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State and Finance in the Holy Roman Empire from c.1650 to c.1800. A Survey*

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INTRODUCTION

"The Holy Roman Empire of the German Nation was no German Empire in the sense of a nation state but a supra-national unit of people with a strong European integration."[1] Because of its territorial fragmentation and the grown constitution and structure the 'empire' was only capable of acting on the basis of the consensus between Emperor and Imperial Estates. That was why early modern Germany (1495-1806) was mainly affected by the struggle between Emperor and Imperial Estates for dominance and, thus, for the issue of the imperial constitution being either of a monarchic-centralised or a stately-federal character. The borders of the Holy Roman Empire can hardly be located exactly, for the affiliation to the empire's feudal system defined at the same time its territory with the feudal relations being often ambiguous and 'borders' being subject to heavy alterations in the course of time. Generally speaking for the time after the Peace of Westphalia in 1648, the coasts of both the North Sea and the Baltic Sea delimited the Holy Roman Empire in the North as well as the Adriatic Sea (Carniola) in the South. It extended eastwards as far as Pomerania, Brandenburg, Silesia and Moravia and westwards as far as the Atlantic Coast and the river Saône including the Southern Netherlands as well as Lorraine, Luxemburg and the Franche-Comté. Germany's territorial fragmentation and the lack of a consistent central power contributed to the development of distinctive differences within the Empire's politics, economy and culture.

Nevertheless, the following contribution tries to bring out some basic development tendencies of the relation between state and finance in the Holy Roman Empire without going into details or regarding exceptions in several territories. In doing so, three subject areas can be covered: first, state finance with its financial network required for tax-collection and expenditure by the early modern state, second, the importance of coinage for state finance and, third, the relationships between state and private financiers or bankers. Considering the influx of precious metal via trade or subsidies in several states, the sphere of overseas trade played only an indirect role for early

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* Translated by Alexandra Holzhey M.A., Leipzig.

1 Translated from Helmut Neuhaus, Das Reich in der Frühen Neuzeit, München 1997, p. 5.

modern state finance in the Holy Roman Empire.[2] Since this was normally only of minor importance for the individual states, the interrelation between state finance and overseas trade from the perspective of the Holy Roman Empire will be no subject of further investigation here. The temporal focus will be laid on the period between the Peace of Westphalia of 1648 and the end of the Holy Roman Empire in 1806, because it is hardly possible to speak of state finances during the period prior to 1648. Instead of this, it would be adequate to use the terms princely or sovereign finance for the period previous to the era of mercantilism, usually referred to as Kameralism in Germany.[3] Nonetheless, this period will be addressed in individual cases in order to have the contrasts to the state finances of the mercantilistic era exposed in a better way.

1. STATE FINANCE IN THE HOLY ROMAN EMPIRE[4]

Because of the special political character and constitutional structure of the Holy Roman Empire, universal systems of taxation and dues standing outside the respective territorial state were no longer of importance during the 17th and 18th century. There had been several attempts to introduce the 'Gemeiner Pfennig' as a kind of imperial tax around the turn of the modern times which had already failed during the 16th century.[5] Public revenues of the several states of the Holy Roman Empire in the second half of the 17th and 18th century were composed of the following.[6]

Direct taxes: Combined real estate and property taxes represented normally the most important direct taxes, which the by far largest part of the whole tax revenue accounted for. The additional combined poll and property taxes, however, provided a rather moderate amount.

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2 Cf. Markus A. Denzel, Zur Bedeutung der Edelmetallimporte aus Übersee für den europäischen Zahlungsverkehr vom 15. bis 18. Jahrhundert, in: Hartmut Klüver (ed.), Europas Abhängigkeit vom Seehandel. Vorträge des 3. Hamburger Symposiums zur Schiffahrts- und Marinegeschichte vom 23.-24. Mai 2002, Düsseldorf 2004, pp. 27-39.

3 For a survey cf. Eberhard Isenmann, The Holy Roman Empire in the Middle Ages, in: Richard Bonney (ed.), The Rise of the Fiscal State in Europe, c. 1200–1815, Oxford 1999, pp. 243-280.

4 Presented for the first time by Markus A. Denzel, Staatliche und kirchliche Steuersysteme im 18. Jahrhundert. Aspekte und Entwicklungslinien des Steuerwesens weltlicher und geistlicher Territorien im Heiligen Römischen Reich, in: Simonetta Cavaciocchi (ed.), Poteri politici – poteri economici. Atti di XXX Settimana di studio di Instituto internatzionale di storia economica „F. Datini", Prato 1999, pp. 663-675.

5 Cf. Fritz Blaich, Die Bedeutung der Reichstage auf dem Gebiet der öffentlichen Finanzen im Spannungsfeld zwischen Kaiser, Territorialstaaten und Reichsständen (1495-1670), in: Aldo de Maddalena / Hermann Kellenbenz (eds.), Finanzen und Staatsräson in Italien und Deutschland in der frühen Neuzeit, Berlin 1992, pp. 97-111.

6 Cf. W.R. Lee, Tax Structurte and Economic Growth in Germany (1750-1850), in: Journal of European Economic History 4, 1975, pp. 153-178; Eckart Schremmer, Taxation and Public Finance: Britain, France, and Germany, in: Peter Mathias / F. Pollard (eds.), The Industrial Economies: The Development of Economic and Social Politics (= The Cambridge Economic History of Europe, vol. VIII), Cambridge 1989, pp. 315-494.

Indirect taxes and tolls, which were usually assigned to the group of direct taxes: Within the imperial territories the excise or 'Ungeld' represented the most important indirect tax corresponding to a kind of purchase or consumption tax on beverages such as alcoholic beverages, coffee, tea or chocolate, on food and luxury foodstuffs such as meat, corn, tobacco and 'Kolonialwaren' (i.e. groceries from the colonies) and/or on luxury goods such as gold and silver goods, state coaches, perukes, soap, calicoes etc.[7] The excise could factually replace municipal contributions as it was the case in Brandenburg-Prussia. In contrast to the real estate tax, all inhabitants of a town were then equally burdened or other states' urban and rural population was burdened partly equally partly differently. The indirect taxes' and tolls' proportion of the total revenue of the analysed states was directly associated to their respective economic structure being usually the higher the more likely a state could be characterised as a trading state (such as Great Britain) and the lower the more likely a state was an agrarian state.[8]

Non-tax revenues, i.e. fees, seigniorages and demesne revenues. Usually, seigniorages and demesne revenues were the most important revenues among this group although they were often not definitely distinguishable from one another. Being considered as commercial state revenues, demesne revenues in the imperial territories covered revenues from princely domains itself and, moreover, from the corresponding forests and dues from princely peasants. Revenues from prerogatives included not only the seigniorage and mining prerogative but also the important revenues from the princely manufactories and different monopolies, especially that on salt and wheat beer in the Electorate of Bavaria.[9]

Comment [AH1]: Begriff „erwerbswirtschaftlich" in seiner Bedeutung für Staatseinnahmen unklar und als feststehender Begriff nicht im englischen Steuerrecht/-geschichte vorhanden. Bitte umschreiben oder einen Steuerspezialisten mit entspr. Fachwörterbuch befragen.

The dualism between the sovereign prince and the estates of the country or the chapter in clerical territories characterised the basis of the financial constitution in the Empire's states. Correspondingly, one distinguished between revenues being under direct control of the sovereign prince and revenues which could only be raised upon approval by the estates. Revenues from the so-called Kammergut (*Camerale*, *Kameralgefälle*) and the princely domains and seigniorages as well as all revenues from the princely Domanium, i.e. all prerogatives the prince was entitled to by his sovereignty, ranked among the first group.[10] At least theoretically the prince had to meet all expenditures of the court and the state from those revenues. Additional extraordinary contributions of the population (*Contributionale*) to the state revenues, being mainly direct taxes, required the approval of the estates they usually only granted in exceptional cases such as wartime for defending the country (*Kriegsgefälle* in Brandenburg-

7 Willi A. Boelcke, „Die sanftmütige Akzise". Zur Bedeutung und Problematik der „indirekten Verbrauchsbesteuerung" in der Finanzwirtschaft der deutschen Territorialstaaten während der frühen Neuzeit, in: Jahrbuch für die Geschichte Ost- und Mitteldeutschlands 21, 1972, pp. 93-139.

8 Peter Claus Hartmann, Das Steuersystem der europäischen Staaten am Ende des Ancien Régime. Eine offizielle französische Enquete (1763-1768). Dokumente, Analyse und Auswertung. England und die Staaten Nord- und Mitteleuropas, München 1979, pp. 323-325.

9 Ibid., pp. 144, 319s.

10 Ernst Klein, Geschichte der öffentlichen Finanzen in Deutschland (1500-1870), Wiesbaden 1974, p. 44.

Prussia).[11] As a result, a strict division into 'civil' and 'military' revenues established within the field of public finance.

It was already during the 17th century that several states tried to achieve a consolidation of their finances in order to overcome the consequences of the Thirty Years' War, to reduce the enormous debts and, above all, to setup a standing army requiring all together a noticeable expansion of the financial basis of state revenues. In Brandenburg-Prussia, Frederick William (1640-88), the great Elector, achieved this aim by two measures: In 1641 a princely excise was introduced as a municipal production and consumption tax. At the same time, the right of the estates of the different countries of Brandenburg-Prussia to approve a contribution was more and more restricted, so that the contribution turned into a constant duty at the end of the 17th century. In many cases, these estates had been not willing to finance the burden for maintaining a standing army even during peacetime by the help of a contribution (in the sense of a real estate profit tax). Consequently, the revenues of this *Kriegsgefälle* (contribution plus excise) could be raised up to 90 times between 1670 and 1688, whereas the *Domänenrevenüen* amounted only to one third of the total state revenues in 1688. Originally, the latter had to cover alone the current expenditures for the administration of court and state as well as the personal needs of the sovereign prince.[12]

Being successfully established in Brandenburg-Prussia already during the 17th century, the elimination of the estates' influence on taxation could not be enforced in other German territories or at least it could not be achieved in this rigid form. Throughout many parts of the 18th century, sovereign princes in the Hapsburg monarchy remained dependant from the estates of the country authorising regular contributions (in the sense of a real estate tax) territorially varying for one single year or more than one year. In addition to this, the estates of the country could also authorise extraordinary contributions in wartime amounting to a level which depended on the respective financial demand and the solvency of the Crown lands.[13] Despite some attempts the Elector of Bavaria was also unable to eliminate the estates' influence during the 18th century. Nonetheless, he remained relatively moderate compared to the Hapsburg monarchy. In Bavaria, the right of the estates to authorise taxes – covering between 40% and 50% of the total revenue – was factually only exercised pro forma by a *Verordnung* (commission of the *Landtag*, i.e. the estates assembly) until 1799, because no *Landtag* had been called after 1669. The contributions claimed yearly for maintaining the army (*Postulatsgelder*) were approved without any contradiction.[14]

Comment [DMH2]: Real estate tax beinhaltet Steuer auf Boden und Gebäude.

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11 F.L. Carsten, Princes and Parliaments in Germany. From the Fifteenth to the Eighteenth Century, Oxford 1959.

12 Klein, Geschichte, pp.41-45.

13 Ibid., pp. 25-30; M. Weiss, Das Verhältnis von direkten und indirekten Steuern hinsichtlich ihrer Erträge und ihrer Bedeutung für den Staatshaushalt unter besonderer Berücksichtigung der Belastung der Steuerträger (1781-1840), in: Gustav Otruba / M. Weiss (eds.), Beiträge zur Finanzgeschichte Österreichs (1740-1840), Linz 1986, pp. 57-243, here pp. 89-93.

14 Karl Ottmar von Arentin, Bayerns Weg zum souveränen Staat. Landstände und konstitutionelle Monarchie 1714-1818, München1976, pp. 48-53; Markus A. Denzel, Öffentliche Wirtschaft in Bayern in Spätmittelalter und im 18. Jahrhundert. Erwerbswirtschaftliche Einnahmen und Investitionen der Landesherren nach Staatshaushalten des Herzogtums Niederbayern (Bayern-Landshut) und des Kurfürstentums Bayern, in: Jürgen Schneider (ed.), Öffentliches und privates

The opposite, i.e. the sovereign prince giving widely in against the estates, happened only in the Duchy of Wuerttemberg as a result of a conflict about Duke Karl Eugen's usurpation of ecclesiastical manors during the 1750s and 1760s. Thereupon, the so-called *Erbvergleich* from 1770 codified that the estates could widely control nearly all of the financial administration giving the estates such a voice in financial matters that exceeded those of all the other German territories.[15]

Similar to the secular principalities of the Holy Roman Empire there were also some ecclesiastical principalities with the prince remaining almost fully dependent from his chapter regarding tax authorisation and administration. The Electorate of Mainz represents a very dramatic example for this statement since there the archbishop could dispose of only 1% of the total state revenue freely.[16] On the contrary, the Archbishop of Salzburg possessed in principle the whole taxation sovereignty within his bishopric ruling over large parts of his subjects as the landlord and over all of his subjects as the supreme judge. Since the right to authorise the *Contributionale* had devolved from the estates to the prince during the 16th century, the estates of the country had to ask the prince for authorising and announcing taxes – and not the other way around – satisfactorily verifying the financial need and revealing their financial conduct. The estates of the country had also to apply the prince for extraordinary financial resources such as the poll tax as a direct and the excise as an indirect tax as well as an *Ungeld* premium, meaning a reversion of the usual dualistic system.[17]

The indirect taxes were either collected in certain 'raising station' such as customs facilities or toll stations, in so-called *Aufschlagämtern* (in the Electorate of Bavaria) and at the city gates (cf. the excise in Brandenburg-Prussia) or with the help of leasing duties and (indirect) taxes.[18] Frederick II of Brandenburg-Prussia, for example, introduced the *Administration générale des Accises et Péages* (short: *Régie*) in the wake of the Seven Years' War. Following the French example, the *Régie* was responsible for collecting excises and costumes duties with the help of an extensive leasing system which was state-controlled in contrast to France. In 1786 it was already abolished.[19] The collection of indirect taxes followed mainly the so-called repartition principle which meant that each part of a country had to collect a certain part of the contribution being further subdivided into parts for each circuit and further on for each parish whose population had to raise the respective tax portion needed. Regarding the basis

Wirtschaften in sich wandelnden Wirtschaftsordnungen. Referate der 18. Arbeitstagung der Gesellschaft für Sozial- und Wirtschaftsgeschichte vom 7. bis 9. April 1999 in Innsbruck, Stuttgart 2001, pp. 83-119; Klein, Geschichte, p. 63.

15 Ibid., pp.76-78.

16 Hartmann, Das Steuersystem der europäischen Staaten, p. 313.

17 Christian Dirninger, Das Steuer- und Abgabensystem im Erzstift Salzburg im18. Jahrhundert, in: Eckart Schremmer (ed.), Steuern, Abgaben und Dienste vom Mittelalter bis zur Gegenwart, Stuttgart 1994, pp. 109-145, here pp. 112-125, 139-145.

18 Cf. e.g. Martin Hackenberg, Die Verpachtung von Zöllen und Steuern. Ein Rechtsgeschäft territorialer Finanzverwaltung im Alten Reich, dargestellt am Beispiel des Kurfürstentums Köln, Frankfurt am Main 2002.

19 Klein, Geschichte, pp. 58-60.

of tax raising, estimating the respective tax amount or using partly outdated land registers or classifications marked a considerable inequity, because the result of this was an unintentional unbalanced repartition of the taxes.[20] In order to achieve a safer and juster taxation basis single German territories (e.g. Württemberg, the Archbishopric of Salzburg, the Hereditary Lands of the Hapsburgs) build up new land registers during the 18th century which were sometimes of only a relative up-to-dateness due to the period of compiling them lasting often for many years.[21] Being in a close relationship to the repartition principle in most of the German states (such as Brandenburg-Prussia or the Electorate of Bavaria), the so-called surplus principle determined that the treasury of each administration level had to deliver only the net revenues after administration costs and salaries to the next higher level instead of the total revenues. Thus, the central treasuries recorded solely the net revenues.[22]

When the direct and indirect taxes had been once raised, they flew to different central treasuries depending on the respective administrative structure, for the estates' right of tax authorisation was usually connected with the estates' administration of the *Contributionale* and partly also of other revenues. Bavaria's commission of the *Landtag* represented a financial administration by the estates (*Landschaft*) operating separately from the financial administration of the state. First, it collected the taxes belonging to the *Contribution*, the '*Steuern*' (Land- und Standsteuer, i.e. the tax of the estates of the country) and the surcharges on beer, wine and meat (*Ungeld*), and then it transferred the '*Steuern*' according to fixed specifications to the princely treasury and the surcharges to the treasury for debt redemption with a special *Kollegium der Rechnungsaufnehmer* (council of the cashiers) functioning as a means of revision. In the Electorate of Bavaria the financial administration of the estates did not work more efficiently than the princely financial administration under the *Hofkammer* (princely exchequer) having no controlling authority and being superordinate to three central treasuries until 1762 when a *Generalkasse* (general treasury) was established.[23] The financial administration of the Hapsburg monarchy was divided into two parts as well with the income from princely commercial activities and the extraordinary taxes which were announced in wartime additionally to 'regular' revenues (i.e. property tax, income tax, capitation, subsidium ecclesiasticum etc.) flowing directly to the financial administration of the state.[24] Beside these two types of financial administration there was also an administration for the revenues of the former ecclesiastical possessions in the Duchy of Württemberg being now secularised.[25] In Brandenburg-Prussia, however, the public finances underwent a centralising process during the early 18th century supported by the absence of influential estates. It was first the consolidation of all revenues in only two central treasuries as well as, second, their subordination to a central authority in 1723 and, third, the introduction of the *General-Rentkammer* in 1714

Comment [AH3]: Umschreibung für Kameraleinkünfte. Bitte überprüfen.

20 Hartmann, Steuersystem, p. 323; Klein, Geschichte, p. 30.

21 Ibid., p. 73; Dirninger, Salzburg, pp. 129s.; Weiss, Verhältnis, pp. 67-77.

22 Klein, Geschichte, p. 64.

23 Manfred Rauh, Verwaltung, Stände und Finanzen. Studien zu Staatsaufbau und Staatsentwicklung Bayerns unter dem späteren Absolutismus, München 1988, pp. 194-205.

24 Klein, Geschichte, pp.26-30.

25 Ibid., pp.74-77.

(*Oberrechnungskammer* since 1723) as an independent controlling authority that resulted in a definite reduction of administration costs and an increasing transparency of taxations improving its efficiency in a sustainable way. This structure was expanded under Frederick II: He established the *Schlesische Provinzialkasse* (Silesian provincial treasury) after the conquest of Silesia between 1742/43 and 1799. Moreover, the revenues from the *Régie* and the different, newly established monopolies such as the state-run lotterie, the coinage prerogative and the surplus of the *Schlesische Provinzialkasse* went since the 1760s into the new *Königliche Dispositionskasse* (royal disposition treasury) which was the fourth central treasury managed and controlled by the king only.[26]

2. THE IMPORTANCE OF COINAGE FOR STATE FINANCE

Since the Middle Ages minting coins had been of great importance as a feudal prerogative for the finances of the Holy Roman Empire's kings and princes, for not only the legal right to define currency and coinage was of central interest for them but also and above all the right to receive the seigniorage. Since the 9th century the king or emperor usually granted the right to mint coins to ecclesiastics and monasteries, since the 11th century also to princes and the lower nobility and since the 13th and particular since the 14th century even to towns, but there were also cases of usurpation of this right. According to the imperial laws of Emperor Frederick II from 1220 and 1232 the coinage prerogative of the princely territories lay solely in the emperor's hands, whereas the 1356 Golden Bull of Charles IV let it pass over to the prince-electors. The treaties of the Peace of Westphalia in 1648 incorporated, moreover, an extension of coinage prerogative on all imperial estates.[27]

The exercise of this right was of central importance for the sovereign princes, because usually the person who owned the right to mint coins and exercised it was entitled to receive also the seigniorage, a kind of revenue he could dispose of independently of the estates. That was why the princely as well as the municipal mints were managed in a profit-oriented manner partly by the princes themselves and partly they were leased by minting businessmen. The seigniorage, however, was raised like a kind of 'tax' on the precious metal coined in the mint. If the seigniorage was calculated to high the mint had left only little precious metal to buy further amounts of uncoined metal. Then, the only way out was to devalue the coins, i.e. to mint coins with a lower content of precious metal. As a result, the person who owned the right to mint could afford a higher price of uncoined precious metal without abstaining from his high seigniorage.[28]

The outlined mechanisms determined the coinage policy of the states of the Holy Roman Empire as well as of Europe in the period prior to the introduction of paper

26 Ibid., pp. 45-60.

27 Dieter Hägermann, Art. „Münzregal", in: Michael North (ed.), Von Aktie bis Zoll. Ein historisches Lexikon des Geldes, München 1995, pp. 267s.

28 John H. Munro, Art. „ Schlagschatz", in: North (ed.), Von Aktie bis Zoll, p. 357.

money, i.e. normally until far into the 19th century. Coinage represented, therefore, one of the most important commercial enterprises of a state by either minting uncoined metal which had been imported or found in the Empire's mining regions or by recoining metal money collected in tax. Recoinage gained always in importance if the amount of circulating coined metal was insufficient – regardless of the reason – which resulted in alloy-manipulations in order to balance state budget deficits, for example.

Assuming that princes manipulated alloys only exceptionally in special political or economical circumstances, coinage as commercial enterprise of the state depended mainly of whether and to what extent precious metal existed in the territory of the minting prince or whether it had to be bought from elsewhere outside this territory. As a rule, fruitful mining within the own territory caused less costs than importing precious metal which was often much more expensive. Mining precious metal brought the involved princes often enormous profits such as the silver mining of both the Saxonian princes in the Northern Ore Mountains (i.e. Freiberg, Schneeberg, Annaberg) between the 12th and the 14th century as well as since the 15th century and the King of Bohemia in the Southern Ore Mountains (Joachimsthal) during the first half of the 16th century.[29] During large parts of the 18th century, the Harz, belonging to the Electorate of Brunswick-Lüneburg (Hannover) and the Duchy of Brunswick-Wolffenbüttel, and Freiberg in the Electorate of Saxony represented the most yielding silver mining areas of the Holy Roman Empire providing both states with considerable revenues for their state finances.[30]

In addition to this, recoining trade coins of high importance to a state could bring this state substantial profit. The Hapsburg monarchy, for example, recoined circulating money from tax revenues into so-called Levantetaler (Levant thaler; later called Marie Theresa thaler) during the early 18th century withdrawing great amounts of precious metal from circulation. Being exclusively produced for balancing the foreign trade deficit with the Ottoman Empire, these trade coins hardly supported the Hereditary Lands and their internal economy with such a monetary policy because they were even more suffering from shortness of money.[31]

Nevertheless, outstanding mining yields did not necessarily lead to good and full-weight coins within a territory which shows the example of the County of Tyrol. Despite high silver mining yields Tyrol had to accept a noticeable currency debasement during the 15th century because Frederick's III expensive struggle for succession lead

29 Uwe Schirmer, Der Freiberger Silberbergbau im Spätmittelalter (1353-1485), in: Ekkehard Westermann / Rudolf Tasser (eds.), Der Tiroler Bergbau und die Depression der europäischen Montanwirtschaft im 14. und 15. Jahrhundert. Akten der bergbaugeschichtlichen Tagung Steinhaus, Innsbruck et al. 2004, pp. 183-201; Jiři Majer, Konjunkturen und Krisen im böhmischen Silberbergbau des Spätmittelalters und der Frühen Neuzeit. Zu ihren Ursachen und Folgen, in: Christoph Bartels / Markus A. Denzel (eds.), Konjunkturen im europäischen Bergbau in vorindustrieller Zeit. Festschrift für Ekkehard Westermann zum 60. Geburtstag, Stuttgart 2000, pp. 73-83, here pp. 78s.

30 Karl Heinrich Kaufhold, Neuere Forschungen zur Wirtschaftsgeschichte des Berg- und Hüttenwesens im westlichen Harz in der vorindustriellen Zeit. Ein Überblick unter besonderer Berücksichtigung der wirtschaftlichen Wechsellagen, in: Bartels / Denzel (eds.), Konjunkturen im europäischen Bergbau, pp. 37-72, here p. 62.

31 Markus A. Denzel, Die Bozner Messen du ihr Zahlungsverkehr (1633-1859), Bozen 2005, p. 113.

to a rapid currency devaluation in the form of uncontrolled mass coining of undervalued small coins.[32] Coin manipulation, i.e. usually recoinages or worser coinages of coins keeping their original nominal value, was generally one of the most important monetary measures of the Holy Roman Empire's states for financing extraordinary expenditures of their treasuries. Last but not least, this can be traced back to the fact, that there was not enough precious metal available in adequate quantities in many territories during the 17th and 18th century which was why it had to be expensively imported from abroad. Hence, coin manipulations seemed to be at least a temporary opportunity to finance deficits of state treasuries, but those measures regularly encroached from one state to another for (bad) money circulated in a cross-bordering way. Consequently, rigid measures of monetary reorganization had to be taken within a short time, because the own economy and, especially, (foreign) trade suffered from such monetary conditions substantially. Some particular striking examples for such coin manipulations will follow now:

Being characterized by a mass output of debased specie (the so-called 'lange Münze'), the so-called 'Kipper- und Wipperzeit' (Tipper and See-Saw period) between 1619 and 1623[33] was the climax of a period of increasing silver prices since the late 16th century due to both the declining yields of the Central European mining regions and the import of debased specie from neighbouring countries. " The causes of these circumstances can be summed up […] in the following way: a wrong relation between Thaler and token coins, a constant debasement of the coinage standard, the leasing of mints to money-grubbing businessmen, inadequate control mechanisms of the minting, the absence of any activities of the emperor to the improve the situation because of his weak political position. Both merchants and money changers having good coins recoined into bad ones on a big scale and moneyers who earned their profits from operating leased mints thrived on this situation."[34] It was directly prior to the Thirty Year's War that "the inflationary spiral […] rotated faster and faster"[35] so that the silver price and with it the value of the Thaler got "completely out of control" when the war broke out. The war required enormous financial expenditures for paying the troops which resulted particular in the South-German princes – among them was the emperor itself – feeling impelled to reorganise their finances by putting out more and more debased specie, the so-called 'Kippermünzen' (tipper coins). Both economy

32 Helmut Rizzolli, Bergsegen bringt nicht unbedingt gute Münze. Zusammenhänge zwischen der Verfügbarkeit von Münzmetallen, deren Preisschwankungen und der Münzpolitik und –produktion im südlichen tirolischen Raum, in: Westermann / Tasser (eds.), Der Tiroler Bergbau, pp. 176-182, here p. 179.

33 Fritz Redlich, Die deutsche Inflation des frühen Siebzehnten Jahrhunderts in der zeitgenössischen Literatur: Die Kipper und Wipper, Köln – Wien 1972; Paul W. Roth, Die Kipper- und Wipperzeit in den Habsburgischen Ländern, 1620 bis 1623, in: Eckart Schremmer (ed.), Geld und Währung vom 16. Jahrhundert bis zur Gegenwart. Referate der 14. Arbeitstagung der Gesellschaft für Sozial- und Wirtschaftsgeschichte vom 9. bis 13. April 1991 in Dortmund, Stuttgart 1993, pp. 85-103.

34 Translated from Heinz Moser / Heinz Tursky, Corpus Nummorum Tirolensium. Die Münzen Kaiser Rudolfs II. aus der Münzstätte Hall in Tirol 1602-1612, Rum bei Innsbruck 1986, p. 41.

35 Translation from: dies., Die Münzstätte Hall in Tirol [1984], p. 123. See also Hirn, Die lange Münze in Tirol, pp. 15-18.

and trade, however, were harmed so much that there emerged the will to return to stable monetary conditions which happened even during the war in 1623, but the almost traumatic experiences with the debasement of specie in many places did not lead to states doing without this instrument later.[36]

In 1659 Emperor Leopold I (1658-1705) enacted a new currency regulation according to which debased small coins could be issued. As a result, Thaler specie was remelted and debased Kreuzer specie was issued in great quantities. Around 90 millions of these Kreuzers were issued in 1664/65 alone with the consequence that again an inflationary process set in at the same time despite of short-term profits.[37] Also the remelting of fully-weight Thaler and Gulden coins of older emissions as well as the mass issue of Zwei-Drittel-Münzen (two-thirds-coins) above all in Northern Germany since the end of the 1660s lead to inflationary tendencies, so that the numismatics calls the decades between ca. 1675 and 1695 the “Zweite” or “Kleine Kipper- und Wipperzeit” (Second or Little Tipper and See-Saw period).[38]

During the Seven Years’ War (1756-1763) Brandenburg-Prussia was unable to cover the enormous expenditures for armament and to handle the general depletion of public credit. With stately approval this resulted as well in an expected inflationary process due to a systematic debasement of current money by coining under-valued specie not only within the Brandenburg-Prussian states itself but also within the occupied regions. This way of financing the Seven Years’ War by Frederick II (the Great; 1740-1786) was a particular precarious one, because it went along with leasing at first single mints, then all Brandenburg-Prussian mints since 1753 and finally all mints of occupied Electoral Saxony since 1756/57 to consortia of Jewish court factors who also controlled largely the trade with precious metal in this region at the same time. It was only the coinage of under-valued war coins in Saxony that brought the Prussian state a seigniorage of 20 % inducing neighbouring princes to issue war money of low value as well. Until 1762 Frederick II realised a profit of more than 50 million Reichsthaler from minting war money of the several Jewish consortia with whom he had concluded a contract. For being a seigniorage this profit had to be paid in full-weight money irrespective of the question whether the underlying precious metal had its source in circulating current specie, in the yield of the Freiberg mines or in the considerable British war subsidies. Frederick II, however, was aware of the economy and, above all, trade harming character of this kind of monetary policy so that he started to turn back to stable monetary conditions already towards the end of the war (since 1762), but its realisation, i.e. the gradual conversion of debased into good money, imposed again financial sacrifices on the people. All in all, the Brandenburg-Prussian people lost about

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36 Richard Gaettens, Geschichte der Inflationen. Vom Altertum bis zur Gegenwart, München [2]1957 (reprinted 1982), pp. 74-99.

37 Denzel, Die Bozner Messen, pp. 293s.

38 Hans-Jürgen Gerhard, however, brings forward good arguments against this term of the Second or Little See-Saw period in: Vom Leipziger Fuß bis zur Reichsgoldwährung. Der lange Weg zur “deutschen Währungsunion” von 1871/76, in: Reiner Cunz (ed.), Währungsunionen. Beiträge zur Geschichte überregionaler Münz- und Geldpolitik, Hamburg 2002, pp. 249-290, here pp. 251-254.

67% of their money capital due to the coin manipulations during the Seven Years' War.[39]

Beside those examples of coin manipulations as a means of financing budget deficits during war times there existed already one case where banknotes were used to solve such a problem in the late Holy Roman Empire. It was already in 1762 that paper money, the so-called *Bancozettel* (named after Vienna's Stadtbanco founded in 1706 and issuing these Bancozettel), had been issued for the first time to recapitalize the national budget in the Hapsburg monarchy. Further larger and larger Bancozettel-issues followed in 1771, 1785, 1788 and 1794 with those Zettel being issued to such a wide extent during the Coalition Wars against Revolutionary France during the 1790s that their value started to sink dramatically in relation to the *Konventionskurant*. Because of the enormous public expenditure a forced exchange had to be ordered for the Bancozettel in 1797 and in 1800 the redemption of the Bancozettel in precious metal was suspended in the wake of the French victories of Marengo and Hohenlinden. Coming along with the dramatic coin debasements during the first years of the 19th century, the paper money inflation starting from then on lead finally with a circulating quantity of more than 1 billion Gulden in bank notes to the Austrian bankruptcy of 1811 the results of which the Austrian empire had to suffer from for decades.[40]

3. STATE AND PRIVATE FINANCIERS/BANKERS

Due to the boom of remote trade during the late Middle Ages and the Early Modern period new means of financing and credit techniques from Northern Italy were introduced also in the Holy Roman Empire representing the basis for the gradual development of modern banking.[41] Within this development innovations established in a long lasting process finding its end, however, not until the early 19th century. Moreover, the relation between private financiers and capital demanding rulers did not change until the early 18th century, which is why the so-called "Zeitalter der Fugger"[42] (Fugger-era) in the long 16th century can be rather described as the very last period of acting in a medieval way with regards to public finances. The big Upper German trading houses such as the Fugger, Welser, Imhof or Hochstätter conducted their business following traditional patterns, i.e. they connected remote trade with the mining business, dealt in

39 Herbert Rittmann, Deutsche Geldgeschichte 1484-1914, München 1975, pp. 386-392; Gaettens, Inflationen, pp. 147-172.

40 Denzel, Die Bozner Messen, pp. 122.; Gaettens, Inflationen, pp. 199-209.

41 For the general development of banking in Germany see: Ernst Klein, Deutsche Bankengeschichte, vol. 1: Von den Anfängenbis zum Ende des Alten Reiches (1806), Frankfurt am Main 1982; Michael North, Das Geld und seine Geschichte. Vom Mittelalter bis zur Gegenwart, München 1994; Michael North, Kommunikation, Handel, Geld und Banken in der Frühen Neuzeit, München 2000.

42 Richard Ehrenberg, Das Zeitalter der Fugger, 2 vols., Jena 1896; Wolfgnag von Stromer, Oberdeutsche Hochfinanz 1350-1450, 3 vols., Wiesbaden 1970 and newly Mark Häberlein / Johannes Burckhardt (eds.), Die Welser. Neue Forschungen zur Geschichte der Kultur des oberdeutschen Handelshauses, Berlin 2002.

bills of exchange and granted credits to German and foreign princes. These credit transactions have in common that they fell under private law (they were 'princely debts') and could only to be acquired by furnishing real guarantees such as pledging properties, jewels, revenues etc. Finally, the expanding financial needs of the Hapsburg emperors during the 16th century lead to a deeper and deeper indebtedness at the Upper German banking houses. Because of the direct relationship between debtor (emperor) and creditor (Fugger, Welser etc.) the private financiers got more and more dependent until they were totally incapable of acting, thus, connecting the trading houses at the mercy of the Spanish crown finances which lead inevitably to heavy losses in the wake of the national bankruptcies.[43] Consequently, the Fugger were obliged to write off about 8 million Gulden as losses and could only save their business by early investments into estates and immovables. In contrast to the Fugger the Welser business failed in 1614 as a result of the stopped payments of their princely debtors. Originating in the Middle Ages and being definitely underdeveloped, the system of credit relations between the princes and the private financiers of the early 17th century could, hence, not cope with the burden of the constantly expanding financial needs.

The Thirty Years' War represents a break within this development, since this war resulted in the German princes being obliged to look for alternative ways of financing their expenditures because the majority of the merchants in the large trading centres had suffered from high losses and were often unable or – due to their experiences – unwilling to grant extensive credits to the princes. During the following time these circumstances favoured the rise of the Jewish money lenders, who conducted different trading and financial transactions for the German princes and were, therefore, called '*Hoffaktoren*' (court factors).[44] Beside raising funds these court factors were often assigned coinage matters and buying food and luxury goods for the respective courts. The group of their opponents included not only their direct competitors, i.e. Christian merchant-bankers, but also the estates for they feared to lose influence on the country's policy and particularly their tax raising prerogative because of the Jews' impact. Thus, the commercial environment of the Jewish businessmen was often rather unfavourable which was why they often related themselves very closely to the respective rulers putting themselves in direct dependency. Regarding the way of financing there are hardly any far-reaching innovations originated by the court factors detectable. It was rather the other way around: it was also the Jews who financed business transactions with the courts mainly with their private capital or with capital borrowed from close relatives. Moreover, deposit banking can be proved but was of no further importance. Consequently, the so-called "century of the court factors" lasting from around 1650 to 1750 was at first characterized by an exchange among commercial elites but not by a change of ways of financing. Nevertheless, this period plays an important role, for the group of court factors bred many eminent private bankers during the late 18th and early 19th century. Among them there was such a famous example as the

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43 North, Das Geld, p. 86.

44 Due to a lack of up-to-date and comprehensive works there can only be referred to: Heinrich Schnee, Die Hoffinanz und der moderne Staat, 5 vols., Berlin 1953-65.

Rothschild family with the founder of their banking business Mayer Amschel, who acted as a court factor in Hesse-Kassel.

An elementary change of the financing system was only achieved by establishing an innovation, namely the development and use of the partial bond. In contrast to earlier types of credit[45] the principal was divided up into smaller obligations which were then sold to the "interested" public. When all partial obligations were sold the bond was closed, interest was paid until the maturity date on which the issuer repaid the nominal amount. Generally, there were no special securities provided; the debtor was rather liable with his whole revenues and capital. Furthermore, an exact plan was made for interest payment and redemption and a special fond was established for this purpose. This new kind of bond had the advantage that it, first, expanded the circle of potential money lenders and, second, changed the relation between ruler and merchant-banker. Then, the merchants were no longer the princes' creditors (alone) but they became financial service providers by offering no longer their capital but their know-how and their extensive business relations to the princes. Accordingly, they no longer made money out of the interest rates of the credit transaction but the issuer paid them a commission for placing the bond at the market and managing the interest payment, the redemption etc. With this practice the potential circle of investors could not only be expanded but the risk for both sides could also be reduced. Normally, the underlying documents continued to be bearer instruments allowing trading government bonds. Only shortly after the establishment of this new type of bond the issued government bonds became subject to considerable speculations and they were traded at the big European stock exchanges and fairs. All in all, the introduction of government bonds using partial bonds revolutionized the business with public finances and the system of national debt.

The government bond business experienced its first advancement in Amsterdam. During the late 17th and early 18th century the first considerable bonds were placed in Amsterdam amongst others for England, France, Austria, Denmark, Sweden, Russia and some German states.[46] In Germany, the banking house Goll & Söhne in Frankfurt on the Main issued the first partial bond in collaboration with the Amsterdam houses for Nassau-Saarbrücken in 1768.[47] It was already five years prior to this that Electoral Saxony had also issued partial bonds in the wake of reforming their public finances, but the issuance was done without the participation of merchant-bankers and not for the purpose of taking up new capital but for the consolidation of the 'old' debts. Consequently, partial bonds were placed which became later also subject to speculation,

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45 For earlier types of credit the instrument of the 'Rente' (annuity) can be cited as an example which was of great importance particularly for German towns during the Middle Ages until the Thirty Years' War. Since the mid-17th century it took more and more a back seat being hardly ever of higher significance for state finances. Erst Klein, Deutsche Bankengeschichte, vol. 1, Von den Anfängen bis zum Ende des Alten Reiches (1806), Frankfurt am Main 1982, p. 141.

46 Ludwig Samuel, Die Effektenspekulation im 17. und 18. Jahrhundert. Ein Beitrag zur Börsengeschichte, Berlin 1924; James C. Riley, International Government Fianance and the Amsterdam Capital Market 1740-1815, Cambridge et al. 1980.

47 Ernst Klein, Die Geschäfte Frankfurter Bankhäuser des 18. Jh. mit den Fürsten von Nassau-Saarbrücken, in: Bankarchiv 3, 1977, pp. 31-53, here pp. 41-44.

but it was no issue bond connected with it.[48] Particularly with the help of the Bethmann brothers, Frankfurt on the Main developed afterwards into the German centre of stockbroking.[49] Bonds with a total principal of 31.5 million Gulden ware placed for Austria alone at the Frankfurt market between 1768 and 1796. Thereby, the Bethmann brothers became the first banker of the Hapsburgs enabling them to realize considerable profits from the bond transactions. They received a commission of probably 5% for placing the bond, made money out of the exchange rate difference when transferring the money from Frankfurt on the Main to Vienna and, finally, received another commission of 1% for transacting interest and redemption payments.[50] The house was also working for other clients placing 18 further bonds with a total principal of 20.5 million Gulden between 1778 and 1800, among them bonds for Denmark and Sweden. Beside the Bethmann brothers there were more Frankfurt merchant-bankers dealing in stockbroking such as the Metzler banking house and since 1800 also Mayer Amschel Rothschild, although these businesses were of relative small scale. When the Frankfurt stock market run into a dramatic crisis towards the mid-1790s, the Bethmann brothers began to withdraw from the business with government bonds step by step.[51] This withdrawal resulted both in the Frankfurt capital market becoming temporally less important and in the merchant-bankers getting the chance to participate in stockbroking in other towns. Accordingly, the merchant-banker Frege had already placed a first bond for Austria in Leipzig in 1793 followed by further bonds for Sweden, Prussia, Saxony and smaller German territories until 1810. The Leipzig banking house was, however, also affected by the crisis regarding the bond market, since the issuer paid now a significantly less commission of only 2% to 3%. Apart from Leipzig there were also other German towns where bonds for several German states were placed between 1795 and 1806, for instance Vienna, Munich, Augsburg or Berlin, but with a smaller transaction volume than those of Frankfurt. Furthermore, the German public had become more cautious because of suspensions of interest and redemption payments, which was why princes had to look increasingly at foreign markets (e.g. Amsterdam, London) to raise the capital needed. It was only when bond transactions of a larger volume were again conducted mainly by the Rothschild family after 1815 that Frankfurt on the Main was able to recover its dominant position.

48 Walter Däbritz, Die Staatsschulden Sachsens in der Zeit von 1763-1837, Leipzig 1906; Gunda Ulbricht, Finanzgeschichte Sachsens im Übergang zum konstitutionellen Staat (1763 bis 1843), St. Katharinen 2001.

49 Hans Peter Ullmann, Der Frankfurter Kapitalmarkt um 1800, in: Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte 77, 1990, pp. 75-92.

50 Carl Ludwig Holtfrerich, Finanzplatz Frankfurt. Von der mittelalterlichen Messestadt zum europäischen Bankenzentrum, München 1999, p. 112.

51 Friedrich Zellfelder, Das Kundennetz des Bankhauses Gebrüder Bethmann (1738-1816), Stuttgart 1994, pp. 6-10; Alexander Dietz, Frankfurter Handelsgeschichte. 4 vols., Frankfurt am Main 1910-1925.

CONCLUSION

Recapitulating, the following statements can be given for the three topics this contribution was concerned with:

1st The estates' prerogative to raise taxes was restricted to a greater or lesser extent in many imperial territories during the 17th and 18th century. Sometimes it was de facto even entirely removed. The territorial princes more and more usurped the finances of the estates of the country itself and their administration as well treating them finally as their own. In many cases, controlling authorities were introduced at different levels of the financial administration which contributed to a better administration of revenues despite variable efficiency. In spite of manifold approaches there were only a few states able to improve the transparency of their financial administrations on the long run by reforms. The aim of a fairer taxation could also be achieved only in parts: although tax estimations and out-dated land registers were replaced by new ones leading to a more equal tax repartition, tax privileges and tax exemptions persisted, however, to a relatively large extent. The state revenues could be increased throughout even though on clearly different scales in the different territories, which was mainly due to the varying efficiency of the respective financial administration and princes' assertiveness against the estates of the country with both facts being associated with one another. As a rule, the revenues from direct and indirect taxes tended to increase to a larger extent than those from seigniory domains, seigniorages or dues and tolls. The significance of taxes was, thus, increasing against the non-tax revenues of the state.

2nd For the princes of the Holy Roman Empire minting was not only a "usual" revenue from their coinage prerogative but with the help of alloy manipulations it served them also as a source of income in particular during times of war and crises, even at the risks of considerably interfering the monetary system for a certain time and sustainably compromising the public's trust in the monetary system in the worst case. The increasing paper money issues starting in the late Holy Roman Empire during the French Revolutionary Wars represented another and, for the time being, the last height of using a country's monetary system for financing public spending.

3rd The development of the relation between 'state' and capital providers in Germany was directly connected with the introduction of the instrument of the partial bond. Whereas single merchants raised the credits for the different German princes during the 16th and 17th century connecting the fate of their business with the development of state finances, the merchant-bankers of the 18th century functioned only as mediators. Due to the participation of wide circles of the community the range and, above all, the amount of credits could definitely be expanded implying that the 'state' had now the chance to raise large amounts of capital on comparatively good terms relatively quickly. Moreover, the 'state' was also obliged to handle the administration of public debt more transparently, because the daily quotation of the government bonds mirrored the public valuation of the fiscal policy: the more unfavourable the market price developed, the slighter became the chance to raise 'fresh' capital in the future. Within this renewal process the merchant-bankers played a significant role. It was them adapting the innovations to the German market and contributing with their business relations to the issues' success. At the same time, they managed to generate partly outstanding profits from bond transactions taking only a comparatively low own risk. With the further differentiation of the bond market towards a wider variety and a more decentralized localization during the late 18^{th} century the foundation was created both to develop a modern system of public debt and to establish a stratum of private bankers acting extensively independently.