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Parliamentary Control, Public Discussions and Royal Autonomy: Sweden, 1750-1780

Patrik WINTON*

Abstract. This article explores developments of secrecy and transparency in relation to fiscal affairs in 18th century Sweden. During the 1750s the government mostly relied on subsidies and loans from the Bank of Sweden to finance deficits and major projects. This system supported the ruling oligarchy and the secrecy that surrounded its financial operations. The system was changed following the Seven Years' War when the subsidies stopped arriving and the falling value of the Swedish currency forced limitations on the issuance of bank liquidity. Instead external borrowing, in Amsterdam and Genoa, and internal borrowing expanded. This change went hand in hand with increasing openness concerning fiscal affairs and more critical public discussions about the use of resources. However, the inability to find compromises led to the royal coup in 1772, which in turn resulted in a strengthening of royal power and a stop to open discussions about key fiscal affairs. The period ended with a return to greater economic stability, but it also entailed a return to the secrecy of the 1740s and 1750s.

Keywords. Subsidies, External Borrowing, Banking, Secrecy, Openness

Résumé. Contrôle parlementaire, débat public et autonomie royale en Suède, 1750-1780. Cet article examine la problématique du secret et de la transparence en lien avec les questions financières en Suède au XVIII^e siècle. Pendant les années 1750, le gouvernement comptait principalement sur les subsides étrangers et les prêts de la Banque de Suède pour se financer. Ce système, reposant sur le pouvoir de l'oligarchie en place et le secret des opérations financières, a été modifié suite à la guerre de Sept Ans, les subsides n'étant plus payés et la chute du cours de la monnaie suédoise nécessitant de limiter l'émission de liquidités bancaires. La Suède se tourne alors vers l'emprunt. Ce changement est allé de pair avec une multiplication des débats publics critiques concernant les déficits et les ressources économiques. L'incapacité de trouver des compromis a conduit au coup d'État de 1772, qui a abouti à un renforcement de l'autorité royale et a marqué un coup d'arrêt des discussions. Il en est résulté une plus grande stabilité économique, ainsi qu'un retour au secret caractéristique des deux décennies 1740 et 1750.

Mots-clés. Subsides, emprunts extérieurs, banque, secret, ouverture

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In 1766, the Swedish Diet, which consisted of the four estates of the nobility, clergy, burghers and peasants, and which controlled the government's finances and legislation, decided to implement a Freedom of the Press Act. The act abolished pre-publication control of secular publications, as well as introduced the principle of open access to government documents. The principle of open access meant that most documents from the Diet, the Council of the Realm, the civil service and the law courts became accessible to citizens who wished to publish them in print.¹ This decision has been seen as an international landmark and as a sign of especially "the Scandinavian tradition of press freedom and freedom of information". According to Christopher Hood, the Swedish policy can be placed between two major strains of European political ideas, namely the concept that governments should follow fixed and predictable rules, and the notion that social affairs "should be conducted with a high degree of frankness, openness, and candour".²

At the same time as transparency in political life increased, the Swedish state changed its methods of financing its deficits. During the 1740s and 1750s it had to a large extent relied on subsidies from the French government and loans from the Bank of Sweden to cover discrepancies between revenues and expenditure. These practices were shaped by the secrecy of diplomatic negotiations and a mercantilist fear of providing valuable information to other states. Following the French fiscal problems at the end of the Seven Years' War, which made it difficult for the government in Versailles to pay subsidies, and the realization among the political elite in Sweden that the Bank of Sweden's issuance of paper money had to be curtailed, new ways of financing the deficit had to be found. Attempts were therefore made to issue long-term bonds on the domestic credit market, as well as establishing Sweden as a reliable debtor on international capital markets in Amsterdam and Genoa. Concurrently, a public debate on the state of fiscal affairs and the possible solutions to the existing problems were raging in newspapers and pamphlets.³

However, these measures did not create stability or solve the underlying political and economic problems. Consequently, it created an opportunity for the king to organize a coup d'état in 1772, which significantly strengthened the powers of the king and reduced the freedom to print. A more divided

1. M.-C. SKUNCKE, 2011.

2. C. HOOD, 2006, p. 5-8.

3. J. RILEY, 1980, p. 144-147; P. WINTON, 2012a.

fiscal authority emerged, which led to struggles between the political elite and the king regarding the financial affairs of the state and the mechanisms of financial control. The king tried to strengthen and protect his political autonomy, while the elite tried to reduce the king's maneuverability.⁴

These Swedish developments from around 1750 to 1780 provide an opportunity to explore the mechanisms behind the emergence of financial control and transparency in relation to government finances. Thus, it is the purpose of this article to analyze how the political process of managing the finances of the state, especially the state's deficits and debts, affected the establishment of increased transparency in Sweden, but also to investigate how information about fiscal affairs were collected, interpreted and distributed within the political system.

The Swedish case is particularly interesting since it can problematize the process of transition from more secretive financial regimes to more liberal constitutional ones, in particular since most of the narratives of this process are based on developments in major European states such as Britain and France. The transition does not necessarily have to be a linear process – parliamentary control and financial openness can be revoked and there is no guarantee that a sovereign will not try to regain his autonomy in financial matters. Thus, the often-discussed and influential argument put forward by Douglass North and Barry Weingast concerning the process of parliament gaining authority over fiscal affairs and the subsequent establishment of credible commitment to established rules cannot be taken as a blueprint for overall European developments.⁵ Furthermore, the argument put forward by Philip Hoffman and Jean-Laurent Rosenthal concerning the role of warfare in creating incentives for rulers to increase openness in fiscal affairs can be evaluated by examining the Swedish case. They argue that the increasingly expensive wars during the eighteenth and early nineteenth centuries led to a situation in which it became advantageous for leaders to increase openness and to reduce their own control over government spending in order to gain access to more funds. Consequently, sovereigns started to surrender the power of the purse to the elite.⁶

4. P. WINTON, 2012b.

5. D. C. NORTH & B. R. WEINGAST, 1989. See also D. STASAVAGE, 2003; G. W. COX, 2011; D. ACEMOGLU & J. A. ROBINSON, 2012.

6. P. T. HOFFMAN, & J.-L. ROSENTHAL, 2000. Mark Dincecco has argued that regular parliamentary control over state budgets emerged during the nineteenth century, but he emphasizes that fiscal centralization occurred before the establishment of parliamentary control, see M. DINCECCO, 2011, p. 27.

In Swedish historiography, many have discussed the introduction of the Freedom of the Press Act in 1766 and the subsequent growing number of publications. It has been seen as a gradual process in which a more favorable opinion among the elite concerning print in the 1750s and 1760s led to a more liberal approach to pre-publication censorship and then eventually to the abolishment of censoring texts before publication. Many scholars have also highlighted the role of actors such as Anders Chydenius and Peter Forsskåhl, and their struggle to promote greater freedom to print. Clearly, print was becoming an increasingly important political tool that could be used by the elite to mobilize political support, but also by people outside the elite who challenged the status quo. The growing number of newspapers and pamphlets helped to create a public sphere where a variety of ideas and opinions were exchanged by individuals from different social and economic backgrounds.⁷

However, scholars have seldom discussed the connections between financial matters and the change in attitude toward print. Nor have they addressed the role government finances played in shaping the greater political changes in the 1760s and 1770s. Financial historians have concentrated on the poor state of the government finances after the Seven Years' War and the varying attempts to deal with inflation and deflation as well as the government's debt. In their narrative, the financial crisis of the 1760s was solved by the currency reform in 1776 when the silver standard was readopted.⁸ Political historians on the other hand have focused more on the radicalization of the 1760s and the causes behind the royal coup d'état in 1772. This shift has been seen as a result of the increasing political tensions between the estates and especially the commoners' attacks on the privileges of the nobility. These tensions made it difficult to reach any compromises between the various interests at the Diet, which in turn resulted in a longing for the authority of the king to settle some of the disputes. In other words, many actors welcomed the king's actions since they hoped that he would promote concord and protect the elite.⁹

7. See for example, A. BURIUS, 1984; P. VIRRANKOSKI, 1995; M. MELKERSSON, 1997, p. 118-135; B. BENNICH-BJÖRKMAN, 2003; P. HALLBERG, 2003.

8. See for example K. ÅMARK, 1961; S. FRITZ, 1967; L. HERLITZ, 2003.

9. See for example H. A. BARTON, 1986; M. ROBERTS, 1986; J. NORDIN, 2003; H. TANDEFELT, 2008; P. IHALAINEN, 2010, p. 157-243.

1. Subsidies, loans and secrecy

The Swedish realm (comprising Sweden, Finland and western Pomerania) around 1750 was one of a few countries in the eighteenth century with a type of parliamentary system. Royal absolutism had been crushed in 1719 after the death of the king Charles XII and after participating for over 18 years in the drawn out Great Northern War (1700-1721). The new constitution guaranteed frequent meetings of the Diet, which decided matters of peace and war, foreign policy, taxes and legislation. The king's role was reduced to mainly symbolic duties. The Diet convened in Stockholm every three years or more frequently if necessary. The meetings attracted not only the members of the four estates, but also their families and friends, supplicants and others who were interested in politics. As Karin Sennefelt has stressed, this temporary upsurge in the population of the capital led to price increases on such commodities as lodgings, candles and firewood. Almost all political activities took place in the relatively small city center on the central island in Stockholm. This was where the estates held their meetings in different buildings, where the Royal Palace was located, where the central state bureaucracy was housed and where the Bank of Sweden had its building and where the majority of taverns and wine shops could be found. During the meetings of the estates the streets were crowded and the city was buzzing with rumors about various political events and discussions. Although the amount of printed material was very limited around 1750, hand written squibs and libels as well as other texts were spread throughout the capital in an attempt to influence opinions and decisions.¹⁰

Even though many took part in political life, key decisions were often made by a limited number of individuals who regularly attended the meetings of the Diet and who either held high positions in the state bureaucracy or the Church of Sweden, or who were economically successful in the towns. Consequently, politics was oligarchic in character since a number of leading noblemen, bishops and merchants influenced important decisions. This oligarchy was divided into different factions, commonly known as Hats and Caps. In Swedish historiography, these factions have traditionally been described as political parties, but they are better understood as social networks since family and friendship ties played such an important role in the political mobilization process.¹¹

10. K. SENNEFELT, 2008a and K. SENNEFELT, 2008b.

11. The traditional view of these factions is summarized in M. ROBERTS, 1986. This interpretation has been criticized in P. WINTON, 2006 and in K. SENNEFELT, 2010.

The oligarchy's main arena for wielding power was the Diet's Secret Committee, which consisted of 100 members from the nobility, clergy and the burghers. The committee dealt with issues relating to foreign policy, government finances and the military. Thus, the government's budget was decided by the committee, which meant that questions how resources should be distributed and how deficits should be handled was determined by the members of the committee. As its name indicates, the idea was that important and classified information should be discussed in the committee and not spread to the public. In order to highlight this fact the members had to swear a special oath of secrecy at the start of a meeting of the Diet. Although it was impossible to prevent leakage of information to the interested public in Stockholm, attempts were often made to find out how this happened.¹²

Beside the members themselves, information leakage was caused by the committee's reliance on the state bureaucracy both to supply necessary facts before decisions were made and to implement decisions after the meetings of the Diet. It was the responsibility of each central agency and office of the state to submit reports before a meeting of the Diet how their area of responsibility had developed since the last meeting, and the civil servants had to be ready to swiftly either reply to written requests for further information from the committee, or in person supply the necessary data during a session of the committee. Furthermore, after a decision was made and the Diet had finally approved a measure, written information about the decision was sent to the proper agency in order for it to be implemented. These transfers of information created situations in which numerous persons, who were not members of the Diet, became involved in the political process. For example, it was the responsibility of the Agency for Public Management (*Statskontoret*) to oversee the government's revenues and expenditures and to manage the state's books. The agency received regular reports from the local tax collecting administration in all the counties of the realm. Thus, it was the civil servants at this agency who could say if the government was running a surplus or a deficit, and what collateral could be offered if the government needed to borrow. As a consequence, they were in frequent contact with the Secret Committee and with its subcommittees dealing with budgetary issues and the Bank of Sweden respectively.¹³

12. P. WINTON, 2010; P. KARONEN, 2011.

13. See for example, Bankodeputationens protokoll 1750/51, 24 October 1751, vol. R4558, Swedish National Archives, Stockholm (hereafter abbreviated SNA); Statskontorets memorialbok 1751, vol. 70, Statskontorets memorialböcker, Statskontorets kammarkontor, Statskontoret, SNA. See also K. ÅMARK, 1961, p. 72-76.

Nevertheless, information about the government finances was never spread to a broader public in the realm since data on revenues and expenditures were never printed. The peasants for example, who did not have seats on the Secret Committee, frequently complained about the fact that they had to decide on taxes without detailed knowledge about the needs of the state or how the revenue was spent.¹⁴ Thus, information about the budget was kept within a relatively small circle of people in order to ensure that what was seen as state secrets did not get in the hands of foreign powers or individuals who were seen as not being politically competent. In this regard, the difference between states with absolute monarchs such as Denmark and France, and Sweden with its parliamentary system, was not great.

One of the institutions that played a crucial role in the fiscal affairs of the state was the Bank of Sweden. The bank was controlled by the Secret Committee, and the bank's directors, who oversaw the daily operations of the bank and who implemented the decisions of the Diet, consisted of members from the noble, clerical and burgher estates. Below the directors a staff of around 160 persons handled all the practical tasks. The bank's finances were in theory separated from the state's coffers, but in practice they were closely connected. The bank's finances were structured around deposits and lending to individuals and institutions, as well as issuing paper notes in the realm. Also lending to the government and other public institutions was important. Many members of the elite viewed the bank as an important political tool in the promotion of internal cultivation of the realm by providing credit and liquidity. Thus, it was thought that lending from the bank could help develop agriculture and iron production, but also assist in the establishment of textile manufacturing.¹⁵

Table 1. *Bank of Sweden lending from 1745 to 1755, in daler silver coins*

	1745	1750	1755
Loans to the government and other public institutions	15,479,957	15,481,000	17,754,000
Loans to private individuals	2,994,595	10,317,000	19,807,000

Source. C. HALLENDORFF, 1919, p. 164, 220, 238.

14. A. CLARÉUS, 2003, p. 100-101.

15. C. HALLENDORFF, 1919.

In Table 1, the development of the Bank of Sweden’s lending from 1745 to 1755 is highlighted. It shows that lending to the government dominated at the beginning of the period, but that lending to private individuals increased quite dramatically and in 1755 was larger than the loans to the state. One part of the government loans originated mostly from the Great Northern War (in 1745 these older loans amounted to 6,523,858 daler silver coins), while another part had been established during the disastrous Russo-Swedish War (1741-1743) (in 1745 these newer loans amounted to 5,566,153 daler silver coins).¹⁶ Consequently, as in other European states, loans to the government were closely connected to the financing of warfare, while loans to private individuals were associated with mercantilist policies, in particular the state’s attempts to improve domestic production in order to reduce imports.

Table 2. *Deposits in the Bank of Sweden from 1745 to 1755*

<i>in daler silver coins</i>	1745	1750	1755
Deposits	3,899,457	5,136,000	9,584,000

Source. C. HALLENDORFF, 1919, p. 164, 220, 238.

In Table 2, the development of the Bank of Sweden’s deposits from 1745 to 1755 is shown. Clearly, the deposits were increasing faster over time than the lending. Whereas the lending doubled from 1745 to 1755, the deposits increased 145 per cent during the same period.

Table 3. *Bank of Sweden’s issuance of bank notes, 1747-1756*

<i>in million daler silver coins</i>	1747	1750	1753	1756
Value of notes issued	8.4	10.8	13.2	16.8

Source. C. HALLENDORFF, 1919, p. 221, 232, 265.

The third part of the bank’s operations consisted of issuing paper notes. The bank notes were originally transfer notes that were negotiable and could pass from hand to hand in settlement of debts. From the 1720s and onward these notes became accepted as equivalent to coin and therefore gradually became the dominating currency and circulated widely throughout the realm. The notes were at first backed by specie reserves, but this relationship between notes in circulation and reserves was abandoned in 1745. This *de facto* introduction of a paper currency led to an increase in

16. C. HALLENDORFF, 1919, p. 164.

the number of notes in circulation, which in turn increased liquidity in the economy. As can be seen in Table 3, the value of the notes issued grew from 8.4 million daler silver coins in 1747 to 16.8 daler silver coins in 1756, which amounted to a doubling of the notes in circulation.

The downside of such an expansion of liquidity was inflationary pressures as well as a worsening of the value of the Swedish currency on the international credit markets. The uncertain value of the currency threatened to make imports of vital commodities such as salt more expensive. In order to try and offset these negative effects, the Diet decided to establish an Exchange Office in 1747, which would purchase Swedish bills of exchange on the international capital markets at predetermined exchange rates. Foreign subsidy payments, especially from France, were to a large extent used to pay for the bills of exchange. The development of the exchange rate shows that the Exchange Office was quite successful in its operations during the late 1740s and early 1750s.¹⁷

The subsidies from France not only facilitated the operations of the Exchange Office, the subsequent bolstering of the Swedish currency and the bank's notes, they also strengthened the government's revenues. In order to highlight the sums involved during peacetime, figures concerning government revenues are provided in Table 4. Although not all revenues and resources of the state are provided, the numbers give some indication of the sums.

Table 4. *Revenues of the Swedish state 1750, 1752 and 1755*

<i>in daler silver coins</i>	<i>1750</i>	<i>1752</i>	<i>1755</i>
Ordinary revenue	7,639,587	6,293,939	6,267,837
Extraordinary revenue	1,050,000	1,650,000	1,860,000
Foreign subsidies	2,123,457	698,068	670,000
Borrowing from the Bank of Sweden	0	2,525,000	166,667
Reservations	1,650,000	1,618,152	1,655,800
Total government revenue	12,463,044	12,810,159	10,753,492

Source. K. ÅMARK, 1961, p. 230.

Table 4 shows that subsidies played an important role as a source of revenue for the Swedish state in the 1750s. In 1750 for example the

17. L. MÜLLER, 2002; M. DENZEL, 2010, p. 344.

subsidies contributed to around 17 per cent of total revenues. A large part of the subsidies was used to start building the sea-fortress Sveaborg in Finland and to establish a new fleet of lighter ships especially designed for the archipelagoes in Finland and Sweden.¹⁸ Likewise, Table 4 shows that borrowing from the Bank of Sweden helped to bolster available resources when other sources of revenue were scarce. Thus, the payments from the government in Versailles and the Bank of Sweden made it possible for the government to have a higher level of expenditure than what would have been possible if it was relying on domestic taxes alone. Or rather, more spending using only internal resources would have created greater tensions within the political system. Especially the peasants, who were the biggest contributors to the ordinary and extraordinary revenues, would have demanded a greater say in how resources were spent and could probably have blocked the military plans in the eastern part of the realm through the power of the purse. Consequently, the structure of revenues strengthened the power of the ruling oligarchy. It was in their interest to create and maintain the interconnected system of resources flowing between the French government, the Exchange Office, the Bank of Sweden and the Agency for Public Management, and to keep it secret. No official information about the sums involved or the intricate operations were published or in other forms presented to the general public. In other words, there were no benefits or incentives for the elite to promote transparency in their financial dealings. Instead, the culture of diplomacy with its secretive deal-making and exchanges of gifts and resources dominated.¹⁹

Although the different parts of the system were discussed in the Secret Committee, the committee can hardly be seen as an instrument of parliamentary control over the executive since the committee in practice functioned both as legislator and executor in financial matters. The information about the financial system that was spread to the general public was mostly concentrated on the Bank of Sweden and its operations. Thus, many official proclamations that were either read aloud in the churches on Sundays or printed in the official newspaper focused on the terms for borrowing from the bank and what should be done with people who tried to forge the issued notes.²⁰

18. On the new naval fleet, see O. NIKULA, 1933.

19. This culture is discussed in C. WOLFF, 2005, p. 115-222 and P. LINDSTRÖM & S. NORRHEM, 2013. See also H. SCOTT, 2007.

20. See for example *Kongl. Maj:ts ytterligare nådige kundgiörelse, angående en wisz belöning för then, som kan bewisligen angifwa någon uphofsman til efterapade banco transport-sedlar. Gifwen Stockholm i råd-cammaren then 20 December 1754; Kongl. Maj:ts nådige förordning, angående lån i Riksens Ständers Banque på omyndigas fasta egendom.*

2. Government bonds, openness and political change

The system of relying on foreign subsidies not only promoted secrecy, but it also created risks in the sense that the provider of funds required something in return for its support. This became apparent at times of growing international tension, such as Prussia's aggression against Saxony in 1756, when France requested a Swedish intervention in the Seven Years' War by sending troops to Swedish Pomerania. It was very difficult politically for the government in Stockholm to outright decline the French offer, especially after France promised to pay more subsidies. At the same time, the Swedish government hoped that supporting the French military efforts would yield significant rewards at a future peace conference without taking too high risks.²¹

The military campaign against Prussia lasted from 1757 to 1762 and resulted in serious economic problems for the Swedish state. Around 44 per cent of the total war cost was financed by loans from the Bank of Sweden, while French subsidies paid for around 20 per cent. The bank financed the loans to the government by printing more notes. Thus, the number of notes in circulation increased from 16.8 million in 1756 to 44 million in 1763. Such a sharp increase resulted in inflation and a drop in the value of the Swedish currency on the international credit markets. The Exchange Office could not handle the situation and therefore ceased its operations in 1761.²²

The economic consequences of the war led to popular discontent, which in turn increased political interest. This political interest was fueled by a growth of newspapers and pamphlets discussing political issues in general, and public finance problems in particular. Many newspapers and weeklies had started during the 1750s. Consequently, weeklies existed in Gothenburg, Karlskrona, Norrköping and Stockholm by 1760.²³ For example in Norrköping, a weekly paper called *Norrköpings Wekotidningar*, which had been established in 1758, used more than half of its space in the latter parts of 1760 to critically discuss different causes behind the worsening exchange rate. One of the main themes in the discussion was to identify the secretive practices of a number of leading merchants as the cause of the problems. Although it was not stated outright, the author was

Gifwen Stockholm i råd-cammaren then 29 April 1756. Regarding the government's proclamations, see E. REUTERSWÄRD, 2001.

21. P. WINTON, 2012a, p. 12-15.

22. P. WINTON, 2012a, p. 21-23.

23. I. OSCARSSON, 2000, p. 118-120.

referring to the participants in the Exchange Office and their self-interests. In other words, the merchants who were responsible for transferring the French subsidies into Sweden were accused of using their position and the secrecy surrounding their operations to promote their own interest to the detriment of all the realm's inhabitants.²⁴ In another weekly published paper – *Göteborgska Magasinet* – a comparable argument was made about the damaging effects of the exchange rate and the individuals who were profiting from the falling value of the currency on international credit markets.²⁵ Similarly, the author Anders Nordencrantz printed a number of pamphlets around the same time in which he criticized several leading merchants for causing the fall in the value of the Swedish currency.²⁶

Although no one explicitly criticized the war policies in print, the mere fact that a key aspect of the fiscal system was scrutinized and critiqued in pamphlets and newspapers changed the way actors viewed the situation and their political practices. It was no longer possible to argue that key financial issues should be kept hidden from public view. Many observers as well as members of the political elite started to argue that transparency and open discussions were central components in a well-functioning political system and as an important method to avoid corruption and other questionable activities. Even the Secret Committee participated in the discussions by printing a number of documents regarding the bank in 1766.²⁷ Thus, practices started to change before the implementation of the Freedom of the Press Act.

Besides the more open and critical discussions about fiscal affairs in the public sphere, the government's own policies contributed to greater openness. During the war, royal lotteries as well as long-term domestic bonds were offered to the broader population. These offers were distributed through state proclamations, which were printed in newspapers and read aloud in every church of the realm. Thousands of individuals bought lottery tickets and bonds, which meant that they obtained a direct financial stake in the government's management of the economic situation.²⁸ It signaled

24. *Norrköpings Weko-Tidningar*, no. 59, 22 November 1760.

25. *Göteborgska Magasinet*, no. 1, 5 January 1760, no. 9, 1 March 1760, no. 13, 29 March 1760.

26. A. NORDENCRANTZ, 1761a; A. NORDENCRANTZ, 1761b and A. NORDENCRANTZ, 1761c.

27. See for example Prästeståndets protokoll 1760/62, 14 November 1760, SNA; *Berättelse, angående hushållningen i banquen. Utgifwen på riksens höglofl. ständers befallning, af theas secrete utskott wid riksdagen år 1766.*

28. *Avräkningsbok för obligationer 1761-1778*, vol. 2405 and *Avräkningsbok över Kongl. Lotteriet 1759-1768*, vol. 2418, Statskontorets avräkningsböcker över inrikes lån,

the idea that the general population should be more actively involved in the financing of the state by offering their savings. These new policies were borne out of necessity: the French government was unable to provide further subsidies to the Swedish state and there were no other major power that was willing or able to step in and provide similar sums. It was also clear to a great majority of the political elite that the number of bank notes in circulation had to be curtailed in order to get inflation under control and to improve the value of the Swedish currency. At previous meetings of the Diet, such issues were decided by the members of the Secret Committee without the participation of the four estates, but in 1761 the estates demanded to discuss the bank's lending. It was argued that since the bank affected so many people it was wrong to maintain a policy of secrecy. The debate resulted in a more open discussion about the operations of the bank and a halt in the lending to individuals.²⁹ Consequently, the established method of financing deficits and major projects, as well as the internal cultivation of the realm, had to be altered and replaced with other financial measures that were more transparent.

Two other key ideas that emerged in the political discussions during the 1760s focused on the need to recreate economic stability by reducing spending and to strengthen the currency by reestablishing a silver standard. The latter goal required specie resources that only international creditors could provide. Thus, attempts were made to establish Sweden as a reliable debtor on international capital markets in Amsterdam, Antwerp and Genoa. The negotiations were initiated by the Secret Committee, but the actual discussions with the bankers in these locations were handled by Swedish diplomats. For example the Swedish envoy in Vienna, Nils Bark, negotiated with bankers in Genoa. The utilization of diplomats meant that the secrecy that surrounded diplomatic practices was spread to the financial area. In particular, it was seen as important that the mere fact that negotiations were going on and the sums discussed should be kept quiet in order to protect the credit of the Swedish state and to prevent the spread of crucial information to neighboring states.³⁰

Kamrerarekontoret, Riksgäldsdirektionen, SNA; *Kongl. maj:ts nådige kundgiörelse, angående et kongligt lotteries inrättande. Gifwen Stockholm i råd-cammaren then 1 februari 1758; Kongl. maj:ts nådige kundgiörelse, angående et inrikes tilgiörande lån af specie mynt eller guld och silfwer. Gifwen Stockholm i råd-cammaren then 17. november 1762.*

29. See for example Prästeståndets protokoll 1760/62, vol. R698, 7 December 1761, SNA; Sekreta utskottets protokoll 1760/62, vol. R3144, 1 February 1762, SNA.

30. Sekreta utskottets protokoll 1760/62, vol. R3143, 27 January 1761; Sekreta utskottets protokoll 1765/66, vol. R3274, 8, 29 August 1766; Letter from Nils Bark, 29 December 1766,

However, borrowing in Amsterdam and Genoa also required openness since it was necessary to convince hundreds of potential investors in Swedish bonds, which were going to be offered on the market, that the pledges of the Swedish state were reliable. In other words, the bankers only functioned as intermediaries between the Swedish state and the individual investors. The bankers could only interpret the sentiment of the market participants and suggest terms that would work, but they could not guarantee the success of a loan. These circumstances meant that it was important for the Swedish state to manifest the government's ability to make interest payments and the stability of the Diet's decisions. Furthermore, it became necessary to counteract negative rumors that threatened the financial process. For example in 1766, during the negotiations with the Genoese, the Swedish envoy reported that negative opinions about the Swedish state were being spread in the city. It was alleged that Sweden already had large loans in Amsterdam and Hamburg which could not be paid and that trading with Sweden was uncertain because of the Diet's tendency to frequently change its policies. In order to neutralize these opinions, the envoy was instructed to inform the Genoese about the Swedish realm's commitment to pay its debts as well as the latest decisions by the Diet in Stockholm. Thus, the diplomat should try and influence public opinion in Genoa by providing detailed information about the Swedish political system and the policies of the Diet.³¹ The negotiations succeeded in December 1766 and a loan of around 400 000 Hamburg banco was arranged. The loan was guaranteed by the Agency for Public Management and the Bank of Sweden.³²

It could be argued then that the Swedish government's need for other types of external resources than foreign subsidies created a situation in which the Genoese could sway the behavior of the Swedish state. The investors' demand for predictability and reliability meant that it was difficult to uphold policies of secrecy. The behavior of the government was continuously judged when the interest payments were due and when existing loans matured. If the government reneged or concealed vital information there was a risk that no further funding would be provided. At the same

vol. 2236, *Genuesiska lånet 1762-1778, Räkenskaper och handlingar rörande upptagna lån, Riksgäldsdirektionen, SNA.*

31. See for example Rådsprotokoll i utrikesärenden 1766, 10 November 1766, SNA.

32. Letter from Nils Bark, 29 December 1766, vol. 2236, *Genuesiska lånet 1762-1778, Räkenskaper och handlingar rörande upptagna lån, Riksgäldsdirektionen, SNA.*

time it forced the government to clarify the resources it had at its disposal, especially in relation to the administration of existing and future loans.³³

How the fiscal situation developed after the Seven Years' War and after the new policies was introduced is described in Table 5.

Table 5. *Revenues of the Swedish state 1765, 1767, 1769, 1771*

<i>in daler silver coins</i>	1765	1767	1769	1771
Ordinary revenue	8,485,642	12,762,785	9,939,128	12,021,959
Extraordinary revenue	3,000,000	3,800,000	2,900,000	2,300,000
Foreign subsidies	0	623,791	0	0
Borrowing	2,279,093	100,800	2,700,743	311,445
Reservations	1,656,000	1,656,000	1,656,000	1,656,000
Total government revenue	15,420,735	19,919,942	17,658,096	16,638,881

Source. K. ÅMARK, 1961, p. 230.

Table 5 shows that ordinary revenue grew but fluctuated more than during the 1750s and that the extraordinary revenue was increased compared with the situation before the war. The sharp increase in the extraordinary taxation from 1.8 million in 1755 to 3 million in 1765 was a political reply to the financial pressures caused by the war. The increase had been one of the main results of the meeting of the Diet in 1760-1762. It did not affect the outcome of the war since the revenue only started to influence the budget in 1763 and onward. Nevertheless, it was not possible politically to sustain the higher taxes over time since the peasant estate was very critical of the increase. As a consequence the tax was reduced.³⁴ The table also highlights the reduction in foreign subsidies. The sum mentioned in 1767 was a result of an agreement between the Swedish and French governments regarding the outstanding subsidies which had not been paid during the war. Thus, no new subsidies were agreed. Furthermore, the table shows that the government continued to rely on borrowing. Most of these resources came from the Bank of Sweden, but also from the issuance of bonds on the domestic market and through external loans. In 1765, 96 bonds were sold domestically valued at around 170,000 daler silver coins.³⁵ In 1767, the sum of 100,800 daler silver

33. A similar argument is made by Christiaan van Bochove concerning Danish loans in the Dutch Republic, see C. VAN BOCHOVE, 2014.

34. K. ÅMARK, 1961, p. 219.

35. Annotationsbok över obligationer 1763-1766, vol. 2407, Statskontorets avräkningsböcker över inrikes lån, Kamrerarekontoret, Riksgäldsdirektionen, SNA.

coins originated from the loan in Genoa and in 1769 the state relied on loans in Genoa and Amsterdam (1,159,267 daler silver coins) The latter external loans were primarily used by the Bank of Sweden to stabilize the currency situation.³⁶ In other words, the task that the Exchange Office used to have was taken over by the Bank of Sweden and a government official from the Agency for Public Management. Consequently, developments showed that the exchange rate continued to be a hot topic and that it was impossible for the Diet to sustain the attempt to reduce its reliance on lending from the bank, especially when spending was not cut in any meaningful way. How the lending from the bank evolved from 1765 to 1771 is highlighted in Table 6.

Table 6. *Bank of Sweden lending, 1765-1771*

<i>in daler silver coins</i>	<i>31 Dec. 1765</i>	<i>31 Dec. 1767</i>	<i>31 Dec. 1769</i>	<i>31 Dec. 1771</i>
Loans to the government and other public institutions	42,846,891	45,251,355	42,838,810	49,664,659

Source. Huvudböcker 1765, 1767, 1769, 1771, vol. 1677, 1679, 1681, 1683, Räkenskaper, Huvudbokföringen, Sveriges riksbank, SNA.

The Diet's decisions at the meetings in 1760-1762 and 1765-1766 to reduce the number of bank notes in circulation led to a policy of deflation. Thus, the inflationary pressures were reduced and the value of the Swedish currency was strengthened on the international capital markets.³⁷ However, many started to complain about a shortage of capital, especially in the crucial iron industry, and high prices. When the Diet convened again in 1769, the economic issues were high on the agenda.³⁸ Many had discussed the situation in printed pamphlets, weeklies and newspapers before the meeting, but the discussions in the public sphere escalated into a frenzy of opinions and suggestions during the meeting of the Diet. Again the Secret Committee participated in the discussions by printing its thoughts about the financial situation. These suggestions were subsequently praised and criticized by a number of individuals from different social backgrounds. Many also saw the opportunity to use the debates to present their own solutions to the existing problems.³⁹

36. K. ÅMARK, 1961, p. 215.

37. The exchange rate between the Swedish currency and Hamburg Banco fell from 236.81 on average in 1765 to 116.67 on average in 1768. See M. DENZEL, 2010, p. 344.

38. See for example the discussions in the Secret Committee in July and August 1769, Sekreta utskottets protokoll 1769/70, vol. R3457, 7, 10 July, 14 August 1769.

39. See for example *Rikens ständers secreta utskotts betänkande rörande finance werket, den 1 sept. 1769*; C. DE FRIETZKY, 1769; C. CEDERSTRÖM, 1769; L. M. UGGLA, 1769;

The public debate about the deflationary policies meant that it was difficult for the Secret Committee or any other government institution to uphold a sense of secrecy concerning the financial situation. The scrutiny by a public which was reading printed official documents as well as newspapers and pamphlets filled with critical opinions created a situation which affected the political actors. On the one hand it increased predictability since they knew that their actions were being judged by the public. This strengthened the politicians' commitment to the existing debts since it was difficult for them to initiate a process of default.⁴⁰ On the other hand the situation made it more difficult to reach compromises within the political system. For example it was problematic for a representative from a town or a county to go against the opinion of his constituency by agreeing to tax increases. Concurrently, the openness regarding the fiscal situation was strengthened by the government's decision in 1770 to borrow funds internally by issuing bonds on the domestic credit market. The offer was distributed in the same manner as before by an official proclamation and resulted in the sale of 283 bonds from May 1770 to April 1772.⁴¹

The Diet convened again in 1771 following the death of the king Adolph Fredric. The economic situation continued to be high on the agenda with several pamphlets and printed material from the Diet affecting public opinion.⁴² The Secret Committee remained active in the discussions by printing a report on the government's domestic and external borrowing activities as well as the attempts to stabilize the currency on international credit markets. A report was also published concerning the proposed budget for 1772 and the realm's total debt.⁴³ Clearly, there was greater concern than before about the deficit and the growing level of debt and how they should be handled. The demands from the holders of Swedish bonds in Amsterdam and Genoa to make regular interest payments increased this awareness. Nevertheless, a realization that something had to be done did not

A. B. VIRGIN, 1769; C. G. LINROTH, 1769; J. F. KRYGER, 1769; J. VON ENGESTRÖM, 1769; A. NORDENCRANTZ, 1769; P. LARSSON, 1770.

40. A similar argument is made by Anne Murphy concerning the government's commitment to pay its creditors, see A. MURPHY, 2013.

41. *Handlingar rörande det inrikes lånet på 41 tunnor guld*, vol. 2262, Akter rörande särskilda lån, Riksgäldsdirktionen, SNA.

42. See for example C. E. HALLSTRÖM, 1771; F. H. VON LOHE-BURENSKÖLD, 1772; J. ANDERSSON, 1772; E. BERGMAN, 1772.

43. *Riksens ständers secreete-utskotts berättelse af den 24 julii 1772 angående förvaltningen af wexel- och finance-operationerne samt det in- och utrikes kronolånet sedan sista riksdag; 1772 års stats-förslag, provisionelt inrättad på ordinarie och extraordinarie samt skuldfordrings-staterne med rikets totala skuld.*

mean that a consensus existed among the participants at the Diet concerning the appropriate measures. It was difficult to reach compromises in the Secret Committee and between the four estates concerning tax increases and reductions in spending. The commoners wanted a redistribution of government resources and greater access to the top positions within the state bureaucracy, while the nobility sought to protect its interests and privileges. Moreover, the peasants did not want to agree to any tax increases unless they received seats on the Secret Committee. These tensions between the estates were also echoed in the discussions about the Bank of Sweden. Some thought that it was paramount for the bank to issue further credit in order to promote economic activity, while others argued that it was necessary to restore a silver standard by reducing the number of bank notes in circulation.⁴⁴

Thus, the openness concerning fiscal issues had resulted in a situation in which many policy options were discussed concurrently among the participants at the meetings of the Diet and among the public. More people than before were partaking in discussions and also in financing the state by providing loans. This participation led to a strengthening of the state's commitment to its creditors since no one dared to suggest a default to solve the fiscal situation. However, these new practices did not solve the underlying discrepancies between revenues and expenditures and they did not create political stability. One reason behind this lack of economic and political stability was the old ruling oligarchy's loss of influence. The oligarchy had used its position in the Secret Committee to negotiate compromises between the nobility, the clergy and the burghers, and they had used resources from foreign subsidies and loans from the Bank of Sweden to finance the operations of the state. This system had guaranteed the distribution of necessary resources to important groups at the same time as the taxes could be kept relatively low. When the Seven Years' War forced the introduction of a new fiscal system, the oligarchy could no longer hold on to power. The increased participation by commoners in particular resulted in new ideas and calls for quite radical economic and political reforms, but the climate of openness also resulted in more tensions between the estates. Thus, transparency did not make decisions easier.

These tensions were exploited by the newly crowned king Gustav III, who organized a *coup d'état* in August 1772. The *coup* was mainly supported by noble officers, but there were also many who thought that a stronger king could make some definite choices regarding the currency situation and the

44. K. ÅMARK, 1961, p. 216-222; M. CAVALLIN, 2003; P. HALLBERG, 2003, p. 172-231.

debt. The *coup* led to a strengthening of the powers of the king, especially in relation to how government revenue should be spent, while the Diet retained control over taxation and the operation of the Bank of Sweden.⁴⁵

One of the new regime's top priorities was to renegotiate the relationship between the state and the Bank of Sweden. The interest payments reduced the government's maneuverability and it was especially problematic for a king who wanted to strengthen his autonomy in relation to the old political elite to have to contend with an institution that was controlled by the elite. If the relationship was left unchanged it would mean that the king would be forced to negotiate with the elite at regular meetings of the Diet concerning the government's debt. This can clearly be seen if we examine the debt situation. At the beginning of 1775 the state's total debt was calculated to be 62.9 million daler silver coins. Of this sum, the government's debt to the bank amounted to 51.6 million daler silver coins, or around 82 per cent of the total.⁴⁶

The issue of the debt was also associated with another key area: monetary stability. The new regime sought to reach stability by introducing a new currency that was pegged to a fixed silver value. As we have seen, members of the Diet had discussed this issue several years before the coup, but had not managed to implement a solution. At the end of the meeting of the Diet in 1772 (after the *coup*) the king had been authorized by the Diet to deal with the currency situation in a way that he saw fit. This broad authorization was used by the regime to push through a currency reform in 1776, which entailed the introduction of a new currency (*riksdaler*) as well as a write off of the government's loans to the bank. In 1778, the remaining government debt was transferred to a new debt directorate (*Riksgäldsdirektion*), which handled all transactions regarding the debt. Thus, the debt was separated from the other parts of the government's revenues and expenditures.⁴⁷

The decisions about the currency reform and the elimination of the government's debts to the bank were preceded by some discussions in newspapers and pamphlets about the currency and what should be done

45. G. LANDBERG, 1932, p. 7-76; M. ALM, 2002, p. 177-185; H. TANDEFELT, 2008, p. 52-113.

46. *Diverse samlingar hörande till Crono-Lånen*, vol. 2263, Akter rörande särskilda lån, Riksgäldsdirektionen, SNA.

47. C. HALLENDORFF, 1920, p. 52-55; K. ÅMARK, 1961, p. 234-236, 624-628; S. FRITZ, 1967, p. 20-22.

to improve the financial situation in the realm.⁴⁸ These public discussions diminished after 1774 when the Freedom of the Press Act was changed. The change led to a reduction in the amount of pamphlets and other printed material in circulation.⁴⁹ The decisions were also antedated by a relatively drawn out negotiation between the bank's directors and the king. The king suggested that the government would take over the responsibility for the external debt that the bank was responsible for and that the bank would be compensated for the revenue which had been signed over to the bank to pay for the interest on the external loans. Furthermore, the bank would receive part of the resources from new loans in Amsterdam in order to finance the exchange of the old currency into a new currency with a fixed silver value. In exchange for these transfers of resources from the government, the bank would write off all remaining government debt. The bank's directors supported the general idea of a new currency, but they were worried that the bank's assets would not be able to fully cover the exchange of currencies. They were also concerned about the loss of the revenue that was assigned to the bank. However, they were not able to prevent the start of the exchange in 1777 since the king had the Diet's authorization to deal with the currency situation.⁵⁰

At the meeting of the Diet in 1778-1779 the decision to introduce a new currency was approved. There was also a brief discussion about the elimination of the government's debt to the bank. Although it was clear that the bank would not be compensated for around 4.7 million riksdaler worth of debt, there was no one who dared to outright dismiss the royal plan since it would risk overturning the whole currency project. The elite's passiveness was also influenced by the fact that the royal plan meant that the estates would not have to provide resources in the form of new taxes to handle the government's debt.⁵¹ Consequently, the *de facto* partial default succeeded because of the king's authority and because of the transfer of resources that was made from the government to ensure that the bank would be able to handle the introduction of the new currency.

The decisions taken after the king's coup in 1772 led to a drastic cut in the government's debt to the bank from 7,564,153 riksdaler (the new

48. See for example *Samtal i de dödas rike, emellan J. och N. om wäxel-coursen och swänska financen*, 1774; *Tankar om financen, til min wän*, 1774; C. M. BROMELL, 1775.

49. I. OSCARSSON, 2000, p. 154-155.

50. A. MONTGOMERY, 1920, p. 164-220; K. ÅMARK, 1961, p. 235.

51. C. HALLENDORFF, 1920, p. 66-73.

currency) in 1777 to 211,045 riksdaler in 1779.⁵² The bank's ties with the government were thus severed and it had to rely mainly on existing deposits from and lending to private individuals and institutions. In 1782 the bank's assets were valued at around 9.5 million riksdaler, while the debts' amounted to 7.4 million riksdaler.⁵³ In other words, the bank survived the default and the introduction of a new currency.

The default reduced the king's reliance on the bank, and it freed resources that had been allocated to the bank, but it also reduced the need to have a continuous dialogue with the elite and to disclose crucial financial information. However, in order to manifest the bank's independence from the royal government, the king agreed that the bank's finances should be audited at regular intervals by a number of representatives from the Diet and that the reports should be printed.⁵⁴ This royal move did not threaten his autonomy and it strengthened the bank's credit. Instead of internal borrowing the king primarily used loans in Amsterdam, Antwerp and Genoa to gain access to crucial resources. These loans could be negotiated without the support of the Diet since the king controlled the allocation of available resources. Whereas external loans had been guaranteed by the Bank of Sweden and the Agency for Public Management in the 1760s, after 1772 the loans were only secured by bonds issued by the latter agency which continued to administer the government's revenues and expenditures.⁵⁵ Consequently, the king could utilize resources that had been freed after the settlement with the Bank of Sweden, such as tolls, to guarantee the external loans. All of this increased the king's political autonomy. The structure of the government debt and how it developed from 1778 to 1782 is summarized in Table 7.

Table 7. *The structure of the Swedish government debt, 1778-1782*

<i>in riksdaler</i>	<i>1778</i>	<i>1780</i>	<i>1782</i>
Internal borrowing	9,210,432	1,707,640	1,740,170
External borrowing	4,249,132	4,611,372	4,692,975
Total debt	13,459,564	6,319,012	6,433,145

Source. K. ÅMARK, 1961, p. 626.

52. K. ÅMARK, 1961, p. 626.

53. C. HALLENDORFF, 1920, p. 104.

54. T. LINDGREN, 1975.

55. K. ÅMARK, 1961, p. 270-271, 629.

*

Developments of secrecy and transparency in relation to fiscal affairs in Sweden from around 1750 to 1780 shows that the period can be divided into three parts: one that stretches from 1750 to 1760 when the government mostly relied on subsidies and loans from the Bank of Sweden to finance deficits and major projects. This system supported the ruling oligarchy and the secrecy that surrounded its financial operations. The system was changed following the Seven Years' War when the subsidies stopped arriving and the falling value of the Swedish currency forced limitations on the issuance of bank liquidity. Instead external borrowing in Amsterdam and Genoa and internal borrowing through the use of lotteries and bonds expanded. This change went hand in hand with increasing openness concerning fiscal affairs and more critical public discussions about the use of resources and how the problems of inflation, deflation and debt should be tackled. Participation in political life was also broadened. However, no permanent resolutions to the existing deficits could be presented and passed at the meetings of the Diet. This inability to find compromises led to the royal coup in 1772, which in turn resulted in a strengthening of royal power and a stop to the open discussions about key fiscal affairs. Thus, the period ended with a return to greater economic stability in relation to the currency situation, but it also entailed a return to the secrecy of the 1740s and 1750s.

The Swedish case clearly shows that the transition from secrecy in fiscal affairs to more transparency was not a linear process. Periods of openness could be revoked and there was no guarantee that a king could not reassert his authority and implement policies that strengthened secrecy. Furthermore, the Swedish case also manifest that the existence of a parliamentary body, which exerted influence over key monetary institutions, did not necessarily mean that openness existed or that it prevented the strengthening of the powers of the king. The argument put forward by scholars like Douglass North and Barry Weingast and Daron Acemoglu and James Robinson concerning the importance of parliaments in controlling the executive and for the growth of more inclusive political institutions that are committed to established rules is thus problematic from a Swedish perspective.⁵⁶ It seems that rather than the existence of parliamentary institutions per se, it is far more crucial how the control of resources, such as tax revenues, foreign subsidies and loans, is distributed within the political system. If an elite or a king is able to control resources without negotiating with broader groups, secrecy will prevail, but if the resource base needs to be expanded by including greater numbers of people, for example as a result

56. D. C. NORTH & B. R. WEINGAST, 1989; D. ACEMOGLU & J. A. ROBINSON, 2012.

of a crisis, openness will increase. Consequently, the reception of subsidy payments from other governments increases the autonomy of the executive since the government receives these through diplomatic negotiations rather than through bargaining with the elite or parliament. The issuing of long-term bonds on the domestic market on the other hand tends to lead to more openness since they target a larger section of the population. When it comes to external borrowing the evidence from the Swedish example is not conclusive. On the one hand it forces the government to clarify which resources are available and to act in a committed way towards the investors. This process strengthens transparency. On the other hand, a king can strengthen royal autonomy by negotiating loans abroad if he can offer collateral that he controls without the interference of parliaments or elites.

The results from the analysis of the Swedish case also highlight the importance of war as a catalyst for change. A similar argument has been presented by Philip Hoffman and Jean-Laurent Rosenthal, although they have pointed to the Napoleonic Wars as a period of major political changes in Europe.⁵⁷ The fiscal problems that were caused by the Seven Years' War forced the ruling oligarchy to find new ways of financing the mounting deficits. Such a move required more openness regarding the financial situation, but it also led to the loss of political influence for the oligarchy. New groups, which previously had limited political sway, could use the growing public sphere to promote their interests and to argue for economic and political change. Consequently, openness did not just exist during the war, but it continued for several years after when the focus was on how the monetary situation and the accumulated debts should be handled. The Seven Years' War affected basically all European states and it led to a wave of economic and political rethinking. Thus, in for example Denmark, which had a system of royal absolutism, reforms that included increasing freedom to print, was introduced by Johann Friedrich Struensee in 1770.⁵⁸ Likewise, reforms were discussed and sometimes implemented in for example Britain, Prussia and Spain following the war.⁵⁹ The fact that these changes occurred in both absolute states and in countries with so called free constitutions indicate that the challenges were so great as to transcend these differences in political systems. However, the changes in Denmark and Sweden did not last. In both countries, the radical policies of the late 1760s and early 1770s were revoked and it took until the nineteenth century before new waves of economic and political challenges changed the policies of transparency.

57. P. T. HOFFMAN & J.-L. ROSENTHAL, 2000.

58. Struensee's reforms are discussed in H. HORSTBØLL, 2011.

59. The effects of the Seven Years' War are discussed in H. SCOTT, 2011.

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