

# CURRENCY REFORMS

## THE DEFLATION CRISIS OF 1767–9

**S**PECULATION and inflation made the value of money an important issue from the closing years of the Age of Liberty until well into the reign of Karl XIV Johan. The debate centred on *myntrealisation*, a Swedish term that stands for restoring the value of banknotes in terms of a metal standard. Notes had ceased to be convertible in 1745, so their value was not fixed in relation to a metal standard. For a long time, returning to convertibility was seen as a self-evident objective.

*Myntrealisation* came to be synonymous with devaluation; at first, however, it could also stand for the opposite. Arranging it at a value above the current rate against the *riksdaler* (the internationally accepted currency based on silver) meant that prices would have to be lowered. An arrangement at

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SWEDEN IS AFFECTED by international financial crises. The primary monetary policy objective is to restore the convertibility of banknotes for silver. After some unsuccessful attempts, a stable silver standard is established in 1834.	1791	National debt notes cease to be convertible and depreciate against the Bank's notes.
1767–9 Drastic deflation.	1792	Gustav III is assassinated; Duke Karl is regent during Gustav IV Adolf's minority.
1769 King Adolf Fredrik refuses to take part in government and an extraordinary Riksdag is convened. Most of the Bank's directors are replaced; the currency reform is shelved.	1803	Currency reform: a silver standard, national debt notes convertible.
1771 Adolf Fredrik dies and is succeeded by Gustav III.	1808–9	War against Russia, financed with national debt notes. Convertibility is restricted.
1772 Gustav III's coup d'état ends the rule of the Estates in the Age of Liberty. A General Assistance Company (a pawnbroker) is established.	1809	Gustav IV Adolf is deposed ; succeeded by Karl XIII, with a new Instrument of Government.
1773 The Discount Company (a commercial bank) is established.	1810	Jean Baptiste Bernadotte becomes Crown Prince as Karl Johan.
1777 Liljencrants' currency reform with a silver standard.	1812–5	Karl Johan eliminates the government's external debt.
1788–90 War against Russia, financed by Gustav III with national debt notes and <i>fahnehjelmare</i> .	1817	Private discount companies fail or are closed; they are replaced by the National Discount Office, attached to the Bank.
	1818	Accession of Karl XIV Johan.
	1834	Currency reform. Silver standard aids international economic interaction in the 19th century.

112 the current rate normally implied an acceptance of historic inflation.

So in principle there were two alternatives, a moral choice between what many saw as a 'fair deal' and an adjustment to the market. Advocates of the former – a return to the par rate from the days of convertibility – were defending the interests of ordinary people and savers, who could then hope that a reform would not dilute their capital. A reform at the current rate would definitely reduce the value of money; those in favour of this alternative wanted to avoid the consequences of the drastic dose of deflation that would be needed to reverse two or three decades of persistent inflation.

The conflict between a fair deal and market adjustment was not resolved until 1834. It arose again in the aftermath of the First World War, when Wigforss used *myntrealisation* to criticise those who warned against a return to the gold standard at the pre-war rate.

At the Riksdag of 1765–6 the main issue for the Caps, now in power, was the exchange rate. The Estates' Bank's new board of directors was given the primary task of restoring the rate to its level in Horn's day, that is, of strengthening it from 72 till 36 marks per Reichsthaler Hamburger Banco. This was to be done in steps of approximately 4 marks a year. That would double the value of Sweden's currency, which meant drastic deflation.

Lending had been suspended. Deposits were also barred because otherwise people could speculate in the rising value of money. Notes were to be withdrawn and a start was made on repayment of loans secured with property. With less to do, the Bank could manage with a smaller staff. The Riksdag decided that vacant posts were to be abolished, among them three commissioners.

The moratorium on lending made it easier for the Caps to persuade the Estates. Restoring the exchange rate to its level under Horn and returning to convertibility would make it possible to resume lending, which many people would welcome because loans from the Bank were generally much cheaper than borrowing from private sources.. That secured the necessary support for the deflationary programme.

Things went wrong, however. 'Curiously enough, there were such great fears of the rate's increase, none of its rapid fall,' to quote from the history of the Estates' Bank by Carl David Skogman (1845), Karl XIV Johan's under-secretary (roughly today's finance minister). Sweden was thrown headlong into its first severe deflation.

113 So many people had been involved in planning the Riksdag's action that it could not be kept secret. The rumour spread that currency appreciation was on the way. A royal proclamation of 13 February 1766 set the rate at 70 marks; another, on 11 November, set the rate for 1767 at maximum 66 marks. People realised what was happening and started to hoard banknotes as an investment instead of using them for payments. Claims were called in wherever possible and payments were deferred. The Bank's own withdrawal of notes was a minor factor in the reduction of the money supply; the general shortage of money, whereby the exchange rate appreciated sharply, was due to the general public's 'withdrawals'.

During the summer of 1767 the exchange rate appreciated to 42 marks, with serious consequences. To make matters worse, prices did not fall uniformly. Export prices were directly dependent on the exchange rate in Hamburg; as the Swedish currency appreciated, the international *riksdaler* gave fewer marks. Domestic prices were more rigid. The mining industry was badly affected: export prices calculated in marks fell so fast that they ceased to cover production costs. Stora Kopparberg was hardest hit; those in charge tried to forestall the price fall by extracting more copper ore but the increased supply simply accentuated the decline. At the end of 1768, 400 miners, almost a third of the total, were out of work. Manufacturing also had a hard time.

Property prices fell, too, causing problems for mortgage holders. Speculation had been most rampant in urban property and this was where prices fell most; many of those with loans were forced to sell for far less than they had borrowed.

The deflation soon figured in popular songs. Carl Michael Bellman had left the Bank but in his 23rd Epistle the hero, Fredman, spends a summer's evening in 1768 at the Creep-In Tavern 'across the way from the Bank building'. Translated, some lines in the next Epistle run something like this:

Times are awful!

Future's hopeful,

If only the rate's pushed down, :||:

Better buy of booze we'll own;

But then I won't be here,

Other heroes rule and steer.

Can you believe it, Mother mine!

I would get a shot so fine,  
I would drink and drink still more,  
Just like Runius, Lucidor.

Bellman saw things clearly: the economy was badly shaken but there were bright spots; Sweden imported grain and if the exchange rate fell, grain would be cheaper and therefore more plentiful; more grain meant more aquavit and larger shots.<sup>8</sup>

The deflation had political repercussions. The Council minutes on 12 December 1768 record the King's wish that the Estates, instead of waiting until mid-October 1770, would assemble without delay. The Riksdag must remedy the general 'confusion', which was getting worse and worse.

However, the Caps refused to summon a Riksdag in the midst of the crisis. So after waiting three days for a reply, the King dispatched Crown Prince Gustav with a message to all the administrative boards, as well as to the governor and the civic administration of Stockholm: His Majesty would withdraw from the business of government until the Estates had assembled. The boards declared that in that case they could not continue to act. Faced with this strike or 'inactivity' by the monarch and the bureaucracy, the Council gave in: a Riksdag was convened in Norrköping on 19 April 1769.

The prospect of a Riksdag reassured the financial markets. The exchange rate rose towards 48 marks and the Bank was instructed to stabilise it at that level. When foreign powers sent money with which to bribe members of the Riksdag, however, the rate appreciated again. Estimates cited by Malmström (1901) indicate that the envoys had at least 1.5 million *rdr* to dispense on this occasion. When the same thing happened at the next Riksdag in 1771–2, commissioner Söderling observed ironically that votes and opinions had become 'such a peculiar national product and export good'.

Most of the Bank's directors were replaced. The bank delegation proposed an annulment of the regulation requiring an exchange rate of 42 marks, but the objective was still a currency reform. To this end the Secret Committee proposed a ban on imports of aquavit as well as on household distilleries. That would reduce imports of grain and thereby the demand for foreign currency, which would ease the pressure on the exchange rate.

<sup>8</sup> Professor Ulf Olsson drew my attention to Bellman's verses; their clear-sightedness does not seem to have been noticed by literary historians.



Domestic distillation of aquavit was blamed for the weak exchange rate that resulted from importing grain.

Title-page vignette of Cajsa Warg, *'Guide to Housekeeping. For Young Housewives'* (1770). A home distillery (left foreground) was taken for granted in those days.



116 However, the peasants opposed the ban and were joined by the nobility, whereupon the Secret Committee declared on 30 October that the reform would have to wait.

#### SÖDERLING AND BILLS OF EXCHANGE

In 1766 the Bank had started to buy and sell bills as a way of influencing the exchange rate. The dealing was handled by one of the commissioners, Samuel Söderling, the Bank's most prominent person in the coming decades. This was the first time the Bank assigned such an important function to an official; exchange rate operations required expert knowledge and an ability to improvise, which placed a premium on professional competence. Moreover, as all or most of the directors had been replaced in 1766 and again in 1770, it was the commissioners who provided continuity.

Söderling felt his way towards solutions and techniques that today are routine in financial markets. He dealt in bills, spread rumours when forceful action was hampered by a lack of funds, and worked together with brokers who drove the exchange rate in the desired direction.

During the crisis in summer 1767, Söderling was sometimes side-stepped. Just when deflation began to bite, he was absent from the Bank for six weeks, visiting Göteborg and some mining districts, where the consequences of the crisis made a deep impression. On his return he proposed that the Bank should buy bills to stabilise the exchange rate and prevent further deflation. The board disagreed; the government and Söderling were concerned about the mining industry, but merchants, the Board of Trade and the Bank's directors wanted a quick return to the earlier par rate, 36 marks (Montgomery, 1920).

Exchange market operations were in the limelight for some years. The Hamburg rate for Swedish notes was moving upwards towards 60–70 marks but it fluctuated sharply. As people found the uncertainly troublesome, support for a currency reform grew. However, the Bank was using its resources to stabilise the exchange rate and did not have sufficient funds for the low rate that had been planned in 1766. Montgomery (1920) considers that the policy of stabilisation was successful in the early 1770s.

Söderling's exchange market operations strengthened his conviction that a relationship existed between the stock of notes and the exchange rate. He opposed Bank lending against stocks of iron because that added to



Samuel af Söderling (d. 1798), Bank commissioner and trade councillor, the first employee to play a leading role in the Estates' Bank. Portrait by J. H. Scheffel.

118 liquidity. He was the first to use open market operations<sup>9</sup> deliberately to affect the money supply and thereby the exchange rate. The Bank took over a foreign loan from the government and sold bills it had bought earlier, which withdrew banknotes from circulation. A reduction in the money supply would hopefully strengthen the exchange rate and revalue the currency.

### GUSTAV III'S COUP D'ÉTAT

After a good dinner rounded off with a Lenten bun (with a filling of cream, cinnamon and almond paste, served with warm milk), King Adolf Fredrik died at the gaming table on 12 February 1771. The constitution required that before succeeding to the throne, Gustav III 'at the assembly of the Estates his affirmation deliver'. So a Riksdag was convened in June, little more than a year after the previous session.

The bank delegation again discussed the possibility of a currency reform. The Cap-Hat controversy now gave way to the Estates' conflicting interests. As part of the three lower Estates' efforts to stand up to the Nobility, where borrowing was rife, Jacob Gadolin from Åbo, a representative of the clergy and a professor of physics, demanded that debtors be excluded from the exchange rate debate.

The target was now a rate of 60 marks against Hamburg, considerably weaker than previously. The reform would then be speedier and require fewer funds. A disputed issue was the volume of notes the Bank should keep in circulation. Söderling's view was that demand for notes varied over time; the best way of assessing the situation was to monitor exchange rate fluctuations. The bank delegation wanted more specific rules and stipulated a normal stock of notes. It was not to be – Gustav III's coup d'état on 19 August 1772 put an end to the Age of Liberty's government by the Estates.

### CURRENCY REFORM IN 1777

In 1758 the Bank's directors had rejected a grant application for 4,000 *dsm* in plate money for foreign travel for a clerk, Johan Westerman. A clergyman's son from Gävle, Westerman had studied subjects to do with 'public economic

<sup>9</sup> Open market operations involve the central bank buying or selling securities in order to affect the money supply and the interest rate.

administration' in Uppsala. Instead, his journey was financed by the Board of Trade, where he subsequently made a career, becoming a head of division and a member of the lesser nobility, like Liljencrants a decade later. 119

Towards the end of the Age of Liberty, Liljencrants participated in the economic debate as a member of the Court party. Agriculture needed improving, the cultivation of tobacco and distillation of aquavit should be prohibited and a currency reform was as essential as 'water when a fire gets out of hand'. Commenting on the balance of trade for 1769 and 1770, he argued that an improvement in Sweden's economic situation required more royal power.

The memorandum with its comments reached the Council a month or so before the coup. Liljencrants became the King's leading financial adviser. In spring 1773 he was appointed under-secretary in the newly established department of trade and finance, where he served until 1786. Lönnroth (1986) considers that Gustav III did not understand the complexities of fiscal policy, even though he sat through his 'finance minister's' presentations.

The path of the exchange rate suggests that the outside world had great hopes of the new regime. On 18 August 1772, a Reichsthaler Amsterdam Kurant had cost 70 Swedish marks (the Hamburg rate was usually a couple of marks more); three days later, after the coup, the rate was 60 marks. The value of money rose. Another factor behind this tendency was that the French ambassador (Le Comte de Vergennes, later Louis XVI's foreign minister) lent Gustav III large sums that were exchanged in Sweden.

The coup changed the Council's status from a power in the hands of the Estates to an advisory body appointed by the King. At the end of the session in autumn 1772, the Riksdag had humbly petitioned the King-in-Council in its Grace to arrange the direction of finance and monetary policy, and submitted what the bank committee had to say about the currency reform. Gustav III and Liljencrants used the formulation as an authorisation to take over the direction of the monetary system, which was rather more than the Riksdag had intended. The Riksdag instructed the board of directors to determine whether the King's designs on the Bank in the event of a currency reform were compatible with the Bank's statutes and the Estates' instructions.

The stage was set for a conflict. The King and Liljencrants were determined to implement a monetary reform as soon as possible so that notes could again be exchanged for silver. Söderling believed the preparations

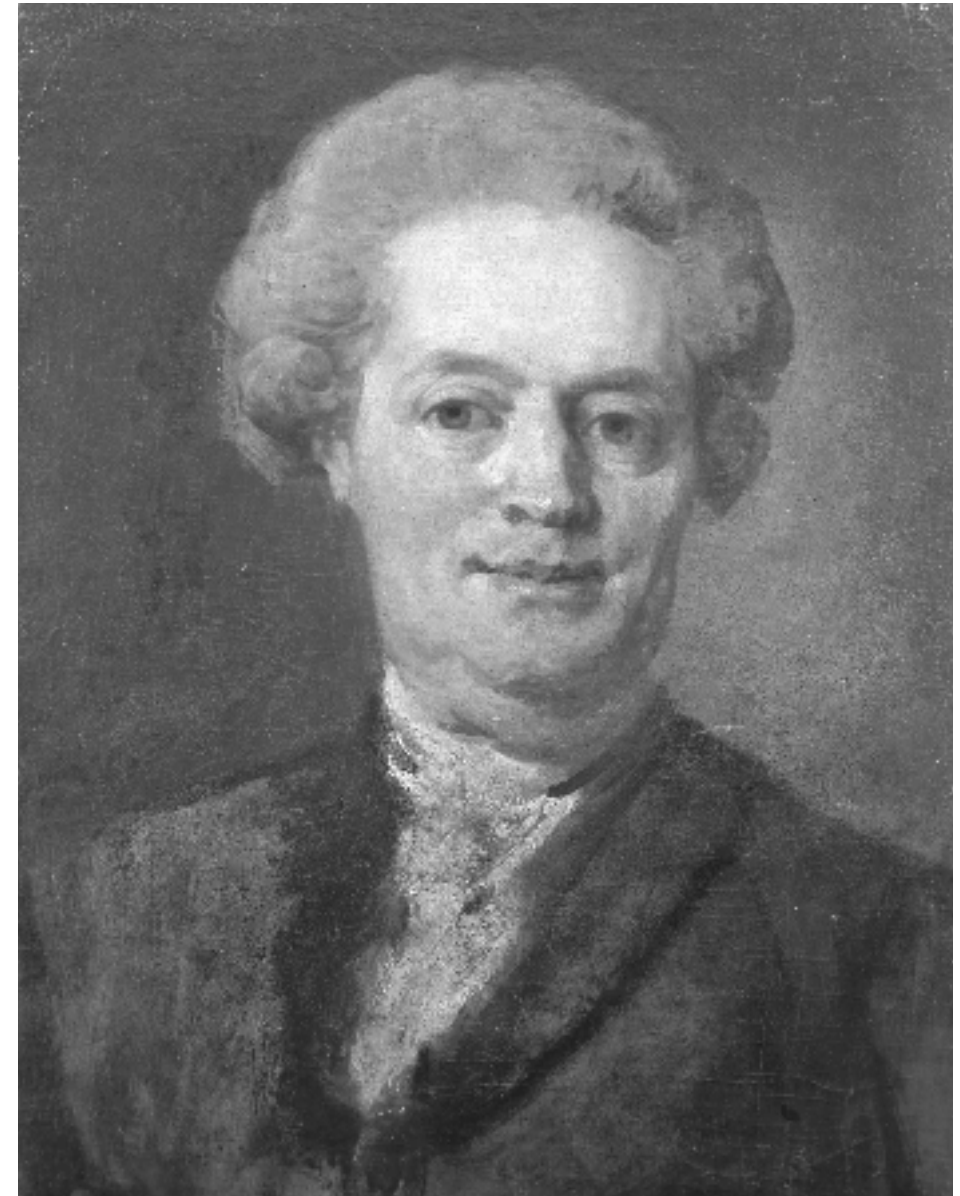
120 would take much longer than they foresaw. The King ordered Liljencrants to outline a plan for a reform but encountered objections from members of the Council; the latter relied for some of their criticisms on Bank officials, who seem to have been happy to provide them.

Söderling continued to operate in the exchange market. In 1774 he was seriously at odds with the King and Liljencrants. Pugachov's rebellion hampered Russia's iron exports and this benefited Sweden's. Merchants and shipowners in neutral countries were making handsome profits out of Britain's conflict with the North American colonies. The harvest in Sweden looked promising. Sweden's currency appreciated but Söderling was uncertain whether this would last. Liljencrants considered that instead of squandering the Bank's money on exchange operations, Söderling should be building up a fund to make a reform feasible. In the end, the King summoned Söderling and urged him not to resist the appreciation.

Meanwhile, Liljencrants took matters further in a memorandum (Liljencrants, 1774) about how to restore the country's finances. His plan involved accepting the current exchange rate. He warned of the perils of deflation and, no doubt bolstered by the conflict with Söderling, expressed his distrust of the Bank and its bureaucracy. By withdrawing the lowest notes in connection with the reform, the Bank could dispense with much routine work. The directors should then 'gradually as vacancies occur reduce the Bank's unduly large payroll, which certainly far exceeds the payrolls of all other European Banks combined'.

Liljencrants had the King's support. On 1 March 1775 he presented the board of directors with a plan for a currency reform in 1776. The board and Söderling were critical; there would be too little silver for unconditional convertibility and people would therefore not be prepared to accept notes at their full value. A series of royal communications changed the board's mind; the reform would go ahead but not until 1777.

Gustav III and Liljencrants were fortunate; trade developed favourably for Sweden. The reform was implemented at the rate of 72 marks for one silver riksdaler specie, which now became Sweden's principal coin. The transition to a silver standard began in 1776 but applied formally as of 1777. Sweden earned such a good reputation in international financial markets that Liljencrants was able to obtain new loans abroad for as little as 4 per cent and use them to settle earlier debts on considerably better terms than many other states (Åmark, 1961).



Johan Liljencrants (1730–1813), Gustav III's leading financial adviser, initiated a far-

sighted reform of monetary and banking policy. Portrait by Lorentz Pasch the Younger.



The reform entailed a complete renewal of Sweden's coinage. The *riksdaler specie* was divided into 48 *skillingar* and a *skilling* was divided in turn into 12 *runstycken*. The copper standard was abolished but copper coins could be converted into the new *riksdaler specie* (*sp*) at the rate of 18 *daler* copper or 72 marks.

Guidelines to secure the reform were agreed by the Estates at the Riksdag of 1778–9. For the redemption of notes, the Bank was to have a stock of bullion that should be increased from a ratio of 2:3 to the stock of notes to 3:4; this would be done by withdrawing notes and buying silver. When this had been achieved, the Bank could resume lending against property but not by more than the sum of annual repayments and interest. The Crown's borrowing facility in the Bank was restricted. Loans were to be provided only for short, specified periods against readily marketable collateral.

Sweden was one of the neutral powers that did well out of the closing years of the war of American Independence (1781–3). This enabled the Bank to buy large quantities of silver and thereby redeem more notes. Liljencrants' currency reform was a success – for the time being.

Incidentally, on his way to a tournament in 1777, Gustav III visited the Riksbank (he was the first monarch to do so). He was shown round the Bank's departments, after which he changed his apparel in the finest room in the building, the board of directors' session chamber.

#### LILJENCRANTS AND DISCOUNT COMPANIES

Although the Bank was closed for lending for considerable periods, Sweden still had an extensive market for capital. Economic growth benefited from the settled years of the Age of Liberty. Trade and investment required credit. Commercial houses lent capital to ironworks and acted as bankers to individuals and firms. Many people borrowed from each other.

A vexed issue was the interest rate. Earning money on 'dead capital' had been widely questioned since the Middle Ages. Moreover, many people thought that a low interest rate was good for industrial growth (Christiernin, 1759). The usury laws from 1734 prohibited an interest rate above 6 per cent. However, private creditors generally charged more in the form of commissions and other levies, which added at least another 2–3 percentage points.

The higher private rates prompted a series of proposals about govern-



After the currency reform of 1776–7, bank notes could again be exchanged for gold and silver coins. Plate concerning the currency reform and the introduction of a silver

standard, in *Medals Commemorating the Foremost Events in the History of King Gustav III* (1858).

124 ment participation in the credit market. The initial arguments focused on lending by the Bank, but other avenues were soon being explored. The 1727 Riksdag set up a 'rural assistance fund', at first to support the Alingsås manufactory and then in the 1730s to aid other manufactories, too. The Riksdag of 1738–9 reorganised this as the 'manufacture fund', which provided loans secured by the company's stock of goods. However, lending against stocks did not work. One problem was that stocks were difficult to value. Moreover, in order to obtain a loan, some manufacturers produced goods but made no effort to sell them.

In the 1760s an attempt was made to discount bills. When manufacturers and ironworks sold their products they were paid with bills, which matured at a later date. Instead of borrowing until the bills matured, they could obtain the money with less delay by selling the bills at a discount. The trial was short-lived but discounting would return.

In 1756, the manufacture fund was supplemented with a 'manufacture discount fund' (*manufakturdiskontfond*). It survived the Caps' closure of the Board of Manufacture, which had been a Hat initiative, was incorporated in the Board of Trade and acquired a new function in the 19th century as an important source of credit in the era of industrialisation.

Another credit institution was the Ironmasters Association (*Jernkontoret*), founded in 1747 on the initiative of Anders Nordencrantz. Its functions included buying at the year's first major iron market in order to support prices when buyers from Göteborg tried to press them down. The Association also provided loans on advantageous terms to put ironmasters in a stronger position vis-à-vis other creditors. By the turn of the 19th century, lending had become the primary function, more important than price control.

The credit squeeze during the period of deflation in 1767–9 was such a problem that a private solution was mooted. In August 1767, Johan Cahman, a Göteborg merchant, applied for a licence for a private discount company. It would lend against security, discount promissory notes and bills but would not engage in trade. It would also be entitled to issue notes 'in larger or smaller sums as desired'. A person who discounted a bill or a promissory note would be paid in Cahman's notes and could then either exchange these for the Bank's notes in the discount company or use them as a form of money. Cahman would make a profit as long as the bill or promissory note yielded interest and his notes were not presented for redemption. If too many people presented notes all at once, the agency would be allowed

to defer payment in return for crediting interest on the notes. The idea, 125 which came from Scotland, did not find favour with the Bank managers and the directors turned it down.

So far, attempts to organise the credit system had been improvised in various quarters. Liljencrants (1774) advocated an approach that was closer to modern arrangements. The Bank's primary objective would be to safeguard the value of money and provide general means of payment. Lending ought not to be practised:

It is of course for an upright Bank of the Realm rather inappropriate and against all sound principles to engage in lending capital at current interest, so that it is necessary for the Bank, as soon as it can and the value of money has been stabilised, to give notice of termination of its Loan Bank capital and disassociate itself entirely from such a malign administration.

To supply credit, Liljencrants wanted separate discount companies. One of Gustav III's most trusted advisers, Carl Fredrik Scheffer, reported on 7 March 1773 that he had spent three hours discussing matters with Liljencrants and councillor Stockenström. The latter had finally declared that the discount fund proposed by Liljencrants was 'the best of all the means yet presented of rectifying the pressing shortage of money'.

Discount companies came to be the remedy in the later 18th and early 19th centuries. On 2 April 1773, Gustav III informed the board of directors that he intended to establish a discount company in Stockholm. Discounting would be short term at a 'legitimate' rate (maximum 6 per cent) and the company would use the Bank's notes. To launch the venture, he wanted the Bank to provide 600,000 *d sm* for the loan fund. Söderling would have preferred to keep quiet but finally agreed: the board had to choose between a greater and a lesser evil. It was a matter of 'blocking' other risky schemes; there had been 'much discussion' about instituting a discount company that would issue notes. The board somewhat reluctantly approved the loan on 22 April.

This agency, the Discount Company (*Diskontkompaniet*), was granted a royal charter for 12 years. It was organised as a private company and share subscription started in the summer of 1773. After a sluggish start in the



126 aftermath of a financial crisis in the Netherlands, business picked up. Deposits were accepted and attracted interest at a rate which varied with the economic situation and the amount deposited; it could be 3 per cent, or as much as 5 per cent for some large deposits from the Ironmasters Association. Commercial houses used the Company to invest surplus capital.

Borrowers from the Discount Company included the Crown, though there is little evidence of this because the King authorised Liljencrants to borrow in the latter's name. After he had left the office of under-secretary in 1786, Liljencrants stated that 'several times, when a shortage of [government] funds for pressing expenditure arose, [he] had borrowed for this in my own name considerable sums of money from the Discount Company and other places' (Fritz, 1967).

The Discount Company was for wealthy customers. The needs of ordinary people were met by the General Assistance Agency (*Generalassistentkontor*), which was established in the autumn of 1772 as a pawnbroker (*Lombard*) and soon attracted numerous customers. In May 1773 the daily number of borrowers was little more than 200; in September the following year there were between 400 and 500 transactions a day; in 1775 the Agency had 43,000 loans outstanding for a total of just over 130,000 *rdrsp*. Lending on this scale was rather unprofitable; in time the Agency obtained a licence to supplement chattel mortgages with conventional loans.<sup>10</sup>

Göteborg, on Sweden's west coast, became increasingly important as an economic centre in the 18th century. The most spectacular example of this was the Swedish East India Company. Göteborg was also the port from which much of the mining industry's products were shipped to markets in Western Europe. To facilitate financing, in 1783 eight of the town's leading merchants and commercial houses applied for privileges for a 'general discount and Banking enterprise in Göteborg'. With Liljencrants' backing, the royal charter for Göteborg's discount company was issued just a month or so after the application had been received.

In these ways, Liljencrants added very considerably to the publicly

10 An unusual strain on the business resulted from Gustav III's decision in 1778 to introduce 'Swedish dress', a national costume to be worn by everyone except the clergy and commoners. In that the dress was accepted at Court, indebted officials no longer needed to redeem more costly apparel they had pawned in the Agency; some of them never reclaimed what they had pledged. As the pawned costumes had gone out of fashion, the Agency could not find buyers and incurred considerable losses.



The success of the Discount Company led Gustav III to set up the General Discount Office in 1787.

Loans were provided against promissory notes such as these; c. 180×210 mm.

128 regulated credit market. Deposits and lending were taken over and developed by discount companies and various funds, which relieved the Bank of this burden.

#### SEEDS OF A CENTRAL BANK

At the end of 1772, a commercial crisis in England and Scotland spread to Amsterdam and threatened Sweden. The reports from the Netherlands reached Stockholm on Saturday, 9 January, 1773. The board of directors met on Sunday and Söderling proposed that the Bank should provide loans in bills and notes for commercial houses at risk. The board agreed and by mid-February the crisis in Sweden was over.

This was a milestone on the road to a central bank. It was the first intervention of a type that resembles a modern central bank's function as lender of last resort. Today, a central bank guarantees the liquidity of financial institutions, which reduces the risk of a run on banks. Söderling realised that the measure would help to calm the market and mitigate the crisis.

When the discount companies came into being, the Bank functioned as their banker. It provided credit facilities and managed funds on their behalf, while they were primarily responsible for deposits and lending.

Liljencrants also attempted to use the Bank to influence the general level of interest rates. In 1779 he persuaded the bank committee to propose that the Discount Company would lower its borrowing rate from 6 to 5 per cent in return for a standing credit at a lower rate than before. A downward shift was described as an advantage for the nation and its business enterprises. Although the offer was not taken up by the Discount Company, it presaged a new view of the Bank's function.

It is significant that in the 1774 memorandum Liljencrants referred to 'an upright Bank of the Realm' (*en rättskaffens Riks-Banque*), long before this became a general concept. Many of his and Söderling's ideas did materialise in the modern central bank, but this took more than a century.

#### THE FATAL MASKED BALL

In his constitution, as well as in connection with the 1777 currency reform, Gustav III promised to respect the Estates' Bank and not do anything to jeopardise the right of convertibility. In the 1780s, however, the promise

clashed with his foreign policy. He conspired against Denmark and Russia in an attempt to take either Norway or territories to the east of the Baltic. 129

When Turkey attacked Russia in August 1787, the King saw a chance of recapturing earlier possessions. The constitution debarred the King from declaring war but he got round this: some Finnish soldiers disguised as Cossacks attacked a Swedish border post on 28 June 1788 – war was a fait accompli.

The preparations for war were inadequate and the first year's campaign was a failure. Large sums were required to put the armed forces on a war footing; the government resorted to subsidies and short-term borrowing but more was needed.

In the past, wars had been financed with Bank loans to the Crown. That did not happen on this occasion, presumably because the Bank had responded brusquely when the Crown had requested loans in the preceding years (Heckscher, 1949). Towards the end of the 1789 Riksdag, moreover, and notwithstanding the fact that the Act of Union and Security had increased the King's power, the Estates expressly prohibited the board of directors from supporting the Crown in any way. The Crown does not seem to have even raised the question – it was probably clear what the answer would be.

Some other form of financing had to be found. Liljencrants' successor, Eric Ruuth, propagated the idea that the Estates could guarantee a domestic loan to the Crown. The matter of the national debt was referred to the Secret Committee, where the prime mover was Olof Wallquist, Bishop of Växjö, loyal to the king but with an independent mind.

The Secret Committee agreed with the Council that the new war debt would be administered by the Estates in their National Debt Office (*Riksgäldskontor*), manned by the Estates' delegates under royal patronage. This would be done with the aid of an annual appropriation and the right to issue notes. The King would be kept informed by two officials who would be allowed to participate in the delegates' meetings but not in their decisions. 'That was a condition for the Estates to guarantee the national debt. An unbusinesslike government was placed under the guardianship of the Estates' examiners, albeit in a polite manner' (Skogman, 1845).

The King was more than a match for this. After the Riksdag, he crossed to Finland to lead the war in person. On 11 June 1789 he told a favourite, Gustaf Mauritz Armfelt, that the officers from Uppland were so poor they ate nettle soup. The remedy lay in a large supply of national debt notes. Some



130 days later the King wrote to Ruuth, 'If you will save Finland you must send us money [... presumably] the Swedish paper mills have not burnt down'.<sup>11</sup>

The note issues from the National Debt Office caused much confusion. The credit notes that were issued on a large scale in the period 1789–1802 were interest-bearing initially but in 1791 this was discontinued and the notes became virtually irredeemable. Once again, Sweden had two currencies. The *riksdaler specie* from the currency reform began to be called *riksdaler banco* (*bco*), and the National Debt Office's notes *riksdaler riksgälds* (*rgs*). The Tumba paper mill produced the paper for both.

To make matters worse, the war gave rise to a third type of note, *fahnehielmarna*. A lack of money for the army's procurements prompted P.G. Fahnehjelm, the Finnish commissary, to have field tokens printed in the form of notes that were valid only in Finland. The total amount issued was over 1.3 million *rdr*. This worked for a time but the market was soon flooded with large numbers of forged *fahnehielmarna* and the value of the genuine tokens fell. The 1792 Riksdag decided that the field tokens would be redeemed; as tokens to a value of approximately 170,000 *rdr* were never presented, the Crown profited.

Investigations revealed that the man behind the printing of many of the forged notes was the King's favourite A.F. Munck. Notes for roughly 200,000 *rdr* had been produced in a temporary printing press at the palace of Drottningholm. Munck has gone down in history as the King's stable-master (reputedly also the Queen's lover) but by this time he had been appointed president of the Exchequer Audit. The disclosure forced him into exile in 1792. Many people suspected that the King himself had a hand in the forgery.

At the 1792 Riksdag, the King's supporters arranged matters so that all debts between private individuals at an interest rate above 4 per cent could be settled with national debt notes, even if the loan had been made in some other currency. Debts to the Bank and the discount companies, on the other hand, were to be settled with *banco* notes. As national debt notes were worth less than *banco* notes, debtors were favoured at the expense of creditors. The arrangement proved fatal for Gustav III. At the subsequent cross-examination in the Svea Court of Appeal, the man who shot the King, Jacob

<sup>11</sup> His enemy took much the same view; Catherine the Great financed her government by borrowing abroad and issuing great quantities of paper money (Cameron, 2006).



Notes of two kinds – riksdaler specie or Bank notes (above, left) and riksdaler riksgälds or National Debt Office notes (above, right) – were in circulation together for several decades; c. 200×160 and 185×160 mm.

In addition, fahnehielmarna or commissary notes (below) were issued to finance expenditures in Finland during the war with Russia in the late 1780s; c. 95×155 mm.



132 Anckarström, admitted that the idea had come to him ‘at the Riksdag, when the item came up that *banco* loans could be repaid with national debt notes’. Anckarström was a discharged captain who had been living as a rentier on his wife’s inherited fortune; ‘he was rich and miserly’ (Lönnroth, 1986). If debts could be settled with national debt notes instead of banknotes, Anckarström and other moneylenders would suffer a loss. The royal ordinance about this arrangement was published on 16 March 1792; Anckarström shot the King that evening.

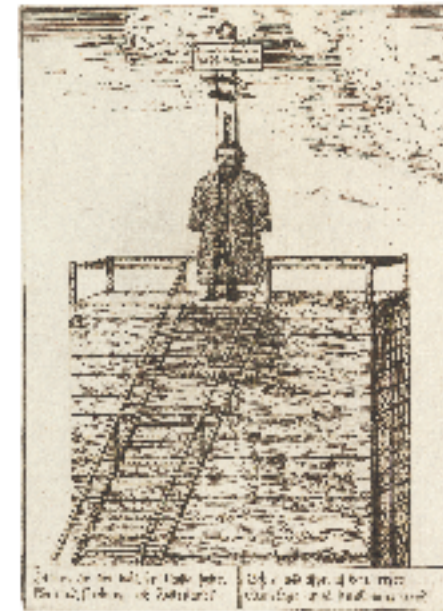
The investigation into the conspiracy went deep into the Bank, which had been at odds with the King for a year or so. Two directors, Adam Stålhammar and Jacob von Engeström, were arrested and cross-examined. Stålhammar was exonerated and continued his career. Because he knew about the plot, Engeström was sentenced to the loss of his noble rank and prison for life; this was commuted to three years in the Waxholm fortress and the loss of his directorship. He actually got off even more lightly – before the year was out he was allowed to move to Uppsala and later to visit his estate.

#### A HALF MEASURE

Gustav IV Adolf succeeded his father and the autocracy continued. His uncle, Duke Karl of Södermanland, acted as regent for the first four years, assisted by Gustav Adolf Reuterholm, both of them ardent freemasons. This was a rather uneventful period for the Bank. The ordinance permitting loans to be repaid in national debt notes was annulled in 1793. The value of the inconvertible national debt notes fluctuated relative to the Bank’s convertible notes but fell by degrees; as the latter became more valuable, people began to hoard them, while the national debt notes were passed on as soon as possible.

A series of poor harvests, lower iron exports during the crises in Britain in 1793 and 1797, and the naval war against Napoleon led to economic problems in Sweden. Government policy was restrictive but the National Debt Office tried to remedy the situation by printing money. The Office functioned more or less as a central bank, issued the greater part of the notes in circulation and served as lender of last resort to the discount companies. The Bank took more and more of a back seat, with no lending operations and little financial importance.

The regency ended in 1796 when the eighteen-year-old Gustav IV



Carl August Ehrensvärd’s caricature (above), based on the rumour that A.F. Munck (1749–1831), the court stable-master, had assisted Gustav III in begetting a child with Queen Sofia Magdalena. Later, Munck was accused of imitating commissary notes and was forced into exile.

Jacob Johan Anckarström (1762–92) shot Gustav III after the latter had seen to it that Bank loans could be repaid with National Debt Office notes, which favoured debtors. Six days after being whipped and pilloried for three days, Anckarström was executed on 27 April 1792 (below).

134 Adolf became king. The Riksdag of 1800 debated the tangled currency system and decided that national debt notes ought to be converted into the Bank's notes but not how this was to be arranged. The bank committee drew up a plan, greatly influenced by Johan Liljencrants, who still had a say in economic policy. His memorandum drew on lessons from the deflation crisis. The national debt notes should be redeemed, not at their face value but at the current market price. The committee listened and proposed a rate of  $1\frac{1}{2}$  riksdaler rgs for 1 riksdaler bco, a devaluation of  $33\frac{1}{3}$  per cent.

In addition, Liljencrants wanted to close the moribund Bank of the Estates of the Realm and replace it with a private note-issuing bank. That would put the monetary system on a firm footing, 'as it is always the case that private administration of a Bank, regulated by law, is safer and more effective than a public one that is handled as a secondary matter by delegates who follow narrow instructions'. Private owners would think twice before issuing notes without backing; the Crown was more likely to succumb to the temptation. This was the dilemma and its solution that had given rise to the Bank of England more than a century earlier.

However, this suggestion got nowhere because no one in the new monarch's government had sufficient authority to push through such a radical reform. The committee's plan for an exchange rate below par was strongly opposed; once again, a fair arrangement clashed with a market adjustment. When the matter was taken up by the Secret Committee, mayor Anders Håkansson, son of the peasants' powerful speaker in the Age of Liberty and the King's man, modified the bank committee's proposal: the objections to the devaluation were met halfway by reducing it to  $16\frac{2}{3}$  per cent.

A smaller devaluation meant that the redemption of national debt notes would require more silver. This would greatly increase the burden on the Bank's fund for the currency reform. Part of the reinforcement would be achieved by levying a maximum of 2.5 per cent on people's taxable wealth. To replenish the stock of bullion, the Secret Committee requested the King to prohibit all unnecessary use of silver 'with the exception of insignia and official awards, as well as spoons, forks and other minor pieces of silver'. Gustav IV Adolf, an earnest man, willingly concurred; he promised to relinquish everything the Court did not need for representation but exempted church silver. The owners of surplus silver would lend it to the Bank. Moreover, only two-thirds of the national debt notes would be re-

deemed immediately; the rest would be exchanged for bonds that would be redeemable after some years.<sup>12</sup> 135

The task of implementing the reform came just in time to restore the Bank as a central figure in economic policy – 'The period around the turn of the 18th century was perhaps the most manifest nadir in the Bank's entire existence' (Brisman, 1931a). The Bank had been virtually closed for deposits as well as lending, while note issuing had been largely taken over by the National Debt Office. The Bank's stock of notes decreased from over six million *rdr bco* at the end of 1788 to less than one million in 1802, by which time the National Debt Office's stock was worth over 18 million *rgs* (equivalent to 12 million *rdr bco*).

To facilitate the extended tasks, the discounting licence which the 1792 Riksdag had granted to the National Debt Office was transferred to the Bank. This provided a basis for greatly increased lending. Moreover, to attract business the Riksdag authorised the Bank to issue notes in small denominations, just as the National Debt Office had done previously.

The Estates' plan then ran into a problem. The necessary capital was not forthcoming because the collection of revenue from the tax on property took longer than expected and the silver contributions were inadequate. The reform was in danger.

### CURRENCY REFORM IN 1803

The government found another way out. The city of Wismar, one of Sweden's few remaining possessions in Germany, was pledged by the King to the Duke of Mecklenburg-Schwerin, who paid 1.25 million Reichsthaler Hamburger Banco for a lease of 100 years.<sup>13</sup> The greater part of this sum was placed in the fund for the currency reform, a sizeable reinforcement. The Council also reverted to the bank committee's original proposal to write down national debt notes by  $33\frac{1}{3}$  per cent.

Gustav IV Adolf's revised plan was presented to the board of directors who, after much dithering and procrastination, did not actually say no but was not prepared to accept responsibility. The Riksdag had indeed called for

<sup>12</sup> As the bonds could be used to pay interest and repay loans, they still went out of circulation fairly quickly.

<sup>13</sup> When the lease expired in 1903, Sweden chose not to redeem the city, which was formally confirmed as a German possession.



136 a currency reform but the King's plan contravened the attendant conditions. The board tried to postpone matters until after 1 September 1803, when the Bank's auditors, delegated by the Riksdag, were due to meet and could voice an opinion. That was precisely what the government wanted to avoid, so the Crown's silver was delivered to the Bank on 25 August and the reform became effective four days later, just in time to forestall the auditors.

This did not pass unnoticed. The auditors included an opposition minority led by Georg Adlersparre, one of those who later helped depose the King. Adlersparre criticised the directors in no uncertain terms, clearly as a proxy for the King. Under-secretary Mattias Rosenblad, one of those behind the reform, explained that the board had had no choice – the royal writ was an order. A majority of the auditors accepted this, though some of them found it constitutionally questionable and considered that the board should have recorded a reservation.

In the course of the Riksdag's discussion of the reform, the Estate of the Peasants finally became involved in the Bank. They had demanded a say in 1789 and now became more insistent. Some members of the Riksdag who knew their history pointed out that when the other three Estates had taken over the Bank in 1668, the Peasants had absolved themselves from any responsibility. They were therefore required to undertake 'that the Estate for the establishment of the Bank with its joint property is responsible for a sum as large as each of the other three Estates' share in the present capital of the Bank'. If the Estates happened to be equally divided on matters in the Bank's various assemblies, the casting vote would go to the two Estates that had been engaged in the Bank from the beginning. Under these terms the Bank became the Bank of *all four* Estates of the Realm in 1800. The restrictions on the Peasants were removed by the revolutionary Riksdag in 1809.

As a practical arrangement, the currency reform of 1803 was sensible. The redemption of national debt notes at the market rate avoided a stampede. These notes actually remained in circulation for several decades; people held on to them to cope with the dearth of small change. *Riksdaler riksgälds* continued to be legal tender until the currency reform of 1858.

#### GUSTAV IV ADOLF DEPOSED

The currency reform was followed by some years of peace and quiet; 'The wellbeing of the country was improved, public confidence grew' (Skogman,



The 1803 currency reform failed as a consequence of the war with Russia in 1808–9, which resulted in the loss of Finland and the deposition of Gustav IV Adolf (1778–1837). Portrait by Per Krafft the Younger.



138 1845). But then Sweden was drawn into the Napoleonic wars. Gustav IV Adolf saw himself as neutral in autumn 1803 but became increasingly hostile to Napoleon. He spent over a year in Swedish Pomerania and was greatly influenced by what was happening in Germany. On 31 October 1805, Sweden declared war on France; Britain financed the Swedish garrison in Stralsund and Gustav IV Adolf commanded the Swedish forces in person during the Pomeranian war of 1805–7. However, Napoleon won the battle of Austerlitz in December 1805 and besieged Stralsund in January 1807. The Swedes were forced to accept a truce in April but were allowed to hold on to Pomerania.

A few months later the French won the battle of Friedland in East Prussia. The coalitions changed; Russia and Prussia became allies of France. They agreed that Sweden, Denmark and Portugal would be required to close their ports to British ships; if Sweden refused, Denmark would be persuaded to declare war. Nothing was decided about Finland (in those days a Swedish province) but Carlsson (1970) considers that Tsar 'Alexander now had his hands free in this part of Europe'.

News that Russia had invaded Finland reached Stockholm in February 1808 and this was soon followed by Denmark's declaration of war. On 14 March the King-in-Council requested the board to open the credit line which the 1800 Riksdag had placed at its disposal. The government intended to obtain the money from the National Debt Office provided the Bank undertook to reimburse the Office when circumstances so required. This was designed to safeguard the currency reform and the Bank's stability.

National debt notes were used once again to finance a war. After a while there were also demands on the Bank. Remarkably enough, the notes which the National Debt Office had redeemed in connection with the monetary reform had not been cancelled even though they were not supposed to remain legal tender. Some of them were now released into circulation again, accompanied by new loans to the Crown from the Bank. The money supply doubled from 1808 to 1812 and prices rose almost as much.

Meanwhile there was growing discontent with Gustav IV Adolf. Georg Adlersparre, by now a lieutenant colonel in the western army, occupied Karlstad on 7 March 1809 and began to march towards the capital with 3,000 men. The King dismissed the rumours of a rebellion but when they were confirmed at noon on 12 March, he decided to leave Stockholm. At 3 a.m. that night he summoned the chairman of the board, Lord Steward Fabian von Fersen, and insisted that the Bank, its board, all its valuables and treasury



Fabian von Fersen (1762–1818), Bank board chairman, stood up to Gustav IV Adolf's demands when the latter provoked a rebellion in 1809. Portrait by an unknown artist.

140 should accompany him. Von Fersen pointed out that it would take several hundred horses to transport all the Bank's coins and other assets, to which the King replied that in that case every horse in Stockholm must be requisitioned. When von Fersen rejoined that the directors were bound by the Estates' instructions and could not decide such a matter on their own, Gustav Adolf asserted that such provisions did not apply when the country was in turmoil. The King wanted to summon the board immediately; von Fersen managed to persuade him to postpone the meeting to 7 a.m.

Under-secretary Mattias Rosenblad arrived at the Bank around 8 a.m. and presented the board with a royal message he had copied out and countersigned:

As an uprising among the troops stationed in Värmland has broken out and they are approaching the capital, WE wish to bring to your attention whether, under such hazardous circumstances and as WE in order to subdue the uprising are called upon immediately to take away our troops that are here, You consider the Bank can be sufficiently secure and safe in the capital, and that, which You are not likely to overlook, the care of the Bank is Your responsibility. And as You certainly find, with these unfortunate circumstances WE are in pressing need of money to further necessary steps to the restoration of calm, so will WE call upon You for this to advance Us and the Crown money to as large an amount as You can possibly provide. To this WE expect Your humble reply without delay.

Rosenblad was asked to wait in the Bank secretary's office while the board formulated its reply as follows: 'According to the instructions issued by the Estates of the Realm to them for their strict observance, *it did not lie in the board's power* – since the credit line of 1 million *riksdaler specie* that the latest Riksdag decided has already been drawn by the Council – to advance anything above that'. The board saw no way of supporting the Council except through the National Discount Office. The reply was read to Rosenblad, who, when a fair copy had been made and immediately signed, returned to the King, only to find the palace cordoned off. So he went to his office at the Royal Mint on Kungsholmen, where a guard arrived later that morning to take him to the King's uncle, Duke Karl. At 1.30 that afternoon the board of directors was told that the Duke had become regent.

One week later, on 20 March 1809, the board received a missive from the Regent, countersigned by under-secretary Rosenblad (a survivor who was now in the service of the future Karl XIII and soldiered on under Karl XIV Johan; he rose to be minister of justice before the King sacrificed him to the opposition at the Riksdag of 1840–1). The Regent was in the same predicament as the King had been; he needed money to continue the war and was determined to get it: 141

As absolutely unavoidable for the continuation of the defence arrangements, from the Bank was demanded an advance of 200,000 *riksdaler specie* per week, with the observation from the government that the Estates of the Realm, already summoned, could not avoid compensating the funds thus provided by the Bank for the rescue of the realm and foresees with satisfaction a necessary brief departure from the instruction issued for the administration of the Bank, to which the board's refusal could for the realm lead to the greatest harm and for them incalculable responsibility.

The board acquiesced. As the Estates had already been summoned to a Riksdag, it was agreed that as of that day 200,000 *riksdaler* would be delivered each week from the National Discount Office until such time as the Riksdag had assembled and could decide the matter. The Riksdag session began as usual on 1 May but the bank committee did not meet until 19 May. Next day the committee decided that the board would continue the weekly contribution of 200,000 *rdr*.

The Duke approved an amended constitution on 6 June 1809, whereupon the Estates acclaimed him as Karl XIII. The new Instrument of Government confirmed that the Estates alone were responsible for the Bank:

The Bank of the Estates of the Realm shall remain hereafter, as it hath been hitherto, under the own guarantee and care of the Estates of the Realm, so that it undisturbed may be administered by the board of directors that each Estate thereto ordains, in accordance with the ordinances, statutes and regulations which already are made or can be made by the Estates of the Realm; the Estates of the Realm have the sole right through the Bank to issue notes that may be acknowledged as legal tender in the realm.

## DISCOUNT COMPANIES COLLAPSE

The currency reform had included a reorganisation of the discount business. On 26 August 1800 the Crown proclaimed that the Bank was to have a National Discount Office (*riksdiskonten*) which would partly cover the Bank's costs for the redemption of national debt notes. Some of the capital was to be raised by private share subscription, payable in silver to reinforce the fund for the reform. The issue was offered in summer 1801 and was over-subscribed; the 3,318 subscribers were awarded one share each and the remaining 682 shares were assigned by lot among those who had subscribed for more than one share.

Moreover, in order to spread the discount business more widely, the government permitted private associations to set up discount companies 'in one and another of the kingdom's distant sizeable towns'. A licence for a discount company in Göteborg was granted in 1802, followed by one in Malmö the following year and another in Åbo (Turku) in Finland in 1805, though an application from Örebro was turned down.

The most singular discount business was established in 1810 when regulations were issued for the Göta Canal Discount with its seat in Göteborg. The idea was that part of the profit would help to finance the construction of the canal, which provided an inland waterway from Göteborg to the Baltic coast. The canal and the discount companies are seen by Pettersson (1989) as part of a drive to develop Sweden's western region, both to facilitate iron and grain exports and to promote connections with Norway.

The Napoleonic wars led to a profitable transit trade through Sweden to bypass the continental blockade. Göteborg and Malmö flourished and the earnings contributed to a wave of speculation in agriculture and other property. The discount companies provided much of the credit for the transition from strip farming to consolidated holdings, which aided the commercialisation of farming in southern and western Sweden.

The discount companies were also important for linking up regional credit markets (Nygren, 1985). Stockholm had a financial surplus and economic growth was occurring in Malmö and Göteborg; capital was provided by shareholders and depositors in Stockholm. When deposits were inadequate, the companies could draw on credit lines in the Bank, which also managed all transactions on their behalf.

The Bank helped the discount companies to cope with crises. When

Russia invaded Finland, the Åbo discount was forced to close; the head clerk, H.A. Öller, managed to escape across the Baltic with the cashbooks and treasury in March 1808. When the general alarm affected the other discount companies, the Bank advanced 400,000 *rdr bco* to enable the enterprise in Malmö to handle its panic-stricken depositors in Stockholm.

The discount companies increased the money supply; loans were provided in the form of payment orders (*assignationer*) on the companies' accounts in the Bank. Pre-printed forms for even amounts between five and one hundred *riksdaler* were used in the 1790s and served as small notes that were redeemable in the Bank. In 1810–15 the volume of these orders issued by discount companies in Göteborg ranged from 5 million to 6 million *rdr bco*. Together with promissory notes (*obligationsreverser*), the increment to the money supply amounted to between 9 and 11 million *rdr bco*.

Carl David Skogman (1845), at that time one of the Council's financial officials, indicates that members of the government were sceptical. The dominant figure in economic policy, Gustaf Fredrik Wirsén, considered that, with their relatively small reserves and excessive lending, the private discount companies were not sound. It was presumably such fears that prompted the decision not to renew the Göteborg discount company's charter when this expired in 1817.

The government had also intended to terminate the Malmö discount agency in 1818 but the Riksdag prolonged its charter until 1820. Skogman saw this as 'one of the numerous examples of the anarchic element in Sweden's public administration'. The end came sooner than the Riksdag had anticipated. When trade slumped after the Napoleonic wars, the discount companies suffered from the effects on industry and commerce; moreover, agriculture was hit by falling grain prices. The strain on liquidity entailed large withdrawals and a growing demand for credit. On behalf of the Second Estate, Bishop Marcus Wallenberg advocated that the Bank should lower interest rates and extend the duration of loans. Despite support from the Bank, the Malmö discount company became insolvent, partly due to managerial improprieties. The government's first impulse was to rescue the company; it then did an about turn and even persuaded the Riksdag to close the two discount companies in Göteborg as well. The decision came at the end of 1817 and the companies were wound up in 1818.

It turned out that many prominent people had borrowed excessively. C. G. Stiernswärd, an agricultural pioneer, had mortgaged his Engeltofta



144 estate on the Bjäre peninsula for the maximum amount in every discount company. Karl XIV Johan came to the aid of his friend by buying the estate from him. The Bank suffered losses of 400,000 *rd*r on the Malmö discount company and 900,000 *rd*r on the Göta Canal Discount. In the case of the Göteborg discount company, however, the final liquidation in 1826 showed that assets covered liabilities.

The closure of discount companies eliminated a large proportion of organised credit. The effects were not confined to individuals and businesses. The town of Göteborg, for instance, had to borrow 200,000 *rd*r from the Bank to cover its municipal expenditures; besides mortgaging all the town's properties, the civic administrators and elders were required to provide personal guarantees for the loan.

At the 1817 Riksdag, however, the combined committee of supply and banking was optimistic. The loan funds for particular industries should be reinforced and the National Discount Office would increase its lending by the amount the Bank recouped from the closure of private discount companies. The committee also hoped for 'greater confidence between individuals' so that personal credit would grow.

To the same end the Riksdag increased the credit line to the 'manufacture discount fund', a survivor from industrial policy in the Age of Liberty. The committee considered this more important than a currency reform, 'so that many citizens shall not be brought to their downfall; it is first after strength has in time been recovered that the in itself proper order can again be introduced'.

Brisman (1931a) regards the National Discount Office as the early 19th century's most important banking innovation. The Office was to provide short-term loans (six months with no renewal) against personal guarantees or liquid pledges but not against real estate. This gave the Bank a broad range of customers. Loans were not to exceed 6,000 *rd*r, which meant that the large commercial houses were not interested but many medium-sized and smaller companies were, as well as a number of mining companies. Persons of rank, officials and officers flocked to the Bank; the borrowers included the Archbishop and the Bank's own clergyman, Dean von Schwerin.

Lending grew rapidly until the early 1820s, when good harvests lessened the demand for agricultural credit and other industries were suffering from the international economic downturn. The Bank suddenly had difficulty in investing its funds. In 1823 the Riksdag lowered the lending



A stretch of the Göta Canal being inspected by Karl XIV Johan; the canal proprietor, Baltzar von Platen, stands hat in hand to the left of the monarch. The project was partly financed with profits from the Göta Canal Discount Company. Watercolour (1856) by A.C. Wetterling.

146 rate from 6 to 5 per cent. In order to fill the gap after the private discount companies in Malmö and Göteborg, branches of the National Discount Office were established there. When the economy picked up, the cheap loans became very attractive. In 1824 the Bank's loan fund of little more than half a million *riksdaler* was exhausted after only four months. It became necessary to number loans in their order of approval and borrowers queued to get their money as funds trickled in.

The board of directors was worried; the lack of funds for lending 'soon defeats the intended utility of a discount facility where each and everyone with secure loan documents should immediately be able to count on the assistance he needs'. An important principle had been formulated: all sound borrowers shall always be able to count on obtaining credit. The mortgagee was protected by the requirement that borrowers must pledge sound collateral. The board also knew what was needed; a lack of funds called for a higher lending rate so that credit would be available to those who were able and willing to pay most for it.

Such a view of banking was not acceptable to the Riksdag of 1828–30; the interest rate remained unchanged and the ceiling on lending was not raised. Instead, it was hoped that pressure could be eased by opening a new discount enterprise, to be funded by issuing interest-bearing bonds aimed at trade and 'the larger business'. However, the new enterprise, named the Commercial and Industrial Discount Office (*handels- och näringsdiskonten*) in 1835, had difficulty in getting started.

Another economic downturn gave the National Discount Office a respite. Up to 1830, the Office started each year with a loan fund of half a million *rd*; with the hard times, demand slackened and the fund sufficed again from 1833.

The demise of the private discount companies hampered the credit market's development for a long time to come. The 1823 Riksdag made the National Debt Office primarily responsible for the supply of credit but limited this to the Bank's net profit plus the annual tax revenues. 'The degeneration of the monetary system from 1809 to 1834 and the scarcity of means of payment and credit during most of this period retarded the transformation of Sweden's economy' (Pettersson, 1989).

## KARL XIV JOHAN DEALS WITH EXTERNAL DEBT

147

When Karl XIII was elected king in 1809, he was over sixty and had no heirs. Sweden lost Finland to Russia at the peace treaty of Fredrikshamn on 17 September. In November, a stroke kept the King out of politics for months. At Georg Adlersparre's instigation, in January 1810 Prince Christian August of Denmark became heir to the Swedish throne as Karl August. However, he was already in poor health, or so his adjutant Carl af Forsell related later (Höjer, 2007). During manoeuvres on Kvidinge heath on 28 May, the prince fell off his horse, made some wheezing noises and died.

There were those in Sweden who maintained that only a Frenchman could restore Sweden's position and recapture Finland. At the battle of Halle in northern Germany in 1807, some Swedish officers had been taken prisoner by the French marshal Jean Baptiste Bernadotte. He was now offered the succession, became interested and was elected Crown Prince of Sweden in August 1810. He changed his name to Karl Johan and became Karl XIII's adopted son. Much of the royal power that remained after the constitutional reform of 1809 was soon in the hands of the Crown Prince, who succeeded to the throne on 5 February 1818.

Karl Johan was backed by Napoleon's admirers but had already distanced himself from the Emperor; suspecting that Napoleon's career could not last, he had been thinking of leaving France. He arrived in Stockholm just as Napoleon forced Sweden to declare war on Britain, but there was little action. When Napoleon then occupied Swedish Pomerania at the beginning of 1812 without declaring war, Karl Johan sided with Russia and Britain. Swedish troops led by the Crown Prince contributed to Napoleon's final downfall and then turned on Denmark, wresting Norway out of its hands in 1814. That was the start of a sovereign union of Norway and Sweden which lasted almost a century.

The events of 1812 had appreciable financial repercussions. Once again, the war was financed to a large extent by printing money. The Riksdag permitted the National Debt Office to issue 3.5 million *rd* for this purpose. Due to the increased money supply, from the end of the war up to the mid-19th century the price level in Sweden remained more or less constant, whereas in other countries it fell.

Karl Johan saw the war as an opportunity of getting rid of Sweden's external national debt (at the end of 1811 this stood at 11.5 million *rd*).

148 In a communication to the Riksdag, the Council referred to France's refusal to compensate Swedish merchants whose ships had been captured, as well as to French monetary reforms in occupied countries, whereby Karl Johan had lost two-thirds of the value of his investments in the Netherlands. The Crown Prince now got the Riksdag to agree to write off two-thirds of Sweden's consolidated debt in the Netherlands, Brabant (Antwerp) and Genoa, since these were French possessions under Napoleon.

Several of the Crown Prince's advisers feared the possible consequences. 'The author of this work saw, on promenades during the ugly spring of 1812 in the ugly district that borders Örebro on the Stockholm side, under-secretary Wirsén stop several times and wring his hands during the struggle he conducted within himself about what he ought to say and do in the matter of external debt. Later he often grieved bitterly over his participation in the decision. Concerning the iniquity of the decision, differences of opinion should not arise; concerning the wisdom and utility of the same, ideas could be divided' (Skogman, 1846). Sweden's creditworthiness was at stake but as no external loans were taken for several decades, there was time for the coup to be forgotten.<sup>14</sup>

What remained of the external debt was repaid by using the West Indies islands of Guadeloupe, which Britain had handed over to Karl XIII and Karl Johan in 1813 to compensate the Crown Prince for the French property he had lost by siding with the English. When the treaty of Paris restored Guadeloupe to France in 1814, Britain compensated Sweden with 24 million francs. In 1815 Sweden then repaid the remaining one-third of its debts in Genoa, Amsterdam and Antwerp, as well as the debts in Hamburg and Leipzig. For relinquishing the Guadeloupe fund, the royal family was thanked with an annual government grant of 200,000 *rdr bco*.<sup>15</sup> Karl Johan also had the remainder, some 200,000 pounds sterling (approximately 1.5 million *rdr*), at his disposal according to Andreen (1958).

<sup>14</sup> In 1863, however, when plans were being made to establish Skandinaviska Kredit AB with foreign capital, Dutch interests raised the issue of Karl Johan's write-off of the 'Brabantian debt' (Nilsson, 1989).

<sup>15</sup> The annual Guadeloupe grant continued until 1983 (by which time it was 300,000 kronor), when it was replaced by a general increase in the regular appropriation for the royal household.

The Bank's organisation and management had not been thoroughly overhauled since its privileges were awarded to Palmstruch in 1656. Some tinkering with managerial structures had accompanied political upheavals; solutions had been improvised to cope with new imperatives; now, in the first decades of the 19th century, the imperfections were becoming a real problem.

The Bank was controlled at many levels. In the Age of Liberty, the Secret Committee had governed via its bank delegation; the Estates now dispensed with a secret intermediary and appointed a bank committee directly. Under this committee, the Bank was managed by its directors, who from 1823 were required to meet once a week. In the intervals between Riksdags the Bank's auditors assembled once or twice to hold the directors and the commissioners to account; each Estate appointed six auditors, who were perceived as representing the Estates even in political matters.

The Bank's directors constituted a board made up of three members from each Estate and subdivided into three groups, one for each of the Bank's principal departments: the chancery, the exchange bank and the loan bank. One director was expressly assigned to supervise the Tumba paper mill. The board was led by its chairman, the only official in the Bank with explicit overall responsibility.

For a number of years in the 1820s and '30s, the chairman of the board was Fredrik Bogislaus von Schwerin, a former cavalry officer who became a rural dean when Gustaf III tried to sweeten the nobility by handing out royal benefices. It was Schwerin who steered the board on the tortuous course to the 1834 currency reform.

The day-to-day administration of the Bank was in the hands of 21 commissioners, two-thirds of whom were selected by the board from officials in the next grade; the Bank's original charter stipulated that the remaining seven commissioners were to be from the nobility and not necessarily officials in that grade. This rule had survived the coup d'état in 1809 – the nobility claimed it was a privilege and refused to accept an amendment – and it lasted until the Riksdag of 1834.

The commissioners had no designated leader and decided important matters collectively. For everyday business they, too, were assigned to particular departments. There was also a legal department, headed by the



150 chief legal officer. The board's secretariat was an independent entity run by the secretary to the board.

It was not just the Bank's management and organisation that were outdated. In about 1815 its operations began to generate a handsome surplus: the National Discount Office was profitable, loan losses were small and the government delivered large annual amounts to compensate for its loans from the National Debt Office – the stock of notes that was now the Bank's responsibility. The Estates were not slow to appreciate this potential. The Bank became an instrument for financial assistance, just as it had been in the Age of Liberty.

The regulations obliged the Bank to provide loans for a variety of purposes. This was the era of canal-building: the Hjälmare and Södertälje canals to further shipping in Stockholm's hinterland and above all the Göta canal right across Sweden. Loans were also provided for a school building in Uddevalla and new churches in Kalmar and Skara. Mortgaging property would be resumed for an annual total of 500,000 *rdr*, while 100,000 *rdr* a year would be available for bringing land into cultivation.

The 1822 finance committee was highly critical: 'no well-organised Bank lends like the Swedish against property or agricultural enterprises, never for long terms, but does not on the other hand restrict its supportive loans to a maximum that is insufficient for large industrial enterprises'. The Banque de France, established in 1800 to discount commercial bills and issue notes, had set an example in Europe. New banks, all of them discount houses in practice, were organised in Austria, Denmark and Norway; they accepted deposits only on interest-free current accounts and concentrated lending to domestic commercial bills. The finance committee wanted something along these lines; the Bank should be able to mortgage bills and inventories and its management should be free to differentiate the interest rate between different types of loan and collateral. This programme implied a major modernisation of the Bank but little came of it.

The National Discount Office became the Bank's most vital component. The private shareholders were disposed of in July 1815 and the operations were incorporated in the Bank. The business continued much as before – the shareholders had received 'munificent' dividends on their capital but taken little part in management. The Office was still independent of the rest of the Bank and its organisation was more efficient.

The Estates realised that new arrangements were needed but could not



The 1817 model of the uniform for Riksbank officials, approved by Karl XIII and worn by

Bank commissioners on ceremonial occasions until the end of the 19th century.

152 agree. A number of reviews were shelved. The Bank largely continued as before, though the 1834–5 Riksdag did reduce the government's payments to the Bank and offset this by arranging many of the relief loans with the National Debt Office.

In one important respect, however, times had changed. Bank secrecy was increasingly controversial in the 19th century. In 1823 Gustaf Hierta, a member of the liberal opposition, tabled a motion calling for full publicity. When the bank committee tried to postpone the issue, the Estates protested loudly. The committee reconsidered the matter and the Riksdag decided that a printed account of the Bank's position was to be published in connection with each Riksdag as well as with the intervening Bank audits.

Note issues were a major part of the Bank's business. Notes without any form of deposit receipt first appeared in 1803 and then only for comparatively small amounts. The Riksdag of 1828–30 went further and no longer required an underlying deposit, besides introducing notes with fixed values even for very large amounts.<sup>16</sup>

In 1835, the Bank's production of notes ceased to be predominantly manual and became predominantly mechanical. This was a blow for the supernumerary officials, who had supplemented their salary by writing small notes. Larger notes were still signed by hand, those for 1,000 kronor right up to 1930. When the writing of small notes finally ended in 1849, several of the year's *skilling* notes were inscribed with a melancholy verse that went something like this:

The last of its line has gone to its grave,  
With no one to see that its name lives on;  
But no shield is broken over the brave,  
Only Bank extras are there to mourn.

<sup>16</sup> Concerning notes for optional amounts, Skogman's (1845–46) publisher mentions a record: 'The Bank had not issued *notes* for 440,000 *rd* but on 10 October 1817 office secretary C.D. Skogman, who had had a money order from H.R.H. the Crown Prince, took out a *single* transfer note in his name for 440,000 *riksdaler banco* under No. 2404. This banknote, presumably the largest ever, was handed over to the Crown Prince and was reinstated in the Bank the following day, against which 44 notes à 10,000 *rd* were taken out.'



The southern and northern Bank buildings in the mid-19th century with the bridge between them, seen from Skeppsbron, the Baltic quayside in the Old Town. *Svenska familj-Journalen* 1869.

The return to convertibility in 1803 was nullified in practice by the war of 1808–9. The right of redemption was not formally abolished at first; instead, when the Bank became short of silver, teller's desks were closed, business hours were shortened and withdrawals were limited to 200 *rdr* per week in the form of two and four *skilling* pieces. Half of the total was handed out by one of the Bank's tellers, 25 *rdr* was distributed among Stockholm's garrison (to avoid soldiers making trouble in the queue) and the remainder was shared out to poorhouses by the county governors. Exceptions were made only for medals for academies and associations and for royalty's personal orders. The farce continued until Georg Adlersparre, an instigator of the coup in 1809, sued the Bank in the Svea Court of Appeal and demanded to exchange his notes for silver, *riksdaler* for *riksdaler*. The Riksdag put an end to convertibility in 1818. In time, a long journey began to restore it.

Contemporaries as well as historians have remarked on the time it took to reform the currency. A reform at the 1834 rate would have been feasible in the 1820s. Monetary policy, however, is not just a matter of actual conditions but also of what those in charge believe and fear.

Hardly any leading politician questioned a resumption of convertibility. Heckscher (1949) found some obscure pamphlets in defence of a paper currency in connection with the Riksdags of 1792 and 1800 but they made little impression on the debate. In 1811 the aged Liljencrants mocked those who thought the notes were sufficient by themselves:

If it could with reason be demonstrated that stamped paper, issued with public authority to be considered and function as coin, could unchanged long maintain its value, even though it is not redeemed for real coin, and thus fulfil the same purpose as the finer metals, so would it be a great madness to let people from the innards of rocks bring forth gold and silver for minting coin, since these in that case could be obtained much more easily from paper, oil and lampblack. In such an event the Bank's paper mill in Tumba would be seen as a valuable property and could be compared with one of the richest silver mines in South America.

In time, the attitude to notes became more sophisticated. In connection with the 1815 Riksdag, a number of publications appeared on the monetary system, of which Ohlin (1920) picks out the anonymous '*Theoretical Study of [...] Coin [...]*', the first to acknowledge that paper currency can be worth both more and less than money based on metal. The 'silver superstition' is attacked and the author asks whether bullion is needed to secure the value of money. 'It is a childish and most ridiculous suspicion that a paper coin which has been approved by the government and accepted for all contributions and collections, would be rejected by the public. [...] The silver treasure, be it large or small, is unnecessary.'

Skogman put forward a similar argument in a statement to the 1822 finance committee: 'Without doubt it can be proved theoretically that a paper coin, issued against good hypothec [...] should be equally safe and unchangeable as gold and silver, but it is just safety from abuse that has so far not been possible to guarantee and which has been obtainable only by the appeal to a metal standard.' Seen in this way, the fund for a currency reform became not so much economically necessary as politically appropriate. Even so, a metal standard continued to hold its grip on people's minds until the 20th century.<sup>17</sup>

The toughest obstacle to a currency reform was the King, who presumed it would be undertaken at the par rate from 1803; that presupposed a successive currency appreciation, to be achieved with a current-account surplus and exchange market operations. The King regarded a currency reform at the prevailing rate as tantamount to national bankruptcy. More and more of his advisers held the opposite view but persuading Karl XIV Johan took a couple of decades.

The explanation may lie in the King's background and position. Andreen (1958) describes him as passionately obsessed with financial policy: 'Everyone who came into his presence, even the ladies of the Court, had to be prepared to listen to long, impulsively turned monologues about exchange rates, government loans and so on.'

<sup>17</sup> Adam Smith (1776) argued that gold and silver money in circulation was dead capital which by means of rational banking could be made more productive. 'The commerce and industry of the country, however, it must be acknowledged, though they may be somewhat augmented, cannot be altogether so secure when they are thus, as it were, suspended upon the Daedalian wings of paper money as when they travel about upon the solid ground of gold and silver.'



156 Karl Johan's experience of a paper currency in France had been even more disastrous than events in Sweden. John Law's Mississippi Company in the early 18th century and the French Revolution's assignats<sup>18</sup> had ruined many small savers and generated serious political unrest. The risk of similar unrest aiding a reversion to the Gustavian era could not be ignored. The deposed Gustav IV Adolf lived on until 1837, but his son Gustav worried Karl XIV Johan more. Besides his attraction as the Gustavians' candidate for the succession in 1809 and 1810, Gustav had the support of the Austrian statesman Prince von Metternich.

Private financial interest may also have played a part. The income from the Guadeloupe fund was linked to the value of the Bank's notes in silver. If *riksdaler* were made convertible at the former par rate, their value in silver would be doubled, while the income for Karl Johan and his descendants would depreciate correspondingly with every increase in the rate for the currency reform.

During Karl Johan's first decades in Sweden, economic policy was in the hands of Gustaf Fredrik Wirsén, who joined the government after the upheaval in 1809, spent some years as head of the State Office and returned to the government as a minister in 1824. Karl Johan called him 'the Cabinet council's steam-engine [who] drives them all and gives an impulse to them when they ought to speak or be silent'. Wirsén set out the course for monetary policy at the Riksdag of 1817–8. As chairman of the bank committee's finance section, he laid the foundation for a currency reform: the stock of notes would be kept constant; bullion would be augmented by using the Exchequer's income to purchase silver; and redemption would be at the notes' current value instead of raising this by withdrawing notes (not withdrawing notes would leave more money with which to buy silver). The market rate and no withdrawal made a reform more likely.

The King still refused to accept the current rate. In January 1820 he got the Cabinet to prohibit imports of coffee in the hope that this would steady the exchange rate. He also withdrew silver piastres from the Bank and used the Guadeloupe income to finance exchange rate operations on the

Hamburg exchange. The royal bill to the 1818 Riksdag declared that 'the Bank's great purpose [should be] to *bring the value of the paper currency closer to the current value of impeccable kinds of coin*'. The bill had been countersigned by an under-secretary but according to Skogman (1846) there were 'several indications of a higher author's hand'. 157

Arguments were assembled on both sides. The 1822 finance committee was appointed to investigate the conditions for a reform. Guided by Wirsén, the committee found that raising and lowering the value of notes would be equally unjust. It therefore proposed that 48 *skillingar* in silver would correspond to 120 *skillingar* in the Bank's notes, which was the rate at which the notes had stabilised.

Although the Bank was in a strong position, the budget committee's majority at the 1823 Riksdag preferred to wait. Brisman (1931a) notes that the Bank could have borrowed abroad to purchase silver for the reform but opinion was against foreign debt. Instead, the necessary funds would have to be scraped together.

The King's position was presumably still blocking the way. In the period 1821–6 he had Skogman undertake further exchange rate operations in Hamburg. In his history of the Riksbank, Skogman refers to this as buying and selling to prevent sudden upward and downward fluctuations in the exchange rate and considers that large exchange rate movements were successfully parried. The story according to Andreen (1947, 1953) is more dramatic; the king admittedly acknowledged stabilisation as the target but what worried him most was an upward shift.

In 1826 Skogman misjudged the market and incurred large losses. What actually happened is not clear. Skogman had been in financial straits in the mid 1820s and apparently used some of the public money for exchange operations to further his private interests. Moreover, in order to cover the losses on bills, he seems to have used the Bank's funds for commercial credits and speculation in commodities. When the losses were detected, the King denied giving any orders to his under-secretary, who would have his expenses paid but be personally responsible for the exchange losses. Disentangling the business took several years; the King and his advisers shifted funds from account to account and the transactions ultimately provided the opposition in the Riksdag with grounds for an attack (Andreen, 1947, 1953).

It is possible that the failure made the King more prepared to compromise. The Riksdag opened on 15 November 1828 and the King's gracious

18 The assignats, which were used as a form of money, were issued from December 1789 onwards. They were originally secured on the expected income from the sale of confiscated church property but when they had been issued in increasing numbers for lower and lower values, they depreciated to less than 1 per cent of the face value and were abolished in May 1797.

158 address on maintaining the value of the currency, countersigned by Skogman, was presented on 26 November: 'It is not for the subject of this work to relate how much labour was devoted to this missive, how many times it was rewritten and translated.' Skogman got the King to explain 'that His Majesty expected that the Estates of the Realm, informed about earlier mistakes, would ordain about the Bank in a way that promotes the stability of the currency's value and declines a disturbance of the present monetary conditions that is harmful for every class of citizen.' The King had agreed to redemption at the current rate.

Six months later the budget and bank committee submitted its report on the value of the currency. It recalled the proposal to place the Bank in the care of private owners but deferred the matter to 'a time to come'. On the main issue the committee proposed that the silver value of the Bank's notes be set at 128 *skillingar* for 1 *riksdaler* silver. By the end of 1831 the board of directors was to have made a humble request to the King-in-Council to appoint the date when the exchange would commence. The Riksdag took another six months to handle the matter and on 29 January 1830 the Estates addressed the King.

His Majesty continued to prevaricate. At a lengthy Council meeting on 25 February he explained that he did not intend to approve the legislation. Next day, Skogman attended Karl XIV Johan to draft his refusal. While the King was going through his objections, the speaker for the First Estate, Carl De Geer, was announced. He entreated Karl Johan to agree to the decision; when the latter would not be persuaded, De Geer stood up to take his leave, 'whereupon a large tear from each eye ran down over the handsome manly countenance'. This moved the King, a new discussion began and finally he declared himself prepared to agree to the reform. Andreen (1961) believes that otherwise a majority of the government would have resigned.

An important factor was power over the Bank. The reform was spelled out in a currency law, jointly adopted by the King and the Estates. The rates of exchange between the different currencies were set in the currency ordinance of 1830; 1 *riksdaler* in silver coin was equivalent to  $2 \frac{2}{3}$  *riksdaler* in the Bank's notes and 4 *riksdaler* in national debt notes. Moreover, the Riksdag agreed to amend §72 of the Instrument of Government as proposed by friends of the King, while the details of the Bank's operations were regulated in a new Bank Act: the monarch would appoint a representative



Carl David Skogman (1786–1856), born in Lovisa, Finland, was Karl XIV Johan's 'finance minister' during the preparations for the 1834 currency reform. After Olof Södermark (1835).

160 who would be present and influence decisions at meetings of the board of directors but would not have a vote.

The decisions had been made but it was some years before the reform could be launched. In order to build up a fund that was considered sufficiently large, the Bank was to make some additional purchases of silver but failed to anticipate the market and missed the opportunity. When the reform finally took place in 1834, Karl XIV Johan's speech to the extraordinary Riksdag showed that he had accepted the situation:

Everything lacks well-being when the representative currency does not possess a stable value. Hasten, therefore, to provide for those who own, security for the maintenance of what they have acquired. Open new prospects for industriousness, activity and thrift. Provide all permissible industries with encouragement and support. Acknowledge the truth that a sound financial system is one of the main foundations for the continuance of the State. Improve and support agriculture and industry. We should then, in exchange for our own products, acquire for ourselves those that are produced across the seas.

In a writ of 8 February 1834 to the Riksdag, the King requested the Estates to adopt the quiescent proposal to amend the banking paragraph in the Instrument of Government. However, the opposition to this had grown; when the time came for a decision at the beginning of March, the mood in the Estates was far less conciliatory. After a heated debate, the amendment was approved by a clear majority of the nobility – this was, after all, the Estate of the King's administrators and officers. The clergy also voted in favour, with a narrow majority, but the burghers and the peasants voted against. A tied vote blocked a constitutional amendment, so the Riksdag retained its absolute power over the Bank.

Karl XIV Johan had lost. Some months passed before the reform was implemented, but the decision and its execution could no longer be prevented. This was just as well. His Majesty's oration at the opening of the Riksdag was prophetic; the reform in 1834 stabilised the currency for a long time to come and was a prerequisite for Sweden's economic renewal in the 19th century. The return to a silver standard also made it easier for Sweden to interact with expanding economies in the rest of Europe.



The silver standard, reintroduced in the 1834 currency reform, made it easier for Sweden to take part in international trade. 1 *Riksdaler specie*, 1834; diam. 39 mm.