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‘The making of domestic public debt in seventeenth-century Sweden: The Bank of the Estates of the Realm (Riksens ständers bank)’

In the mid-seventeenth century, the Swedish government (the king and the Council of the Realm) faced severe problems with making ends meet. The newly won Baltic empire had come with great costs. Although King Charles X had instructed the treasury to make efforts to strengthen the crown's credit and treat it as its most precious treasure, foreign creditors found the king's name of little worth. This paper argues that the Swedish government was highly active in the 1657 start of Stockholm's Banco, a chartered company partly owned by the crown, and transforming it into the Estate-controlled *Riksens ständers bank* (Bank of the Estates of the Realm) in 1668, at times against the will of the four estates—the nobility, the clergy, the burghers, and the peasantry—assembled at the Diet (*riksdag*). For the government, the bank was an effort to free itself from private creditors and contractors by creating a domestic source of credit. By placing the bank in the hands of the corporate body of the estates, the government could use the estates' fiscal capacity and political legitimacy without increasing their taxes or imposing new charges, which could have risked upsetting a fragile political equilibrium. Simultaneously, the bank was put out of reach of the government, a potentially predatory sovereign. The government's plan worked, and during the war against Denmark in the 1670s, the Swedish state borrowed extensively from Riksens ständers bank—at least 1.2 million daler silvermynt. In this paper, the two banks are studied as parts of a process to improve the fiscal conditions of the realm without causing profound changes to the political regime. The banks were by the government seen as potential financiers of ongoing and future wars. Although the government also saw the potential of the bank to stimulate trade and to bring down the cost of credit generally, the focus here is on the banks' function in the government's attempt to reform the fiscal regime. Arguments and initiatives by bank projectors and members of the government and the national representative body, the Diet, for and against the foundation and reorganization of a Swedish bank in the 1650s and 1660s are analyzed. The creation of the two Swedish banks is an example of the precarious financial situation many European states were facing and trying to solve by adopting a variety of new financial devices. Furthermore, the example of the Swedish banks casts light on the political contention between governments, representative assemblies, and other interest groups (e.g., private financiers and contractors), who asserted different solutions for financing the runaway expenses of the early modern states.