

Liquidating government debt and creating a secondary asset market: trading patterns, market behavior and prices on government liabilities in Sweden, c. 1719–1765

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This article studies a previously unknown asset market in eighteenth-century Sweden. It emerged as a result of a partial default in 1719, when large amounts of recently released fiat coins were converted into government liabilities. These could only be redeemed as a customs duty on international trade, the *licent*. As merchants had to acquire such assets to conduct their trade, tens of thousands of transactions were carried out on a secondary market over a period of more than 45 years. Networks of local merchants bought assets from initial holders and sold them on to intermediaries or merchants, who deposited the liabilities with a newly established government agency, the Debt Office. Here, hundreds of account holders could transfer the value of their deposits between them. When a *licent* payment was due, the amount was deducted from the merchant's account. Prices on the liabilities were low and sometimes volatile, but the long-term trend was rising. We have distinguished three types of market participants: a small group of very active users, most of them professional dealers or brokers; merchants who traded on a regular basis as they needed to pay the *licent*, or when a favorable opportunity appeared; and finally, those who traded sporadically. The emergence of this market was part of a financial expansion that occurred in many European countries at the same time, the closest equivalent being the segmented default in France after the abolition of John Law's system. This study aims to broaden our understanding of eighteenth-century financial developments, which have rarely been studied in a semi-peripheral European economy.

Keywords: Sweden, eighteenth century, default, liquidation, asset market, emerging markets, paper money, financial development

JEL classification: G1, G12, G14, G23, G33, N23

In 1719, after 19 years of constant warfare, the Swedish state initiated a partial default on the millions of fiat coins circulating in the economy. The coins had been issued in the

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preceding three years in order to finance the continuance of the Great Northern War (1700–21). In the first stage of the default, the value was written down by 50 percent. Second, the fiat coins were exchanged for so-called *assurance notes*. These non-interest-bearing notes could only be redeemed as payment for customs duty on international trade, the *licent*, which merchants had to acquire to conduct their trade. In the default's final and most protracted stage, merchants and other actors purchased assurance notes from holders at a discount to pay the customs duty. This process did not end until the mid 1760s. Due to the abundance of notes in circulation and the demand for duty payments, their market price was significantly lower than their nominal value. A relatively large secondary market for assurance notes, in which tens of thousands of transactions were conducted over more than 45 years, ensured that buyers and sellers could meet even if they were not involved in international trade.

Previous research has essentially ignored this process. Scholars have characterized it as an administrative issue that was solved by the setting up of a Debt Office in 1719 (*Riksens ständers kontor*), without realizing that the process resulted in the creation of a major asset market, which reached all parts of Sweden and involved thousands of participants (Åmark 1961, pp. 676–85).

Although local circumstances framed the liquidation process and the rise of an asset market, the process took place at the same time as other European states were dealing with expansion and reduction of financial instruments, as well as with market bubbles (e.g. Dickson 1967; Neal 2000; Murphy 2009; Condorelli and Menning 2019). The closest equivalent to the Swedish developments is France after the collapse of John Law's system. Here, a segmented default was implemented, separating investors from speculators and smallholders from larger proprietors to provide the two former categories with better terms. Like in Sweden, holders received liquidation certificates traded at a heavy discount. However, unlike in Sweden, the process was rapid, and holders of liquidation certificates could turn them into interest-bearing life or perpetual annuities (Neal 2000, p. 132; Velde 2008, pp. 153–60).

By placing the Swedish case in the broader context of the aftermath of the Mississippi and South Sea Bubbles, we will broaden our understanding of the mechanisms used by policy-makers in domestic defaults and liquidating government debt instruments during the eighteenth century. Scholars have primarily focused on developments in Britain, France and the Dutch Republic while often neglecting the fact that financial developments also occurred in other European regions around the same time (e.g. Dickson 1967; Neal 2000; Carlos and Neal 2011). We, therefore, have very limited knowledge about how markets for government debt liabilities functioned in more peripheral European economies.

This study aims to analyze how this secondary market for financial assets functioned and how it developed over time. In doing so, we have distinguished three fundamental aspects. The first is the scope of the market and the institutions and regulations that constituted its prerequisites. The second is market behavior and strategies deployed by actors in the market. The third is how prices developed over time. The investigation is conducted by a combination of descriptive statistics and a qualitative analysis of a

variety of primary sources. Thus, by approaching the market from very diverse types of sources, we can present an overview that a purely quantitative study of specific sources or series of data cannot provide.

Theoretically, the analysis is influenced by two concepts, namely transaction costs and information asymmetries. Because the secondary market involved many different actors with varied social backgrounds and living in disparate geographic locations, we cannot presuppose that everyone had access to the same information or that transactions were smooth to conduct. There were many economic, social and geographical hurdles that actors had to overcome, which can be characterized as transaction costs, for the secondary market to function. There were also information asymmetries associated with these hurdles. Moreover, there were intermediaries who could profit from transaction costs and information asymmetries by trading in financial instruments or by providing assistance to others to do so (e.g. Akerlof 1970; North 1987; Li 2015).

The scope of the market is studied by consulting the ledgers of the Debt Office, which administered the liquidation process. The general ledger (*Huvudbok*) provides information about the liquidation of notes, which has been used to create a quantitative overview of developments over time. In another ledger (*Licentmemorialbok*), the payments of the *licent* were administered. Most merchants opened an account with the Debt Office, in which they deposited notes. When the *licent* was paid, the amount in question was deducted from the merchant's account. Hundreds of accounts were opened, and non-merchants were also welcomed.

Moreover, there was a very lively trade between account holders, as the deposits could be transferred from one to another within the Office's ledgers. Not all transactions are visible in the ledgers since holders can buy and sell notes without registering the transfers. The ledgers provide an important, but not exhaustive, view of the secondary market. These sources have never before been consulted by research.

Market behavior is also primarily investigated through the ledgers of the Debt Office, where the activities on the holders' accounts are a valuable indicator of their relation to the market. Rather than analyzing all transactions in all accounts, which would be an enormous task, we have focused on the activities of some key market participants selected by a process of empirical generalization. When possible, we have picked market actors who have left behind other types of source material that provide complementary information about their activities. Thus, we have distinguished three types of actors on the market. First, some were very active and traded on a weekly basis. Second, some traded when needed or when a favorable opportunity appeared. Third, some traded very infrequently, perhaps just a few times over a long time period. Sources from the Debt Office give a rather accurate picture of the concluding part of the market, i.e. when assets were transferred between accounts and subsequently redeemed. Still, transactions preceding deposits with the Office are difficult to trace. However, in a few cases, transactions are recorded on the back of notes and bills. Also, merchants' probate inventories can reveal business contacts in the form of debts and claims in bills and notes. Finally, the minutes of the board of the Debt Office sometimes record discussions of non-standard transactions or

market sentiments. Such discussions can shed light on the circumstances of the dealings and reveal how account holders procured their assets.

The development of prices on assurance notes and salary bills is more difficult to explore. There are no price courants, and the transfers between accounts in the ledgers of the Debt Office only record nominal values. It is also rare that records of merchant activity from eighteenth-century Sweden have been preserved. However, we have managed to source the bookkeeping of a Stockholm merchant who traded in assets and in which market prices are recorded. As a complement, we have gleaned information from merchants' probate inventories and a substantial number of account books from parishes, where individual sales of assurance notes are recorded.

I

Under the pressure of prolonged warfare, a new system of government finance was created in Sweden during the 1710s. In the first nine years of the Great Northern War (1700–21), the state relied on traditional forms of finance: taxation; seizing resources on enemy territory; and borrowing from the Bank of the Estates (*Riksbanken*) (Lindegren 1985; Glete 2002; Björklund 2021). Following the defeats at Poltava in 1709 and at Tönning in 1713, the war was increasingly financed by credit, as the absolute monarch Charles XII sought new ways to fund his military efforts. The issue of around 1.2 million *daler silvermynt* (dsm) worth of salary bills as payment for officers and civil servants in 1715, and the more than 2.5 million dsm worth of government bonds, were such innovations. Both salary bills and bonds were interest-bearing and could be traded on a secondary market. However, the backbone of the government's efforts to meet military demand was the release of large numbers of very light fiat copper coins. Their value of one dsm had no connection to their metallic content or to any specific backing. Thus, they constituted an equivalent to paper money. The fiat coins were primarily used as payment for military supplies, billeting and transport, of which the peasantry, artisans and merchants received the lion's share. The peasants were legally obligated to provide such services for free to the military. However, the huge scale and the need for unobstructed campaigning meant they had to be paid for their efforts. At the end of 1718, more than 20 million dsm of fiat coins were circulating, and they were accepted as payment in all types of transactions, including tax payments. This can be compared to the annual average release of minted coins between 1680 and 1714, which amounted to about 0.73 million dsm (Lindegren 2018, pp. 315–32; Ericsson and Winton 2020 *passim*, esp. p. 260).

At the death of Charles XII in November 1718, royal absolutism was abolished and replaced by a regime that based its power on the Estates (*Riksdag*). The war policy was ended, and with it, the old regime's financial system. The value of the fiat coins plummeted as a consequence of uncertainty regarding the new regime's commitment to the coins. At the *Riksdag*, leading nobility and clergy representatives advocated a

default, while the peasantry and the burghers tried to resist. But the latter groups were unable to build a working alliance around a continuation of the previous regime's policies. Also, the peasants were isolated and excluded from the decisive debates. Merchants and retailers were accused of profiting from the old financial system, which made it hard to counter the arguments from the traditional elites, who claimed that the system was harmful to society and the social order and fiscally impossible to maintain.¹

In April 1719, the new government initiated the default. It declared that all fiat coins should be exchanged for non-interest-bearing assurance notes at 14/32 of the original denomination. The coins were then returned to the owners, but now going as small change at a value of 2 öre (2/32 dsm.). For many holders, especially peasants and burghers, the decision was a devastating blow. The exchange of fiat coins for assurance notes took place in June 1719. Around 200,000 transactions were executed, and over 20 million fiat coins were handed in. The holders received a single assurance note in exchange for their coins. Unlike the salary bills, they were not interest-bearing. The new depreciated total worth of the assurance notes amounted to about 8.9 million dsm in nominal value (Ericsson and Winton 2019, pp. 37–42).

In comparison, the value of the credit notes issued by Stockholm Banco in the 1660s only reached 0.9 million dsm (Edvinsson 2008, p. 162–3). The assurance notes could only be redeemed as payment for a new customs duty on international trade, the *licent*. Owners could utilize the notes' nominal value when such transactions were carried out. Moreover, they could be divided into smaller values by the issuance of transfer notes (*transportsedlar*), and they could be transferred to new holders without any registration.² Due to their limited use, they cannot be characterized as money that could easily circulate in the economy. Instead, they constituted a form of government debt instrument with limited negotiability, which could be rather liquid among merchants in the major towns but more difficult to use among other sections of the population.

As stated above, the liquidation of the public debt was administered by the newly formed Debt Office controlled by the *Riksdag*. The Office was provided with earmarked government revenues, of which the most important was an extraordinary tax levied on every household (*Lön- och betalningsavgift*), and the part of the *licent* paid in specie. These resources were used to liquidate other parts of the public debt, which had not been targeted in the default, such as the bonds, claims from crown suppliers, and claims from officers and civil servants for unpaid salaries. These claims were recognized after various government bodies had scrutinized them. The Debt Office divided the recognized claims into 11 categories, indicating

¹ Swedish National Archives, Stockholm (SNA), Sekreta utskottets protokoll 1719, vol. R2384, 5 Mar., 8–9, 16–17 Apr.

² *Kongl. Majt:s Förordning angående Mynttecknens och Myntsedlarnas Indragande och Afskaffande*, Stockholm, 23 Apr. 1719.

the order in which they were redeemed. This part of the debt amounted to 4 million dsm in 1727. However, it had increased to over 19 million dsm in 1764 after more claims, many of which dated to before the war, had been recognized. These arrangements meant that the Office had to monitor several different claims and record their liquidation while overseeing the specific revenues utilized to pay the claimants (Åmark 1961, pp. 675–708). This article focuses on the claims liquidated through the *licent*, leaving the recognized claims being paid with cash aside. It should be emphasized that the Debt Office had no relation to the Bank of the Estates, except that it, like all other government agencies, held an account with the Bank through which its funds were channeled. It should also be noted that the Office used an established communication system to promulgate information about all the decisions to the population through the churches, and the decisions were also printed in a state newspaper (Reuterswård 2001; Ericsson 2002; Linden Pasay 2016).³

From the start of the system in 1720, it was stipulated that at least half of the *licent* should be paid with salary bills, and the rest could be cleared with assurance notes. In 1727, the *Riksdag* decided that foreign merchants had to pay the *licent* in specie, while the *licent* on foreign goods transported on Swedish ships was paid half with specie and half with notes or bills. Concurrently, it was determined that salary bills were no longer a requirement. In 1729, it was decreed that a quarter of the *licent* on Swedish goods on Swedish ships was to be paid with specie and three-quarters with notes or bills. These decisions were partly a consequence of a policy of promoting Swedish merchants and shipping and partly due to the need to increase the revenues of the Debt Office (Åmark 1961, p. 685; Müller 2004, pp. 61–5).

In 1720, the *Riksdag* decided that the Debt Office should focus on paying all the outstanding capital debt while leaving the unpaid interest aside for a later date. However, claimants who held interest-accruing instruments, such as bonds, received interest notes (*intressesedlar*) as a substitute for interest payments. In 1756, the Estates decided that such notes could be liquidated by paying the *licent*. Before that, in 1743, the Estates resolved that a limited number of assurance notes per year could be liquidated with cash if the holders accepted a heavy discount of 80 percent. Later, this restriction on the amount was removed, which increased the number of cash liquidations of assurance notes (Åmark 1961, pp. 678, 684). Table 1 summarizes the timeline of the *licent*.

The *licent* constituted between 2 and 5 percent of the value of imported and exported goods, depending on the product. It was imposed on almost all imported goods, but on exports, it was limited to copper, iron, steel, furs, wood products and grain (Åmark 1961, p. 476). The size of the *licent* compared to other costs associated with the import and export of products is demonstrated in Table 2. It shows what the merchant house Carlos & Claes Grill in Stockholm paid in October 1752

³ E.g. Riksens högl. ständers contoires kundgiörelse, angående huru the, som sielfwe icke äro fordrande hos Cronan, utan för hwarjehanda på Riksens Ständers Contoir anwijste crono-skulder, betalning å andras wägnar upbära wilja, sig böra legitimera (Stockholm, 1744).

Table 1. *Timeline for the liquidation of government debt through the licent, 1719–66*

Event	Date
Partial default on the fiat coins	April 1719
Set up of Debt Office	April 1719
Exchange of fiat coins to assurance notes	June 1719
<i>Licent</i> paid with assurance notes and salary bills. Half with the former, half with the latter.	August 1720
Foreign merchants to pay <i>licent</i> in specie. Foreign goods transported on Swedish ships paid half in specie and half with notes or bills. Salary bills no longer required to pay <i>licent</i> .	September 1727
A quarter of <i>licent</i> on Swedish goods on Swedish ships to be paid in specie and three-quarters with notes or bills	January 1729
Limited number of assurance notes per year could be liquidated with cash if the holders accepted a discount of 80%. The limit was later removed and the discount lowered to 70%.	Decision in 1743, first implemented in October 1744
Interest notes could be used to pay <i>licent</i> .	October 1756
The Debt Office was closed.	September 1766

Source: SNA, Riksens ständers kontor, Kammarkontoret, Licentmemorialbok 1720, vol. 454; SNA, Riksens ständers kontor, Kassakontoret, Inlösta fordringar, vol. 2076; Åmark 1961, pp. 683–708.

Table 2. *Carlos & Claes Grill's costs for exporting bar iron and tar from Stockholm, 1752 (dkm^a)*

Type of duty	dsm	dkm
Regular customs duty	563	
<i>Tolag</i>	69	
<i>Licent</i>	167	
Total duties	799	2,398
Harbour fees		203
Total cost		2,601

^aThe rate between dsm and *daler copper coins* (dkm) was fixed at 1:3.

Source: Leufsta Bruksarkiv, Lövestabruk, Carlos & Claes Grill, Diverse räkenskaper 1752, vol. 11, Receipt, 5 Oct.

when they exported 326 *skeppund* of bar iron and 26 tar barrels. The largest cost was the regular customs (70.5 percent). The *licent* constituted around 21 percent of the total duties in nominal terms.

Figure 1 demonstrates the impact of the political decisions of the 1720s on the relationship between the total *licent* paid and the part of the *licent* that was paid with salary

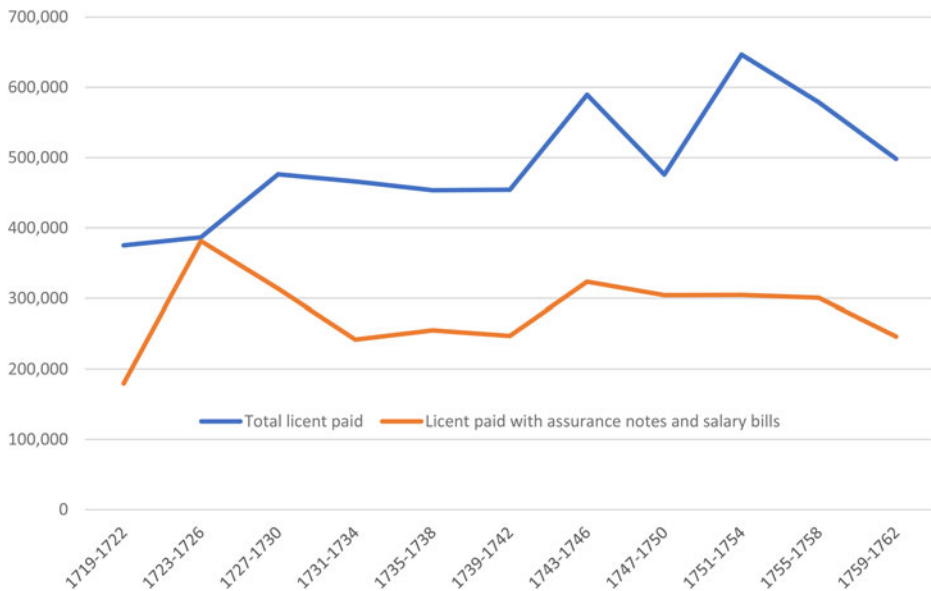


Figure 1. Total licent paid and licent paid with assurance notes and salary bills, three-year averages, 1719–62 (dsm)

Source: SNA, Rikstens ständers kontors huvudböcker, 1719–62.

bills and assurance notes. While the two curves converge in 1723–6, when all of the *licent* could be paid with notes and bills, the gap between them increases when specie had to be used for parts of the payment. Consequently, the level of *licent* paid with salary bills and assurance notes in 1723–6 was never reached in subsequent periods. Still, the payment of the *licent* with bills and notes constituted a considerable sum of around 200,000–300,000 dsm per year during four decades. In comparison, the available part of the Swedish state's revenue amounted to 5.9 million dsm in 1723 and 5.5 million dsm in 1733 (Åmark 1961, pp. 130–1). The bulk of the revenues, much above and beyond such numbers, were tied up locally, financing the military.

Figure 2 shows how the salary bills and the assurance notes had a similar significance during the first liquidation period through the *licent*. However, most of the salary bills had been liquidated by 1730. After that period, the process was dominated by the assurance notes. When a large portion of the insurance notes had been liquidated by the 1750s, interest notes were accepted. In the last period, they came to dominate the payment of the *licent*.

During the more than 40 years that this system was in place, the supply of liabilities was greater than the demand. This fact is highlighted by Figure 3, which demonstrates the divergence between the total nominal value of the liabilities deposited at the Debt Office and the amount deducted from the accounts in order to pay the *licent*. In the first years, many accounts were opened, and large sums were deposited. For the next 20 to 25 years, the deposits exceeded the amounts needed to pay the *licent* by more

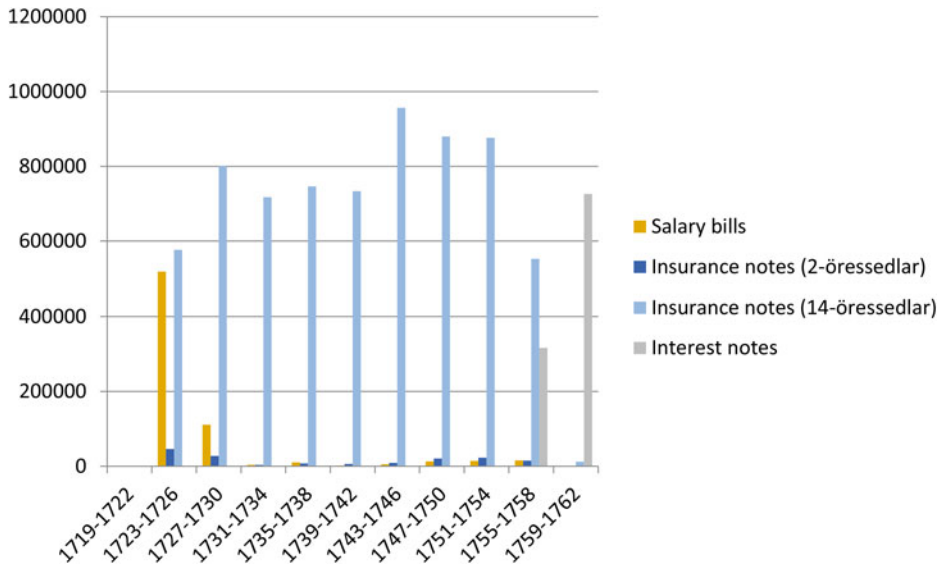


Figure 2. Liquidated salary bills, assurance notes and interest notes, 1723–62 (dsm)

Source: SNA, Riksens ständers kontors huvudböcker, 1719–62.

than a million dsm. The number of deposits fell in the 1740s as the supply of assurance notes was reduced. Deposits increased again in the 1750s when interest notes were permitted as payment for the *licent*.

II

We now turn our attention to how the market functioned. To give a reference for the prices accounted for below, a farmstead with noble privilege was usually valued at between 1,000 and 1,500 dsm at the beginning of the period.⁴

An important aspect of the market was that liabilities flowed from their original holders in the countryside to merchants or intermediaries in towns with international trade. A common pattern was for the initial holders to sell assets in their local community. For instance, the customs official in Vadstena, Samuel Päckelman, sold three salary bills to merchant Hans P. Lindh from Gothenburg in June 1716. Lindh was active in the region of Östergötland, where he purchased many salary bills before selling them to Gothenburg or Stockholm. Päckelman's notes ended up in Gothenburg, where they were redeemed in 1720 by merchant Johan Busch.⁵

⁴ E.g. Uppsala Regional Archives (URA), Landsarkivet i Södermanlands län, Mantalslängder, Oppunda härad 1715.

⁵ SNA, Rsk, Kammarkontoret, Licentmemorialbok 1720, vol. 454; Rsk, Kassakontoret, Inlösta fordringar, vol. 2084, Salary bills nos. 864–878.

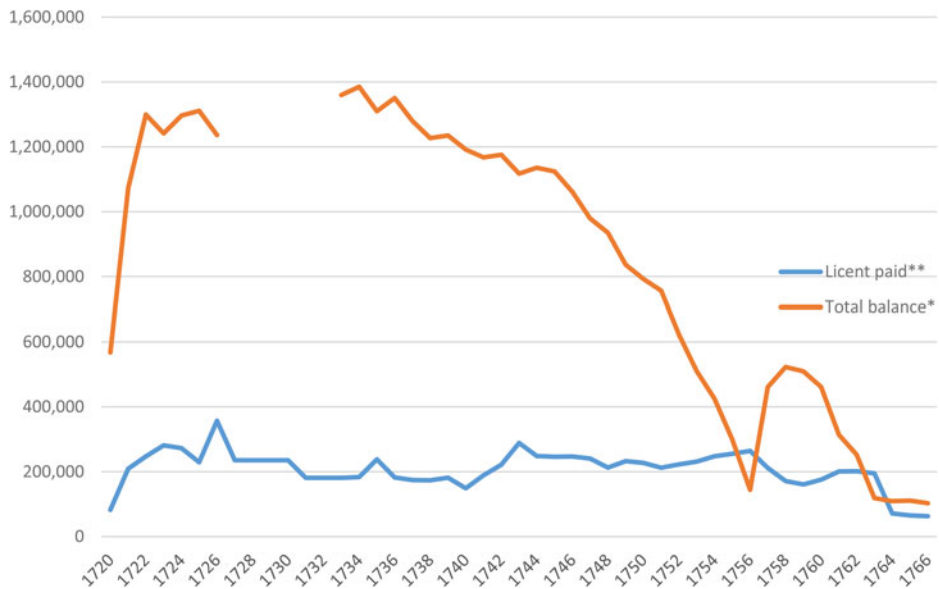


Figure 3. *Deposits and licent paid in the Debt Office (dsm)*

Sources: SNA, Rsk, Kammarkontoret, Licentmemorialböcker, 1720–66, vols. 454–523; Rsk, Huvudarkivet, Huvudböcker, 1727–34.

* No annual capital statements are available in the ledgers of the Debt Office for the years 1727 to 1733.

** The annual (average) amount of *licent* paid from 1727 to 1733 can be deduced from the four-year sums presented in the general ledgers from 1727 to 1734.

Similarly, the customs inspector in Helsinki, Petter Wetter, redeemed four transfer bills in 1722, initially issued in 1721, to four men serving with a Finnish cavalry regiment. The following year, he redeemed two more transfer bills issued to men in the same regiment.⁶ Likewise, merchant widow Anna Schröder from Gävle, the commercial and administrative center of the province of Västernorrland, dealt with many bills and notes issued in the province. In 1723, she liquidated 21 transfer bills issued in this province to soldiers serving with the Ostrobothnia infantry regiment. On the same day, she also redeemed five assurance notes from Västernorrland. She continued the same practice the following year when she deposited four assurance notes from the same province.⁷

⁶ SNA, Rsk, Kassakontoret, Inlösta fordringar, vol. 2081, Transfer bills nos. 318–321 and 349–350; Rsk, Huvudarkivet, Förteckning över transportsedlar, vol. 134.

⁷ SNA, Rsk, Kassakontoret, Inlösta fordringar, vol. 2081, Transfer bills nos. 440–460; Rsk, Huvudarkivet, Förteckning över transportsedlar, vol. 134; Rsk, Kammarkontoret, Licentmemorialbok 1723 and 1724, vols. 457–458.

Although many transactions occurred in the 1720s, not all bills and notes were liquidated promptly. In the northern province of Västerbotten, 433 of the 3,483 assurance notes issued in 1719 did not reach the Debt Office until 1753–66. Hence, for around 12 percent of the notes, it took more than 30 years to be redeemed.⁸ Most ended up in Stockholm in the hands of merchants, brokers or shipping agents. An assurance note issued in 1719 to the merchant Erich Johansson Orre in the town of Luleå was transferred in 1750 to another merchant, Johan Orre, in Finspång in Östergötland before it was deposited in Stockholm in 1754 by yet another merchant, Christian Hebbe. Likewise, notes issued in 1719 to the peasants Olof Nilsson in Bygdeå, Per Larsson in Råneå and Pär Pärsson in Skellefteå were purchased by Peter Hamgren in April 1755 before they were redeemed by the merchant Peter Helin Johansson in Stockholm a month later. However, not all notes ended up in the capital. Three notes issued in Umeå in 1719 arrived in the Finnish town of Vasa in 1761, where they were handled by the alderman Nils Töhlberg.⁹ This slowness can be interpreted as a consequence of transaction costs, which made it difficult for many peasants to liquidate their notes.

Intermediaries like Lindh, Wetter, Schröder, Töhlberg and Orre dealt with relatively small volumes. However, they played an instrumental role in the flow of notes and bills from the countryside to the commercial centers in the provinces. Put differently, they reduced transaction costs. Such intermediaries were active in all provinces. Some of the notes and bills stayed in the provinces. They were liquidated as payment of the *licent* in towns such as Norrköping, Helsinki or Gävle. However, many notes and bills moved from these locations to Gothenburg and Stockholm, where the demand was greater since trade volumes were larger. Merchants or brokers in Gothenburg and Stockholm mainly directed this flow and dealt with the largest volumes of bills and notes. For instance, the broker Mathias Lafransen in Stockholm sought to benefit from the regulation in 1743, which gave holders the right to redeem assurance notes for cash at a discount of 80 percent. He handed in 1,873 assurance notes from all parts of the country, valued at 50,000 dsm, in one giant deposit in 1744. Lafransen could not have managed to collect all these on his own. Instead, he relied on associates to deliver him the notes. No payments were made until the notes were liquidated, meaning the transactions were based on Lafransen's pledge to reimburse his associates when he was paid. Because of the huge number of notes, the clerks at the Debt Office complained that it would take three to four weeks to expedite the payment. The delay worried Lafransen, as it threatened his credit and his ties to his associates. Eventually, a compromise was reached,

⁸ SNA, Rsk, Kammarkontoret, Nummerlistor över 14-öres försäkringssedlar, vol. 1795; Rsk, Kassakontoret, Inlösta fordringar, vol. 2079.

⁹ SNA, Rsk, Kassakontoret, Inlösta fordringar, vol. 2079, 14-öres försäkringssedlar, Assurance notes nos. 2857, 2929–2931 and 3166–3168.

which provided Lafrensen with two-thirds of the sum before all notes had been verified and one-third when everything was settled.¹⁰



Map 1. *Geographic distribution of transactions treated in the text*

¹⁰ SNA, Rsk, Kassakontoret, Inlösta fordringar, Handlingar rörande kontant inlösta försäkringsmedlar, vol. 2076, no. 1; Rsk, Huvudarkivet, Rikens ständers kontors protokoll vol. 25, 13 Oct. 1744.

A similar pattern of having associates in various parts of the country can be identified when studying the activities of merchant Jacob Leonard Almacher in Stockholm. In 1720, he deposited 80 salary bills valued at 5,601 dsm, while he deposited assurance notes from Stockholm and the southern provinces of Blekinge, Kalmar and Östergötland valued at 46,849 dsm. He also sold assurance notes to merchants in Karlskrona and Malmö. At his death in 1741, Almacher had 18 creditors that he owed 18,967 dsm for transactions in assurance notes.¹¹ The geographic range of the relations and the amounts involved show that Almacher relied on a network of associates that provided credit and supplied bills and notes. Only with the help of his network could Almacher reduce transaction costs. The number of transactions and the amounts involved imply that his associates also viewed the trade in government liabilities as a business opportunity.

The activities of Lafrensen and Almacher indicate that credit played a role in the transactions on the market for government liabilities since sellers were often only paid when buyers liquidated the assets. This interpretation is strengthened if we turn to the actions of shipping agent Petter Frisch in Stockholm. In 1721, he promised to help innkeeper Jonas Biörn to liquidate two salary bills and three salary bills belonging to Anders Öberg. Frisch deposited four of the notes at the Debt Office, while the fifth was deposited by Cornelius Bruynvisch later in the same year. However, Biörn claimed that he still had not been paid for his bills in 1726 when Frisch passed away. Frisch had also promised court sexton Theodorus Flumenius to help him liquidate four salary bills in 1720. According to Flumenius, Frisch had said receiving two-thirds of their nominal value was possible. However, the sexton stated that he would settle for 50 percent. Although Frisch deposited the four bills at the Debt Office in 1720, Flumenius claimed he had not received any money. All he had taken delivery of was some herring and a couple of sausages as part payment for the bills.¹²

These episodes highlight that holders sometimes had to provide at least short-term credit to merchants, brokers or shipping agents to liquidate the notes. It could remain uncertain when the holder would receive the money. They also indicate that intermediaries such as merchants, brokers and shipping agents in Stockholm were contacted by numerous people who wanted to liquidate their assets but had no previous interactions with them. Such interactions tended to be short-term and market-driven rather than social network exchanges that focused on trust and the reproduction of the relationships (cf. Müller 1998). Certainly, social networks played a role in the trade with bills and notes, especially between merchants, but

¹¹ SNA, Rsk, Kammarkontoret, Jacob Leonhard Almacher's account in Licentmemorialbok 1720, vol. 454; SCA, Justitiekollegium, Bouppteckningar, Jacob Leonhard Almacher's probate inventory 1742/2/115.

¹² SCA, Justitiekollegium, Bouppteckningar, Petter Frisch's probate inventory 1727/796; SNA, Rsk, Huvudarkivet, Register över inlösen av statskontorets löningssedlar av 1715, vol. 133, Salary bills nos. 1684–1687; Rsk, Kammarkontoret, Licentmemorialbok 1720, 1721, vols. 454, 455.

far from all transactions were part of existing relations within the mercantile community.

Consequently, merchants in many cases had an information advantage compared to other market participants. They knew the procedure; they held information about current prices and had the contacts necessary to turn bills and notes into cash. This information asymmetry could be used to profit from price variations and the credit provided by the previous holders (cf. Li 2015).

The fact that the major traders in bills and notes utilized both their existing business associates and interacted on the open market with parties they had limited dealings with becomes visible if we turn our attention back to the activities of broker Mathias Lafrensen in Stockholm. Intermediaries like Lafrensen paid *licent* and transferred bills and notes to other market participants. They also procured large numbers of bills and notes from various holders. Their activity shows that the trading was not just about acquiring sufficient amounts of bills and notes to pay the *licent* but that it was done with the rationale of providing a service others had to pay for. In other words, they profited from reducing the existing transaction costs for other actors.

As shown in Table 3, Lafransen was active for 35 years. During that time, he purchased liabilities with a total nominal value of 829,860 dsm, which averaged 23,710 dsm a year. At the same time, he sold or paid *licent* with government liabilities with a nominal value of 805,379 dsm, which averaged 23,011 dsm annually. Moreover, he made 1,105 purchases of government liabilities. He either procured them from holders who did not have an account with the Debt Office, in which case he made the deposits himself, or he made purchases from other account holders, in which case an amount was transferred to Lafransen's account. Less than half of his purchases were of the latter kind; the rest were conducted through his network of associates. Lafransen also frequently sold salary bills and assurance notes to other account holders. His sales and *licent* payments amounted to 1,818 transactions during his active years. A comparison between his purchases/deposits and his sales/payments reveals that he deposited large values. In contrast, his sales and *licent* payments were subdivided into smaller parts.

As city broker, Lafrensen was prohibited from conducting trade.¹³ He was, therefore, paying the *licent* on behalf of his clients. Thus, merchants paid for his knowledge of the market, and his activities spared them the costs and efforts of engaging in it themselves. One of the firms that solicited his services was the leading merchant house Carlos & Claes Grill in Stockholm, which paid him over 2,400 dsm in commission in 1751 for his assistance.¹⁴ Lafrensen was not the only one providing such services. The ledgers of the Office reveal around a dozen brokers and shipping agents

¹³ *Kongl. Maj:ts Mäklare-Ordning*, 6 Jul. 1720.

¹⁴ Receipt from Mathias Lafrensen, *Diverse räkenskaper 1752*, Handelshuset Carlos & Claes Grill, Leufsta Bruksarkiv.

Table 3. *Matthias Lafransen's transactions with government liabilities in the Debt Office (dsm)*

Year	<i>Licent/</i> sales	Number of <i>Lic/sal</i>	Mean value <i>Lic/sal</i>	Deposits/ purchases	Number of Dep/pur	Mean value Dep/pur
1723	640	22	29	686	6	114
1724	47	1	47	0	0	0
1725	455	11	41	757	3	252
1726	427	9	47	172	4	43
1727	651	21	31	883	7	126
1728	5,065	34	149	6,270	18	348
1729	27,331	49	558	26,603	23	1,157
1730	15,405	49	314	18,203	20	910
1731	24,140	63	383	23,991	61	393
1732	11,871	50	237	12,902	20	645
1733	32,031	59	543	28,912	68	425
1734	66,974	32	2,093	71,898	47	1,530
1735	22,620	25	905	17,656	12	1,471
1736	23,332	41	569	25,284	10	2,528
1737	22,170	40	554	20,015	24	834
1738	16,703	32	522	21,439	5	4,288
1739	6,156	4	1,539	2,625	1	2,625
1740	7,169	16	448	6,824	17	401
1741	19,642	64	307	19,433	28	694
1742	22,610	88	257	37,761	72	524
1743	25,300	68	372	11,155	6	1,859
1744	24,755	109	227	26,387	59	447
1745	45,990	94	489	51,037	73	699
1746	10,761	39	276	7,642	9	849
1747	28,223	63	448	22,191	48	462
1748	31,915	62	515	38,197	99	386
1749	30,680	70	438	36,544	45	812
1750	83,136	78	1,066	82,841	56	1,479
1751	33,553	61	550	31,279	34	920
1752	22,091	61	362	27,733	30	924
1753	15,169	46	330	18,971	18	1,054
1754	15,582	53	294	12,379	29	427
1755	22,723	63	361	22,124	35	632
1756	49,120	141	348	51,005	75	680
1757	40,942	100	409	48,061	43	1,118
Sum	805,379	1,818	443	829,860	1,105	751

Sources: SNA, Rikens ständers kontor, Kammarkontoret, Licentmemorialböcker, 1723–57, vols. 457–512.

whose accounts have similar alignments, although most of them are on a smaller scale. The volume of their businesses was on a par with the activities of brokers and notaries in the Dutch Republic around the same time, which shows that trading in financial instruments in Stockholm could be relatively intensive (cf. van Bochove 2013).

A similar picture emerges if we go back to the activities of the merchant Jacob Leonhard Almacher in Stockholm. In 1720, he deposited 52,450 dsm of bills and notes in his account at the Debt Office but did not make a single *licent* payment. The following year, he made 17 such payments with an average value of 92 dsm. However, he also continued to acquire bills and notes so that he had 3,870 dsm in salary bills and 42,386 dsm in assurance notes in his account at the end of the year. At the end of 1730, his balance had been reduced to 234 dsm in bills and 7,910 dsm in notes, but these were more than enough to cover his 14 *licent* payments, which averaged 30 dsm in 1730. Ten years later, his balance had increased to 17,122 dsm in assurance notes, while he only made six *licent* payments that averaged 55 dsm.¹⁵ These numbers show that Almacher was an active trader in notes and bills, and the trade had a minimal correlation to his *licent* payments. Instead, he used his position to provide bills and notes to other merchants and profit from the trade. Thus, like Lafrensen, he benefitted from his capacity to reduce transaction costs for other actors.

Although very active traders, like Lafrensen and Almacher, are highly visible in the sources, most actors traded on a more modest scale. Such an actor was the merchant and alderman Johan Andreas Olbers in Gothenburg. In 1720, his only visible market activity was a deposit of 29 salary bills into his account at the Debt Office, at a value of 4,824 dsm. He had purchased most of the bills from military officers in Gothenburg and Landskrona as early as 1715 and 1716. In May 1721, he deposited eight assurance notes issued in Gothenburg, denominated at 1,353 dsm, and one assurance note from Stockholm, denominated at 591 dsm. A part of these assets was 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 made no payments but deposited three salary bills and two assurance notes. He exhibited similar activities until 1727 when he liquidated most of his deposits by selling them to other account holders. His sale of bills and notes corresponded with smaller *licent* payments: 82 dsm in 1727, 52 dsm in 1728 and 32 dsm in 1729. Olbers passed away in 1741, but his relatives did not liquidate the assets until 1756 (Millqvist 1911, p. 42).¹⁶

There were also passive participants in the market who conducted very few transactions. Such an actor was unmarried noblewoman Helena Wrede, who, in 1720, deposited two salary bills originally issued to Colonel Axel Duwall at the nominal value of 772 dsm. Three days later, she made a small *licent* payment of 7 dsm. The

¹⁵ SNA, Rsk, Kammarkontoret, Jacob Leonhard Almacher's account in Licentmemorialbok 1720, 1721, 1730, 1740, vols. 454, 455, 465, 481.

¹⁶ SNA, Rsk, Kammarkontoret, Olbers's account in Licentmemorialbok 1720–1740, 1756, vols. 454–481, 510; Rsk, Kassakontoret, Inlösta fordringar, vol. 2084, Salary bills nos. 976 and 979.

following year, Wrede deposited ten assurance notes with a face value of 458 dsm while liquidating the salary bills. In 1722, she sold off 78 dsm of her assurance notes and deposited four more assurance notes valued at 96 dsm. After these transactions, the activity in her account stopped, but she did not sell off the assets. Instead, she kept 478 dsm in her account until the 1760s.¹⁷

Another group of passive participants consisted of foreign merchants from Amsterdam, Hamburg, Lübeck and Rostock who had traded with Sweden during the war and received fiat coins as payments. Following the default in 1719, they deposited their assurance notes with the Debt Office, probably intending to be able to use them when paying the *licent*. For instance, the merchant Abraham van Wylich from Amsterdam deposited four notes valued at 2,400 dsm in 1721. He kept the notes until 1726, when he sold them to another merchant, Gerhard Niclas Deurs in the town of Varberg.¹⁸

III

Crucial to our understanding of this asset market is the development of prices. According to the governors of the Debt Office, the low exchange rate for insurance notes resulted from the fact that the volume of notes in circulation exceeded the demand for them.¹⁹ Despite the vast number of transactions, market prices in the sources are hard to come by. In a rare instance, a detailed account book from the merchant house Johan Suck & Son in Stockholm is preserved, in which prices from the 1720s are documented. Like many merchant houses in the Swedish capital, Johan Suck & Son was primarily engaged in imports of grain and exports of bar iron. In 1720, Suck & Son deposited ten salary bills and four assurance notes at the Debt Office with a nominal value of 2,951 dsm. After making two *licent* payments, they had a balance in the ledgers at the end of that year of 133 dsm in salary bills and 1,972 dsm in assurance notes. They valued the salary bills at 40 percent of their nominal value and the assurance notes at 9.4 percent. They calculated that they had made a profit of 1,867 dsm by using discounted notes and bills when paying the *licent*.²⁰

During 1721 and 1722, Suck & Son continued such market activities. At the end of 1722, their salary bills were valued at 12.4 percent, while their assurance notes were valued at 6.2 percent. Thus, the market prices had fallen, and the value of the

¹⁷ SNA, Rsk, Kammarkontoret, Helena Wrede's account in Licentmemorialbok 1720–1722, 1740, 1750, 1765, vols. 454–456, 481, 498, 521; See also Rsk, Huvudarkivet, Register över inlösen av statskontorets löningssedlar av 1715, vols. 133, salary bills 1008–1009 in 1720.

¹⁸ SNA, Rsk, Kammarkontoret, Abraham van Wylich's account in Licentmemorialbok 1721–1726, vols. 455–460.

¹⁹ SNA, Rsk, Huvudarkivet, Rikens ständers kontors protokoll, vol. 26, 4 Mar. 1745.

²⁰ Stockholm City Archives (SCA) Suck–Pauliska samlingen, Suck & Son, Huvudbok 1712–1722, vol. 6; SNA, Rsk, Kammarkontoret, Licentmemorialbok 1720, vol. 454.

Table 4. *Suck & Son's acquisitions of salary bills, 1724–7 (dkm)*

Date	Nominal value	Market value	Exchange rate %
1 Jun. 1724	807	290	35.9
1 Jun. 1724	72	25	34.7
17 Jun. 1724	300	108	36.0
16 Jul. 1724	2,889	1,040	36.0
14 May 1725	891	360	40.4
22 Jun. 1725	600	300	50.0
28 Jun. 1725	600	300	50.0
3 Aug. 1725	240	120	50.0
22 Jun. 1726	594	297	50.0
20 Jun. 1727	3,000	2,100	70.0

Source: SCA, Suck–Pauliska samlingen, Suck & Son, Huvudbok 1722–1732, vol. 7.

salary bills had decreased quite dramatically. However, it seems that the fall was temporary. In May 1723, the bills were valued at 30 percent; in August of the same year, the price had gone up to 38 percent.²¹

In Table 4, the prices of the salary bills that Suck & Son acquired in the period 1724–7 are displayed. Prices initially hovered around 35–36 percent of their nominal value until they increased to first 40 and then to 50 percent in 1725. In 1727, the price had reached 70 percent. The increase indicates that the supply of salary bills had subsided, and Suck & Son stopped purchasing the bills after 1727, as they were no longer required for the *licent*.²²

The prices on assurance notes fluctuated more than on salary bills. Figure 4 demonstrates that prices circled around 3–8 percent of the nominal value in the first years of the period before increasing slightly to 10 percent in 1727 and then up to 19 percent the following year. In 1729–31, prices fell back to 9–14 percent. However, there were exceptions to this general trend. In May 1725, for example, Suck & Son bought a note at 50 percent, and in June 1729, they bought notes at almost 24 percent of their nominal value. However, in the latter case, the purchase was made from a member of the Suck family. In other cases, they purchased from market actors, such as the Stockholm merchant Mikael Hising, with whom they already had dealings. This indicates that profit maximization was not necessary in every transaction. A higher price could be acceptable if it benefits a long-term relationship (cf. Müller 1998).²³

The price information in Suck & Son's account books can be complemented by account books from some parish churches. The congregation of Klara in Stockholm owned an assurance note valued at 1,469 dsm. In 1725, the church sold it to the

²¹ SCA, Suck–Pauliska samlingen, Suck & Son, Huvudbok 1712–1722, 1722–1732, vols. 6, 7.

²² SCA, Suck–Pauliska samlingen, Suck & Son, Huvudbok 1722–1732, vol. 7.

²³ Ibid.

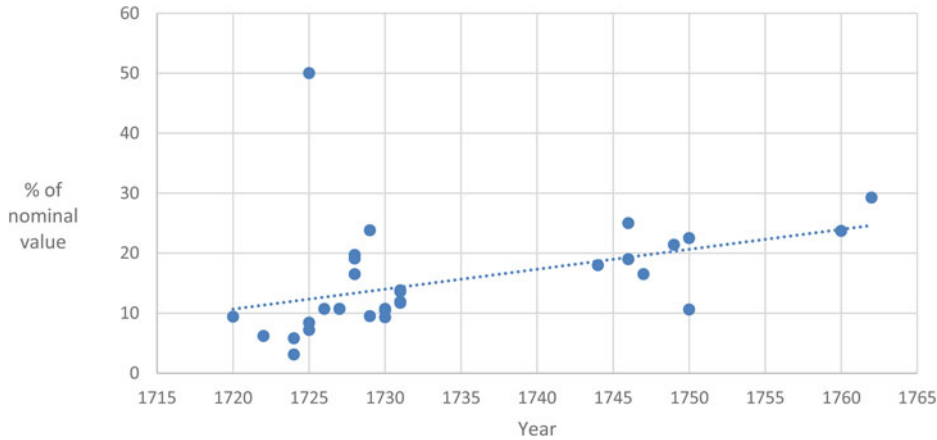


Figure 4. *Price trend on assurance notes, 1720–62*

Sources: SCA, Suck–Pauliska samlingen, Suck & Son, Huvudbok 1722–1732, vol. 7; Klara kyrkoarkiv, Kyrkoräkenskaper, vol. 46, Huvudbok 1725; VRA, Borgs kyrkoarkiv, Kyrkoräkenskaper, vol. 1, 1728; LRA, Karlskrona tyska församlings kyrkoarkiv, Räkenskaper för kyrka, vol. 2; Karlskrona amiralitetsförsamlings kyrkoarkiv, Huvudräkenskaper för kyrkan, vol. 7, 1762; URA, Dillnäs kyrkoarkiv, Kyrkoräkenskaper 1747; Torstuna kyrkoarkiv, Räkenskaper för kyrka, vol. 4, 1750; Altuna kyrkoarkiv, Räkenskaper för kyrka, vol. 3, 1750–1751; Simtuna kyrkoarkiv, Räkenskaper för kyrka, vol. 5, 1750–1751; Films kyrkoarkiv, Kyrkoräkenskaper, vol. 3, 1750; Björnlunda kyrkoarkiv, Räkenskaper för kyrka, vol. 3, 1760.

broker Eskil Lindfors in Stockholm for 7.2 percent of its nominal value.²⁴ Another example is from the parish of Borg in the province of Östergötland. In 1719, the parish owned an assurance note valued at around 43 dsm, which was sold for 16.5 percent in 1728 to the merchant Isaac Cellsing in the local mercantile center Norrköping.²⁵ These prices were slightly lower than what Suck & Son paid in 1725 and 1728, but they followed the general trend of an increase from 1725 to 1728.

In the 1740s, market prices had increased, but there were still variations. In 1746, the German congregation in the naval town of Karlskrona sold a note with a nominal value of 3,733 dsm. The administrators, with close ties to the merchant community, argued that selling it for 16.5 or 17.5 percent should be possible. Eventually, the note was purchased by the merchant house Strübing & Müller in Karlskrona for 25 percent, which was significantly higher than the perceived market price.²⁶ The fact that the merchants belonged to the congregation probably helped the church to get a better price. This interpretation is strengthened when compared with the price that

²⁴ SCA, Klara kyrkoarkiv, Kyrkoräkenskaper, vols. 40 and 46, Huvudbok 1719 and 1725.

²⁵ Vadstena Regional Archives (VRA), Borgs kyrkoarkiv, Kyrkoräkenskaper 1719 and 1728, vol. 1.

²⁶ Lund Regional Archives (LRA), Karlskrona tyska församlings kyrkoarkiv, Räkenskaper för kyrka, vol. 2, Kyrkorådets protokoll och handlingar, vol. 1, 1 Aug. 1746.

Dillnäs parish in the province of Södermanland received in 1747. The vicar assigned a local peasant to travel to Stockholm to handle the transaction. He sold the note in the capital for 16.5 percent. He also sold a note owned by the neighboring parish of Gåsinge for the same price.²⁷ This shows that the administrators in Karlskrona were not far off in their assessment. It also indicates a limited market for the notes in rural parishes in Södermanland.

Prices slowly continued to improve in the late 1740s and in the 1750s. For instance, the parish of Torstuna in the province of Uppland received 21.4 percent when it sold an assurance note to the spice merchant Laurent Gahm in Stockholm in 1749. The neighboring parishes of Altuna and Simtuna received 22.5 percent for their notes when sold in Stockholm to broker Matthias Lafrensen in 1750.²⁸ However, there were also lower prices paid. In 1750, the parish of Film in Uppland received only 10.6 percent when selling its holdings to the merchant Hinrich Steinhausen in Stockholm.²⁹ A decade later, Björnlunda parish in Södermanland received 23.7 percent for a note sold to a merchant in the town of Nyköping. In 1762, the admiralty church in Karlskrona obtained 29.25 percent when the administrators sold four assurance notes directly to the Debt Office.³⁰

Some organizations were irritated by the difference between market and nominal values and the need to seek the assistance of intermediaries. The hospital proprietors in the town of Uppsala contacted the governors of the Debt Office directly in 1744 to inquire if the hospital could obtain a better rate than what was available on the market. The Office was willing to pay 18 percent in cash for the hospital's assurance notes, which was a little better than the market price of around 16 percent. The proprietors were not impressed, but in 1746, they eventually sold their notes to the Office, receiving 19 percent.³¹ Similarly, all the churches in the diocese of Skara were granted permission in 1746 to sell their insurance notes directly to the Office at 19 percent. This decision was preceded by a request from the diocese to receive a better rate than what the market offered.³²

²⁷ URA, Dillnäs kyrkoarkiv, Kyrkoräkenskaper 1747; SNA, Rsk, Kassakontoret, Inlösta fordringar, vol. 2082, Transfer bills nos. 1783–1784; Rsk, Huvudarkivet, Förteckning över transportsedlar, vol. 134.

²⁸ URA, Torstuna kyrkoarkiv, Räkenskaper för kyrka, vol. 4, 1750; Altuna kyrkoarkiv, Räkenskaper för kyrka, vol. 3, 1750–1751; Simtuna kyrkoarkiv, Räkenskaper för kyrka, vol. 5, 1750–1751; SNA, Rsk, Kassakontoret, Inlösta fordringar, vol. 2082, Transfer bills nos. 2023–2024.

²⁹ URA, Films kyrkoarkiv, Kyrkoräkenskaper, vol. 3, 1750; SNA, Rsk, Kammarkontoret, Licentmemorialbok 1750, vol. 498.

³⁰ URA, Björnlunda kyrkoarkiv, Räkenskaper för kyrka 1760, L1a:3; SNA, Rsk, Kassakontoret, Inlösta fordringar, vol. 2082, Transfer bills nos. 1993 and 2173; LRA, Karlskrona amiralitetsförsamlings kyrkoarkiv, Huvudräkenskaper för kyrkan, vol. 7, 1762.

³¹ SNA, Rsk, Huvudarkivet, Rikens ständers kontors protokoll, vol. 25, 13 Oct. 1744, vol. 27, 16 Apr. 1746; Rsk, Kassakontoret, Inlösta fordringar, Handlingar rörande kontant inlösta försäkringsedlar, vol. 2076, no. 9.

³² Gothenburg Regional Archives, Skara domkapitels arkiv, Domkapitlets protokoll, vol. 41, 27 Nov. 1745, 3 Jan. 1746 and 26 Jul. 1746; SNA, Rsk, Huvudarkivet, Rikens ständers protokoll, vol. 26, 18

The actions of welfare institutions and churches show that primarily those with administrative and political influence tried to alter the liquidation system. At the same time, the many holders from the peasantry remained silent. This passivity is probably best explained by the transaction costs involved in liquidating assets and in the process of raising grievances and the limited benefit any potential redress could result in for each peasant.

IV

In conclusion, the partial default in Sweden in 1719 and the subsequent liquidation process first entailed a unilateral reduction of principle that affected all holders of fiat coins and then a second reduction of the new principle by a market mechanism that separated holders of salary bills and assurance notes. For intermediaries such as merchants, brokers and shipping agents the instruments were useful and could be traded. Other actors were preoccupied with holding on to or selling their assets at an appropriate time, since the bills and notes had a more limited utility for them. Tens of thousands of transactions were carried out on a secondary market over a long period when networks of local merchants bought assets from initial holders and sold them to intermediaries or merchants. Such holders deposited the liabilities with the Debt Office, which opened in 1719 to administer the liquidation of the government debt. Hundreds of account holders with the Office could, with little effort, transfer the value of their deposited liabilities between themselves or redeem them as payment for the *licent*.

Merchants and brokers drew on their existing networks and channels of trade and credit to acquire and to sell assurance notes and salary bills. These networks normally used bills of exchange to arrange payments between the participants and to link Sweden with the outside world (cf. Müller 1998). Thus, merchants and brokers were used to dealing with various forms of paper assets in their daily operations, and it was not difficult for them to incorporate government liabilities in their transactions. This fact affected the Swedish state's decision to choose the payment of the *licent* as the method to liquidate parts of the government debt. In other words, there are no indications that the merchants had difficulty acquiring notes and bills or objected to the liquidation arrangement.

The introduction of assurance notes (and before that of salary bills) after 1719 radically increased the volumes of government liabilities on the asset market. It is also safe to conclude that it brought more people into this market. As the assurance notes reached all parts of Sweden and all social segments of society, not all holders had personal ties with merchants or other intermediaries that could help them with their transactions. In order for the liquidation process to function, there was a need for

Dec. 1745, vol. 27, 7 Jul. and 12 Aug. 1746; Rsk, Kassakontoret, Inlösta fordringar, Handlingar rörande kontant inlösta försäkringssedlar, vol. 2076, no. 11.

market mechanisms that facilitated the buying and selling of assets between people who did not know each other. Our evidence indicates that holders tended to make temporary contact with people, such as brokers, merchants and shipping agents in the towns, in order to sell their assets. They could also contact officials at the Debt Office and request their assistance (Winton 2022). The relationship between the parties was unequal because of transaction costs and information asymmetries, especially when compared with the relationships within the mercantile community. However, the arrangement made it possible for non-merchant groups to sell their heavily discounted assets, even if it could be difficult. The fact that there were similar prices in different parts of the realm around the same time strengthens the interpretation that a non-personal market existed that extended beyond the limits of established social networks. Still, social networks play an important role in transactions between merchants.

The emergence of a major market for government liabilities that reached wider sections of the population in the first decades of the eighteenth century can be seen as an important phase of a financial expansion that began in the second half of the seventeenth century with the establishment of Stockholm Banco and then the Bank of the Estates, and which continued later in the eighteenth century with paper money issued by the Bank (Winton 2012; Pihl 2022). Although there is no direct link between the assurance notes and notes issued by the Bank, the liquidation process led to an increasing familiarity with financial instruments, especially among groups outside the mercantile community, facilitating the growth of paper currencies. However, this was not an uncontested process since there were always groups who opposed such developments.

In an international comparison, the closest equivalent to the Swedish liquidation process was the segmented default made in France after Law's system. Even if the French liquidation process was less drawn out, holders of French debt received liquidation certificates that could be converted into interest-bearing life or perpetual annuities, and shares in the Indies Company were regularly traded. Like in Sweden, the liquidation certificates were traded with a heavy discount: the average price was 22 percent of their nominal value in the early 1720s (Neal 2000, p. 132; Velde 2008, pp. 153–60). Unlike Sweden, the experiences in France made it very difficult politically for the royal regime to implement a new paper money system. Instead, tontines became an important lending mechanism (Velde and Weir 1992). Thus, specific local economic and political circumstances structured government borrowing and debt liquidation processes, even though all European states were affected by the same need to fund increasingly expensive military campaigns. In Sweden, warfare led to a public finance system that could mobilize broad sections of the population. Public finance was, therefore, characterized by volatility with periods of expanding liquidity followed by financial instrument retractions (cf. Fregert and Jonung 1996). Consequently, the main actors on the Swedish secondary market for government liabilities were forced to develop practices that involved trading non-interest-bearing notes rather than expanding their expertise in handling long-term bonds or life annuities.

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