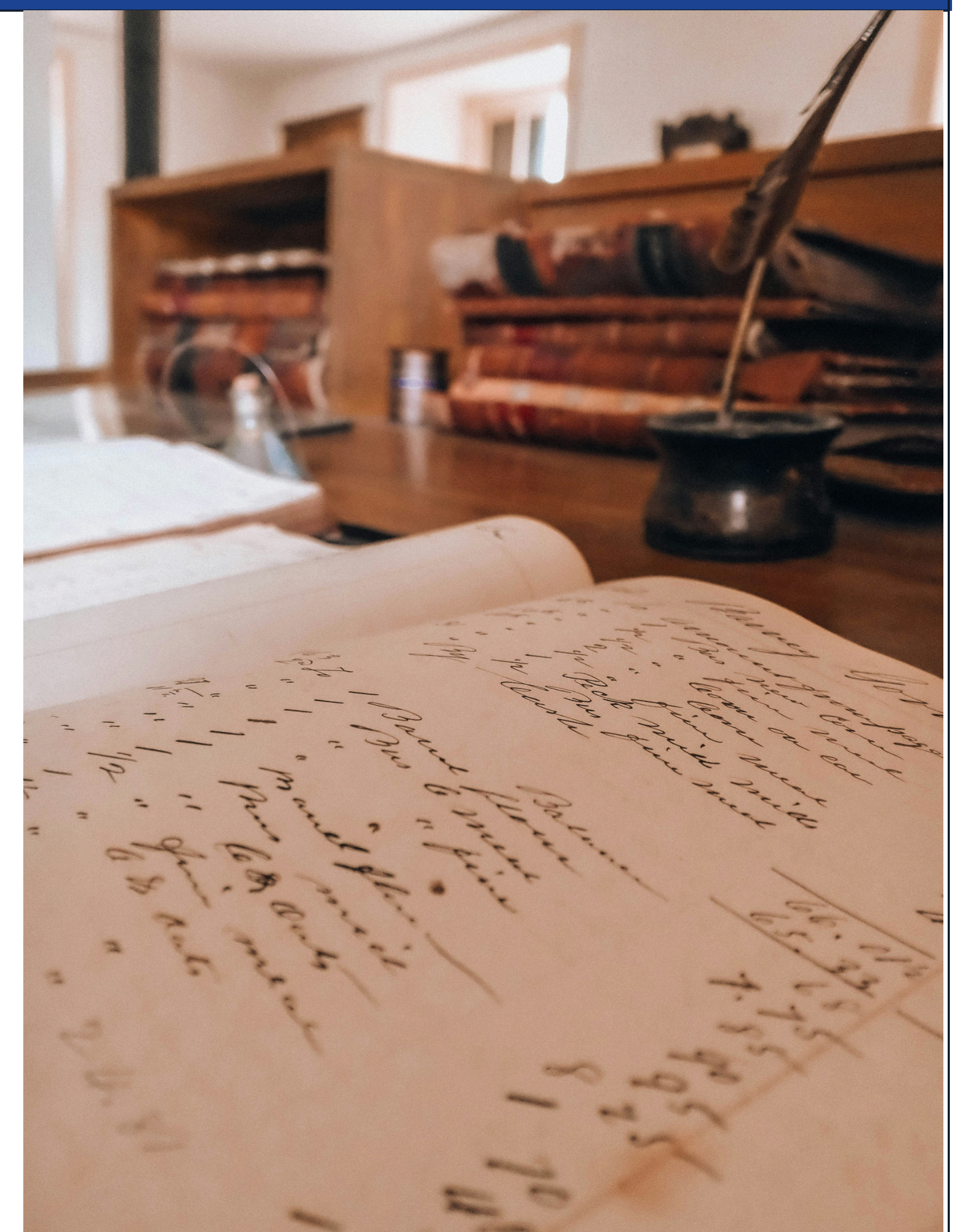
THE EMERGENCE OF DOUBLE ENTRY BOOKKEEPING

AUTHOR

Alan Sangster

EXECUTIVE SUMMARY

Double entry account books of medieval Italian merchants and bankers have been extensively used as primary sources by historians of several disciplines interested in business, trade, commodities, markets, sources, prices, interest rates, exchange rates, tariffs, taxes, wages, rents, agents, networks, and many other related topics. The reason for the emergence of such a detailed bookkeeping method is unknown. This paper presents a critical analysis of entries in a ledger of Florentine moneychanger-bankers from 1211. Comparison with later examples confirms that this ledger portrays a method of bookkeeping embracing double entries that transformed into entity-wide double entry bookkeeping by the end of the thirteenth century. Following consideration of the socio-political, economic, legal, and commercial environment of the period and place in which it was used in 1211, the origin of this bookkeeping method is attributed to northern Italian moneychanger-bankers in the twelfth century. Their bookkeeping method addressed the evidential demands of multiple legal systems relating to use of credit necessitated by a lack of sufficient quality coinage in circulation to support the growing and expanding regional markets of northern Italy.



KEYWORDS

- Double entry bookkeeping
- Commercial law
- Medieval
- Northern Italy
- Causal Analysis
- Social Economics
- Pragmatic literacy

RESEARCH RELEVANCE

- The article presents a major reinterpretation and a new explanatory framework for the emergence of the double entry method which is still in use today offering, for the first time in almost 140 years, a fully-worked causal, context-driven explanation for what led to its emergence.
- In doing so, it reframes the definition of double entry away from the prevailing output-based, teleological financial reporting criteria of this historiography towards economic historian Frederic C. Lane's (1977) input-based duality of entry; and uses it to reinterpret the 1211 Bologna ledger of Florentine moneychanger-bankers, demonstrating for the first time that it contains genuine double entries and is methodologically consistent with later 1296/1299 entity-wide systems, thereby pushing the origin of the method back to twelfth-century northern Italian moneychanger-bankers.
- It demonstrates that double entry emerged as a pragmatic solution to chronic coinage shortage and inconsistency problems at a time of expanding trade, which led to the adoption of credit in trade between strangers: bankers adopted a single money of account, book transfers, and systematic offset to reduce transaction costs and make large-scale trade between strangers feasible.
- It shows that the richness and structure of entries (witnesses, guarantors, loan terms, contra accounts, cross-references) were shaped by the evidential demands of overlapping legal systems and, especially, mercantile customary law, so that bank ledgers could function as probative documents in court, which led to the diffusion of the method beyond the moneychanger-bankers who first developed it.
- Uniquely in this literature, this paper systematically integrates commercial, legal, and monetary history (coinage shortages, credit, customary law, evidential standards) into accounting history while advancing an original, context-driven causal explanation thereby offering a novel methodological template for accounting historians free of the presentist assumptions and criteria prevalent in the historiography of this field.

BIBLIOGRAPHIC INFORMATION

Sangster, A. (2025). The emergence of double entry bookkeeping.
Economic History Review, 78(2), 499-528.
<https://doi.org/10.1111/ehr.13358>

"This paper provides the first satisfactory causal explanation for the emergence of the double entry method still in use today, re-dating its origins to twelfth-century northern Italian moneychanger-bankers and showing how their method had evolved into entity-wide systems by the late thirteenth century. By demonstrating that double entry arose as a pragmatic response to coinage deficiencies, credit-based trade, and the evidential demands of mercantile customary law, and integrating these factors in a causal diagram, the article offers a major new explanatory framework and methodological model for future work in accounting history and for historians with an interest in this topic."

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