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Politics of Credit: The Market for Government Debt in Sweden, 1715-60

In 1720, the merchant and alderman in Gothenburg, Johan Andreas Olbers, deposited 29 salary notes (*lönesedlar*) at a new government agency called *Riksens ständers kontor*, which administered the government's debt accrued during the long Great Northern War (1700–1721). The total value of the notes was 4,824 silver dalers (*dsm*). They had been issued in 1715 to military officers and civil servants as a substitute for their ordinary salary. They yielded an annual interest, but they could also be traded on a market. Olbers had purchased most of the notes as early as in 1715 and in 1716. In April 1716 he had procured a note valued at 190 dsm from the cavalry captain Jacob Ludvig von Saltza in Gothenburg. In November 1716 he had bought another one worth 77 dsm from the lieutenant Johan Klingberg, who served at the fortress of Landskrona. The fact that Olbers purchased salary notes at different locations and at various times of the year manifest that the market was not restricted to certain places or specific events. The transactions also show that Olbers believed that the notes were valuable and that he could benefit financially by holding on to them for a period of several years.¹

Over thirty years later one of the biggest actors in the lucrative bar iron trade, the merchant house Jennings & Finlay in Stockholm, deposited five insurance bills (*försäkringssedlar*) at *Riksens ständers kontor* from the geographically vast province of Västerbotten in northern Sweden. The bills had been issued in 1719 to five relatively poor men who lived in the parish of Torneå. Although the bills were non-interest bearing, it is clear that they were valuable and that it was worth the time and effort for a leading merchant house to deal with them. It is also clear that the bills had not been purchased by Jennings & Finlay in Torneå. Instead, the bills

¹ Lönesedlar no. 976 and 979, Inlösta fordringar, vol. 2084, Kassakontoret, Riksens ständers kontor, Swedish National Archives, Stockholm (SNA). See also Olber's account in Licentmemorialbok 1720, vol. 454, Kammarkontoret, Riksens ständers kontor, SNA.

had probably exchanged hands several times on their way from northern Sweden to Stockholm. In other words, there was a market mechanism that created a flow of insurance bills from peripheral parts of the realm and from men with very limited means to a wealthy merchant house in the capital. At the same time, the flow of these five bills had been very slow since they did not reach Jennings & Finlay until 1753, 34 years after they had been originally issued. The slowness indicates that several actors viewed the bills as an asset and that the bills could circulate in different local contexts before they ended up in Stockholm.²

The purpose of this paper is to examine the market for government debt instruments in Sweden, where actors such as Olbers and Jennings & Finlay and hundreds of others, were active during the first half of the eighteenth century. This Swedish market expansion was part of a broader European trend of financial development during the 1710s, but the market was framed by local economic and political circumstances. Thus, by examining the Swedish case we can improve our understanding of how market expansions could occur in more European peripheral economies, but we can also compare this expansion with developments in the Dutch Republic, in England and in France.

In sparsely populated and predominantly rural Sweden, debt holding in 1719 was not only spread to merchants and noblemen in the few major cities, but also to peasants and artisans in more remote regions. The fact that a large part of the debt was held by members of the lower orders created economic and political challenges for the ruling elite.³ In this paper, we will analyze how the market evolved over time and how actors dealt with issues relating to geographic and social distances, as well as the collection and handling of information about the market. We will also examine different market strategies. Finally, we will relate our findings on the Swedish case to developments in other European financial markets.

Previous research on the financial system created in Sweden in the 1710s has primarily focused on how it worked in general and, to a lesser extent, how it was liquidated after 1718. The process has been seen as an administrative problem, which the new regime that came to power after the death of the absolute king Charles XII had to deal with. The fact that a market emerged as a consequence of the accumulation of a large public debt has not previously been acknowledged, which means that no questions have been posed about how this market functioned or how actors behaved. Moreover, the financial system has been understood in a

² 14-öres försäkringssedlar no. 2822–2826, Västerbotten, Inlösta fordringar, vol. 2079, Kassakontoret, Rikens ständers kontor, SNA. On Jennings & Finlay, see Sven Fritz, *Jennings & Finlay på marknaden för öregrundsjärn: och besläktade studier i frihetstida storföretagande och storfinans* (Stockholm 2010).

³ Ericsson & Winton, forthcoming.

predominantly national context, and it has not been analyzed in light of the financial developments that took place in other European countries around the same time.⁴

Historians dealing with financial developments in Europe have primarily focused on the growth of markets in Amsterdam, London and Paris. Especially the concurrent Mississippi and South Sea Bubbles have attracted considerable scholarly attention, even though many historians have tended to shift the focus from spectacular speculative events to general market functions and more long-term developments. However, such analyses have not taken into account the developments which took place in Sweden during the early part of the eighteenth century.⁵

A European Context

By procuring the salary notes and the insurance bills, Johan Andreas Olbers and Jennings & Finlay participated in a new system of government finance which was developed in Sweden during the 1710s. The aim was to generate more resources in order to ensure a continuation of the war effort in the drawn-out Great Northern War. During the first decade of the conflict, Sweden had relied on more traditional forms of financing, such as seizing resources on enemy territory, taxation and borrowing from the Bank of Sweden. But following the defeats at Poltava in 1709 and at Tönningen in 1713 the situation became more precarious.⁶ King Charles

⁴ See e.g. Jonatan Julén, *Om Sveriges statskuld 1718 och betalningen av densamma* (Gothenburg 1916); Gösta Lindeberg, *Svensk ekonomisk politik under den Görtska perioden* (Lund 1941); Karl Åmark, *Sveriges statsfinanser 1719–1809* (Stockholm 1961); Christer Franzén, *Skuld och tanke. Svensk statskuldproblematik i ett internationellt perspektiv före 1930-talet* (Stockholm 1998); Klas Fregert & Roger Gustafsson, "Fiscal statistics for Sweden 1719–2003", *Research in Economic History*, vol. 25 (2007); Jan Lindegren, "Krig och skuld: Den svenska statskuldens historia ca 1600–1800", *Kungl. Vetenskapssamhällets i Uppsala årsbok* (2007–2008); Rodney Edvinsson, "Early modern copper money: multiple currencies and trimetallism in Sweden 1624–1776", *European Review of Economic History*, vol. 16 (2012).

⁵ See e.g. P.G.M. Dickson, *The Financial Revolution in England: A Study in the Development of Public Credit 1688–1756* (London 1967); Antoin E. Murphy, *John Law: Economic Theorist and Policy-Maker* (Oxford 1997); Philip T. Hoffman, Gilles Postel-Vinay & Jean-Laurent Rosenthal, *Priceless Markets: The Political Economic of Credit in Paris, 1660–1870* (Chicago 2000); David Stasavage, *Public Debt and the Birth of the Democratic State: France and Great Britain 1688–1789* (Cambridge 2003); Ann M. Carlos & Larry Neal, "Women investors in early capital markets, 1720–1725", *Financial History Review*, vol. 11 (2004); François R. Velde, "French Public Finance between 1683 and 1726", in Fausto Piola Caselli (ed.), *Government Debts and Financial Markets in Europe* (London 2008); Anne L. Murphy, *The Origins of English Financial Markets: Investment and Speculation before the South Sea Bubble* (Cambridge 2009); Ann M. Carlos & Larry Neal, "Amsterdam and London as financial centers in the eighteenth century", *Financial History Review*, vol. 18 (2011); Oscar Gelderblom & Joost Jonker, "Mirroring Different Follies: The Character of the 1720 Bubble in the Dutch Republic", in William N. Goetzmann et al (eds), *The Great Mirror of Folly: Finance, Culture, and the Crash of 1720* (New Haven 2013); Christiaan van Bochove, "Configuring Financial Markets in Preindustrial Europe", *Journal of Economic History*, vol. 73 (2013); Hans-Joachim Voth, "Blowing Early Bubbles: Rational Exuberance in the South Sea and Mississippi Bubbles", in William N. Goetzmann et al (eds), *The Great Mirror of Folly: Finance, Culture, and the Crash of 1720* (New Haven 2013).

⁶ For Swedish war-financing, see Hans Landberg et al, *Det kontinentala krigets ekonomi. Studier i krigsfinansiering under svensk stormaktstid* (Uppsala 1971); Berndt Fredriksson, *Försvarets finansiering. Svensk*

XII was adamant to continue the war, and he sought new ways to mobilize resources. At the beginning of 1716, Georg Heinrich von Görtz from Holstein became responsible for the new system of war financing. Görtz, who was influenced by the ideas of John Law, focused on increasing liquidity and on broadening the number of creditors. The use of salary notes that could circulate on a market was one innovation, and a total value of around 1.2 million dsm were released. That, however, was a temporary measure, but the issuing of government bonds was not. And even though the sales were slow, more over 2.5 million dsm worth of bonds were issued. Like the salary notes, the bonds yielded six percent annual interest. Most significantly, very large numbers of token coins were released. At the end of 1718, an enormous amount of at least 25 million dsm of token money was circulating.⁷

This development was part of a broader European process that accelerated during the first decades of the eighteenth century, and which was characterized by large increases of liquidity. In France, *billets de monnaie* were introduced in 1701. This system of paper money was expanded in the 1710s by John Law, who by then controlled the French government's finances. A key component of Law's system was the expansion of banknotes in circulation and the conversion of government debt into shares of the Mississippi Company.⁸ In England, the government used Exchequer bills in 1707 and 1709 to expand liquidity, while also increasing the sale of government bonds to the public. Later, parts of the government debt would be converted to shares in the South Sea Company as a way of making the market more liquid, and in order to reduce interest payments.⁹ Similar attempts of increasing liquidity were also initiated in Denmark in 1713, where initially 400,000 rigsdalers worth of notes were issued, and later a total of one million circulated in the economy.¹⁰ Such innovations led to an increase in the total number of transactions and in the number of people taking part in financial activities. The market expansion also created opportunities for intermediaries, such as notaries

krigsekonomi under skånska kriget (Uppsala 1976); Jan Lindegren, "The Swedish 'military state', 1560–1720", *Scandinavian Journal of History*, vol. 10 (1985); Jan Glete, "The Swedish Fiscal-Military State in transition and decline, 1650–1815", in Rafael Torres Sánchez (ed.), *War, State and Development: Fiscal-Military States in the Eighteenth Century* (Pamplona 2007); Jan Glete, *Swedish Naval Administration, 1521–1721: Resource Flows and Organisational Capabilities* (Leiden 2010).

⁷ Julén (1916), p. 23–27; Lindegren (2007–2008), p. 97. For an overview of the system, see Lindeberg (1941).

⁸ Murphy (1997); "Richard Bonney, France and the first European paper money experiment", *French History*, vol. 15 (2001), pp. 255–259; Velde (2008), pp. 149–152; Voth (2013).

⁹ Dickson (1967); Voth (2013); Richard A. Kleer, "'A new species of money': British Exchequer bills, 1701–1711", *Financial History Review*, vol. 22 (2015).

¹⁰ J. Boisen Schmidt, *Studier over statshusholdningen i kong Frederik IV's regeringstid 1699–1730* (Copenhagen 1967), pp. 335–336.

and merchants, to facilitate trade in exchange for a commission. Intermediaries could also profit from information asymmetries and other hurdles.¹¹

The dramatic financial upsurge in many European countries was halted by a retraction of liquidity in the 1720s, as the wars that had been raging since the beginning of the century ceased. Sweden was among the countries in which this happened. The new regime that came to power after the death of Charles XII decided to seek peace and to dismantle the old regime's system of war finance. Thus, in April 1719 the government initiated a partial default when it was decided that all holders should exchange their token money for insurance notes, which were given a value equivalent to 14/32 of the original denomination of the token coins. The insurance notes could only be redeemed as payment for a new customs duty on international trade, the *licent*. However, they could be divided up and distributed among different holders by the issuance of transfer notes (*transportsedlar*), and they could also be transferred to others without the need to register the exchange with the authorities. Concurrently, the salary notes, and some of the bonds, also became redeemable as payment for the *licent*. The eventual liquidation of the entire government debt, including the payment of the *licent*, was administered by *Riksens ständers kontor*, a newly formed agency under the control of the Diet. The agency was provided with ear-marked government revenues. The most important of these was a specific extraordinary tax which every household had to pay (*Lön- och betalningsavgift*). These revenues strengthened the capacity of the agency to handle the demands from the creditors. Some claims, especially bonds and other sizeable debts were repaid in cash, while others were redeemed through the *licent*. This arrangement, which was driven by political considerations, created different market segments and ensured the circulation of various financial instruments.¹²

Although the overarching goal of the agency was to eventually liquidate all of the debt, the protracted nature of the process produced a market for transferring assets between actors and opportunities for some to profit from the transactions. The market, which was no longer used to fund a war effort, facilitated for actors to either liquidate their holdings or purchase assets with the aim of making a future profit.

In the early summer of 1719, a huge undertaking was carried out. By dint of the royal bailiffs and the offices of the provincial governors, a staggering number of around 200,000

¹¹ Larry Neal & Stephen Quinn, "Markets and Institutions in the Rise of London as a Financial Center in the Seventeenth Century", in Stanley L. Engerman et al (eds), *Finance, Intermediaries, and Economic Development* (Cambridge 2003); Carlos & Neal (2011); Van Bochove (2013).

¹² Julén (1916), pp. 23–27; Åmark (1961), pp. 675–693.

transactions was executed, in which a total of more than 20 million dsm of nominal value token money were exchanged for insurance notes. In this way, outlaying means of payments were transformed into public debt instruments. The geographic distribution and the ratio between token coins and bills are demonstrated in Table 1.

Table 1. The exchange of token money for insurance notes in 1719 by province

Province	Transactions	Token coins	Token bills	Sum
Stockholm stad	12 181	3 867 239	502 598	4 369 837
Göteborgs och Bohuslän	8 573	2 990 378	173 111	3 163 489
Närkes och Värmlands län	16 151	1 570 822	34 635	1 605 457
Östergötlands län	21 894	1 268 883	35 995	1 324 083
Älvsborgs län	14 133	1 076 187	3 365	1 079 552
Västernorrlands län	13 223	955 360	16 520	971 880
Södermanlands län	10 674	903 506	24 855	928 361
Blekinge län	2 916	821 196	68 548	889 744
Malmöhus och Kristianstad län		801 874	33 035	834 909
Kalmar län	14 285	744 846	16 754	761 600
Skaraborgs län	20 114	674 602	24 740	699 342
Jönköpings län	10 587	679 304	18 912	698 216
Västmanlands län	8 944	618 733	33 394	652 127
Uppsala län		532 892	9 606	542 498
Kronobergs län	9 491	454 376	2 885	457 261
Stockholm län	7 549	398 683	22 275	420 958
Hallands län	7 687	346 800	2 080	348 880
Kopparbergs län	3 738	250 644		250 644
Västerbottens län	3 483	158 244	3 573	161 817
Gotlands län	1 070	104 389	15 355	119 744
Sum	186 693	19 218 958	1 042 236	20 280 399

Sources: Nummerlistor över 14-öres försäkringssedlar, vol. 1775–1795, Kammarkontoret, Riksens ständers kontor; SNA.

The new depreciated value of the insurance notes amounted to about 8.9 million dsm. Four years later, there was yet another ordinance in which the token coins, now circulating as small change at 2/16 of their face value, was ordered to be retracted, this time for 1/16 of their initial value. Thus, after the second depreciation there remained about 9.1 million dsm of the increase in nominal liquidity from the token money issued by the previous regime. Although liquidity had been reduced, the remaining part still constituted a substantial addition to an economy into

which the state would normally release means of payments that would be counted in a few hundreds of thousands each year, rather than in millions.

An important difference between the Swedish form of debt liquidation and the processes that took place in England and France was the absence of a speculative bubble. This can mainly be explained by the fact that the Swedish debt was never transferred to shares in a company. Still, the solution to demonetize the token money and turning them into financial instruments was similar to some of the policy choices made in other European countries, especially Denmark and France. After the collapse of Law's system in France, existing liabilities were exchanged for government bonds at a discount and a large share of the Company's debt to the Crown was written off.¹³ In England, the South Sea Bubble resulted in a crash, in which large amounts of liquidity were wiped out. However, the repercussions were less damaging than in France, as the Bank of England regained control over the government debt and public confidence was largely restored.¹⁴ In Denmark, the government started to reduce the number of notes in circulation in 1719 through a lottery system. The holders of notes received government bonds, which yielded interest. The last notes were withdrawn from circulation in 1729.¹⁵

Market geography, trading patterns and information

The transformation of millions of token coins to insurance bills in 1719 created a new market for government liabilities, in which every household had to participate if they wished to liquidate the assets.¹⁶ However, such markets do not emerge whenever and wherever there is a perceived need. Obstacles, such as geographic distance and limited information about prices and market participants, produce transaction costs that can hinder or complicate connections between sellers and buyers.¹⁷ It is well-known that transaction costs had a serious impact on the type of credit markets that emerged and the form of financial services that were offered. Density of people and capital reduced transaction costs, which contributed to the rise of towns as places of exchange. Rural areas, on the other hand, have low population density. This fact,

¹³ Velde (2008); Voth (2013).

¹⁴ Dickson (1967); Julian Hoppit, "The Myths of the South Sea Bubble", *Transactions of the Royal Historical Society*, vol. 12 (2002); Voth (2013).

¹⁵ Boisen Schmidt (1967), p. 336.

¹⁶ Ericsson & Winton, forthcoming.

¹⁷ See e.g. Douglass C. North, "Government and the Cost of Exchange in History", *Journal of Economic History*, vol. 44 (1984); Winifred B. Rothenberg, "The Emergence of a Capital Market in Rural Massachusetts, 1730–1838", *Journal of Economic History*, vol. 45 (1985); Ling-Fan Li, "Information Asymmetry and the Speed of Adjustment: Debasements in the Mid-Sixteenth Century", *Economic History Review*, vol. 68 (2015).

combined with the agricultural participation of the majority of the population and the limited need for long-distance contacts, prevented the countryside from becoming a center of financial innovation.¹⁸ Moreover, the mobility of people and the infrastructure, such as roads and waterways, allowed for an expansion of markets. Mobile people were less constrained by distance and could make transactions in different markets.¹⁹

Swedish financial markets in the early modern period have been described as predominantly local and informal in character with many transactions taking place between friends, relatives and neighbors. Like many credit markets in Europe, issues of trust and reciprocity were important for the actors. Long distances and low population density contributed to keeping markets local. Noblemen and merchants in the bigger towns could access credit in various locations both within and outside the realm. Especially, the growing iron works sector, but also the state through its participation in wars, became increasingly integrated into the international financial system. However, such ties were mostly concentrated to towns and important sites of mining, production and military activities. Likewise, the Bank of Sweden, founded in 1668, was regularly involved in lending to individuals in the major cities or to people of rank.²⁰

Furthermore, geography was a real issue in Sweden. The realm, including Finland, was around twenty times the size of the Netherlands. One of the larger provinces, Västernorrland, was only slightly smaller than England. This meant that population density was low outside the few cities. But although market integration was limited, there were a number of ties that facilitated communication between the various parts of the country. First, the government administration and the church had representatives in all local communities and there were constant flows of information between major administrative centers and local districts.²¹ Second, these flows were facilitated by a postal service that operated routes throughout the realm, and by a road network that covered most areas. Inns and taverns at strategic locations,

¹⁸ See e.g. Youssef Cassis, *Capitals of Capital: The Rise and Fall of International Financial Centres 1780–2009* (Cambridge 2006); David Stasavage, *States of Credit: Size, Power, and the Development of European Politics* (Princeton 2011); Van Bochove (2013).

¹⁹ Masahisa Fujita, Paul R. Krugman & Anthony J. Venables, *The Spatial Economy: Cities, Regions, and International Trade* (Cambridge MA 1999).

²⁰ Leos Müller, *The Merchant Houses of Stockholm, c. 1640–1800: A Comparative Study of Early-Modern Entrepreneurial Behaviour* (Uppsala 1998); Håkan Lindgren, “The Modernization of Swedish Credit Markets, 1840–1905: Evidence from Probate Records”, *Journal of Economic History*, vol. 62 (2002); Klas Nyberg, “The Early Modern Financial System and the Informal Credit Market”, in Anders Ögren (ed.), *The Swedish Financial Revolution* (New York 2010).

²¹ Pär Frohnert, *Kronans skatter och bondens bröd: den lokala förvaltningen och bönderna i Sverige 1719–1775* (Stockholm 1993); Björn Asker, *Hur riket styrdes: Förvaltning, politik och arkiv 1520–1920* (Stockholm 2007), pp. 102–112, 144–149.

where travelers could rest and change horses, made it possible to travel long distances.²² Third, decisions and actions by Swedish government authorities were described and legitimized in proclamations which were distributed throughout the realm. The proclamations were printed in a state newspaper and read out aloud in all churches.²³ This system of communication reached all subjects and it could be used by Rikens ständers kontor to explain its operations. Thus, there was information openly available that helped owners of bills and notes to navigate the government debt market.²⁴

The creation of this market was facilitated by the fact that the bills' and notes' primary usage was associated with the payment of the licent in towns directly involved in foreign trade. This construction produced incentives for a flow of bills and notes from the countryside and smaller towns to urban centers such as Gothenburg and Stockholm. The construction relied on the participation of merchants and their networks of commercial contacts. In other words, the merchants would have an interest in purchasing the circulating bills and notes from the holders and the holders had an interest in selling their assets in order to liquidate them. Moreover, the market entailed a social aspect, since there was a flow of bills from peasants and other low ranking persons to merchants in the major towns.²⁵ However, the transfers did not necessarily involve direct contact between the peasants and the leading merchants, since it often took several transactions and acts of intermediation before the bills reached the major towns.

Actors and Market Strategies

A common pattern was for holders to sell their notes in their local community. The customs official in Vadstena, Samuel Päckelman, sold three of his salary notes to the merchant Hans P. Lindh in June 1716. Lindh was active in the region of Östergötland, as he purchased many salary notes in both Vadstena and Linköping. He then resold the notes to either Gothenburg or Stockholm. Päckelman's notes ended up in Gothenburg where they were deposited in 1720 by

²² Asker (2007), pp. 196–200; Örjan Simonson, "The Swedish Empire and Postal Communications: Speed and Time in the Swedish Post Office, c. 1680–1720", in Heiko Droste (ed.), *Connecting the Baltic Area: The Swedish Postal System in the Seventeenth Century* (Huddinge 2011); Tomas Högberg, *Ett stycke på väg. Naturaväghållning med lotter i Västmanlands län ca 1750–1850* (Uppsala 2015).

²³ Elisabeth Reuterswärd, *Ett massmedium för folket: Studier i de allmänna kungörelsernas funktion i 1700-talets samhälle* (Lund 2001); Peter Ericsson, *Stora nordiska kriget förklarar: Karl XII och det ideologiska tilltalet* (Uppsala 2002); Sarah Linden Pasay, *Stable Media in the Age of Revolutions: Depictions of Economic Matters in British and Swedish State Newspapers, 1770–1820* (Uppsala 2017).

²⁴ See e.g. *Rikens högl. ständers contoires Kundgiörelse, Angående Huru the, som sielfwe icke äro fordrande hos Cronan, utan för hwarjehanda på Rikens Ständers Contoir anwijste Crono-Skulder, betalning å andras wäg nar upbära wilja, sig böra legitimera* (Stockholm 1744).

²⁵ Ericsson & Winton, forthcoming.

the merchant Johan Busch.²⁶ Another example of such local intermediation is the case of the artillery lieutenant Jochim Castanie, who sold one of his salary notes to the merchant Christian Middendorph in Växjö in February 1717. This note was then sold to Stockholm where it was deposited by the merchant Jacob Leonhard Almacher in 1720.²⁷

Another common pattern was for merchants or government officials in one area to concentrate on notes from certain parts of the realm. For example, in 1722 the customs inspector in Helsinki, Petter Wetter, deposited four transfer bills originally issued in April 1721 to four men serving with the cavalry regiment from the province of Nyland and Tavastehus. The following year he deposited two other transfer bills issued to men serving with the same regiment.²⁸ Transfer bills were issued to holders of high-value insurance bills, who wished to divide the assets between several parties. Like Wetter, the widow Anna Schröder in Gävle, who continued her late husband's mercantile business after his death in 1715, dealt with many bills issued in the province of Västernorrland. In 1723, she liquidated 21 transfer bills issued in the province to soldiers serving with Ostrobothnia infantry regiment. On the same day, she also deposited five insurance bills from Västernorrland.²⁹

Although most transactions occurred in the 1720s, not all holders liquidated their bills right away. In the northern province of Västerbotten, 433 of the total 3,483 insurance bills issued in 1719 did not reach Riksens ständers kontor until the period 1753–1766. In other words, for around 12 percent of the bills it took more than 30 years before they were liquidated.³⁰ For one peasant, Anders Hinderson from the parish of Burträsk in Västerbotten, it was deemed so important to verify that he owned the insurance bill that he had his possession certified in 1734.³¹ In a similar fashion, the quartermaster Carl Thunberg held on to his two salary notes until his death in the 1740s. After he died, the widow Margareta Thunberg transferred the notes in 1749 and they were deposited three years later in Stockholm by the broker Matthias

²⁶ Salary notes no. 864–878, Inlösta fordringar, vol. 2084, Kassakontoret, Riksens ständers kontor, SNA; Licentmemorialbok 1720, vol. 454, Kammarkontoret, Riksens ständers kontor, SNA.

²⁷ Salary note no. 484, Inlösta fordringar, vol. 2083, Kassakontoret, Riksens ständers kontor, SNA; Licentmemorialbok 1720, vol. 454, Kammarkontoret, Riksens ständers kontor, SNA.

²⁸ Transfer bills no. 318–321 and no. 349–350, Inlösta fordringar, vol. 2081, Kassakontoret, Riksens ständers kontor, SNA; Förteckning över transportsedlar, vol. 134, Huvudarkivet, Riksens ständers kontor, SNA.

²⁹ Transfer bills no. 440–460, Inlösta fordringar, vol. 2081, Kassakontoret, Riksens ständers kontor, SNA; Förteckning över transportsedlar, vol. 134, Huvudarkivet, Riksens ständers kontor, SNA; Licentmemorialbok 1723, vol. 457, Kammarkontoret, Riksens ständers kontor, SNA.

³⁰ Nummerlistor över 14-öres försäkringssedlar, Västerbotten, vol. 1795, Kammarkontoret, Riksens ständers kontor, SNA; 14-öres försäkringssedlar, Västerbotten, Inlösta fordringar, vol. 2079, Kassakontoret, Riksens ständers kontor, SNA.

³¹ 14-öres försäkringssedel no. 2975, Västerbotten, Inlösta fordringar, vol. 2079, Kassakontoret, Riksens ständers kontor, SNA.

Lafrensen.³² Another example is a salary note originally issued to the forester Samuel Hammarberg. This note was first transferred in June 1717 to his son Gustaf Hammarberg, who sold it to a vicar in May 1718. The note then circulated until it was finally deposited in 1764.³³ Likewise, a bill originally issued in September 1720 to the soldier Mats Särckinen, who served with Ostrobothnia infantry regiment, was not liquidated until 1762.³⁴ These examples manifest that the notes and the bills could either be stored by their owners for a long time, or they could be used as circulating collateral for many years before they were liquidated.

The choice between liquidating the notes and holding on to them was largely determined by the exchange rate between the nominal and market values of the notes and, of course, by the holders' need for cash. It was only when paying the licent that the owner could redeem the nominal value. At other times, especially if the holder wanted to get specie coins for the notes, there was an exchange rate that varied over time and space. According to the governors of Riksens ständers kontor, the relatively low exchange rate was a result of the great volume of bills and notes circulating and the limited demand for them.³⁵ By holding on to a note, the owner could hope that the value would improve over time. There were no official exchange rates, and there were no attempts by the authorities to determine prices on the liabilities. Instead prices were set by the market. By examining how a number of churches handled their bills the market prices can be assessed.

The congregation of Klara in Stockholm owned a total of 3,359 dsm worth of token coins at the beginning of 1719. These were exchanged for an insurance bill valued at 1,469 dsm. In 1725, the church sold the bill to the broker Eskil Lindfors for 121 dsm, or 7.2 percent of its nominal value. The main reason for this transaction seems to have been the church's need for cash to handle a deficit.³⁶ Another example is from the parish of Borg in Östergötland. At the beginning of 1719 the parish owned 98 token coins, which were exchanged for an insurance bill in June the same year. This note was sold in 1728 to the merchant Isaac Cellsing in Norrköping. The parish received around eight dsm for the note, which amounted to 16.5 percent of its nominal value.³⁷ Dillnäs parish in Södermanland also received 16.5 percent when they sold their bill in Stockholm in 1747. Dillnäs used a local peasant, Eric Ersson, to handle the transaction. Ersson, who at the same time sold a bill owned by the neighboring parish of

³² Salary notes no. 186–187, *Inlösta fordringar*, vol. 2085, Kassakontoret, Riksens ständers kontor, SNA.

³³ Salary note no. 391, *Inlösta fordringar*, vol. 2085, Kassakontoret, Riksens ständers kontor, SNA.

³⁴ Transfer bill no. 2201, *Inlösta fordringar*, vol. 2082, Kassakontoret, Riksens ständers kontor, SNA; *Förteckning över transportsedlar*, vol. 134, Huvudarkivet, Riksens ständers kontor, SNA.

³⁵ Riksens ständers kontors protokoll 1745, 4 Mar., vol. 26, Huvudarkivet, Riksens ständers kontor, SNA.

³⁶ *Huvudbok 1719 and 1725*, vol. 40 and 46, *Kyrkoräkenskaper*, Klara kyrkoarkiv, Stockholm City Archives.

³⁷ *Kyrkoräkenskaper 1719 and 1728*, vol. 1, *Kyrkoräkenskaper*, Borgs kyrkoarkiv, Vadstena Regional Archives.

Gåsinge, had travelled to the capital to attend the meeting of the Diet.³⁸ The fact that Borg and Dillnäs received the same price for their bills indicates that the price had stabilized in the late 1720s and that it was maintained into the 1740s. However, transactions in the 1750s and 1760s show that the price improved over time. For example, the parish of Torstuna in the province of Uppland received 21.4 percent when they sold their insurance bills to the spice merchant Laurents Gahm in Stockholm in 1749, while the neighboring parishes of Altuna and Simtuna in the same province received around 22.5 percent for their holdings of bills when they sold them to the Stockholm based broker Matthias Lafrensen in 1750.³⁹ A decade later, Björnlunda parish in Södermanland received 23.7 percent for its bill when the parish decided to sell it to a merchant in the town of Nyköping in 1760, and two years later the church of the admiralty in Karlskrona succeeded to obtain 29.25 percent when the administrators sold the four insurance bills directly to the Rikens ständers kontor.⁴⁰

These figures highlight the fact that the prices varied over time, but also that brokers and merchants who handled the notes and bills could make profits by purchasing them from holders and then using them to pay the licent. In order for merchants and brokers to operate on the market, they normally needed credit because it was only when assets were actually liquidated that payments were made. Thus, a merchant would sometimes accept a bill or note from a holder with the promise to pay the best available exchange rate when it was liquidated. When, for instance, the shipping agent in Stockholm Petter Frisch promised to help the innkeeper Jonas Biörn to liquidate his two salary notes along with three salary notes belonging to Anders Öberg in 1721, Frisch deposited four of the notes himself at Rikens ständers kontor while the fifth was deposited by Cornelius Bruynvisch later the same year. However, Biörn claimed that he still had not been paid for his notes in 1726 when Frisch passed away.⁴¹ Similarly, Frisch had promised the court sexton Theodorus Flumenius to help him liquidate his four salary notes in 1720. According to Flumenius, Frisch had said that it was possible to receive two thirds of

³⁸ Kyrkoräkenskaper 1747, Dillnäs kyrkoarkiv, Uppsala Regional Archives; Transfer bills no. 1783–1784, Inlösta fordringar, vol. 2082, Kassakontoret, Rikens ständers kontor, SNA; Förteckning over transportsedlar, vol. 134, Huvudarkivet, Rikens ständers kontor, SNA.

³⁹ Räkenskaper för kyrka 1750, LIa:4, Torstuna kyrkoarkiv, Uppsala Regional Archives; Räkenskaper för kyrka 1750–1751, LIa:3, Altuna kyrkoarkiv, Uppsala Regional Archives; Räkenskaper för kyrka 1750–1751, LIa:5, Simtuna kyrkoarkiv, Uppsala Regional Archives; Transfer bills no. 2023–2024, Inlösta fordringar, vol. 2082, Kassakontoret, Rikens ständers kontor, SNA.

⁴⁰ Räkenskaper för kyrka 1760, LIa:3, Björnlunda kyrkoarkiv, Uppsala Regional Archives; Transfer bills no. 1993 and 2173, Inlösta fordringar, vol. 2082, Kassakontoret, Rikens ständers kontor, SNA; Huvudränskaper för kyrkan 1762, LIa:7, Karlskrona amiralitetsförsamlings kyrkoarkiv, Lund Regional Archives.

⁴¹ Petter Frisch's probate inventory 1727/796, Bouppreckningar, Justitiekollegium, Stockholm City Archives; Salary notes no. 683–684, 986–987, 1320, Register över inlösen av statskontorets löningssedlar av 1715, vol. 133, Huvudarkivet, Rikens ständers kontor, SNA; Licentmemorialbok 1721, vol. 455, Kammarkontoret, Rikens ständers kontor, SNA.

their nominal value, but Flumenius stated that he would settle for 50 percent. Although Frisch deposited the four notes at Riksens ständers kontor in 1720, the sexton argued that he had not received any money. All he had received was some herring and a couple of sausages as a part payment for the notes.⁴²

These episodes highlight that the holder sometimes had to provide at least short-term credit to the merchant in order to liquidate the notes and that it could be uncertain when the holder would receive the money. The episodes also show that merchants in many cases had an information advantage in relation to the holders. It was the merchant who knew the procedure; it was he who had information about current prices; and it was he who had the contacts necessary to turn the bills and notes into cash. This information asymmetry could be utilized by the merchant to profit from price variations, and from the credit provided by the holders. At the same time, the merchant took a risk, especially if he promised a price to a holder that he could not deliver.

In order for merchants to profit from the government debt market it was also necessary to have sufficient volumes of bills and notes. This in turn depended on having contacts in different parts of the realm since the market was geographically spread out. For instance, when the broker Matthias Lafrensen in Stockholm handed in a total of 1,873 insurance bills valued at 50,000 dsm in one giant deposit in 1744, he gave Riksens ständers kontor bills from all parts of the country: from Stockholm and Östergötland in the east, from Jönköping, Kalmar and Kronoberg in the southeast, from Blekinge and Malmöhus in the south, from Göteborg and Elfsborg in the west, and from Västernorrland and Västerbotten in the north. Lafrensen could not have managed to collect all of these bills on his own. Instead he relied on associates, which he referred to as his men, to collect and deliver bills to him. Again, no payments were made until the bills were liquidated, which meant that all of the transactions were ultimately based on Lafrensen's pledge to reimburse the associates when he was paid at the end. Because of the huge amount of bills delivered, the clerks at Riksens ständers kontor complained that it would take around 3–4 weeks to expedite the transactions and to arrange for Lafrensen's payment. Such a delay worried Lafrensen since it threatened his credit and his ties to his associates.

⁴² Petter Frisch's probate inventory 1727/796, Bouppteckningar, Justitiekollegium, Stockholm City Archives; Salary notes no. 1684–1687, Register över inlösen av statskontorets löningssedlar av 1715, vol. 133, Huvudarkivet, Riksens ständers kontor, SNA; Licentmemorialbok 1720, vol. 454, Kammarkontoret, Riksens ständers kontor, SNA.

Eventually a compromise was reached, which provided Lafrensen with two thirds of the sum before all bills had been verified, and one third when everything was settled.⁴³

A similar pattern of having associates in various parts of the country in order to get access to more bills and notes can be identified if we study the activities of the merchant Jacob Leonard Almacher in Stockholm. In his case, he focused his activities on Stockholm, but also on the southern part of the country. In 1720 for instance, he deposited a total of 80 salary notes valued at 5,601 dsm, while he deposited insurance bills from the city of Stockholm and from the provinces of Blekinge, Kalmar and Östergötland valued at 46,849 dsm. He also sold insurance bills to merchants in the southern towns of Karlskrona and Malmö.⁴⁴ At his death in 1741, Almacher had a total of 18 creditors that he owed a total of 18,967 dsm for transactions in insurance bills. They were geographically spread out in the southern and eastern part of the country: for instance Anders Bratt in Malmö, Christian Johanson in Ystad, Johan Mollenhauer in Halmstad, Diedrich de Rees in Västervik and Petter Steen in Stockholm.⁴⁵

The geographic range of the relations and the amounts involved show that Almacher relied on maintaining a network of associates when trading in government liabilities. Just like in Lafrensen's case, the network provided credit and it supplied bills and notes which could be deposited and liquidated in Stockholm. Almacher's position in the capital meant that he had easy access to Riksens ständers kontor and to information about the market. The number of transactions and the amounts involved indicate that the actors of the network viewed the government debt market as a business opportunity and that it was possible to make money from the transactions. Otherwise they would not have spent so much time and effort on such trading activities. As pointed out, there was an opportunity for merchants to profit from the difference between nominal and market prices when paying the licent.

However, the volume of traded bills and notes was far greater than what was needed for paying the licent. The yearly payments of the licent amounted to around 200,000 dsm, while deposits at Riksens ständers kontor was close to 1.2 million annually in the 1720s and 1730s.⁴⁶ In other words, the only motivation for merchants could not have been simply to amass sufficient numbers of bills and notes to pay the licent. If we look at the case of Almacher again,

⁴³ Handlingar rörande kontant inlösta försäkringssedlar, no. 1, vol. 2076, Inlösta fordringar, Kassakontoret, Riksens ständers kontor, SNA; Riksens ständers kontors protokoll 1744, 13 Oct., vol. 25, Huvudarkivet, Riksens ständers kontor, SNA.

⁴⁴ Jacob Leonhard Almacher's account in Licentmemorialbok 1720, vol. 454, Kammarkontoret, Riksens ständers kontor, SNA.

⁴⁵ Jacob Leonhard Almacher's probate inventory 1742/2/115, Bouppteckningar, Justitiekollegium, Stockholm City Archives.

⁴⁶ Licentmemorialböcker 1720–1766, vol. 454–523, Kammarkontoret, Riksens ständers kontor, SNA.

this point becomes clear. In 1720 for instance, Almacher deposited a total of 52,450 dsm of bills and notes, but he did not make a single licent payment.⁴⁷ This fact indicates that participating in the market and trading with other actors were part of his business and a goal in itself.

Clearly, many holders who were not merchants and brokers were irritated by the difference between market and nominal values and the profits that could be made from participating in the liquidation process. For instance the proprietors of the hospital in the town of Uppsala decided to contact the directors of the Riksens ständers kontor directly in 1744 in order to inquire if the hospital could obtain a better rate than what was available from the merchants on the market. They received a reply saying that the agency was willing to pay 18 percent in cash for the hospital's insurance bills, which was a little better than the market price of around 16 percent. The proprietors were not that impressed by the offer, but in 1746 they eventually decided to sell their bills directly to the agency, when they received 19 percent of the nominal value.⁴⁸ In a similar fashion all the churches in the diocese of Skara were permitted by the agency to sell their insurance bills directly to Riksens ständers kontor at an exchange rate of 19.05 percent in 1746. This decision was preceded by a request from representatives of the diocese to receive a better rate than what the market offered.⁴⁹

Another option for actors who wished to avoid having to deal with intermediaries was to open an account at Riksens ständers kontor and deposit the bills and notes there. If they were not involved in foreign trade and did not pay the licent, liquidation of the deposited assets could be arranged by selling the bills and notes to another depositor who was. Such an arrangement did not preclude contact with merchants, but the transactions were clearly overseen by representatives from the agency. In other words, it was possible to become an insider of sorts, without being an active trader on the market. Several individuals and organizations chose such an option to liquidate their assets. However, this option seems to only have been open to

⁴⁷ Jacob Leonhard Almacher's account in Licentmemorialbok 1720, vol. 454, Kammarkontoret, Riksens ständers kontor, SNA.

⁴⁸ Riksens ständers kontors protokoll 1744, 13 Oct., vol. 25, Huvudarkivet, Riksens ständers kontor, SNA; Riksens ständers kontors protokoll 1746, 16 Apr., vol. 27, Huvudarkivet, Riksens ständers kontor, SNA; Handlingar rörande kontant inlösta försäkringssedlar, no. 9, vol. 2076, Inlösta fordringar, Kassakontoret, Riksens ständers kontor, SNA.

⁴⁹ Domkapitlets protokoll, 27 Nov. 1745, 3 Jan. 1746 and 26 Jul. 1746, vol. 41, Skara domkapitels arkiv, Gothenburg Regional Archives; Riksens ständers protokoll 1745, 18 Dec., vol. 26, Huvudarkivet, Riksens ständers protokoll, SNA; Riksens ständers protokoll 1746, 7 Jul. and 12 Aug., vol. 27, Huvudarkivet, Riksens ständers kontor, SNA; Handlingar rörande kontant inlösta försäkringssedlar, no. 11, vol. 2076, Inlösta fordringar, Kassakontoret, Riksens ständers kontor, SNA.

organizations, government officials and other members of the political elite. No peasants or other low-ranking individuals opened accounts at the agency.⁵⁰

After examining how the government debt market functioned, and exploring some of the flows that it created, it is time to turn our attention to the different strategies employed by various actors. The market participants were a diverse group of people. Some were very active; they traded every month and made relatively large transactions, while others executed just a few transactions per year. There were also people who only made one or two transactions over a long time period. Moreover, some actors traded in their own name, while others represented organizations such as churches, poor relief foundations or regiments. Thus, the existence of different market segments means that we cannot presuppose that the market meant the same to everyone or that everyone employed similar strategies. Likewise, as Anne Murphy has emphasized when analyzing the English market, the aims of most actors were not static.

Investors changed their minds and their use of the market developed. Inevitably, strategies altered as further information came to light, as political, economic or even social circumstances changed, and as the investor's confidence increased or decreased. Investment strategies, therefore, were as fluid as the market.⁵¹

One group that stands out in the source material is the most active traders. They resided in the major towns and they were mostly either merchants, brokers or accountants. In London, as a comparison, the number of very active traders or stock-jobbers was very limited at the end of the seventeenth century. While there were close to 1,500 holders of Bank of England shares in 1695, only twenty people traded more than twenty times during the year. More than half of the stock owners did not trade at all, and around 85 per cent of those who did, traded fewer than five times during the year.⁵² In the Swedish case, however, the activities of the most active traders, and the sums involved, indicate that they spent a large part of their time dealing with government debt instruments.

At the top of the mercantile food chain stood wholesale trading houses, and especially the exclusive group that specialized in iron exports. Among that group was the firm of Abraham and Carlos Grill. Due to a generation shift, the name was later changed to Carlos and Claes Grill during the 1730s. The Grills were engaged in a wide range of businesses. They were not only exporting iron, but they were proprietors of iron-works, among them Söderfors anchor-works. They also owned a shipyard in Stockholm and had interests in other manufactures of maritime equipment. Their most important business connections were to another branch of the

⁵⁰ See e.g. Licentmemorialbok 1740, vol. 481, Kammarkontoret, Rikens ständers kontor, SNA.

⁵¹ Murphy (2009), pp. 193–194.

⁵² Murphy (2009), pp. 161–162. See also Carlos & Neal (2004), pp. 205–208.

family in Amsterdam. Partly as a consequence of this, they became involved in banking, mediating large credits and clearing international bills of exchange. In particular, the business thrived in the 1740s and 1750s under the leadership of Claes Grill. His wealth and success also led him to take position in public institutions, and he became a deputy of the Association of Ironmasters; of the Bank of Sweden; and of the Swedish Board of Commerce.⁵³ In those capacities, he also possessed political influence.

Because of their trading activities, the Grills were also engaged in the market for government liabilities. In the year 1720, they bought and deposited at Riksens ständers kontor a substantial number of both salary notes and insurance bills at thirteen different occasions to a combined value of 10,324 dsm. In the same year, they paid licent on twenty occasions, for a sum of 5,616 dsm, leaving a balance of 4,708 dsm on their account.⁵⁴ But as the system was only in place from August, these numbers did not represent all of their foreign trade that year. Later in the 1720s, the firm typically paid licent between 30 to 60 times per year. The sums varied from around 4,000 dsm to circa 6,000 dsm annually. The Grills registered around 10 deposits of salary notes and insurance bills each year, usually in relatively large numbers, and they retained a positive balance on their account. The material from Riksens ständers kontor does not allow for any conclusion of how the Grills procured all the instruments needed to pay the licent, but some of them were obtained by transfers from other account holders in Riksens ständers kontor.⁵⁵ It is also likely, that they followed the practice of Almacher by using their business contacts in different parts of the realm to acquire bills and notes.

Thus, there was a thriving market for government debt instruments that were deposited at Riksens ständers kontor, but not yet used for *licent* payments. This arrangement made sure that there were always such instruments available when payments had to be made. The question is if the agency functioned as a type of exchange where transactions could be mediated. The activities of Carl Magnus Aurell, who was an accountant at Riksens ständers kontor indicates that this was the case, at least in the beginning of the period. His deposits in October 1720 is shown in table 2.

⁵³ Müller (1998), pp. 62–68

⁵⁴ Abraham & Carlos Grill's account in Licentmemorialbok 1720, vol. 454, Kammarkontoret, Riksens ständers kontor, SNA.

⁵⁵ Abraham & Carlos Grill's account in Licentmemorialbok 1720–1729, vol. 454–464, Kammarkontoret, Riksens ständers kontor, SNA.

Table 2: Carl Magnus Aurell's deposits at Riksens ständers kontor in October 1720

Date	Type of asset	Value in dsm
3 Oct.	2 salary notes	210
5 Oct.	3 insurance bills issued in Stockholm city	42
5 Oct.	4 salary notes	558
6 Oct.	2 salary notes	210
11 Oct.	2 salary notes	74
13 Oct.	1 insurance bill issued in Stockholm city	50
13 Oct.	1 insurance bill issued in Stockholm province	17
13 Oct.	1 insurance bill issued in Uppsala province	18
13 Oct.	1 insurance bill issued in Halland province	11
15 Oct.	3 salary notes	94
15 Oct.	3 insurance bills issued in Stockholm city	92
19 Oct.	3 salary notes	457
19 Oct.	2 insurance bills issued in Skaraborg province	36
24 Oct.	1 salary note	148
24 Oct.	1 insurance bill issued in Stockholm city	49
28 Oct.	2 salary notes	408
28 Oct.	2 insurance bills issued in Stockholm city	145
31 Oct.	2 salary notes	144
Total	36 salary notes and insurance bills	2 763

Source: Carl Magnus Aurell's account in Licentmemorialbok 1720, vol. 454, Kammarkontoret, Riksens ständers kontor, SNA.

Aurell deposited both salary notes and insurance bills, and the former generally had a higher nominal value than the latter. Although most insurance bills were issued either in the city or in the province of Stockholm, Aurell also handled insurance bills from other parts of the realm, such as Skaraborg and Halland. In addition to the deposits highlighted by Table 2, Aurell also received notes and bills from other actors who had deposited assets with Riksens ständers kontor. On 3 October, he received three payments from Abraham Reuman, Baltzar Strömberg and Margareta Zachrisdotter totaling 261 dsm. By trading with other depositors it was possible for Aurell to get access to assets without having to procure them on the open market. This could be especially convenient when it was time to pay the licent. In total Aurell deposited 9,436 dsm into his account from September to December 1720.

Most of the assets that Aurell deposited in 1720 were used to pay the licent. From September to December he made 96 payments, which amounted to 5,662 dsm. Some of them were very small, such as 5 or 8 dsm, while others were as large as 131 or 242 dsm. He also sold assets to other depositors. On 13 October, he sold 170 dsm to Abraham & Carlos Grill and

on 5 November he provided 150 dsm to Samuel Worster. The transfers to other depositors amounted to 2,653 dsm, and the total payments from September to December were 8,315 dsm. This meant that Aurell at the end of the year 1720 had 1,121 dsm remaining in his account.

Aurell's market activities indicate that he did not make these transactions for himself. Especially the numerous toll payments indicate that he was probably acting on behalf of others who were not able to conduct the transactions in person. This becomes clearer if we compare Aurell's licent payments to other merchants in Stockholm. Henrich König, for example, made three payments totaling 654 dsm and Johan Henrich Kock made five payments amounting to 119 dsm during the same period. Aurell's central position as an accountant at Riksens ständers kontor made him suitable as an agent, and as such he could facilitate transactions.

Returning to the Grills, in the 1730s their trading activities grew, which was partly reflected in the increased amounts of licent paid, even though it was unevenly distributed from year to year. Another change in their market behaviour now became more apparent. Instead of procuring individual insurance bills with uneven nominal values, they increasingly turned to other account holders and made bulk purchases with even nominal values. In 1730, for instance, at five different occasions, they bought insurance bills at face values of 2,500, 1,000, 1,200, 1,000 and 300 dsm, from account holders, the first and last of them from Matthias Lafransen. The following year, they made another purchase from Lafransen of a face value of 4,500 dsm. This strategy remained the same throughout the remainder of the period, with Lafransen as the primary, but not the only, provider of debt instruments for the payment of the licent. Very large purchases, such as on 24 April 1742 when 10,000 dsm of insurance notes were bought from Johan Gouwert in de Betou, meant that in the following years there were no need to make any purchases at all.⁵⁶ It is more than likely that the Grills by the 1740s were outgrowing the market for government debt instruments. This was not the market where their fortunes were made and they ceased paying close attention to it.

This conclusion becomes even more likely when their payments of the licent is further examined. Up until the 1740s, it was unusual for other account holder to be registered as recipients in the debit column of the Grills' account. Instead, their own payments were by far the most conspicuous. But during the 1740s, an increasing number of their transactions were transfers to either Jacob or Jochim Schacko or, more frequently, the account of the firm Frisch

⁵⁶ Abraham & Carlos Grill's account in *Licentmemorialbok 1730–1739*, vol. 465–480; Claes Grill's account in *Licentmemorialbok 1740–1764*, vol. 481–520, Kammarkontoret, Riksens ständers kontor, SNA.

& Knaak.⁵⁷ These were not wholesale merchants. Instead they were titled shipping agents. The probate protocols reveal that we are here dealing with another sector of society than the Grills. At his death, Jochim Schacko's debts exceeded his assets, of which the most substantial was his house valued at 5,000 dsm (15,000 daler copper coins).⁵⁸ Thus, as a shipping agent he would have been a rather prosperous burgher of Stockholm, but by no means a member of the elite. This assumption is further strengthened by the fact that the shipping agent Anton Knaak, who died in 1780, possessed a substantial amount of government bonds as well as shares in the Swedish East India Company, but no real estate.⁵⁹ Anton, or perhaps his father or another close relative, was probably a partner of Frisch & Knaak, Again, he was a rather prosperous burgher, but not a member of the elite.

The shipping agency Frisch & Knaak was sometimes provided with salary notes, but regularly with insurance bills, by the Grills as their services were consulted to an increasing extent. However, the Grills were by no means the only clients of Frisch & Knaak, and during the 1740s and 1750s their account was the most active of all at Riksen's ständers kontor. During the fifteen years from 1740 to 1754 they executed more than 4,000 transactions in which debt instruments for the payment of the licent was procured, and they made nearly 1,900 payments of the licent, all in all around 6,000 transactions with an annual average of around 400 transactions.⁶⁰ These were certainly executed as part of the services that they provided as shipping agents. Accordingly, sometimes the shipping agents were supplied with the government debt instruments by their clients, at other times they procured them themselves and offered them as a part of their services. In the latter case, the shipping agents also had an opportunity to make a profit from the market rates of the instruments.

Thus, it can be concluded that intermediaries played an active role on the market for government debt instruments in Stockholm. In the beginning of the period this function could at least to some extent be filled by civil servants, like Aurell, who worked at Riksen's ständers kontor. As the market settled, this function was taken over by private shipping agents who could offer access to the debt instruments necessary to pay the licent as part of the services that they provided.

⁵⁷ Claes Grill's account in Licentmemorialbok 1740–1764, vol. 481–520, Kammarkontoret, Riksen's ständers kontor, SNA.

⁵⁸ Jochim Schacko's probate inventory 1755/2/127, Bouppteckningar, Justitiekollegium, Stockholm City Archives.

⁵⁹ Anton Knaak's probate inventory 1780/5/61, Bouppteckningar, Justitiekollegium, Stockholm City Archives.

⁶⁰ Frisch & Knaak's account in Licentmemorialbok 1740–1754, vol. 481–506, Kammarkontoret, Riksen's ständers kontor, SNA.

Although the group of very active traders is highly visible in the source material, the most common actors made much more modest transactions, especially in terms of frequency. Like in London and Amsterdam, these merchants, part-time speculators or cautious moneyed men and women were not actively seeking to trade in government debt every month. Instead they only acted when they had to, or when they were offered specific opportunities.⁶¹ Handling government debt instruments was therefore only a limited part of their mercantile activities. Such an actor was the merchant Johan Andreas Olbers in Gothenburg, whom we met earlier. In 1720, the only activity Olbers was involved in was the deposit of the 29 salary notes which he had purchased in 1715 and 1716. In May the following year he deposited eight insurance bills issued in the province of Gothenburg valued at 1,353 dsm and one insurance bill from the city of Stockholm valued at 591 dsm. Part of these assets was then used to make two licent payments each amounting to 1,000 dsm in 1721, and one licent payment in 1722 of 860 dsm. In 1723, Olbers did not make any payments, but he deposited three salary notes and one insurance bill issued in the province of Skaraborg, and one issued in the province of Jönköping. He exhibited similar activities until 1727 when he decided to liquidate most of his deposited assets by selling them to other traders. Thus, he sold insurance bills valued at 2,168 dsm to the merchant Simon Fredrich Küsel in Stockholm, and 2,542 dsm in salary notes to the merchant William Maister in the same city. After 1727 Olbers kept around 600 to 1,100 dsm in his account, but it was henceforth mostly dormant.⁶²

A third group of actors are the ones that conducted very few transactions, and which can therefore be characterized as passive participants in the market. These actors were not interested in trading; they were primarily seeking to either liquidate or hold on to their assets. As Anne Murphy has pointed out, such actors were often risk averse and sought long-term investment options to guarantee a regular income.⁶³ In the Swedish case, the passive participants could have utilized an intermediary in order to liquidate their assets without having to set up an account of their own, but instead they chose to create a direct link to the agency. The main reason must have been their desire to avoid having to pay an intermediary the difference between the market price and the nominal price. Such an actor was the unmarried noblewoman Helena Wrede, who in 1720 deposited two salary notes originally issued to the colonel Axel Duwall. The following year Wrede deposited ten insurance notes issued in the

⁶¹ Murphy (2009), pp. 207–219.

⁶² Olbers's account in Licentmemorialbok 1720–1727, 1730, 1740, vol. 454–461, 465, 481, Kammarkontoret, Riksbens ständers kontor, SNA.

⁶³ Murphy (2009), pp. 201–207.

city of Stockholm, in Uppsala and in Skaraborg, and she liquidated the salary notes. After these transactions the activity in her account almost stopped, but she did not sell off the assets. Instead she kept close to 500 dsm in her account until the 1740s.⁶⁴

Conclusion

In this paper, we have examined the previously unexplored market for government debt in Sweden during the first half of the eighteenth century. We have shown how the increases of liquidity and the issuance of several types of financial instruments during the latter part of the Great Northern war gave rise to a substantial market in which financial instruments were traded. The government's primary aim of these activities was to fund an increasingly costly war effort, but after the fall of the royal regime in 1718 the new political leadership focused on seeking peace and sought to liquidate the debt. However, the liquidation process was protracted and the market which had emerged during the 1710s continued to flourish even after the constitutional changes and the partial default.

The market was driven by two main factors: the great volume of financial instruments that were spread to all corners of the realm and to all sectors of society, and the involvement of merchants in the process. By connecting the liquidation process to the payment of a special toll on international trade, the licent, the new regime created incentives for leading merchants to participate in the process. The state could benefit from utilizing the merchants' established contacts to create a flow of financial instruments from the countryside to the leading towns, while the merchants could profit from the transactions and from the general increase in the number of instruments. Concurrently, the holders of the debt instruments could liquidate their assets at a discount by selling them to the merchants. Since the number of transactions far outweighed the licent payments, it is clear that the arrangement created opportunities for actors to trade in government debt instruments and to make financial exchanges a business in itself. Thus, the sheer size of the market meant that other actors who were not directly involved in international trade could also participate in the market and provide financial services to both sellers and buyers. In other words, the market expanded beyond the original government plan to simply liquidate part of the debt through the payment of the licent. These developments show many similarities with other cases of market expansion during the early eighteenth

⁶⁴ Helena Wrede's account in Licentmemorialbok 1720–1721, 1740, vol. 454–455, 481, Kammarkontoret, Rikssens ständers kontor, SNA. See also salary notes 1008–1009 in 1720, Register över inlösen av statskontorets löningssedlar av 1715, vol. 133, Huvudarkivet, Rikssens ständers kontor, SNA.

century when increasing volumes of shares and bonds together with the growing participation of people outside the core of the financial market led to new opportunities for intermediation and for trading.

The Swedish solution to rely on state-mercantile cooperation in the liquidation process was not unique. In most European countries states relied on the participation of merchants and other market actors for the supply of military stores, for providing credit and for handling financial transactions. Many merchants were also involved in the collection of government revenue. It was especially the merchants' expertise and their business contacts that governments considered valuable and that could be mobilized for the benefit of the state.⁶⁵

An alternative method of liquidating the debt would have been to use the government's administrative system which reached all parts of the country. In particular, holders could have been allowed to pay part of their taxes with the financial instruments. Many peasants argued for such a solution in 1719 when they pointed to the fact that they did not own any other assets with which to pay their dues. Other political groups were against such suggestions since they were worried that government revenue would be hurt and that the state would be relying on financial instruments that the new regime did not want to build a fiscal foundation on.⁶⁶ The process would also have been protracted, because many owned financial instruments valued in nominal terms to an extent that went far beyond their tax liability. Thus, many taxpayers would have accrued large balances with local bailiffs and the local administration, and many taxpayers would have requested ways to liquidate their assets before their taxes were due.

This combination of political, economic and administrative circumstances created the Swedish debt liquidation arrangement and the subsequent market where the debt instruments were traded. The size and structure of this market in the peripheral part of Europe goes against many of the more orthodox economic explanations how market expansions occur. In the literature, it is often emphasized that urbanity and density of people and capital in connection with existing flows of international trade and savings drove financial development in the early modern period. Thus, financial markets thrived in places such as London and its vicinities, in the Dutch Republic, in Hamburg and in the north Italian city states.⁶⁷ In Sweden, by contrast,

⁶⁵ See e.g. Roger Knight & Martin Wilcox, *Sustaining the Fleet 1793–1815: War, the British Navy and the Contractor State* (Woodbridge 2010); Pepijn Brandon, *War, Capital, and the Dutch State (1588–1795)* (Leiden 2015); Rafael Torres Sánchez, *Military Entrepreneurs and the Spanish Contractor State in the Eighteenth Century* (Oxford 2016).

⁶⁶ Sekreta utskottets protokoll 1719, 5 Mar., 9 Apr. and 16 Apr., vol. R2384, SNA.

⁶⁷ See e.g. Larry Neal, *The Rise of Financial Markets in the Age of Reason* (Cambridge 1990); Larry Neal, "How It All Began: The Monetary and Financial Architecture of Europe During the First Global Capital Markets, 1648–1815", *Financial History Review*, vol. 7 (2000); Oscar Gelderblom & Joost Jonker, "Public Finance and Economic

trading were done in the countryside and in small towns with many peasants involved. Although merchants in the major towns were driving the market, most transactions occurred before the instruments reached Gothenburg or Stockholm. Our findings do not dispute the factors that other scholars have put forward, but they make us realize that there were different ways to configure financial markets and that they could develop along diverging paths. In particular in peripheral parts of Europe where markets were less integrated and trade volumes were relatively low, it seems that decisions taken by the state to massively increase liquidity and to create various forms of financial instruments could lead to the development of markets. Furthermore, such market expansions could be sustainable in the long run, especially if government actions were backed up by the participation of merchants who could connect different regions and markets with each other. Further increases of liquidity and the introduction of new instruments in Sweden during the course of the eighteenth century ensured that the growth of financial markets that had started in the early part of the century continued well into the 1790s.

However, the crucial role of the state in the Swedish case also highlights another important factor, namely that markets were heavily influenced by political decisions. Increases and retractions of liquidity, as well as rules governing the exchange of government debt, were decided by the political regime. Since there were several shifts of political power during the eighteenth century and each new regime adapted its government debt strategy to its interests, the market conditions were regularly renegotiated.⁶⁸ Thus, the credible commitment of one regime functioned only as long as it survived. Moreover, having an assembly with representatives from the four estates with influence over the government debt was no guarantee that no alterations to the terms of the debt were made.⁶⁹ These circumstances created political risks, but as demonstrated in this paper, these risks did not deter individuals from taking advantage of the opportunities presented to them. A market evolved, which overcame geographic and social distances and which turned out to be more sophisticated than the government had foreseen when the first increases of liquidity were initiated in 1715–16.

Growth: The Case of Holland in the Seventeenth Century”, *Journal of Economic History*, vol. 71 (2011); Stasavage (2011).

⁶⁸ See e.g. Patrik Winton, ”Parliamentary Control, Public Discussions and Royal Autonomy: Sweden, 1750–1780”, *Histoire & Mesure*, vol. 30 (2015); Patrik Winton, “The Political Economy of Strategic Default: Sweden and the International Capital Markets, 1810–1830”, *European Review of Economic History*, vol. 20 (2016).

⁶⁹ Cf. the well-known British case, Douglass C. North & Barry R. Weingast, “Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England”, *Journal of Economic History*, vol. 49 (1989); Stasavage (2003).