

Financial policy in times of crises until the 19th century

Abstract

This thesis focuses on financial policy during crises of the Bohemian Duchy, Kingdom of Bohemia, and Lands of the Bohemian Crown within The Austrian Empire until the 19th century. I will compare monetary and fiscal approaches to tackle the gravest crises caused by war, instability, or a financial breakdown. Therefore, in this thesis, I will analyse selected crises that took place in the Bohemian Duchy located in the Bohemian Kingdom at the end of the 13th century. I will focus on the Hussite wars, the great calada during the Thirty Years War, Napoleonic Wars, the Seven Years War, the Revolution of 1848, and the Long Depression, which started in 1873. The used methods are mainly comparison, analysis, and analogy. Results of the research indicate that an improper financial policy caused the majority of crises. Governmental approaches to solving fiscal, monetary and taxation problems were worsening the situation.

Financial policy concerning monetary, fiscal, and tax policy until the end of the 19th century was procyclical. If enlightened politicians appeared in an era of prosperity, their plans for reforms were generally dashed by war and need for new governmental expenditures. However, the government, especially during the crisis, was prone to introducing new taxes. The state was also centralising and implementing new protectionist regulations.

To successfully overcome a crisis, renewed stability and trust in the nation's currency was needed. This aim was accomplished by fundamental reforms of money emission such as increasing the quality of coins, introducing a new monetary system, or creating an independent emitter of money. If the reforms were not successful, the unsolved heritage of the last crisis burdened the state. In times of peace and prosperity, the state did not prepare for crises which were quite frequent during our history. However, crises were also incentives for new changes and reforms which otherwise would not have happened.

Key words:

Financial policy, crisis, reforms