



Volume 2. From Absolutism to Napoleon, 1648-1815

The Prussian Finance Edict signed by Chancellor Hardenberg and King Frederick William III.
(October 27, 1810)

Proclaimed together with an edict embodying Hardenberg's plan to reorganize the Prussian government through the introduction of a centralized ministry of state, this "Finance Edict" laid bare Prussia's dire fiscal straits – the result of the defeat of 1806 and the French indemnity imposed in the Peace of Tilsit in 1807. Though the edict announced the end of the landed nobility's privileged exemption from all but token land taxes, the policy succumbed to conservative opposition, and it was not until 1861 that a halfway realistic land tax was imposed on large estates. Notable here are both the liberal rhetoric of equality before the law and freedom of trade, as well as arguments aimed at persuading the landed nobility to shoulder their share of the state's misfortunes.

Edict on State Finances and the New Establishment of Taxes

We Friedrich Wilhelm, by the Grace of God King of Prussia, etc. etc.

Until now, we have been tirelessly preoccupied with ascertaining the best means for restoring the prosperity of our state, which declined through the last war, for elevating the credit, and for fulfilling the obligations the state has toward its creditors; in particular, through very great exertions we have reduced, as much as was possible, the war indemnity of 120 million Franks payable to His Majesty, the Emperor of France, such that half will have been paid off by the end of the current year. With emotion, we have noted evidence of the attachment of all classes of our loyal subjects to our person, our house, and our government; in particular, we have also recognized the help that was rendered to us in securing the abovementioned contribution and in raising the funds otherwise necessary by our faithful estates and by the trade estate with their utmost willingness. The difficulties we still have to overcome are considerable, and they still demand no small sacrifices, to our sorrow. [. . .]

We see ourselves compelled to demand from our loyal subjects the payment of higher taxes, chiefly on consumption and luxury items, although they shall be simplified, restricted to a few articles, combined with the abolition of arrears and gate excises, as well as several onerous dues, and borne by all classes of the nation relatively equally, and they shall be reduced as soon as the need they are intended to meet comes to an end. In areas that have suffered especially from the war, especially in the Kingdom of Prussia, we shall take care to ease, with extraordinary remedies, the burden that will arise from these new consumption taxes.

Incidentally, it goes without saying that the high dues on colonial goods that have now become necessary through the Continental System include provisions for lowering them to the intended rates.

As it is, the oppressiveness of these new impositions shall be moderated as much as possible in that we intend, by means of a comprehensive reform of the tax system, to have all of them borne by everyone based on the same principles for our entire monarchy. In the shortest order, a new land register will therefore also be drawn up in order to determine the land tax based on it.

Our intent is by no means to increase the land tax that has been levied until now, only to ensure the equal and proportionate distribution among all those liable to the land tax. However, all exemptions that are no longer compatible with either natural justice or the spirit of administration in neighboring states shall be abolished. That is, properties that have hitherto remained exempt from the land tax shall be taxed without exception, and we wish that it also be done specifically on our own demesne possessions. We hope that those to whom this measure will be applied can find comfort in the fact that in the future they can no longer be accused of evading the public burden at the expense of their fellow subjects, and in these considerations: that the land tax to be paid by them in the future is not equal to the expense they would incur if one demanded from them the knightly service obligations that were originally attached to their estates, in return for which the existing, quite disproportional dues are dropped; also, that free use of the landed property, complete commercial freedom, and exemption from other burdens that would otherwise have been necessary shall be granted; finally, that the land tax is already being borne by the owners of estates in a large part of our monarchy.

For we wish to implement complete commercial freedom in return for the payment of a moderate patent tax and the cessation of the existing trade taxes, simplify the customs system, abolish soccage, and where a loss is genuinely proved in accordance with the principles to be prescribed, the state will pay compensation in exchange; [we wish] to grant and secure property to that segment of our subjects who have not hitherto enjoyed its possession, also to completely abolish a number of oppressive institutions and imposts. [. . .]

We have the intent, as the territorial ruler, to designate our demesnes for the repayment of state debts. To that end, we have decided on their gradual sale. [. . .].

In addition, we have decided to secularize the spiritual estates in our monarchy and to have them sold, and at the same time to have the proceeds thereof devoted to paying off state debts by ensuring the complete pensioning of the current prebendaries and the generous endowment of parishes, schools, and foundations. Here we have in mind not only the example of nearly all states and the general *Zeitgeist*, but also the conviction that we are acting far more in accordance with justice if we use those estates for the salvation of the state under the conditions mentioned above, than if we intended, to this end, to draw more strongly on the wealth of our loyal subjects.

Were it possible to convert our domains quickly enough into cash, the value of the same would be sufficient to meet our obligations without having to make any demands on the financial wealth of our loyal subjects.

However, as that is entirely impossible, and since this purpose cannot be fulfilled alone by loans from abroad, even though we have taken measures to utilize this source to whatever extent possible, there is no other choice, if the state is to be saved, then to procure the shortfall in cash from within the land itself.

However, we do not wish to demand this – with the exception of a one-time, very moderate tax, payable in several monthly installments, on those who support themselves by the labor of their hand and possess only very small wealth – as an impost, either on wealth or income, but merely as a loan, for the purpose of discharging the indemnity to France, from our domains and ecclesiastical holdings, designated, as already mentioned above, to free the state from its debts. This loan shall draw a proper interest rate of four percent annually, and we will secure its repayment through a special mortgaging of demesne offices and ecclesiastical estates designated for that very purpose, which, moreover, are collectively liable for it and shall carry out the interest payment. Conditions shall be attached to this, by which the volume of state bonds, a third of which will be sold at their nominal value, will be reduced and the value of the remaining ones will be increased, and the loan shall also not be paid all at once, but within two years at semi-annual intervals. [. . .]

We shall, moreover, direct our steady and greatest care at promoting to the greatest possible extent, by way of every necessary and beneficial regulatory and financial arrangement, the main goal that is so dear to our hearts, establishing the welfare of our loyal subjects. To that end, the next opportunity shall be taken to establish the coinage on a solid footing, just as we intend to give the nation a suitably established representation, both in the provinces and for the whole, whose council we will happily use and in which, in keeping with the our intentions as the ruler of the land, will happily give our loyal subjects the continuous belief that the condition of the state and the finances is improving, and that the sacrifices that are being made to that end are not in vain. In this way, the bond of love and trust between us and our loyal people will become ever stronger.

Source: *Gesetz-Sammlung für die Königlichen Preußischen Staaten 1810* [Law Collection for the Royal Prussian States 1810]. Berlin: Georg Decker 1810, pp. 25-28, 31.

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