

STOCKHOLMS BANCO

JOHAN PALMSTRUCH

DURING THE WAR with Poland, on 30 November 1656 at his headquarters at Marienburg in East Prussia (Malbork in Poland today), Karl X Gustav issued charters for an exchange bank and a loan bank. The recipient was ‘the Commissioner in Our General College of Commerce, by Us Beloved, Noble and Wellb[orn] Johan Palmstruch’ and his ‘Company Co-Participants’. The document detailed the terms on which Palmstruch’s company was authorised to practice banking. The first Swedish bank, Stockholms Banco, had been established. 25

Johan Palmstruch was one of the sons of a wealthy Dutch merchant, Reinhold Witmacker, who had fled from the Duke of Alba and settled in Riga in the early 17th century. His wife, Anna Bielska, came from a Ruthenian family in Lithuania. Johan was born (and named Hans) in 1611. When the Swedish army captured Riga a decade later, some merchants fled to Poland or Lithuania but Reinhold Witmacker stayed and cooperated with the new rulers. In 1635 he was granted an estate, Klein Jungfernhof, together with the promise of a Swedish title, but death intervened.

In his twenties, Hans Witmacker moved from Riga to the Netherlands and became a burgher of Amsterdam in 1635. Four years later he was seized for failing to pay his debts.¹ After some years in the city gaol, he was transferred in October 1642 to the less harsh debtor’s prison at Voorpoort in The



Karl X Gustav (1622–60) granted the charter for Stockholm’s Banco.

Portrait by Abraham Wuchters (active in Sweden 1660–1).

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| THE FIRST bank in Sweden, with Dutch antecedents, is formed as a private company under strong government control. Notes are issued but the public loses confidence in them, whereupon the Council terminates the business. | 1656 Karl X Gustav grants Johan Palmstruch a charter for an exchange bank and a loan bank, established as Stockholms Banco. |
| 1624 Sweden changes to a copper standard. | 1660 Karl X Gustav dies. Regency during Karl XI’s minority. Plate money depreciates. A run on the Bank. |
| 1644 The first copper plate money is minted. | 1661 Stockholms Banco issues the first credit notes. |
| 1654 Queen Kristina abdicates and is succeeded by Karl X Gustav. | 1664 Liquidation of Stockholms Banco begins. |
| Chancellor Oxenstierna dies. | 1668 The Svea Court of Appeal convicts Palmstruch of mismanagement. |

26 Hague. An agreement was reached with his creditors and he was released in November 1643.

In 1651, the Witmacker brothers were ennobled in recognition of their father's services, and changed their name to Palmstruch. Hans, who now began to refer to himself as Johan, had returned home on his release and alternated between Riga and Sweden. He approached Queen Kristina with plans for manufacturing silk for export to Germany and Russia but was soon concentrating instead on the idea of a bank. His first plan was referred to the burghers of Stockholm and the city council in 1652. Having been appointed commissioner at the Board of Trade (*Kommerskollegium*) in 1654, he presented a new idea – an exchange bank and a loan bank as separate institutions – to Stockholm's civic administration on 20 February 1655, but this, too, was unsuccessful.

In July that year Karl X Gustav, who had succeeded Queen Kristina upon her abdication, invaded Poland. Magnus Gabriel De la Gardie, the King's brother-in-law and governor general of Riga, made a flanking movement into Lithuania. Poland and Lithuania had maintained a union since the 14th century, but when Russia attacked Lithuania in 1654, Poland had been slow to provide assistance, whereupon dissatisfied Protestant leaders had cancelled the union and elected the King of Sweden to be Grand Duke of Lithuania. The election was disputed and De la Gardie's show of strength was intended to have it confirmed. Palmstruch accompanied De la Gardie as financial adviser, and Kotljarchuk (2006) believes that the King issued the bank privileges to Palmstruch on De la Gardie's recommendation.

The royal charter referred to the loan bank as a protection against usury and the exchange bank as important for commerce but it also stressed the role of safeguarding the value of money: 'Our own inland copper coin can presumably thereby be brought to its correct and due value and all arbitrary and inequitable enhancement of foreign coin will here be markedly prevented and precluded' (Brisman, 1918). These hopes were pinned on the Bank for centuries to come.

¹ Platbarzdis (1960) speculates that Hans' arrest was not just the consequence of a business failure. With hindsight he suggests that while in Amsterdam, Hans may have extracted secret information about the exchange bank. That seems far-fetched – almost ten years passed after his release before Hans presented his plans for a bank. The bankruptcy of a young commercial adventurer is understandable without the aid of a conspiracy.



When Johan Palmstruch (1611–71) and his brothers were introduced in the House of Nobility in 1660, the family escutcheon was hung in the session chamber.

THE COPPER STANDARD

The recurrent proposals for a bank had a singular background, the copper standard. The government had initiated the minting of *öre* coins in copper (8 *öre* = 1 mark) in 1624 and this continued on a large scale the following year. The copper standard lasted until the currency withdrawal in 1776.

In the 1620s, trade was hampered by a shortage of silver and silver coins; minting copper coins would bring more money into circulation. Another motive was the price of copper; the Crown wanted to control and restrict the supply of copper in order to support its price on the international metal exchange in Amsterdam. A copper monopoly was established to control exports; nobles, burghers and the church were exhorted to use copper for roofing. Minting copper would further limit the amount available for export.

Things went as planned to begin with – the need for ready money drew the new coins into circulation – but the effect ceased once this need had been met. If the price of copper was such that the face value of the coins was less than what the copper was worth as metal, it paid to export the coins; moreover, the larger and heavier the coins became, the easier they were to sell as copper bars.

To make matters worse, coins were also being minted in silver and both coinages were related to the value of the respective metal. So besides a coin's face value, people had to consider what a *daler* copper was worth in terms of a *daler* silver. The silver coin soon became worth considerably more than the copper coin; moreover, the relative value of the two metals fluctuated widely. This complicated trade and exposed merchants to greater risks. There were, in fact, three separate currencies in circulation: *riksdaler* (valid for foreign trade), *daler* silver and *daler* copper.²

Another major problem was the weight of the copper coins. In those days it was taken for granted that a coin's face value represented the value of the metal of which it was made. The price of copper varied; according to Heckscher (1936), in the 17th century the average price for one *skeppund* (\approx 136 kilograms) of copper was 50 *riksdaler*; in silver money, 50 *riksdaler* weighed less than 1½ kilograms. In other words, copper coins weighed

² The following abbreviations are used hereafter: *rdr* for *riksdaler*, *d km* for *daler* copper money and *d sm* for *daler* silver money.



The Falun copper mine was a major source of Swedish exports in the 17th century. Engraving by Johannes van den Avelen in Erik Dahlberg, *Suecia Antiqua et Hodierna* (1698–1701).



The cumbersome copperplate money,
in this case for 10 daler, impeded trade;

330×625 mm (well over twice the size shown
here), 19.72 kg (c. 43½ lbs).

32 almost one hundred times more than the equivalent sum in silver coins. Heckscher tells of two thieves who tried to steal 170 *daler km* in Åbo and could not lift them above their knees. When Queen Kristina considered a copper coinage in 1649, one of the strongest objections was the cost of transporting tax revenue.

In order to spread the coins more widely and check inflation, the Swedes tried to impose their copper coins on as many of their conquered provinces as possible. In Prussia, Oxenstierna issued an exchange rate decree. In the negotiations with Stralsund, a Swedish condition was that the city would accept the copper coins. It was hoped that Sweden's overseas possessions would absorb the copper coins that were surplus to the domestic market. That was easier said than done.

The difficulties in finding a metal market for copper largely related to the Thirty Years' War, which had ravaged the important German market. The Swedish authorities resorted to increased minting and flooded the country with copper coins. The currency depreciated and in 1643 the government was forced to devalue copper coins in relation to *riksdaler*. This conferred some stability.

The next year, however, a mistake was made: instead of minting small change only, the first copper plate money was struck. This was just a trial but in 1648 Louis De Geer strongly advocated the minting of copper plate money on a regular basis. Axel Oxenstierna had been against minting copper but was now prepared to give it a try. He and De Geer argued that copper plate money was suitable for international trade because it could be 'used both as money and as merchandise'.

It was the inconvenience of copper plate money that the exchange bank would remedy. Institutions and the general public could deposit their plate money in the bank in exchange for a receipt, which could then be used in transactions with other parties. This was a great relief for commerce. In the bank charter, Karl X Gustav emphasised 'the good convenience our subjects thereby obtain, that in this way they are rid of much subtraction and addition, hauling and dragging and other trouble that the copper coin entails in its handling'. The weighty plates boded well for the success of the exchange bank.

THE PALMSTRUCH BANK

Although the charters were granted to Palmstruch and his company as a private enterprise, the Crown soon intervened. After little more than a fortnight, the King authorised Palmstruch as director of the Bank with the promise of an annual salary; on the same day, 16 December 1656, a royal decree stipulated that one half of the Bank's net profit would accrue to the Crown and the other half was to be divided equally between the City of Stockholm and Palmstruch's company. In the regulations for the exchange bank, dated 30 June 1657, the King reserved the right to appoint bank commissioners (managers).

The Bank was in practice a state institution. Palmstruch admittedly informed a number of grandees that they were co-participants and added that they were not required to contribute capital or assume any responsibility; even so, they would receive half of the profit that was due to the company (an eighth of the total net profit). In this way he established connections with the chancellor of the realm (De la Gardie), a councillor and member of the Exchequer (Gustaf Bonde), the president of the Board of Trade (Christer Bonde), a councillor and justice of appeal (Seved Bååt) and ten or so other prominent persons. Gustaf Bonde subsequently became lord treasurer and Seved Bååt succeeded him. The grandees' share turned out to be rather meagre; Palmstruch testified later that on just one occasion he had distributed a total of 10,000 *daler* to the 16 co-participants, giving them 625 *daler* each.

Premises were needed and Palmstruch arranged with Field Marshal Carl Gustaf Wrangel to rent a building that belonged to the estate of Wrangel's deceased father; strategically situated by Norrbro in the heart of Stockholm.

A superintendent was to oversee the Bank's operations on behalf of the Crown. On 19 April 1659 the King appointed Gustaf Bonde (one of the co-participants!) to be 'chief inspector of the banking system'. Palmstruch was to direct operations, assisted by three bank commissioners, one from the nobility, one from the burghers and one from Stockholm's civic administration. The commissioners exerted less influence than had been intended. The Bank was in Palmstruch's hands and the routine business was managed by accountants and tellers.

The charter stipulated that the Bank was to be open every weekday

34 afternoon between 2 and 5 to accept deposits. Every weekday morning between 8 and 10 the exchange bank was to be open so that customers could transfer large or small amounts and withdraw cash.

Customers deposited coins for safekeeping in the exchange bank but unlike the practice in Amsterdam, the amounts were not converted into a common currency. The charter for Stockholms Banco, as Palmstruch's bank was called, required the exchange bank to book each kind of deposited coin in a separate column. Nor was this just a book-keeping rule – the different kinds of coin were kept apart in every way. Deposits were to be paid back in the same kind of coin. If the bank was short of a particular coin, it was not entitled to use another type instead. Keeping separate accounts for each kind of coin was a cumbersome business that continued for a long time to come.

A person who deposited money in the Bank was provided with a receipt that was not transferable. An account was opened for each depositor and withdrawals or transfers to another account required a written order.

The original plan was that, just as in Amsterdam, the exchange bank would charge a fee for accepting deposits. Unlike the Dutch bank, however, Stockholms Banco began to lend the exchange bank's funds and was therefore interested in attracting as much money as possible. The Bank therefore paid interest on deposits that were either sizeable or held in trust.

The Bank finally opened on 29 July 1657, when Councillor Seved Bååt made the first deposit, 13,763 *d km*. After that the money came in fast, reaching a total of more than 200,000 *d km* at the end of 1658 and over 400,000 *d km* – the largest total Stockholms Banco ever attracted – in the spring of 1660. The exchange bank's main clients were the major trading houses, such as the brothers Abraham and Jakob Momma and Thomas Bergman's company. Business was brisk; the leading account-holders placed dozens of payment orders a day and their transactions filled page after page of the account ledgers.

LENDING

For a year or so, the Bank confined its operations to deposits. When Bonde was appointed superintendent, he initiated lending. According to Palmstruch's testimony at his trial a decade later, 'His Excellency came to the exchange bank towards spring 1659 in the morning, stood there a while look-



Stockholm's northern waterfront in the second half of the 17th century. The building on the left is the old castle, which was ravaged by fire in 1697. Stockholms Banco rented the second building to the right of the castle; it belonged to Herman Wrangel and stood at the end of Västerlånggatan,

the city's main thoroughfare at that time. The church on Riddarholmen is visible further away.

The island on the right is Helgeandsholmen, where a building for the Riksdag and the Riksbank was erected early in the 20th century.

36 ing around, and exclaimed with these words: “I see here in the exchange bank good stores of money and it seems to me to be best now to make a beginning with the loan bank.” Accordingly His Excellency ordered that against gold and silver security some thousands of *daler* should be lent, which was done.³ Other sources suggest that lending against gold and silver had begun before the turn of 1658 and was extended to include other forms of security after Easter 1659.

The lending operation proved popular. In the early part of 1660, according to Palmstruch, every day more and more people came with security they wanted to pledge, so that ‘people had to be kept away from the doors of the exchange bank with a double guard of the Crown’s and the City’s troops’. Even though most loans were repaid after a matter of months, the demand soon exceeded the bank’s resources. Turnover and outstanding claims grew.

Oxenstierna’s hopes that the Bank would help merchants realise ‘many good ideas’ proved unfounded. Borrowing by trading houses was insignificant. Some fairly large loans were obtained by companies that had been granted privileges in some trade (tar, salt and sugar refining, for instance) but credit to industry and commerce in general was not sizeable.

The main borrowers came instead from the upper nobility and office-holders. Chancellor Magnus Gabriel De la Gardie borrowed huge sums in 1662 and 1663, ‘but otherwise there is hardly a name in the upper nobility that one does not encounter’ (Brisman, 1918). The names included women as well as men. Ebba Brahe, sweetheart of Gustav II Adolf, once borrowed 2,700 *daler* against a silver candelabra and on another occasion 20,000 *daler* against ‘numerous estates exempt from land dues’. Agneta Horn, granddaughter of Axel Oxenstierna and author of a well-known memoir, pledged her estate for 9,000 *daler*.

The Bank’s charters specified the kinds of security that were eligible for pledging; the first group comprised articles of gold and silver, clothing and household goods, the second merchandise and the third property. Land was the nobility’s primary security. By this time, mortgaging was becoming more organised; collateral and priority rights were registered in the law courts (Benckert, 1920).

The Bank also provided loans against a personal guarantee. During 1663 such loans, of which there was no mention in the charter, became the most common form of lending to the upper nobility. As lending accelerated,

some loans were even provided without any security at all.

37

The charters treated the exchange bank and the loan bank as separate entities but this was not observed in practice. Although the exchange bank was no more than a depository for its clients’ money, which could be withdrawn without notice, the Bank started to lend its holdings. This state of affairs continued until 1664.

CREDIT NOTES

The Bank was an initial success; merchants used their deposits to facilitate transactions and the aristocracy welcomed the possibility of obtaining loans to overcome temporary financial problems. In 1660, however, difficulties arose that ultimately proved insurmountable.

The crisis was precipitated by the Crown. When Karl X Gustav died in February 1660, the Council of State assumed the functions normally performed by the King in Council.³ Two ordinances, issued by the Council on 7 March and 17 November, reduced the value of copper plate money. At the introduction of plate money in 1644, one *skeppund* of copper (≈136 kilograms) had been equivalent to 69 *d sm*; in 1649 the rate had been increased to 75 *d sm*. The ordinances in 1660 prescribed a further increase, first to 84 and then to 90 *d sm* per *skeppund*. This greatly reduced the metallic value of newly minted copper money.

The old plate money’s higher copper content per *daler* made it more valuable and clients rushed to the bank to withdraw plate money of the same kind as they had deposited earlier. The Bank did not dispute their right to be paid in this way but its stock of plate money was exceeded by demand. In order to cater for its depositors, the Bank began to call in outstanding loans. During 1661, moreover, lending was sharply reduced. In a submission to the Council that autumn, Palmstruch wrote that the Bank was being besieged by distressed applicants for loans ‘who every day in large numbers not only

³ The term King in Council (*Kungl. Maj:t*), which was current until as recently as the constitutional reform at the turn of 1974, indicated the presence of the monarch in the Council; the equivalent body during the minority, absence or incapacity of the monarch was Council of State (*Riksråd*). In the period of autocracy under Karl XI and Karl XII, however, *Kungl. Maj:t* sometimes stood for the king in person and did not necessarily imply that the Council had participated or been consulted. All the variations are denoted here by ‘Council’.

38 while the Bank is open but even extraordinarily at my home assail me morning, afternoon and evening, presenting their pledges and entreating me to be allowed to borrow money, which so moves me to Christian compassion and troubles my heart that also hereby the burden of my office feels almost too great and unbearable’.

The Bank followed the example of banks abroad and offered to pay interest on deposits, but to no avail. Stockholm’s administrators wrote to the government about all the benefits the Bank had conferred and pleaded for support in the precarious situation. The Bank in turn purchased copper to have it minted in Avesta to provide the plate money which depositors wanted to recover. This took too long, however, and the Bank was in a quandary.

Palmstruch found a solution. According to Erik Appelgren, a bank commissioner, ‘Not long afterwards, credit notes became a supplement invented by Herr Director for the shortage of money’. The bank would issue notes declaring that the holder had a claim on Stockholms Banco for a specified sum of money; the Bank would redeem the notes in exchange for cash. Later, Palmstruch recalled that the idea came from the receipts which Stora Kopparberg issued to miners when copper was weighed in – the receipts were then used as a means of payment and circulated in the community.

This was a novelty in European banking. Earlier attempts to introduce notes had invariably tied them to deposits. Such certificates of deposit could be transferred as a token of value to business associates, who in turn could pass them on in the same way. In contrast, Palmstruch’s notes were not backed by particular deposits; instead, they relied on public confidence that the Bank would redeem them on demand. The system relied on the Bank’s credibility.

Palmstruch was aware that this was a bold experiment. He raised the matter with the superintendent, Gustaf Bonde, who on the death of the king had been appointed Lord Treasurer, and the latter seems to have approved; it may have suited his doubts about the continued minting of copper. Bonde considered that Sweden could earn more by selling the copper as merchandise than by converting it into coins. Perhaps the credit notes would lead to fewer withdrawals from the bank.

Bonde and Seved Bååt, another councillor, drafted a royal proclamation to the effect that the credit notes had been ordained by the government and would be valid for all Crown levies. This was crucial because in Sweden at that time, tax collection accounted for such a large part of cash transac-

tions. If the credit notes were accepted for tax payments, many more people 39 would be prepared to use them.

When the Council met on 3 September 1661, it had no objections to the Bank issuing notes but hesitated about the public proclamation. The Chancellor, De la Gardie, wondered whether the credit notes might not manage on their own, ‘without making any public announcement’. Bonde did not pursue the matter, agreeing that it would be best done ‘without any coercion’. The issue of a proclamation was postponed and not raised again; what mattered to Palmstruch was that the Council had no objections to the notes.

The notes were already in circulation; the first had been issued in July or August that year. They ‘were asked for with such an appetite and cry that as often as not the Bank has had difficulty in calming and thereby meeting them’. The Bank’s agent in Göteborg reported that people happily exchanged coins for notes. Palmstruch claimed that the notes were accepted in all the main commercial centres, ‘Reval, Riga, Danzig, Lübeck, Hamburg, Amsterdam, London, Paris and Venice, where these banknotes of credit are recognised and held in great esteem’.

Thanks to the credit notes, lending by the Bank ceased to be dependent on deposits. Loans could be provided for as much as the Bank was prepared to issue notes. After a tentative start, the flood gates were opened during 1663. The Crown borrowed 500,000 *d km*, Chancellor De la Gardie took a total of 255,000 *d km* for himself, the tar company borrowed 200,000 *d km*. More and more loans were unsecured. The business flourished; branches were opened in Åbo, Falun and Göteborg; in Skåne (ceded to Sweden by Denmark in 1658) the three upper Estates requested a separate branch in either Malmö or Landskrona.

However, reality soon caught up. On 12 September 1663, Joachim Schüttehielm, a bank secretary, reported to Palmstruch, who was away in Västerås, that so much money had been withdrawn that the Bank had less than 4,000 *d km* in ready cash. To make matters worse, a depositor had announced that he wished to withdraw 10,000 *d km*. Schüttehielm asked Palmstruch to send money as soon as he could but the Director had nothing to send.

The Bank found it increasingly difficult to meet commitments. State agencies had provided creditors with assignments on the Bank; on 13 October the Admiralty reported to the Council that the Bank no longer redeemed them. De la Gardie alleged that on some days the Bank had been ‘closed’; Palmstruch denied this, adding that even if it had, the banks in Amsterdam

40 as well as Hamburg had been closed for a time without occasioning any 'loss of confidence'.

As they became more difficult to redeem, the notes declined in value; paying with notes cost 6–10 per cent more than the amount due in cash. The exchange rate with the internationally valid *riksdaler* rose. 'Everything one buys must now be bought for more than before, so that everyone suffers unduly.' Sweden was experiencing its first bout of monetary inflation. As Brisman (1918) points out, the stock of notes was not abnormally large, 2.7 million *d km* in mid December 1664 according to Palmstruch. It was the massive increase in the course of a year or so that had been too much for the market to absorb. Brisman considers that the loans were probably too cheap; the Bank charged only 6 per cent, considerably less than many borrowers would have had to pay for private credit.

LIQUIDATION

In this entirely new situation, the Bank was at a loss about how to act. Incoming cash continued to be used to redeem the credit notes at their full face value. This meant that people could make a profit by buying the notes at a discount in the market and redeeming them in the Bank. They therefore crowded outside the Bank, waiting to withdraw money. The Bank was rumoured to be resorting to foul play; when it provided coins in return for notes, it demanded the same premium as the market. At the 1664 Riksdag (Diet) the Clergy complained: 'In the evening they carry money away from [the Bank] and elsewhere and when one goes to the Bank and wants money, they turn you away and say "Go there or there, you'll get it" and when you get there, you have to give 8 or 10 per cent.'

On 13 October 1663, after the Bank had been in existence only six years, the Council, acting on a proposal from De la Gardie, initiated an inquiry. This resulted in a recommendation that the Bank should call in all its loans in order to pay depositors.

The idea was controversial. As Lord Treasurer, Bonde was implementing a restrictive fiscal programme in order to reduce the national debt. The Chancellor, De la Gardie, was equally adamant in his opposition to this. The conflict flared up over the matter of the Bank's loans, particularly because De la Gardie was Stockholms Banco's largest borrower. The Council meeting on 3 November became so animated that the proceed-



Magnus Gabriel De la Gardie (1622–86), Lord Chancellor, a protagonist of Stockholms Banco and one of its largest debtors. Portrait by R. Sylvius.

42 ings were suspended and the secretary had to leave the room. Bonde ultimately prevailed; on 4 March 1664 the Council proclaimed that it supported the termination of the Bank's loans.

When the Riksdag assembled in May 1664, the Bank's difficulties were debated on a number of occasions. At the closing session in late August, members emphasised the benefits for the nation. There had admittedly been 'abuses' as well as 'irregularities and inconveniences', but these should be 'prevented and avoided so that this banking enterprise may in future in our beloved fatherland be retained and its credit be strengthened'.

Notwithstanding the positive attitude, what the Riksdag actually decided – a continued termination of loans and, above all, withdrawal of the credit notes – had the opposite effect. The economy was subjected to a violent monetary squeeze. Funds became scarce as the credit notes were redeemed; with no access to Bank loans, borrowers had to rely on private agents, who could exploit the shortage of credit by charging a higher rate of interest.

The next few years were onerous for entrepreneurs. The Bank reported that borrowers lost their estates and were in the hands of 'Melchior Clock-maker and his like'. Melchior and his colleagues had accused Palmstruch and the Bank of 'stealing their business' because the Bank's loans had pushed interest rates down. On 14 November 1666 the Council proclaimed Sweden's first ceiling on interest rates: no one was to be obliged to pay more than 8 per cent and if the agreement did not stipulate a rate, this was to be 6 per cent (Brisman 1918).

The withdrawal of credit notes took longer than the Bank had assumed, at first because of the shortage of coin for redemption, later for other reasons. With fewer remaining notes, their value began to recover and was ultimately once more on a par with coins; their convenience made people less interested in cashing them. The Council repeatedly set a deadline for redemption, only to find that a further postponement was necessary. At the beginning of 1668, Jochum Pötter, a merchant, was finally able to present accounts for the liquidation of Stockholms Banco.

The Swedish bank notes were an innovation in Europe (China had already tried in the 11th century) but the idea did not catch on immediately. Bank notes became more common after the Bank of England had been founded in 1694.



A credit note issued by Stockholms Banco for 100 daler silver coin; these instruments were the first European bank notes in the modern sense; c. 155×195 mm.

PALMSTRUCH'S PROSECUTION

In the early phase of the crisis, Palmstruch's authority was largely intact. Many prominent men shared his assessment that most of the problems had been caused by speculation and the export of copper plate. He was included in the coin commissions the Council appointed in 1663 and 1666. On 22 February 1667 he wrote to the Council that he could satisfy the Bank's creditors and re-open the loan bank before mid-1668. He also considered himself capable of reforming Sweden's coinage; within three years, copper would cease to be used for money proper, only for small change.

It was too late. The government had set up a commission to investigate the anomalies which the 1664 Riksdag had noted. Matters were complicated by the disarray at the Bank – the cash balance had not been established even when a new cashier took over. The 1664 audit found that several tens of thousands of *daler* were missing. In his final report, Jochum Pötter calculated that the liquidation had cost the Crown 141,000 *d sm*.

The commission completed its work on 22 March 1667 and the Council, having considered the report on 2 May, decided that Palmstruch was to be called to account before the Svea Court of Appeal.

In his defence, Palmstruch declared that the deficiency was due to miscalculations and errors of exchange; there had been too few bank officials, the public had been importunate, and handling the different kinds of coin had been cumbersome. He gave a colourful account of the stressful situation, not least when messengers from the Crown's agencies 'are regularly coming more than 5 times a week and more than 10 journeys a day, with *snork, pork, scolding and swearing* . . . And who in the midst of such daily tumult, threatening, swearing, scolding and parleying, in danger of life and limb, with the old cashbook and the exchanges made therein gone astray and exchanges done again, could note and thereby keep a book?'

The Court of Appeal was not impressed. On 22 July 1668 Palmstruch was dismissed as director and sentenced to the loss of his privileges. He was banished for life and ordered to compensate within six months for 'all the deficiency and shortage in the Bank that can demonstrably be proven'. If he failed to pay what he owed, he would be executed.

The Council considered the sentence on 26 February 1669 and some members clearly found it too harsh. Palmstruch was reprieved but would remain in jail. Chancellor De la Gardie came to his support and argued on

3 March 1670 that Palmstruch be released, which he was. He died a year later, on 8 March, and was buried close to the altar rail in Täby Church about 15 kilometres north of Stockholm. 45

Stockholms Banco had a brief and stormy existence but exerted a lasting influence. Notwithstanding the monetary inflation, the problems with balancing lending and deposits, and the difficulties in asserting the Bank's credibility in relation to the government's short-term needs, many people had been convinced by the experiment. Without Palmstruch's venture, there would not have been a Bank of the Estates of the Realm in 1668.