

# Sweden's banks 1772–1870: Institutions, data, and size\*

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This chapter presents yearly data for banks in Sweden between 1772 and 1870. It is a survey of how they operated according to their legal status, ownership, profitability and liquidity management. Balance sheets show how they were funded, how they lent, and how they created media of exchange. While the origins and activities of early banks have been extensively researched, no quantitative survey has to my knowledge been attempted before.<sup>1</sup> The end year 1870 coincides with the end of Sweden's proto-industrial period by which time modern forms of banking had already been established. The evolution is summarized in terms of measures of financial development regarding depth, access, and efficiency. I conclude with a list of the distinguishing characteristics of the Swedish evolution in an international perspective.

The chapter divides the sample into two sub-periods according to the financial sector structure. I refer to all institutions by their Swedish name; see glossary below for recurring institutions.

1. 1772–1817: Private banks and the central bank, the *Riksbank*, in cooperation. The *Riksbank* was the fulcrum of the banking system as a lender and cashier to unlimited, joint-stock banks, so-called *diskonter*. They were established in three waves, the first in the 1770s, *older diskonter*, which ceased in the 1790s; the second in the 1790s, *riksgäldsdiskonter*, which used currency issued by the National Debt Office; and the third from 1803, *younger diskonter*, which ceased in 1817.

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1 For historical overviews in English, see Sandberg (1978), Nygren (1983), Ögren ed. (2010), Grossman (2010), Andersen (2011), and Ögren (2013). Fritz (1967, summary) covers *diskonter* in 1772–1789 and Andersson (1983) *diskonter* in Gothenburg in 1784–1818. Nygren (1970, summary) covers *sparbanker* in 1820–1913. An early overview is Flux (1910), written for the United States monetary commission. The monograph on *Stockholms Enskilda Bank* by Gasslander (1956/1962) is available in English. Brisman (1924, 1934) and Nygren (1981, 1985) provide surveys in Swedish. Fregert (2014, 2018) discusses the history of the *Riksbank*.

2. 1818–1870. Bank competition. New lending institutions, which have survived until today, were started in the form of deposit-based thrifts, *sparbanker*, in 1820; followed by note-based, unlimited-liability, joint-stock banks, *enskilda banker*, in 1831; bond-based building societies, *hypoteksföreningar*, in 1832; and deposit-based, limited-liability, joint-stock banks, *kreditaktiebolag*, in 1864.<sup>2</sup> An attempt to create unlimited, joint-stock banks named *fliälbanker* supported by loans from the *Riksbank* without note issue rights was made in 1852, which were gradually dismantled after 1862.

*Glossary of institutions (official name in English in italics)*

Swedish	English
Diskont	Joint-stock unlimited-liability bank 1772–1817
Enskild bank	Joint-stock unlimited-liability note-issuing bank 1832–
Filialbank	Joint-stock unlimited-liability bank 1852–
Finansdepartementet	<i>Ministry of Finance</i>
Hypoteksförening	Building society 1832–
Kreditaktiebolag	Joint-stock limited-liability bank 1852–
Riksarkivet	<i>Swedish National Archives</i>
Riksbank*	<i>The Riksbank</i> (central bank)
Riksgäldskontoret	<i>National Debt Office of Sweden</i>
Sparbank	Thrift 1820–
Statistiska centralbyrån (SCB)	<i>Statistics Sweden</i>

\*The full name before 1865 is *Riksens Ständers Bank* and from 1865 *Sveriges Riksbank*.

The decisions to switch from fiat money to convertibility in 1772, 1800, and 1830, implemented in 1777, 1803, and 1834, were the main driving force behind the formation of new lending institutions.<sup>3</sup> The first period of *diskonter*, 1772–1817, was successful in that no failure occurred until a general run in 1817. New financial institutions and legislation developed from 1820 onwards and a modern banking structure was in place by 1870. The development took place in a period of peace from 1815 and a stable convertibility regime from 1834. From the beginning, the legal system provided reliable and stable protection for lenders in the formal as well as in the informal financial sector. No bank failed in this period. The formal bank sector was smaller than the informal sector for the whole period, but grew and gradually replaced the informal sector. Banks, except for *hypoteksföreningar*, provided

2 Joint-stock banks are referred to as *affärsbanker* (commercial banks).

3 The deeper causes of the changes in the monetary regime were wars and changes in the constitution in 1772, 1789, and 1809, with switches between the power of the parliament and the government, see Fregert (2018) and Nyberg (2010).

short-term finance mainly for goods in production, as did the informal sector, and did not play a role in early industrialization until the late 1860s.

The slow evolution was due to the political economy of banking. The constitutions of 1721, 1789, and 1809 defined the separation of powers between the government, appointed by the King, and the parliament, and gave the government the right to enact “economic legislation”, which included the chartering of banks, while the parliament was the principal of the *Riksbank*. The chartering of banks after 1830 was often a cause of tension between the government and the parliament. The government favored a private banking sector, while the four-chamber parliament, in particular the social estates of the clergy and the yeomanry, favored the *Riksbank*. The political economy of banking is surveyed in Nilsson (1981), Nygren (1983), and Ögren (2019).

# 1. The setting

## The legal framework

The legal framework for financial institutions changed slowly. *Diskonter* and *enskilda banker* with unlimited liability were chartered for a limited period of ten to twenty years by the government (*oktroj*). These charters were published as government ordinances (*Kongl. Majt:s nådiga kungörelse*) along with the banks' statutes (*bolagsordning*). They appeared in the government gazette *Post- och inrikes tidningar* and in the yearly *Svensk författningssamling*, where all laws and ordinances have been published since 1825. The first general bank ordinance, issued by the government in 1824, set out general rules for banks in two pages. The 1846 bank ordinance for *enskilda banker*, amended in 1855 and 1864, set rules for equity, reserves and banknote issue. Not all applications that fulfilled the requirements were chartered before 1864. Free entry was granted to all such applications and prolongations were authorized from 1864. *Filialbanker* were chartered according to an ordinance in 1851 with similar provisions, except the right to issue banknotes.<sup>4</sup>

*Sparbanker* and *hypoteksföreningar* were not chartered, but their statutes were subject to government approval published in individual ordinances. This implied free entry for these institutions. They were subject to general corporation law, which only allowed for unlimited liability. From 1861, *hypoteksföreningar* were not allowed to issue their own bonds, which were acquired through the new *Sveriges Allmänna Hypoteksbank*, owned by the *hypoteksföreningar*. In 1863, the government declared that banks with limited liability – *kreditaktiebolag* – could be chartered according to the general corporation act of 1848. Lending and deposit-taking, but not banknote issue, were declared to be within their realm of activities.

The chartered banks were supervised with increasing intensity by the government. The charters for *enskilda banker* and the 1846 ordinance (§15) stipulated that they must provide quarterly statements to the government, first to the county boards (*länsstyrelserna*) and then to the Ministry of Finance.<sup>5</sup> *Sparbanker* were required from 1864 to supply information to Statistics Sweden (SCB).<sup>6</sup>

Commercial law was codified in the officially sanctioned collection of laws *Sveriges Rikes lag 1734 (handelsbalken)*. The code set a ceiling for the lending rate at 6 per

4 The 1824 ordinance is published in Brisman (1924, pp. 229–230). The ordinances thereafter are published in *Svensk författningssamling*: SFS 1846:1, SFS 1851:39, SFS 1855:86, and SFS 1864:31. According to the constitution of 1809, the government had the prerogative of economic legislation (*ekonomisk lagstiftning*), which was published as ordinances. Other legislation in the form of acts was decided jointly by the government and the parliament.

5 See Wendschlag (2012, pp. 23–28) on the early history of financial oversight.

6 See Sommarin (1942, pp. 178–182) on the start of official *sparbank* statistics.

cent, which lasted until 1863. This rate was used by *diskonter*, *sparbanker*, and *hypoteksföreningar*. *Enskilda banker* and *filiabanker* were limited by their charters to 5 per cent until 1857.

The code of 1734 protected loans in the form of promissory notes (*reverser*) issued either with two witnesses or in written form. A defaulter could be sent to debtor's prison (*bysättning*) until 1867. Promissory notes became the prime loan instrument for the banks as well as for the informal sector until the 1860s. They were secured in various ways. The enforcement code of 1734 (*utsökningsbalken*) covered the legal procedures for retrieval of collateral (*utsökning* or *lagsökning*) by government bailiffs (*kronofogde*). Collateral was mortgages (*inteckningar*) in fixed property (*fast pant*, *hypotek*), finished and unfinished goods (*lös pant*), financial claims such as bonds and stocks, and cosigners (*namnsäkerhet* signed by *borgensman*, *kautionist*). Unsecured loans (*namnsäkerhet* with borrower's signature, *enskilda förbindelser*) were rare before the 19<sup>th</sup> century. Mortgages were registered at the local courts (*tingsrätter*), which issued abstract of titles (*gravationsbevis*).<sup>7</sup> They were typically assessed based on their taxation value. A bankruptcy code was included in the law of 1734, amended by ordinances in 1767, 1773, 1798 and 1818, which strengthened and accelerated bankruptcy proceedings to the benefit of creditors.<sup>8</sup>

One source of legal uncertainty concerned the status of bills (*växlar*). Domestic and foreign bills were protected by a royal ordinance of 1671. Some uncertainty, however, prevailed after 1752, when the ordinance for domestic bills was revoked.<sup>9</sup> New ordinances in 1835 and 1851 strengthened their status.<sup>10</sup> Private banks began discounting bills in 1854. While promissory notes could be transferred like bills, they were not as liquid and as safe.<sup>11</sup> The fact that promissory notes were used instead of domestic bills testifies to the uncertain legal status of bills as well as to the widespread trust in the legal system. To sum up, banks developed in a secure and stable legal environment, a precondition for the development of a financial system.<sup>12</sup>

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7 For an overview of the historical evolution of property and mortgage registration, see Lantmäteriet (no date).

8 Olivecrona (1862).

9 Fritz (1967, p. 73, p. 126) and Brisman (1924, pp. 217–218).

10 SFS 1835:31 and SFS 1851:27.

11 Only the original issuer of a promissory note could be sued for late payment, as opposed to bills for which the originator and the acceptors were jointly responsible, which made promissory notes less safe than bills. This feature often resulted in late payments. Perlinge (2005, p. 69) points out that the issuer had to approve the transfer of the promissory note, which made them less liquid than bills.

12 For a survey of the connection between the legal and the financial system, see Beck and Levine (2005). They characterize the Scandinavian legal system as stable and independent of the state.

## The informal credit market

While comprehensive data are lacking, studies of cities and rural communities indicate that informal credit was at least as widespread as formal credit until the end of the 19<sup>th</sup> century.<sup>13</sup> The domestic informal credit market operated either directly between firms and individuals or through middlemen.

Firms extended trade credit between themselves in the chain of production through book credit registered in current accounts (*leverantörsskulder, kontantlån*). Raw material producers extended credits to manufacturers; manufacturers extended credit to wholesalers, who in turn extended credits to retailers. Credit could also flow in the opposite direction, which was common in the export trade as described below. Employers and employees extended credits to each other. For example, probate records include debts for unpaid wages.

Direct credit between individuals occurred mainly through promissory notes. An important category of lenders was private bankers, that is, wealthy individuals who lent their equity on a regular basis to several individuals. Perlinge (2005) coined the term ‘parish banker’ (*sockenbankir*) for those bankers active in rural communities, a definition used by Lindgren (2017) and Hallén (2015a).

Indirect credit between individuals and firms was intermediated through city brokers (*stadsmäklare*), who also used promissory notes.<sup>14</sup> They operated in the larger cities and were regulated by a royal ordinance of 1720, reformed in 1853, and had to be registered by the city magistrate.<sup>15</sup> The ordinance forbade them to trade in goods or bills on their own account to safeguard their probity.<sup>16</sup> In addition to being parties in the setting-up of contracts, they intermediated loans. Meetings between middlemen occurred in the 19<sup>th</sup> century in the large cities and were reported under the title of *Stockholms börs* (exchange) and *Göteborgs börs* in the newspapers.<sup>17</sup>

Brisman (1924, pp. 64–70) describes how informal credit began in the 18<sup>th</sup> century with mortgage credit and developed in the early 19<sup>th</sup> century with credit provided with cosigned and personal short-term promissory notes, which increased the scope of both the informal and the formal credit market.<sup>18</sup> Promissory notes could also circulate as a medium of exchange.<sup>19</sup> They had an advantage over *Riksbank* and private banknotes in that they yielded interest, while they were less liquid as they

13 See Hallén (2015a) for a survey of Swedish empirical studies and Nyberg (2010) for a general historical survey of informal credit in Sweden with international comparisons.

14 Their activities were similar to the notaries in France, see Hallén (2015a, p. 169; 2015b, p. 216). There was, however, no compulsory legal registration of loans in Sweden.

15 Hallén (2015b).

16 The legal framework for *stadsmäklare* is described by Hallén (2015b, pp. 217–218).

17 Brisman (1924, p. 68).

18 Brisman (1934, pp. 55–57) gives an overview of the informal credit market around 1855.

19 Perlinge (2005, pp. 76–787, 227–228) and Brisman (1924, pp. 69–70).



*Probate inventory 1784 of professor Carl von Linné, the son of his more famous father with the same name, where it is stated that he owed his sisters 333 riksdaler and 16 skilling and an interest payment of 110 riksdaler over 5.5 years. That would imply a non-compounded interest rate of 6 per cent per year, or 0.5 per cent per month. Before the rise of banking, informal credits were important, for example, between relatives.*

*Source:* ArkivDigital (Svea Hovrätt, Adeln's bouppteckningar EIXb:119), <https://app-arkivdigital-se.ezp.sub.su.se/volume/v364254?image=1310>

were less transferable outside the local community and not accepted as payment for taxes and government fees.<sup>20</sup>

Research on the size of the informal credit market in Sweden is based primarily on probates measuring the participation of households and sole proprietors in the credit market. The pioneering study is Lindgren (2002) of the eastern port city Kalmar. He found that the informal sector was about three times larger than the formal sector for the periods 1841–1845 and 1871–1875.<sup>21</sup> Hallén (2015a) used probate records for the port city of Gothenburg for every 20th year during the 19<sup>th</sup> century beginning in 1800. The formal sector made up less than 5 per cent of the total credit market in Gothenburg up to 1840. From 1840, the formal sector grew to such an extent that its market share had reached 25 per cent by 1860.<sup>22</sup> Thus, both the Gothenburg and Kalmar figures show the informal sector to be three times larger than the formal

<sup>20</sup> Perlinge (2020) argued, based on 18th century records, that private bankers sometimes could act as fractional reserve banks by issuing promissory notes which the borrowers could use as money in the local community. The notes were accepted based on the reputation of the private bankers who kept reserves of Riksbank notes. Thus they effectively could engage in credit creation in the manner of fractional reserve banks.

<sup>21</sup> Lindgren (2002, Table 7, p. 827).

<sup>22</sup> Hallén (2015a, Table III:3, p. 176).

sector in the 1860s and 1870s. In both cities, the absolute amount of formal as well as informal credit grew.<sup>23</sup> Overall, the formal sector grew faster and eventually replaced the informal sector. Still Hallén and Aldman (2015, p. 337) venture in their conclusion that the informal and formal sectors in Gothenburg were of equal size in 1900. The total growth rate of the credit market was thus considerably lower than the growth rate in the formal sector during the 19<sup>th</sup> century.

A few studies using probate records exist for rural communities, where formal credit arrived later. The most detailed long-run study is Perlinge (2005) who examines probates in the small rural parish *Vånga socken* from 1840 to 1900, where the first thrift was established in 1870.<sup>24</sup> Lindgren (2017) provides a detailed study of rural credit relations in *Norra Möre socken* in the 1840s. Both studies find that a substantial part of lending emanated from wealthy individuals who acted as private bankers.

Almost all lending in all three studies was conducted with promissory notes. Regarding rural lending, unsecured promissory notes dominated smaller loans, while larger loans were secured with mortgage collateral or cosigners. Almost all the promissory notes were redeemable on demand with a set notice period of less than year. The average effective maturity varied between 3 and 4 years. The share of informal credit supplied by private bankers increased between the 1840s and 1860s from 6 to 22 per cent.<sup>25</sup> Regarding urban lending, almost all promissory notes were secured with mortgages or cosigners.<sup>26</sup>

These studies show lending practices in the informal sector with respect to maturities and collateral, as well as the dominant use of promissory notes, to be similar to the formal sector. Less is known about interest rates in the informal sector. Hallén and Aldman (2015, p. 329) reported that the probate records for Gothenburg seldom show interest rates, but that they were not exorbitant in the examples they found.<sup>27</sup> Perlinge (2015, pp. 82–83) reported that rural loans were generally given at the legal maximum of 6 per cent interest rate, though loans between relatives often ran at 5 per cent. The interest rate could effectively be higher than 6 per cent in the informal market by charging fixed commission fees (Brisman (1924, p. 69, Kock (1931a, p.22).

Funds were also intermediated by benevolent associations, *publika kassor*, with the aim of providing pensions, sickness insurance, schools or poverty relief. It is a matter of definition whether these should be categorized as formal or informal. *Finanskom-*

23 Lindgren (2002, p. 826) and Hallén and Aldman (2015, p. 329).

24 Hallén (2015b, Table III:4, p. 178) summarizes the size evolution of informal credit in the three studies.

25 Perlinge (2005; p. 229. P. 234, p. 82–83).

26 Lindgren (2002) and Hallén (2015a) do not report maturities. Hallén (2015a, pp. 191–213) describes private bankers' activities in Gothenburg using the definition of a private banker by Perlinge (2005, p. 124), but does not provide an estimate of their share in the informal credit market.

27 Lindgren (2002) did not report interest rates for Kalmar.



*mittén* (1863, pp. 75–77) calculated the total assets of *kassor* in 1857 to be 80 million SEK, of which 25 per cent were owned by private associations and 75 per cent by the state. This is roughly equal to the combined lending of *sparbanker*, *enskilda banker* and *filiabanker*, in turn equal to the lending of *hypoteksföreningar*. Only a small part of their lending appears to have been placed as deposits in financial institutions. This is indicated by the fact that their lending categorized by collateral type totaled 70 million SEK in 1859 (Finanskommittén 1863, p. 78). This is supported by Brisman's (1934, p. 54) description of their activities in Stockholm.<sup>28</sup> Based on this point estimate, the inclusion of *publika kassor* would make the formal sector 50 per cent larger until 1857 than the aggregate figures presented in the final section.<sup>29</sup>

Several studies have analyzed the financing of the export industry, beginning with the iron industry, then the timber industry and from the 1850s agricultural exports. Most of the financing concerned the seasonal need for goods in production. Merchant houses in Gothenburg and Stockholm had, since the 18<sup>th</sup> century, helped finance iron and steel producers with seasonal loans for goods in production with foreign credits, their own equity, and borrowing from the informal and formal sectors. It is not known how important the foreign credits were, but it is well documented that merchants as well as early industrialists had long-standing credit arrangements with foreign bankers. Situated in the port cities, merchant houses also had more access to funds from both the local formal and informal sectors.<sup>30</sup>

Large-scale iron works and sawmills needing finance for fixed investment began in the 1830s. The main sources of industrial finance before 1870 were domestic in the form of initial equity, internal finance from retained profits, and bond issues beginning in the 1860s. Bank finance of industrial firms, short- as well as long-term, was a small portion of total industrial finance before 1870 as documented from company records by Gårdlund (1947, ch. 6).

The existence of an extensive informal credit market during the whole period affected the growth and practices of the formal sector. The formal sector had to obey the maximum lending rate of 6 per cent or 5 per cent for *enskilda* and *filiabanker*, while it appears the interest was generally higher in the informal market. Brisman (1924, pp. 143–149) described the formal credit market in the 19<sup>th</sup> century as one in a permanent state of illiquidity due to the inability to change the lending rate: “It happened perhaps in one of ten years that the interest rate in the open [informal] market decreased to a level such that [formal] lending could be kept liquid.” At the

28 Finanskommittén (1863, p. 77) and Brisman (1934, p. 54).

29 Hallén (2015a, pp. 182–183), however, found little evidence in probates of debts to *kassor* in Gothenburg and noted the discrepancy between his findings and the findings of Finanskommittén (1860).

30 The finance of export firms in the iron and steel industry is surveyed in Hildebrand (1992), the forest industry in Söderlund (1951), and agricultural exports by Fridliziuz (1957). The role in finance of the merchant houses in Stockholm 1730–1815 is discussed in Samuelsson (1951). Aldman (2015) examines the role of informal and formal credit among unlimited and limited liability corporations during the 19<sup>th</sup> century in Gothenburg using bankruptcy records.

same time, its deposit rates were set in the charters to 3 or 4 per cent. Thus, the banks typically encountered a funding deficit relative to the demand for loans and had to ration loans.

The fact that both the formal and informal sectors coexisted during the whole period indicates that they were close substitutes. Both were based on short-term credit with promissory notes backed by the legal system. Through reputation, based on local knowledge and long-term relations, peer-to-peer informal credit was arranged with relatively low transaction costs. Still, from its inception in the 1770s, the formal sector could compete for funds from depositors, the ultimate lenders, through improved liquidity and safety by pooling default risks. Some of these gains were transferred to borrowers who could borrow more cheaply. Gradually, they also contributed by better monitoring of borrowers. Banks thus conferred social benefits by the change from informal to formal credit. The estimates of the large informal sector for the entire 19<sup>th</sup> century indicate that the transformation from the informal to the formal sector was slow.

## Lending institutions created before 1772

The first joint-stock banks, *diskonter*, were not the first lending institutions. The *Riksbank* was set up with two separate departments in 1668: an exchange bank with 100 per cent reserves, the *Wexelbank*, and one lending bank, the *Lehnebank*, financed by interest-bearing deposits. Its lending was concentrated to long-term mortgages in fixed property, but it also provided credit to iron ore manufacturers by lending against controlled iron stored in the ports (*vågfört järn*). The *Riksbank* lending bank was effectively closed in 1709 and did not reopen until 1738. The *Riksbank* began limited short-term commercial lending in Stockholm in 1803 through the subsidiary *Riksdiskonten*, and on a larger scale from 1829 under the name *Handels- och näringsdiskonten*.

Two other non-bank lending institutions functioned as support vehicles for Swedish economic development. The state-run *Manufakturdiskonten*, created 1756, provided subsidized state lending to manufacturing firms financed by taxes.<sup>31</sup> The private *Jernkontoret*, constituted in 1748 at the instigation of the government, is an association of iron ore owners and manufacturers still in existence, which provided subsidized short-term lending to its members, financed by member fees and accumulated equity. It issued 6- to 9-month loans to its members for working capital during the year based on the size of their production. *Riksbanken*, *Manufakturdiskonten* and *Jernkontoret* thus complemented as well as competed with banks during the whole period. Figure 2.6 and Figure 2.25 include their lending for comparison.

31 It had forerunners in *Landshjälpfonden* from 1727 and *Manufakturkontoret* from 1739. Regarding these institutions and *Manufakturdiskonten* in the 18th century, see Åmark (1961) and Fritz (1967). Gårdlund (1944) describes the lending of *Manufakturdiskonten* in the 19th century.

## Monetary units and inflation

I present figures in contemporary currency units used in the sources. All values in the original sources are given in *riksdaler* of three types.<sup>32</sup> The *riksdaler* existed as coins, *riksdaler specie*, *rdr sp*, containing 25 grams of silver for the whole period. The *Riksbank* kept accounts and issued notes denominated in *riksdaler banco*, *rdr bco*, which were convertible one-to-one to *riksdaler specie* until 1808, when the *riksdaler banco* became an inconvertible fiat currency. In 1834, the *riksdaler banco* became convertible to silver and was devalued to 3/8ths of one *riksdaler specie*. A new currency unit was introduced in 1858 – *riksdaler riksmünt*, *rdr rmt*, at an exchange rate of 1.5 *rdr rmt* = 1 *rdr bco*.

The sources used for the period 1820–1870 were published from 1860 and are all in *riksdaler riksmünt*, which were relabeled *svenska kronor*, SEK, in 1873, which is the currency label used in the figures for this period. The data for the first period, 1772–1820, given in *riksdaler specie* and *riksdaler banco* can be converted to SEK by multiplying by 1.5.

During the convertible periods, that is 1777 to 1808 and 1834 to 1870, inflation was low, around 1 per cent per year, so nominal values mirror roughly real values, say across two decades. During the inconvertible period, 1808–1834, high inflation occurred between 1808 to 1812, when prices doubled. A consumer price index is available in Edvinsson and Söderberg (2010) used below for conversion of the nominal *riksdaler banco* values to real values for the 1803–1818 period.

**Table 2.1.** *Monetary regime, main currency unit, legal framework, and lending institutions. 1728–1870*

Year	Monetary regime/currency unit	Legal change	Lending institutions
1772	Fiat standard, dsm notes*		Older <i>diskonter</i>
1776	Silver standard, dsm notes convertible to <i>riksdaler specie</i> ( <i>rdr sp</i> , metal) at 1 dsm = 1/6 <i>rdr sp</i> **		
1789	Fiat standard with National Debt Office notes in <i>riksdaler riksgälds</i> ( <i>rdr rg</i> )***		
1792			Riksgäld-note <i>diskonter</i>
1803	Riksgäld notes convertible to <i>riksdaler specie</i> at 1 <i>rdr</i> = 1.5 <i>rdr rg</i>		

32 The time series data presented here for 1772–1776 when the main currency unit was *daler silvermynt*, *dsm*, have been estimated in *rdr sp*. The price level in *dsm* was stable during this period.

1803			Younger <i>diskonter</i>
1809	Fiat standard, <i>riksdaler banco</i> , <i>rdr bco</i>		
1817			Bank run, end of <i>diskonter</i>
1820			<i>Sparbanker</i>
1824		Ordinance for banks	
1831			<i>Enskilda banker</i>
1832			<i>Hypotekföreningar</i>
1834	<i>Riksdaler banco</i> convertible to silver at 1 <i>enskilda banker</i> = 3/8 <i>rdr sp</i>		
1835		Ordinance for domestic bills	
1846		Ordinance for <i>Enskilda banker</i>	
1851		Ordinance for domestic bills	
1852			<i>Filialbanker</i>
1855		Ordinance for <i>Enskilda banker</i>	
1856			<i>Stockholms Enskilda Bank</i>
1857		Interest at 6 % allowed for non-discount loans	
1858	1 <i>riksdaler riksmünt</i> ( <i>rdr rmt</i> ) = 1 krona (SEK) = 2/3 <i>rdr bco</i>		
1861			<i>Sveriges Allmänna Hypoteksbank</i>
1862			Parliament orders dismantling of <i>filialbanker</i>
1863		Interest maximum at 6 % revoked	Limited liability deposit banks
1864		Ordinance for <i>enskilda banker</i>	
1869			<i>Folkbanker</i> ****

\* Parallel currencies with floating exchange rates between copper and silver with three currency units: *dsm* in copper, *dsm* in silver, and the main currency *dsm* in fiat notes.

\*\* 1 *riksdaler specie* = 25 gram silver during the whole period.

\*\*\* Parallel currencies with floating exchange rates with two currency units: the silver currency *rdr sp* and the fiat currency *rdr rg*.

\*\*\*\* Not discussed, see Ahnland (2022).

*Note:* For more details about the currency system, see Edvinsson (2010a, b).

## 2. 1772–1818: Banks cooperating with the *Riksbank* - *Diskonter*

### Data, ownership, regulations and profitability

In the period 1772–1818, 10 banks were chartered by the government.<sup>33</sup> All of them, except the first, were named *diskonter*.<sup>34</sup> They were established in three waves:

- the 4 older *diskonter* established from 1772, as part of a plan to restore the silver standard which occurred in 1777, all of which had expired by 1795
- the 3 *riksgäld diskonter* active between 1789 and 1804
- the 3 younger *diskonter* from 1803 after the return to the silver standard in 1803, which expired in 1817.

The *Riksbank* supported the banks with credit lines in the first and the third wave, while *Riksgäldkontoret* (Swedish National Debt Office) provided funds for the second wave. An overview of the sources, ownership, statutory capital and credit lines from the *Riksbank* and *Riksgäldkontoret* is given in Table 2.2.<sup>35</sup> Their importance is indicated by the financial depth measured as lending as a share of GDP, reaching 4 per cent (Figure 2.2).

Background data in this section come from the sources listed in the table. The four older *diskonter* are discussed by Sven Fritz (1967) and the younger *diskonter* by Bertil Andersson (1976, 1983, 1985). Both these authors provide quantitative data from archival sources preserved at *Riksarkivet* (Swedish National Archives). Additional yearly data, in the form of a summary table of deposits and assignments at year-end (see below) of the younger *diskonter* for 1803–1817, were produced by the parliament's *Bankoutskottet* (Committee on Banks) in 1824, and is reproduced by Brisman (1924). The *riksgäldsiskonter* in Stockholm have not been studied to my knowledge and have therefore been left out. Andersson (1980) covers the private *Göteborgs Riksgäldsdiskont*.

The *diskonter* were created to fill a gap not provided by *Manufakturdiskontkontoret* and the *Riksbank* (central bank of Sweden), namely, the need for short-term funding for working capital for trade and artisan firms secured by personal collateral

33 *Åbo diskont* in present-day Finland, which is not included, was founded in 1805. Finland ceased to be Swedish in 1809.

34 The individual bank was called a *diskont*, plural *diskonter*.

35 *Riksdiskonten* was wholly owned by the state from 1815 and in practice a department of the *Riksbank*.

or goods in production. They emanated from a *finansplan* for 1772 drawn up by *Bankoutskottet* (parliamentary banking committee) for the monetary and financial system to return to convertibility to silver and new credit institutions.<sup>36</sup> The plan was sent to the government who worked out the details. It issued the charters for the new banks and declared the convertibility of *Riksbank* notes into silver starting 1<sup>st</sup> January 1777.

Export firms had access to credit from foreign merchants, but also looked for domestic financing as evidenced by the location of *diskonter* to the port cities of Stockholm, Gothenburg and Malmö. The *Riksbank* was not considered an appropriate institution for issuing loans against personal collateral for two reasons. First, it did not have the expertise in judging the solvency of borrowers that a private company directed by merchants would have had. Second, the *Riksbank* as a state institution could be accused of corruption, if it discriminated between potential borrowers.<sup>37</sup>

**Table 2.2** *Diskonter, 1772–1817.*

<i>Firm, city, period,</i>	<i>Ownership Statutory equity* Charter length # Owners (approx.)</i>	<i>Riksbank credit line, interest rate</i>	<i>Sources</i>
<b>1772–1795: older diskonter</b>			
Generalassistskontoret** Stockholm 1772–1792	Private: 375,000 dsm State: 1,125,000 dsm Indefinite 80	1786: 50,000 rdr sp, 4%	Fritz (1967)
Diskontkompaniet, Stockholm 1773–1787	Private: 2,400,000 dsm 12 years + 3 Unknown	1773: 100,000 rdr sp, 3 % 1777: 200,000 rdr sp, 6%	Fritz (1967)
Göteborgs diskontkontor Göteborg 1783–1795	Private: 278,000 12 years 74	1783; 50,000 rdr sp, 4%	Fritz (1967), Andersson (1983)
Generaldiskontkontoret Stockholm 1788–1795	State: 400,000 rdr sp	1789: 100,000 rdr sp, 3 % 1789: 200,000 rdr sp, 6%	Fritz (1967)
<b>1789–1803: Riksgäld (NDO) diskonter</b>			
Riksgäldsdiskontkontoret Stockholm 1789–1792	State: 150,000 rdr rg Private: 100,000 rdr rg		Åmark (1961)

36 Fritz (1967, pp. 21, 99, 136).

37 Fritz (1967, p.128).

Riksgäldsdiskonten Stockholm 1792–1800	State: 200,000 rdr rg Private: 50,000		Åmark (1961)
Göteborgs Riksgäldsdiskont Gothenburg 1797–1804	Private: 100,000 rdr rg Indefinite 80	50,000 rdr rg, 4 %***	Andersson (1980)
<b>1802–1817: younger <i>diskonter</i>****</b>			
Riksdiskonten Stockholm 1802–1815	State: 600,000 <i>enskilda banker</i> Private: 200,000 <i>enskilda banker</i>		Brisman (1924)
Göteborgs diskont Gothenburg 1803–1817	Private: 200,000 <i>enskilda banker</i> 15 years Unknown	1804: 200,000 <i>rdr bco</i> , 3 % 1805: 50,000 <i>rdr bco</i> , 6% 1809: 200,000 <i>rdr bco</i> , 6% 1815: 400,000 <i>rdr bco</i> , 6%	Andersson (1983) Brisman (1924)
Malmö diskont Malmö 1803–1817	Private: 100,000 <i>enskilda banker</i> 15 years 202	1804: 100 000 <i>rdr bco</i> , 3% 1805: 30,000 <i>rdr bco</i> , 6% 1809: 100,000 <i>rdr bco</i> , 6% 1815: 700,000 <i>rdr bco</i> , 6%	Andersson (1985) Brisman (1924) Kärlander (2008, 2011, 2013)
Göta kanal diskont Gothenburg, 1810–1817	Owned by Göta kanal corporation, 20 years	1810: 800,000 <i>rdr bco</i> , 3% 1815: 800,000 <i>rdr bco</i> , 6%	Andersson (1983) Brisman (1924)

\* Initial capital paid in cash, paid-in capital, was usually lower than statutory capital.

\*\* Initially a pawn bank (Lombard bank).

\*\*\* Credit line from *Riksgäldkontoret*.

\*\*\*\* For the younger *diskonter* banks, the funds were lent from *Riksdiskonten* (*Riksdiskontverket*) affiliated with the *Riksbank*. *Riksdiskonten* was wholly owned by the *Riksbank* from 1815

Notes: The *Riksbank* lending at 6% against security was offered as a temporary liquidity reserve.

The *diskonter* were joint-stock banks with unlimited liability funded by equity, credit from the *Riksbank* and deposits as described in Table 2.2. The charter stipulated the size of the statutory capital and the maximum *Riksbank* credit. The private stock certificates were sold by subscription to the public. There was no limit on the number of stockholders, which allowed for a rather large number of stockholders (Table 2).<sup>38</sup>

38 The legal set-up is most akin to the Scottish unchartered, note- and deposit-based, joint-stock banks under unlimited liability, which had a large number of stockholders. The English and Irish banks were partnerships with unlimited liability (“private banks”) limited to six partners. The three chartered, joint-stock Scottish banks had limited liability. Joint-stock banks with unlimited liability were allowed from 1826 in England and Wales.

The charters specified the required amount of equity. Fritz (1967, 105–106) found that 60 per cent of the initial stock of *Generalassistentkontoret* was owned by businessmen (*näringsidkare*) with civil servants as the second largest group. The owners of *Diskontverket* in Stockholm and *Göteborgs diskontkontor* were dominated by the “commercial elite” (Fritz (1967, p. 168). Andersson (1983, pp. 52–53) and Fritz (1967) similarly found that *Göteborgs diskontkontor* and the two successors *Göteborg riksgäldsdiskont* and *Göteborgs diskont* were predominantly owned by “prominent merchants”. The *Malmö diskont*'s ownership was heterogeneous according to Andersson (1985, pp. 18–19) and Kärrlander (2008, p. 43) with civil servants outnumbering merchants. *Göta kanal diskont* was wholly owned by the *Göta Kanal-kompaniet*.

The first wave of the older *diskonter* began with *Generalassistentkontoret* in 1772 in Stockholm. It was set up as a lending bank against pawn collateral geared to the poor to be financed by owners' equity, including the state. Over time, it shifted to discount lending with promissory notes funded by deposits.<sup>39</sup> The next one was the private *Diskontkompaniet*, which started in 1773 in Stockholm, followed by the private *Göteborgs diskontkontor* in 1783 in Gothenburg. The charter of *Diskontkompaniet* expired in 1785, but was extended until the end of 1788. It was replaced by the wholly state-owned *Generaldiskontkontoret* in 1787, which took over the lending, deposits, rules and employees from *Diskontkompaniet*.

The second wave of the *riksgäldsdiskonter* was a result of the new currency – *riksdaler riksgälds* – issued by the National Debt Office from 1789. This currency turned into a fiat currency with floating exchange rate against the silver *riksdaler*, which crowded out *Riksbank* notes. The *diskonter* lost their ability to intermediate as they saw deposits in *riksdaler banco* increase while the demand for lending switched to loans in the depreciating *Riksgäld* notes. The law prescribed that all contracts concluded with *riksdaler banco* should be honored in the same currency. *Riksgäldsdiskontkontoret*, started in 1789 in Stockholm with the government as majority owner, and was reorganized in 1792 as *Riksgäldsdiskonten*. *Generalassistentkontoret* and *Generaldiskontkontoret* were forbidden to use *riksdaler riksgälds* and ceased operations in 1792 and 1795. *Göteborgs diskontkontor* was allowed to use *riksdaler riksgäld*, but was not rechartered when its charter expired in 1795. The government chartered a new private *Göteborgs riksgäldsdiskont* in 1797, which in exchange for a credit line of *riksgäld* notes paid *Riksgäldskontoret* half of its profits.<sup>40</sup>

The third wave of the younger *diskonter* began after a monetary reform in 1800 that fixed the exchange rate in 1803 between the fiat currency *riksdaler riksgäld* notes and the *Riksbank riksdaler banco* notes, which were convertible to silver. Thus, as with the older *diskonter*, the return to a silver-based currency was accompanied by new financial institutions chartered by the government. Two private *diskonter* were chartered in 1802 and 1803 and started operations in 1803 and 1804: *Göteborgs diskont* and *Malmö diskont*. They were of the same type as the earlier *diskonter* with

39 From 1776 against its charter, sanctioned by the government 1783 (Fritz 1967, p. 120).

40 Data for *Göteborg riksgäldsdiskont* are available in Andersson (1983).





Malmö diskont, opened 1803, had its office on the first floor of Berghska huset (low building in the middle) at Stortorget in Malmö, which was built in the 1760s and still exists. The house was owned by its director, Mayor Carl Magnus Nordlindh. A government audit in 1817 revealed that the bank was insolvent; soon a bank panic ensued and the diskont was declared bankrupt. Several board members, including Nordlindh, had taken out large loans, which were found to be in arrears. Nordlindh was prosecuted for fraud and put in jail. The parliament decided to reimburse the depositors in full to avoid further repercussions. The National Debt Office took over the debts, which were only partly recovered over several years. The bankruptcy of Malmö diskont triggered runs on the other two diskonter, Göteborgs diskont and Göta kanalbolagets diskont, which closed down shortly after. Thus ended the era of private banks in 1817, which began in 1772. The first private bank after 1817, Skånes Enskilda Bank opened in Ystad 1831 under the rules of the bank law of 1824, which declared that the state would not support any bank under any circumstances.

Source: Malmö stadsarkiv.

financing from deposits, equity and subsidized loans from *the Riksbank*. A third private *diskont*, *Göta kanal diskont*, opened in 1810. It was set up to finance *Göta Kanal* to be constructed between the east and the west coast of Sweden. It became the largest *diskont* in terms of lending and deposits, helped by its reputation from being owned wholly by *Göta Kanalbolaget* with close ties to the government. In return for the subsidized funding, *the Riksbank* was entitled to one-third of the profits after the owners were paid a 7-per cent return.



*Göta kanal diskont* was instituted in 1810 to support the construction of *Göta Canal*, the greatest civil engineering project in Sweden up to that time. Pictured, the opening of *Göta Canal* in 1832.

<https://digitaltmuseum.se/021046500588/gota-kanals-oppnande-vid-mem-1832>

No private *diskont* was chartered in Stockholm. Instead, the new state institution, *Riksdiskonten*, started in 1803. Though with private minority owners until 1815, it was in practice a department of the *Riksbank*. It lent to the public and handled loans to the private *diskonter*, but did not accept deposits. This led the *Malmö diskont* and *Göteborgs diskont* to attract funds from Stockholm through exchange agents in Stockholm.

The older and younger *diskonter* were profitable. Regarding the older *diskonter*, Fritz (1967) calculated an average return on paid-in equity of 6 per cent for *General-assistanskontoret*, 14 per cent for *Diskontkompaniet*, and 10 per cent for *Göteborgs Diskontkontor*.<sup>41</sup> Regarding the younger *diskonter*, Anderson (1983, 1985) calculated

<sup>41</sup> Fritz (1967, Table 5; Table 7; p. 244).

19 per cent for *Malmö diskont* and 17 per cent for *Göteborgs diskont* for the period 1810–1816.<sup>42</sup>

## The balance sheet and cash management

Balance sheets for the older *diskonter* are available for the 1780s for *Generalassistentkontoret* (Figure 2.2) and *Göteborgs diskontkontor* (Figure 2.3) in Fritz (1967). For *Diskonkontoret*, only data on *Riksbank* borrowing and equity are available. Data on lending and major funding are available for *Generaldiskonten*, but not complete balance sheets.<sup>43</sup> For the younger *diskonter*, Kärlander (2008) published balance sheets for *Malmö diskont* (Figure 2.4) from 1813 to 1816.

The main items of the balance sheets of the *diskonter* are shown in Table 2.3.

**Table 2.3.** *The balance sheet of diskonter.*

Assets	Debt and Equity
Loans	Interest-bearing deposits ( <i>obligationer</i> )
Reserves:	Sight deposit account*
<i>Riksbank</i> notes	Loans from the <i>Riksbank</i>
<i>Riksbank</i> deposits	Outstanding assignments
	Equity

\* *Göta Kanal diskont*.

The older and younger *diskonter* used their accounts at the *Riksbank* for most of their transactions. Brisman (1924, p. 22) referred to the *Riksbank* as the cashier to the *diskonter*.<sup>44</sup> The owners paid their equity to the bank's account at the *Riksbank*. The borrowers amortized their loans and the depositors paid at the *Riksbank* in Stockholm. The *diskonter* in turn paid out funds for their loans and dividends with drafts on the *Riksbank*, so-called *assignmenten*, the method used by *Manufakturdiskonten* and *Jernkontoret*. The *diskonter* paid 3 per cent for the *Riksbank* loans, but in emergencies, they could borrow at 6 per cent up to a limit (Table 2.2).

Fritz (1967, p.168, 199) surmised that the cash reserves held at the offices for *Diskonkontoret* and *Generaldiskontkontoret* were small and mainly used for running expenses and interest payments. The balance sheet data of *Generalassistentkontoret* (Figure 2.2) similarly indicate low cash reserves held in its office. *Göteborgs diskontkontor* (Figure 2.3) carried low reserves the first years, which increased in the last years, which may be explained by its location outside Stockholm where the *Riksbank* had its office and its more seasonal deposits and lending. Reserves of the younger

<sup>42</sup> Andersson (1983, Table 13; 1985, Table 4).

<sup>43</sup> Fritz (1967, p. 159 and 199).

<sup>44</sup> Fritz (1967, pp. 161–162) describes in detail these transactions for *Diskonkontoret*.

*diskonter* are only known for *Malmö diskont*, which varied around 10 per cent of deposits (Figure 2.4).

## Funding and the *diskonter* as creators of money

Sight deposits were issued at 3 per cent and time deposits with 6 weeks' notice at 4 per cent. The 3-per cent deposits were the most common for the younger *diskonter*.<sup>45</sup> Each deposit was regarded as a loan to the bank, for which a bearer certificate was issued under the name “*obligation*” (bond) as opposed to account-based deposits.

Fritz (1967, pp. 174–175) and Brisman (1924, p.10) report that the obligations issued by *Diskontkompaniet* were occasionally used as money, often with round denominations. Fritz (1967, p. 205) did not find any evidence for this for *Generaldiskontkontoret*. The younger *diskonter* issued *obligationer* in fixed denominations from 100 *riksdaler bco*. While the denominations were much larger than *Riksbank* notes (1/6 of a *riksdaler bco*), the fact that they paid interest made them an attractive alternative to *Riksbank* notes for businesses. Compared to promissory notes in the informal market, they had a lower return, but were more liquid and safer. Obligations were issued as certificates of deposits with the exception of the *Malmö diskont*, which issued them to borrowers from 1813 until 1815, when they were forced to end this credit creation at the order of the parliament.<sup>46</sup>

Assignations used for lending constituted a source of interest-free funds to the extent that they were held outside the *Riksbank* before being cashed at the *Riksbank*. This would happen if they circulated as money. They appeared then as debts to the *Riksbank* in the *diskonter* balance sheets, but did not affect the *Riksbank*'s balance sheet until they were cashed. When cashed, they either reduced the *diskonters*' deposits at the *Riksbank* or increased the credit from the *Riksbank* and then became interest-carrying loans on the liability side of the *diskonter*. The evidence indicates that the assignations of the older *diskonter* were cashed quickly at the *Riksbank* so they were not used as money.<sup>47</sup> In contrast, the younger *diskonters*' assignations circulated for extended periods, encouraged by their issue in printed form in fixed denominations from 5 *riksdaler banco*, that is, much lower than the deposit obligations, though still several times the lowest denomination *Riksbank* note. In this respect, the younger *diskonter* were forerunners of the note-issuing *enskilda banker*, which created credit through the issue of fixed-denomination printed notes.

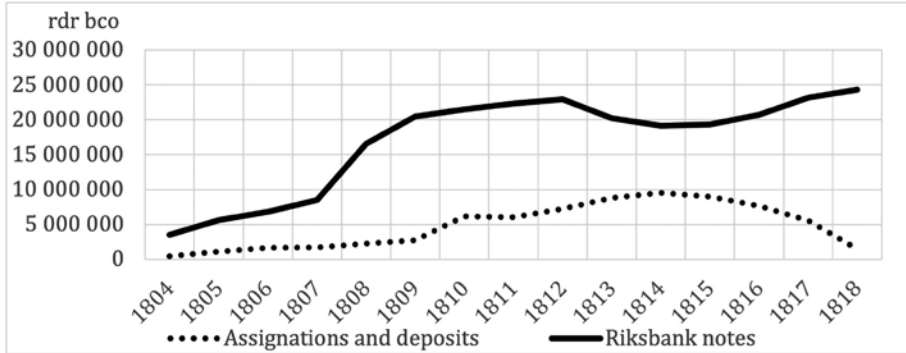
The provision of private note issue in the form of fixed-denomination deposit obligations and assignations by the younger *diskonter* was significant, reaching a maximum of 50 per cent in 1814 of the *Riksbank* note issue as shown in Figure 2.1.

<sup>45</sup> Andersson (1983, p. 54; 1985, p. 34).

<sup>46</sup> Brisman (1924, pp. 44–45).

<sup>47</sup> Fritz (1967, p. 8, p. 166, p. 205)

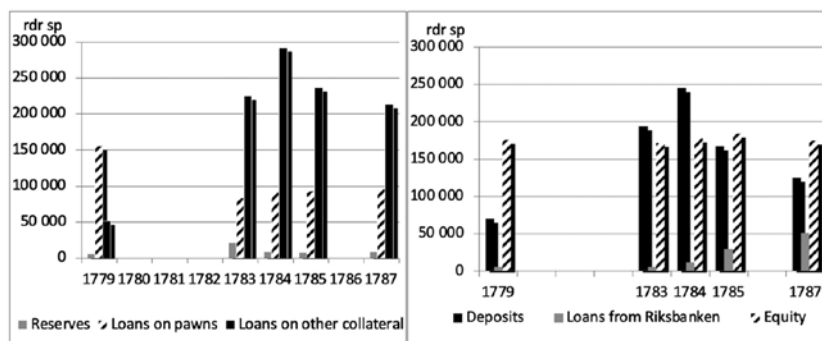
**Figure 2.1.** Sum of outstanding assignationer and obligationer (deposits), and Riksbank notes at end of year 1804–1818.



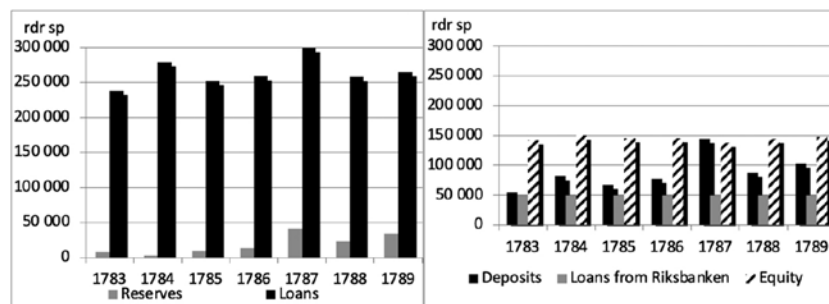
Sources: Brisman (1924, p. 244) and Riksbanken (1931).

The relative use of funds by the older *diskonter* funds can only be gauged approximately due to the incomplete data of their balance sheets. The balance sheets for *Generalassistentkontoret* (Figure 2.2) and *Göteborgs diskontkontor* (Figure 2.3) are known for some years. *Generalassistentkontoret* initially used only equity. It began receiving deposits around 1775 on a small scale, which reached approximate parity with equity in 1783 when data begin. Limited borrowing at the *Riksbank* began in 1787 and increased until 1789. Equity was the dominant source of funds for *Göteborgs diskontkontor* with deposits growing over time (Figure 2.3). Fritz (1967, pp. 164–165) estimated that *Diskontkompaniet* used more outside funding (*Riksbank* loans and deposits), relative to its equity than *Generalassistentkontoret* and *Göteborgs diskontkontor*, which suggests that deposits were the dominant funding source for *Diskontkompaniet*.<sup>48</sup> In sum, deposits at the older *diskonter* in Stockholm were a significant and increasing source of funds.

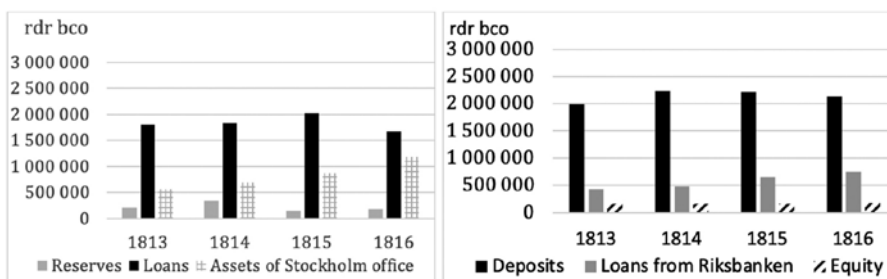
<sup>48</sup> Fritz (1967, Figure 13, p. 203).

**Figure 2.2.** *Generalassistentkontoret* balance sheets, 1779, 1783–1785, 1787.

Source: Fritz (1967, p. 256, Table XIII).

**Figure 2.3.** *Göteborgs diskontkontor* balance sheets, 1783–1789.

Source: Fritz (1967, p. 256, Table XXI).

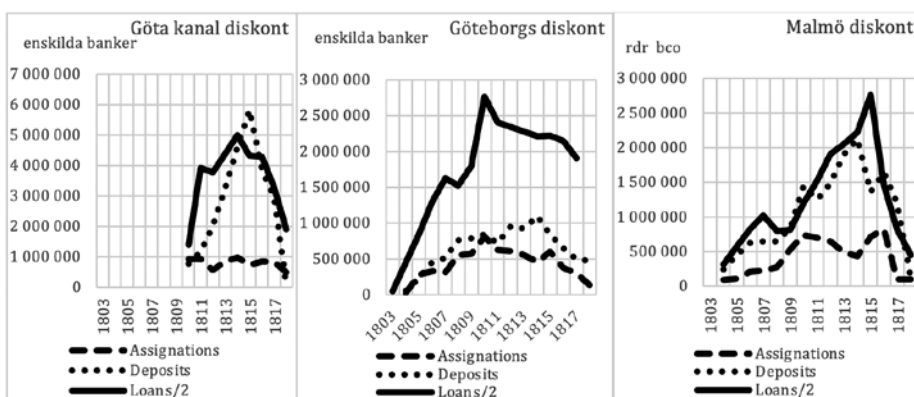
**Figure 2.4.** *Malmö diskont* balance sheets, 1813–1816.

Source: Kärrlander (2008, p. 50).

Note: Assets of the Stockholm office, “Conto med Tit. Wilhelmsson”, contain reserves and loans. Loans from (“Wexelbanken räkning no 2”) may be assumed to contain both recorded loans at the *Riksbank* and outstanding assignments. Equity is the sum of statutory capital and reserved profits. The reserve ratio (reserves/(deposits+loans from *Riksbanken*)) varied between 5 and 13 per cent. The solvency ratio (equity/total liabilities) was stable at 5 per cent.

The relative use of funds by the younger *diskonter*, may be estimated indirectly from the size of deposits and outstanding assignments at the end of the year. These are shown for each *diskont* in Figure 2.5 together with loans from Andersson (1983, 1985). Equity and loans from the *Riksbank* are only known for *Malmö diskont* (Figure 2.4). Deposits dominated as a source of funding at *Malmö* and *Göta kanal diskont*, while deposits and outstanding assignments were of equal size for *Göteborgs diskont*. Together assignments and deposits funded almost all of the increase in lending (Figure 2.7). This is consistent with the low reserve and solvency ratios below 10 per cent seen in the case of *Malmö diskont* (Figure 2.4, note).

**Figure 2.5.** Assignations and deposits 31 December and average loans for the younger *diskonter*, 1803–1817.



Source: Deposits and assignments from Bankoutskottets akter, 1823, del III, p. 1639, Riksarkivet (Swedish National Archives) with the title "... de uphörde Filial-Diskonternes utelöpande Assignationer och 3 procents Sedlar [reverser in column heads] 31 December", that is, outstanding values at year-end. The figures are reproduced in Brisman (1924, p. 244), under the title "Assignationer och depositioner". Loans from Andersson (1983, 1985).

Note: The loans are accumulated loans over the year divided by 2. With an assumed loan maturity of  $\frac{1}{2}$  year, "Loans/2" is the average at any time in the year, comparable to end-of-year data. Lending of Göteborgs diskont has been interpolated between the years 1811 and 1814. Andersson (1983, 1985) presents yearly accumulated assignments, deposits, and loans, but not end-of-year data.

## Lending

The charters' provisions for lending for the older and younger *diskonter* were identical. They issued discount loans with interest at 6 per cent paid upfront and subtracted from the amount paid out. The loans could be secured with a personal pledge, personal pledge with cosigner (*borgen*) or with security in property (*hypotek*, mortgage), goods, or securities. The loans were issued with 3 to 9 months' maturi-

ty.<sup>49</sup> *Diskontkompaniet* and *Generaldiskontkontoret* only allowed maturities up to 6 months, which appears to be the most common maturity for all the *diskonter*.

The maturity of loans was enforced by charging late payers a penalty rate backed up by prompt enforcement after giving notice to the bailiffs. From the beginning, the loans were granted the same legal protection as foreign bills. Prolongations (*omsättning*) were occasionally allowed on the condition that at least part of the original loan was repaid.<sup>50</sup> *Diskontkompaniet*, *Göteborgs diskontkontor*, and *Generaldiskontkontoret* avoided prolongations of existing loans, while *Generalassistentkontoret* allowed them.<sup>51</sup> Andersson (1976, 1983, 1985) indicates that the majority of loans granted by the younger *diskonter* were paid on time or even before. Loan defaults occurred, but never threatened solvency except in the case of the demise of *Malmö diskont* in 1817. This testifies to both the good security offered, which was backed by the legal system, and loan rationing to the most reliable borrowers.

Regarding the identity of borrowers, Fritz (1967, pp. 182–185, 209–213) provides data for the older *diskonter*. Fritz (1967, pp. 236–238) and Andersson (1983, pp. 60–61) provide data for *Göteborgs diskontkontor*. The general result of their investigations shows that the majority of the borrowers were businessmen (*näringsidkare*), which according to the statutes should be the prime eligible group. The largest group was merchants, who also borrowed the largest amounts, with artisans coming second. The loans financed working capital in the form of inventory of finished goods or goods in production, which were used as collateral together with personal bonds. Other borrowers at the *diskonter* were the state-appointed middlemen (*stadsmäklare*), who lent to individual borrowers lacking sufficient collateral; public corporations; and iron ore owners, but also public officials, against the statutes.<sup>52</sup>

The lending in *rdr sp* for each of the older *diskonter* is shown in Figure 2.6. Complete data exist for *Göteborgs diskontkontor* and for *Generaldiskontkontoret* from their founding until 1789. No data on lending exist for *Diskontkompaniet*. Instead, estimates have been made by assuming that its lending in 1787 was equal to the lending of its immediate successor *Generaldiskontkontoret* from 1780. For *Generalassistentkontoret* there are only five observations. The missing years' lending has been estimated by interpolations. Details of these estimates are given in the note to the figure. The lending of *Jernkontoret* and *Manufakturdiskonten* is included for which there are yearly data for all years. The estimates of the yearly series are used in the calculation of financial depth in the last section.

49 Fritz (1967, p. 120) reports that *Generalassistentkontoret* applied in 1774 for the right to open cash credits, that is, fixed credit lines backed by securities inspired by Scottish banks. Whether or not this was implemented is not known.

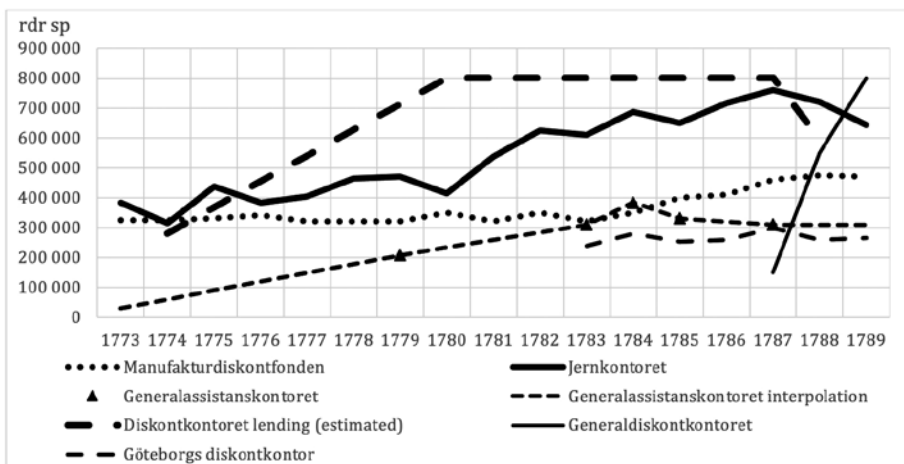
50 Fritz (1967, p. 122, p. 177, 213–214, 241).

51 Fritz (1967, pp. 122, 187, 215, 240–241, 243)

52 Brisman (1924, p. 11).



**Figure 2.6.** Lending at year-end of the older *diskonter*, *Manufakturdiskonten*, and *Jernkontoret*, 1773–1789.

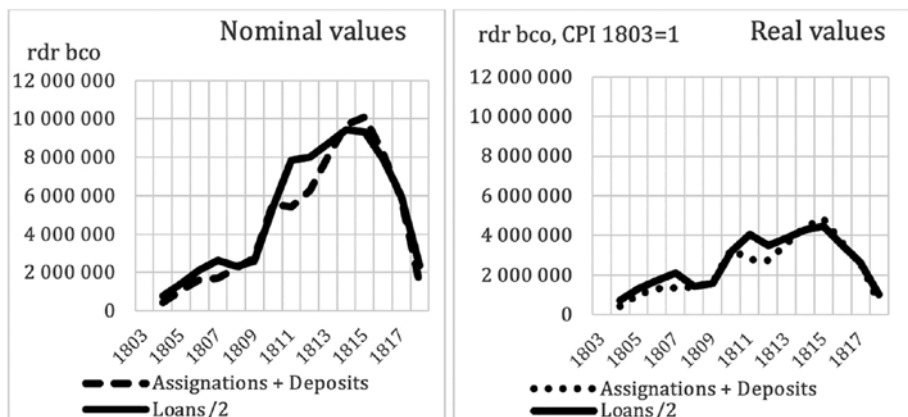


Sources: Manufakturdiskontfonden: Fritz (1967, Figure 7, series B, p.85), Generalassistskontoret: Fritz (1967, Table XIII, p. 256), Diskontkompaniet, see note), Generaldiskontkontoret Fritz (1967, Figure 13, series C, p. 203), Göteborgs diskontkontor: Fritz (1967, Table XXI, p. 266), Jernkontoret and Manufakturdiskonten: see Figure 2.26.

Note: For the period 1773–1774, the lending of *Diskontkompaniet* is assumed to be equal to its paid-in statutory equity which was fully paid in by 1774, (Fritz (1967, p. 163). Deposits and lending increased from 1775 to 1780, when growth stagnated, see Fritz (1967, pp.168–169). I have assumed that its lending in 1780–1787 was constant and equal to the level of lending reached by its successor *Generaldiskontkontoret* in 1789 at 800,000 *rdr sp*. The starting point for *Generalassistskontoret* is its equity, which was its only source of funds when it began. Thereafter, the series have been linearly interpolated for the missing years.

Regarding the younger *diskonter*, the available data on lending are the accumulated yearly loans in Andersson (1976, pp. 133–135; 1983, 60–61; 1985, 27–29). To translate the accumulated data to average-year data to be comparable to end-of-year data, I have assumed that the maturity of all loans is six months. On average, the lending stock at a point in time is then the yearly accumulated value divided by two, which is shown for the individual *diskonter* in Figure 2.5. Support for the assumption is given by Andersson (1983, 1985) who found that on average 40 per cent of the accumulated loans were outstanding at the end of the year for the *Göteborgs diskont*, 50 per cent for the *Göta kanal diskont*, and 45 per cent for *Malmö diskont*. The sum of lending for all the *diskonter* follows closely the total funding from assignments and deposits as seen in Figure 2.7. Due to the inflation 1808–1812, which doubled the price level, the real increase in lending was half the nominal increase.

**Figure 2.7.** The sum of assignments and deposits at year-end and lending (accumulated lending/2) of the younger *diskonter*, 1804–1817.



Sources: See Figure 2.5. CPI: Edvinsson and Söderberg (2010, Table I.A8.1).

## Liquidity management and the demise in 1817 of the younger *diskonter*

The legal 6-per cent lending maximum and the 3 per cent deposit rate precluded the use of interest rate variations to equalize the supply to demand for loanable funds. At the same time, the *diskonter* were fractional reserve banks with a maturity mismatch between short-term funding and mostly 6-months loans. All the *diskonter* had access to a credit line from the *Riksbank* (Table 2.2), and they used it more or less continuously. The credit line reduced the need to carry precautionary non-interest-bearing reserves and explains their occasional use of the 6-per cent credits as a liquidity reserve. This in turn enabled the *diskonter* to extend more credit than without the backing of *Riksbank* credit.<sup>53</sup> There was a supply effect on the amount of credit given as the *diskonter* could carry more deposits for given reserves and degree of deposit volatility. There was also a demand effect from the *diskonter* receiving more deposits as these were perceived to be backed by the *Riksbank* credit line.

These effects improved the liquidity of lending by less rationing. An indicator of the degree of rationing is whether new lending was available continuously. *Diskontkompaniet* never completely stopped new lending, while it occurred at the other older *diskonter*. The younger *diskonter* appear also to have avoided longer lending stops, despite the larger incidence of crises. The backing of the *Riksbank* credit line at a constant interest rate at the central bank is reminiscent of current central bank practice of supplying banks with central bank money at a given interest rate.

<sup>53</sup> This conclusion is drawn by Fritz (1967, p. 274) for the older *diskonter* and by Andersson (1983, p. 66; 1985, p. 48) for the younger.

While the younger *diskonter* were set up as the old, they gained a new source of funds in the assignments which circulated as money. They were also granted increasing *Riksbank* credits. The cause was the larger volatility in the business cycle. Shocks emanated from the Napoleonic wars and the war with Russia 1808–1809. Crises years with declines in deposits occurred in 1805, 1808, 1809, 1812, 1815, and 1817 (Brisman 1924, pp. 34–51). The crises in 1809 and 1815 caused the most severe runs, which were quelled by extended emergency credit lines at 6 per cent from the *Riksbank* through the *Riksdiskont* (Table 2.2).<sup>54</sup> The *Riksbank* thus acted as a lender of last resort following the Thornton-Bagehot rule of lending at a high interest rate against good security. As part-owner, the *Riksbank* had a strong incentive to give liquidity assistance. The *Riksbank* stopped the panics, which were short-lived and therefore do not show up in the yearly series (Figure 2.7).<sup>55</sup>

All three of the younger *diskonter* were closed in 1817 after a general bank run precipitated by credit losses in *Malmö diskont*. The Riksdag decided to reimburse all the creditors to avoid a deeper general business downturn, which began 1815 at the end of the Napoleonic wars. *Riksgäldskontoret* administered their assets, that is, the loans, to recover the losses, a process that lasted until 1848.<sup>56</sup> The loans were fully recovered from *Göteborgs diskont* while the *Malmö diskont* and *Göta kanal diskont* credit losses could not be fully recovered.<sup>57</sup>

To sum up, the *diskonter* appear internationally unique in their modern form of fractional reserve banking with the central bank as a liquidity provider – the banks' bank – in both normal and panic times. They were regarded as questionable institutions by contemporary observers after their demise. Andersson (1983, pp. 61–63; 1985 pp. 47–49) points to the inherent difficulties caused by the volatile environment during the Napoleonic wars, but also argued that they contributed to the economic development in their locations. It should also be pointed out that the *Riksbank* acted successfully as lender of last resort for the younger *diskonter*, and only when *Malmö diskont* became insolvent did the system break down. The older *diskonter* closed down not because of panics or credit losses, but because the demand for loans disappeared with the change to the new currency *riksdaler riksgälds*.

54 Brisman (1924, p. 42, p. 52). Fritz (1967, p. 43) reports a similar extension of 6 per cent emergency credit 1780 to *Diskontkontoret*.

55 The *Riksbank* appears to be a pioneer. The concept and the case for the central bank as a lender of last resort was laid out in detail by Thornton (1802), but I have not found any example before 1847 when the Bank of England acted as such. See Humphrey (1989) for the development of the lender-of-last-resort function by Thornton and Bagehot.

56 *Riksgäldskontoret*, the Swedish National Debt Office, is an authority governed by the Ministry of Finance since 1988 and today is the caretaker of insolvent banks.

57 The credit losses at *Malmö diskont* were caused by large loans to three of its directors, who were subsequently found guilty of fraud and imprisoned. See Kärrlander (2013) for a study of *Malmö diskont* from an institutional economics perspective and Andreen (1958, pp. 347–350, 397–408) for the process in the *Riksdag* taking responsibility for the debts through *Riksgäldskontoret*, then an authority under the *Riksdag*.

### 3. 1820–1870: The creation of a modern bank system

#### Overview

The banking system developed from 1820 to 1870 with new private institutions:

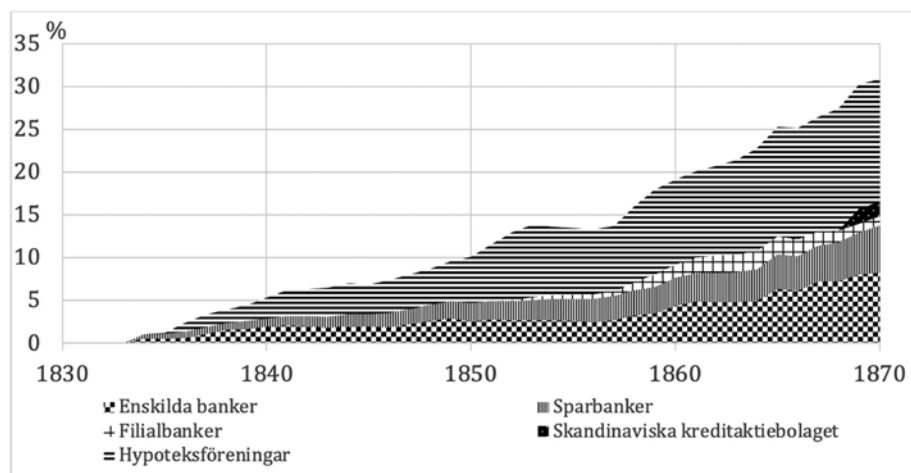
- thrifts, *sparbanker*, from 1820
- joint-stock unlimited-liability note-issuing banks, *enskilda banker*, from 1831
- building societies, *hypotekföreningar*, from 1832
- joint-stock unlimited-liability banks, *filiabanker*, from 1852
- joint-stock limited-liability banks, *kreditaktiebolag*, from 1864

The period 1820–1870 is the formative period for the modern banking system. The growth in lending relative to GDP per institutional type 1820–1870 is shown in Figure 2.8. Ahnland (2022, this volume, Figure 3.1) shows the continued development from 1870 to 2018.<sup>58</sup> *Hypoteksföreningarna* was the largest lender over the whole period. The lending of *sparbanker* grew steadily, while *enskilda banker* grew in bursts in the 1830s, late 1840s and after 1857. The lending of *filiabanker* was comparatively small and they were gradually dismantled after 1862. The first limited-liability bank started in 1864 with *Skandinaviska Kreditaktiebolaget*, for which data only are available from 1869.

The lending of the two 18<sup>th</sup>-century institutions *Jernkontoret* and *Manufakturdiskonten* continued throughout the whole period. While limited, their lending was significant in the hiatus of commercial banks between 1817 and 1831 (Figure 2.6). For this period, they and the fledgling *sparbanker* were the only lending institutions outside the *Riksbank*.

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58 The figures for 1870 are 22 per cent higher in Ahnland (2022) due to his inclusion of the insurance sector and Riksbank lending.

**Figure 2.8.** Lending/GDP of private financial institutions 1834–1870, %.

Sources: Sparbanker 1834–1860: *Finanskommittén* (1863) Table XXII; 1861–1865: *Statistisk tidskrift* 1865, second volume, booklet 8–14, Table no. 3, p. 335; 1866–1870, *Sveriges officiella statistik*, Summary, 1870, 1872, Table 42. For the other institutions, see figures below.

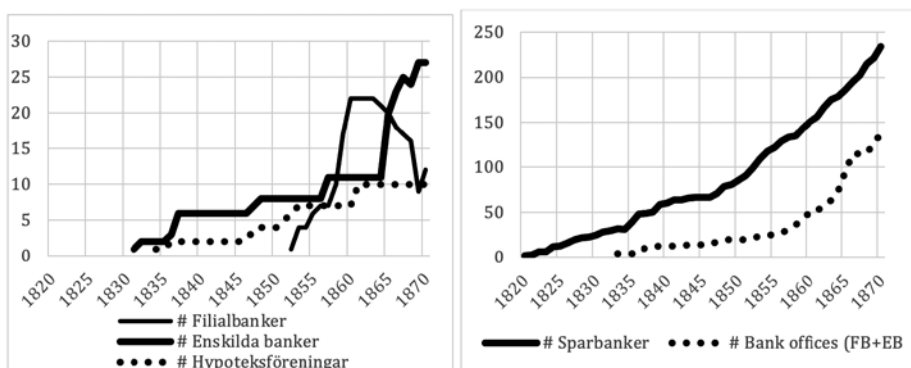
Notes: Lending is proxied by the sum of equity and deposits (= assets) for *sparbanker*.

The new banks' main sources and uses of funds are summarized by institutional type in Table 2.4.

**Table 2.4.** Main sources and uses of funds by private institution, 1820–1870.

<i>Institution</i>	<i>Ultimate sources</i>	<i>Main debt type</i>	<i>Uses</i>
<i>sparbanker</i> 1820–	domestic savings	deposits	smaller local loans
<i>enskilda banker</i> 1831–	seigniorage, domestic savings	notes, deposits	local loans
<i>hypoteksföreningar</i> 1832–	foreign savings	bonds	larger local loans
<i>filiabanker</i> 1852–	domestic savings	deposits, Riksbank loans	local loans
<i>kreditaktiebolag</i> 1864–	domestic savings	deposits	larger loans

The number of banks is shown in Figure 2.9.

**Figure 2.9.** Number of banks, 1820–1870.

Sources: Number of *enskilda banker* and bank offices: Brisman (1924, p. 245) and Brisman (1934, p. 219); *sparbanker*: Statistics Sweden (1960, p. 102), *fialbancker*: 1852–1859: *Finanskommittén* (1860a), 1860–1870: Söderlund (1964, p. 103), *hypoteksföreningar*: *Nordisk familjebok*, 1910.

## Data

A wealth of data are provided in the reports (*underdånigt betänkande*) by the government inquiry *1858 års finanskommitté*, which cover the period from the return of convertibility 1834 to 1859/1860. The official statistics begin 1866. The gap between 1860 to 1865 has been filled with balance sheet data for *enskilda banker* and *fialbancker* summarized in yearly *Tablåer* from Bankbyrån (1860–1865), at the Ministry of Finance, which are available at *Riksarkivet* (Swedish National Archives). Since 1866, quarterly data have been published by Statistics Sweden in *Sammandrag af de enskilda bankernas kvartalsuppgifter*, which included *Skandinaviska Kreditaktiebolaget* from 1869.

Data for *Fialbancker* and *sparbanker* are published in *Sveriges Officella Statistik* (included in *Statistisk Tidskrift*) published by SCB since 1865. *Finanskommittén* (1863), which discussed the general economic and financial development of Sweden, includes data on deposits and equity for *sparbanker* at five-year intervals from 1834 to 1860. Yearly data from 1861 on deposits and equity for *sparbanker* were published in *Statistisk Tidskrift*.<sup>59</sup> The series began with Berg (1865) covering the period 1861 to 1864. *Finanskommittén* (1860b) provides yearly data of the *hypoteksföreningar*

59 See Sommarin (1942, pp. 178–182) on the foundation and organization of *sparbank* statistics.

from 1834 to 1859. Data are missing from 1860 to 1869 before official statistics start in 1870.<sup>60</sup>

## Thriffs – *sparbanker*

The first Swedish *sparbank* opened in Gothenburg in 1820.<sup>61</sup> Its immediate inspiration was an inquiry into the English thriffs initiated by the Riksdag in 1818 and published in 1819 as a royal ordinance. Its author, Carl D. Skogman, was a civil servant who had studied the movement in England.<sup>62</sup> The inquiry included a proposal for statutes, which became widely used as a template. In the early period, several *sparbanker* were initiated by the county governor (*landshövding*) appointed by the government. Their statutes were published as royal ordinances, which implied that they could not be changed without government approval. Thus *sparbanker* were officially sanctioned and encouraged, though unregulated and with free entry.

The goal was to encourage saving among the poor. These savings would give the poor contingency and pension buffers to smooth consumption. As in England, they were seen as a substitute to poor relief, which would encourage thrift, sobriety and work ethic. In practice, the bulk of funds came from deposits from well-to-do city dwellers for the first decades.<sup>63</sup>

*Sparbanker* were non-profit corporations governed by boards consisting of prominent members of the community with the depositors as the owners. Initially they were run without employees with business on Saturdays conducted in rooms supplied by benefactors or the city magistrate. The low costs enabled them to offer 5 per cent interest on deposits, while charging the maximum lending rate of 6 per cent. These interest rates continued during the whole period covered here with the exception of some city *sparbanker*, which offered 4 per cent on deposits.<sup>64</sup> Deposits were limited to maximum amounts. Gradually they came to hire employees and extend

60 Yearly balance sheet data for *enskilda banker* are also available in Riksbanken (1931). The balance sheets in Riksbanken (1931) consolidate *grundfondhypotek* and bond holdings, and for that reason are not used here. A third source for notes, bank reserves and total assets is Ögren (2003; pp. 45–46, 285–287), who collected data from the government gazette *Post- och inrikes tidningar*. The three sources are identical, with the exception of a few years. The note supply for the years 1860 to 1864 differs between Bankbyrå and Riksbanken (1931). Ögren (2003) reports lower note supplies than Riksbanken (1931) for 1866 and 1868. The differences range between 2 and 6 per cent. Figures in Brisman (1924, pp. 246–247) for 1834 to 1856 are identical to Riksbanken (1931).

61 The history of *sparbanker* is discussed by Sommarin (1834, 1940). Nygren (1967) published data on lending for the larger *sparbanker* and in Nygren (1970) for *sparbanker* in Western Sweden. See Lilja (2004) for the role of *sparbanker* from a household savings perspective.

62 Skogman was state secretary at the Ministry of Finance from 1821 and became the key actor in banking legislation until the 1850s. See Andreen (1947) for a biography.

63 Finanskommittén (1863, Table XIII) reported that 30 per cent of the deposits in 1860 belonged to the working class.

64 Sommarin (1942, p. 145).

opening hours. Accumulated profits were used to pay off initial capital, build offices and for benevolent purposes in the local community.



Letter from 1849. An 11 year-old boy explains to his father why he needs to give him money for a pipe shaft in order for the boy to save his own money at the saving bank at a 5 per cent interest rate payment.

Source: <https://stockholmskallan.stockholm.se/post/31324>

Nygren (1980, pp. 89–97) describes how lending gradually changed from small short-term consumption loans with cosigners to larger long-term mortgage loans with amortization, which carried less administrative cost in spite of more paper work with mortgage certificates etc. The mortgage loans were callable, but could last for several years. In times of deposit withdrawals, the short-term loans with cosigners were the first to be withheld. Nygren (1981) emphasized the uniqueness of the Swedish development in its adaption to local circumstances, made possible by the lack of government regulation and any central organization. Swedish thrifts differed from their Anglo-Saxon and French equivalents, which mainly lent to the state through bond purchases.

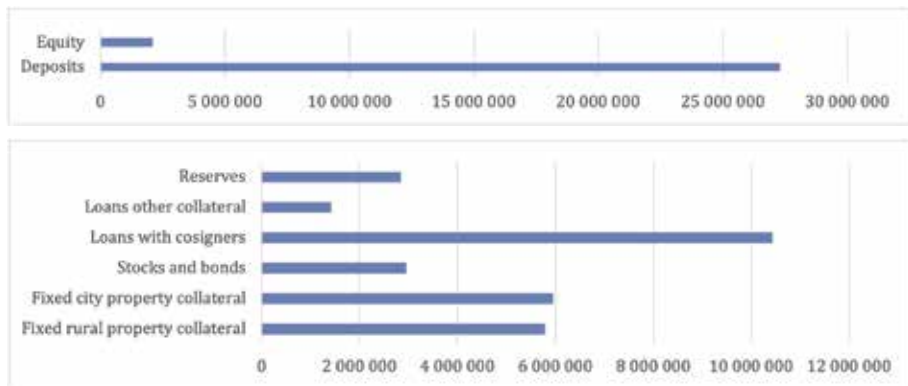
The number of *sparbanker* increased eightfold (Figure 2.9) and their combined funds rose 26-fold between 1834 and 1870 (Figure 2.8). The growth in their number followed a regional pattern starting with cities from the 1820s, then regions (*läns-*, and *häradsbanker*) from the 1840s, and finally villages (*sockenbanker*) from the 1860s. In the process, the scope of depositors and borrowers broadened. The viability and size of the *sparbanker* varied greatly with the largest ones located in the large



cities. The regional *sparbanker* helped with the transfer of savings from wealthier city depositors to agricultural investments.

Finanskommittén (1863) presented an aggregate balance sheet for the *sparbanker* in 1860, presented in Figure 2.10. Total available funds is equal to total equity as the depositors are the owners of the bank, so deposits represent the dominant part of equity in addition to the reserve fund at about 8 per cent of the balance sheet total. Virtually all funds were lent out in 1860 since reserves (cash reserves and deposit with other banks) amount to only 3 per cent of total assets. The 1860 balance sheet suggests that total funds may be used as a proxy for total lending for all years as in Figure 2.8.

**Figure 2.10.** *Liabilities and equity (top) and assets (bottom), 1860.*



Source: Finanskommittén (1863, Table XXIII).

Note: Reserves have been calculated as: (equity and deposits) – (lending + stocks and bonds + deposits at other banks).

The *sparbanker* faced the same liquidity problems as other banks. Their history is described by Nygren (1970, pp. 14–23) as switches between periods of “deposit surpluses” and “lending surpluses”. Deposit surpluses were managed with a combination of: 1) rationing the right to deposit by reducing the maximum size of deposits, 2) depositing funds at the *enskilda banker*, or 3) investing in bonds. In periods of lending surpluses, loans were rationed by: 1) stopping new loans, 2) increasing amortization of existing loans, and 3) setting limits on loans. In cases of increased deposit withdrawals, deposit maturity terms were enforced more strictly.

The most severe test for all the banks occurred during the international crisis in 1857 and 1858. The *sparbanker* experienced increasing withdrawals and decreasing new deposits, so a lending surplus occurred. Sommarin (1942, pp. 138–139) ventured that the cause was the increased interest rates in the informal market, and not

a panic. In addition to restrictions on lending, some *sparbanker* borrowed money at *enskilda banker* or in the informal market. No *sparbank* failed, nor any other bank, see below.

## Building societies – hypoteksföreningar<sup>65</sup>

Building societies, *hypoteksföreningar*, started in 1832 with *Bruksägarnas hypoteksskassa* for the iron industry. It was followed by *hypoteksföreningar* for the agricultural sector. *Skånska hypoteksföreningen*, established in 1836, was the first, followed by five more between 1846 and 1852, and three in 1861. The inspiration for *Bruksägarnas hypoteksskassa* and *Skånska Hypoteksföreningen* came from Prussia, where they had existed since the late 1700s. The immediate inspiration for *Skånska Hypoteksföreningen* was a booklet by professor Carl Adolf Agardh (1833), who also participated in its founding.<sup>66</sup> They were set up to provide long-term loans with maturities between 30 and 40 years against mortgages in real estate. Initially they consolidated short-term loans and continued with financing land purchases and improvements in the increasingly export-oriented agricultural sector. The statutes for each *hypoteksförening* were published as royal ordinances. They were owned by the borrowers with voting rights proportional to the size of their loans. Thus they were officially sanctioned, while largely unregulated and with free entry like the *sparbanker*.<sup>67</sup> The agricultural *hypoteksföreningar* were dominated by large land-owners, often belonging to the nobility.

The main part of funding was foreign bonds (Figure 2.11). *Bruksägarnas hypoteksskassa* was the first to borrow long term abroad, followed by the agricultural *hypoteksföreningar*. They issued 30- or 40-year bonds, which were marketed in Berlin and Hamburg, and later in London. In a few years, foreign long-term bonds dominated funding (Figure 2.11).<sup>68</sup> They issued domestic long bonds from 1853.

The foreign borrowing was supplemented by short-term domestic bonds, used primarily by *Skånska hypoteksföreningen*. They constituted around 20 per cent of the funding of *hypoteksföreningar* (Figure 2.11). Given their large total lending, 20 per cent represented a large part of domestically funded lending, constituting the same size as the total lending of the *enskilda banker* or the *sparbanker* around 1850. They were similar to the private promissory notes with six-month maturity or callable and were traded alongside promissory notes at the city exchanges in the large cities. They were attractive as they were safer than the individual promissory notes and there were few alternatives. *Enskilda banker* were reluctant to offer deposit accounts before 1857 and then only at 3 per cent. *Sparbanker* had maximum limits on deposit size. These institutions were instead buyers of the short-term bonds issued by the *hypoteksfören-*

65 This section builds on Nygren (1981, 1983) and Sommarin (1936).

66 See Boëthius and Komnow (1968b, pp. 652–655) and Sommarin (1936, pp. 7–12).

67 One restriction imposed by the government was a maximum limit on foreign borrowing, which appears not to have been binding.

68 An exception was *Skånska Hypoteksföreningen*, which did not issue foreign bonds before 1858.

*ingar*, especially in periods with low market interest rates. They were also bought by *Riksgäldkontoret* from 1842, when the government had been instructed by the parliament to invest budget surpluses to receive the highest yields.<sup>69</sup>

The maturity mismatch caused by the redeemable bonds, most pronounced for *Skånska Hypoteksföreningen*, did not create liquidity problems as long as the demand for their short bonds grew. This ended in 1856, when Swedish exports fell at the end of the Crimean war. The downturn was exacerbated with the international financial crisis in 1857. The liquidity crisis was solved by a combination of lending reductions, temporary loans, and reserve reductions. Most of these reserves, which emanated from funds not yet lent, were placed in *enskilda banker* and *publika kassor*, shown in Figure 2.12 as short lending. New lending was temporarily stopped and amortization was enforced more strictly. *Riksgäldkontoret* agreed to convert their holdings of redeemable bonds issued by the *hypoteksföreningar* to longer bonds at a higher interest. Liquidity support was given by the government, who had taken up a foreign loan of 12 million *riksdaler banco*, which was distributed by the *Riksbank* to *hypoteksföreningar* and *enskilda banker*.

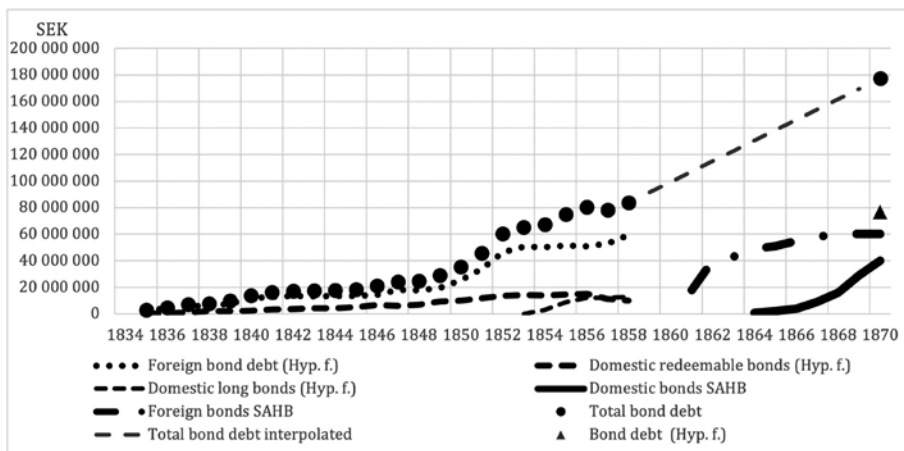
The 1857 crisis triggered a government initiative to regulate the funding of the *hypoteksföreningar* through a new institution, *Sveriges Allmänna Hypoteksbank* (SAHB), which was granted a monopoly in 1861 on all long-term borrowing with land as security. The bank was chartered through an ordinance (SFS 1861:25), which also provided rules for the local *hypoteksföreningar* who were the owners of SAHB.<sup>70</sup>

The only data available between 1859 and 1869 are SAHB bond holdings. From 1870, official statistics are available for all outstanding bonds, divided between SAHB and *Hypoteksföreningar*, and lending. Figure 2.11 and Figure 2.12 include interpolated values between 1858 and 1870.

69 See Nygren (1983, pp. 29–35) on *Riksgäldkontoret* as a borrower, issuing bonds, in the 1820s and 1830s, and from 1842 as a lender, buying bonds from *hypoteksföreningar*, but also direct lending to *enskilda banker*.

70 The government provided a state guarantee and appointed the chairman and vice chairman of the five-member board.

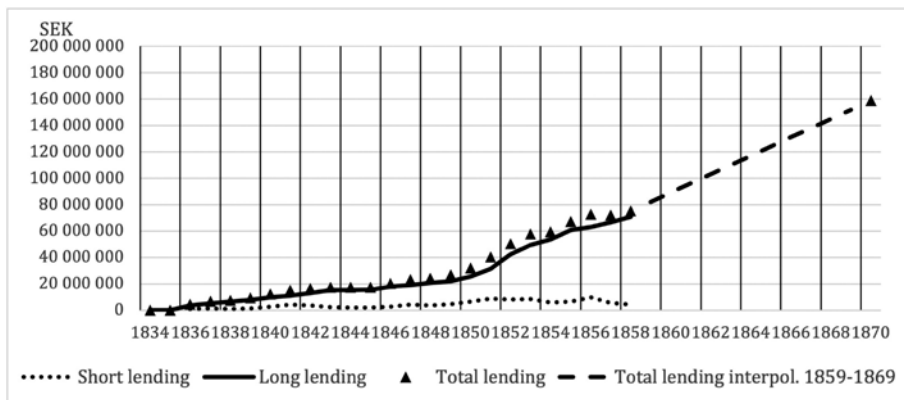
**Figure 2.11.** Bond debt of *Hypoteksföreningar*, *Bruksägarnas hypotekskassa*, 1836–1870, *Sveriges Allmänna Hypoteksbank (SAHB)* 1861–1870, and total bond issue, 1834–1870.



Sources: 1835–1858: Finanskommittén (1860b), Table XX, XXII, XIX; 1861–1870: Sveriges Allmänna Hypoteksbank (1911, figure last page). 1870: Statistics Sweden (1960, Table 82).

Note: Data for the *hypoteksföreningar* are missing from 1859–1869. Total bond debt is the sum of the debt of *hypoteksföreningar*, *Bruksägarnas hypotekskassa* and SAHB, linearly interpolated for 1859–1869 from the known values for 1858 and 1870.

**Figure 2.12.** Total lending of *Hypoteksföreningar* and *Bruksägarnas hypotekskassa*, 1834–1870.



Sources: 1835–1858: Finanskommittén (1860b), Table IV, VI, XXVII, 1870: Statistics Sweden (1960, Table 82).

Note: Long lending for *hypoteksföreningar* is calculated as the sum of: 1) the previous year's long lending plus the change from the previous year's original loan values "*Amorteringslånens primitiva belopp*" minus amortization (*inbetalning på kapitalet*) (Table IV), and 2), Long lending for *Bruksägarnas hypotekskassa* is the remaining value of amortization loans "*Amorteringslånens återstående belopp*" (Tabell VI). Short lending: Table XXVII. Total lending is linearly interpolated between 1859 and 1869.

## Joint-stock, unlimited-liability, note-issuing banks – *enskilda banker*<sup>71</sup>

### *Ownership, regulations and profitability*

The bank ordinance of 1824 paved the way for privately owned, commercial banks. The ordinance declared that the state would not help under any circumstances, and that strict unlimited responsibility, expressed as “all for one and one for all” (*solidarisk ansvarighet*), would be imposed. Uncertainty over the future return to convertibility of the *riksdaler banco* delayed the foundation of new banks. In 1830, a convertibility rate to silver was ratified jointly by the parliament and government and implemented in 1834. The first bank, *Skånes Enskilda Bank*, was chartered in 1830 and began operations in 1831. It soon began using fixed-denomination, printed notes as its main funding.<sup>72</sup> The number of note-issuing banks grew to 6 in 1837. No new banks were chartered between 1838 and 1846. After the new ordinance in 1846, the number of banks increased from 6 to 12 by 1857, when the international crisis hit Sweden. No new *enskilda banker* were founded between 1857 and 1863, after which a period of quick growth meant that there were 27 *enskilda banker* in 1870, covering most of Sweden (Figure 2.9).

The 1824, 1846, 1855, and 1864 bank ordinances stipulated that bank charters (*oktroj*) were given for ten-year periods. Before 1864, not all charter applications were accepted, due to resistance towards *enskilda banker* from the Riksdag. From 1864, all charter applications were accepted, so banking became a free-entry business.<sup>73</sup> In addition, the ordinance paved the way for regular charter prolongations. Their name, “*enskilda banker*” (private banks), was used in the 1846 ordinance and gradually adopted by all the note-issuing banks. Note issue was not mentioned in the 1824 ordinance and first appeared to be in violation of the constitution, but the issue was unclear.<sup>74</sup> The government, who issued the bank charters, choose to regard the private notes as legal, though not legal tender. Leading politicians with liberal leanings and the state secretary Skogman, who authorized the charters, were also knowl-

71 The information is based on the survey by Brisman (1924, 1934) and the monographs of the early individual banks written by economists and economic historians: Kock (1931a) *Skånska Privatbanken*, Kock (1937) *Smålands Enskilda Bank*, Brisman (1937) *Östergötlands Enskilda Bank*, and Söderlund (1977) *Örebro Enskilda Bank*.

72 Before 1858, it was called *Skånska Privatbanken*. Kock (1931b) cites a memoir of Aulin, who initiated the founding of the bank in Ystad, where he referred to banking in “England and America” as an inspiration. At first, the bank used printed fixed-denomination assignments on the Riksbank, hoping that they could issue more assignments than their deposits at the Riksbank by the assignments circulating as money. Their assignments were, however, quickly cashed. The idea was then born to issue fixed-denomination interest-free deposit receipts to borrowers, that is, notes.

73 Söderlund (1964, p. 102).

74 Montgomery (1934, p. 30) and Brisman (1924, pp. 84–90).

edgeable about the stable, note-issuing Scottish banks. The general opinion was that banks were needed, but that there would not be enough supply of deposits from the public to sustain their funding, so private note issue would be necessary. Thus, private note issue was accepted despite its dubious legality.



A private note issued in 1867 by Östergötlands bank, promising to redeem the note on call for 5 riksdaler riksmünt.

Source: <https://digitaltmuseum.se/021029518409/sedel>

The first two *enskilda banker* were subject to requirements on equity but not on note issue. Between 20 and 40 per cent of the required equity was required to be paid in cash according to the charters. For the remaining statutory capital, *grundfond*, the owners were required to provide mortgages in fixed property. The mortgage certificates, so called *grundfondshypotek*, were kept at the state's county office (*Länträneriet* at *Länstyrelsen*) in a box with two locks with one key kept by a member of the bank's board and the other by a state representative. These appear on the asset side of the balance sheet and constitute an illiquid part of the statutory capital on the liability side.

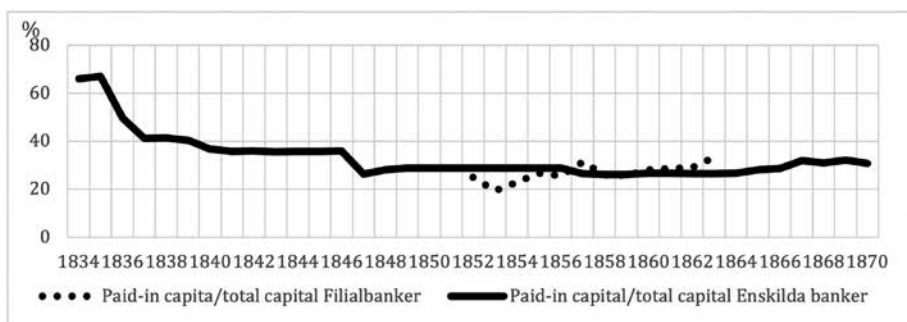
*Grundfondshypotek* provided security for the depositors as well as for the individual owners in the case of bankruptcy when unlimited liability came into force. Brisman (1924, pp. 110–11) argued that the existence of *grundfondshypotek* was a necessary provision to attract buyers of the initial stocks.<sup>75</sup> The unlimited liability was an

<sup>75</sup> It was considered a sufficient guarantee by the government, when it chartered *Östergötlands Enskilda Bank* in 1837 as a limited-liability bank, in contradiction with the 1824 ordinance, stating that “a private bank can even without unlimited liability fulfill all righteous claims for responsibility and security” (Brisman 1924, p. 110).

uncertain guarantee given the costly retrieval should a bankruptcy occur, manifested in the bankruptcy of *Malmö diskont* 1817. The *grundfondshypotek* was a credible guarantee for both depositors and owners as the mortgages were enough to cover any realistic credit losses (Table 2.6). In addition, several banks' charters included a clause that stipulated that the bank would cease if credit losses reached 10 per cent of the statutory capital.<sup>76</sup> In 1864, the unlimited liability was diluted by the provision that half of the paid-in capital could be issued as limited liability shares (*kommantaktier*).<sup>77</sup>

The 1846 ordinance set the amount of minimum paid-in capital, paid-in cash, to 25 per cent. This requirement was kept in the 1864 ordinance, but the *grundfondshypotek* was required to include a minimum of one third easily saleable bonds and stocks. Figure 2.13 shows paid-in capital as a share of total statutory equity (*grundfond*) for *enskilda banker* and *filiabanker* banker, which after 1846 was close to the minimum requirement of 25 per cent.

**Figure 2.13.** Paid-in capital as share of total statutory capital (*grundfond*) for *enskilda banker* and *filiabanker*, 1834–1870.



*Note:* Paid-in capital is what was paid in as cash by the original owners and calculated as *grundfond* – *grundfondshypotek*.

*Sources:* Finanskommittén (1860a, Table III), Bankbyrån (1860–1865), Statistics Sweden (1866–1867).

76 The provision occurs in the charters before 1848 in the *enskilda banker* of Örebro 1837, Werm-land 1832, Östergötland 1837, 1846, Småland 1837, Stora Kopparberg 1846, and Skåne 1839. It became a requirement in the 1864, SFS 1864:31, § 35.

77 SFS 1864:31, §3.

The 1846 and 1864 ordinances set a limit to the note issue, first used in the charters from 1836.<sup>78</sup> The maximum note issue was set as the sum of the *grundfondshypotek*, the reserve of *Riksbank* notes and deposits at the *Riksbank*, and half of the collateral put up for cash credits (credit lines). The minimum denomination was set in 1846 to  $3\frac{1}{3}$  *rdr bco* (= 5 *SEK* or 5 *rdr rg*).<sup>79</sup> This was a restriction compared to before 1846, when the banks were allowed 2 *rdr bco* notes.<sup>80</sup> This restricted the demand for private notes and gave an advantage to the *Riksbank* who issued notes of as low as  $\frac{1}{6}$  *rdr bco* until 1834 and  $\frac{1}{2}$  *rdr bco* from 1834.<sup>81</sup> Yet the private  $3\frac{1}{3}$  *rdr bco* note was a desired note denomination, which was not available from the *Riksbank*.

The number of owners was large with between 100 and 400 owners. The main category of owners was not businessmen, in contrast to the *diskonter*. The largest group of owners was “Other owners” who owned 51 per cent (Table 2.5). “Merchants, manufacturers and artisans” made up the second largest group, though only 18 per cent. Brisman (1924, p. 103) noted that the boards consisted mainly of civil servants and aristocrats, with the odd businessman.<sup>82</sup> It is likely that this represented the owners’ characteristics. Personal wealth was necessary to put up the necessary capital, including the *grundfondshypotek*.<sup>83</sup> Trade in shares was rare as the board had to approve any sale and the collateral had to be approved by the government.

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78 The charters from 1836 became stricter according to a law for *enskilda banker* adopted by the parliament in 1835, though never legally ratified, see Brisman (1924, pp. 94–97, 105). At this parliamentary meeting, the general opinion was positive to note-issuing banks despite constitutional doubts.

79 The daily wage for a laborer between 1812 and 1846 was about 0.5 *rdr bco*, when wages rose to 0.8 *rdr bco* in 1850 (Söderberg (2010, Table A9.1). It was considerably smaller than the minimum denomination in Scotland and England of 1 pound ( $\approx 11$  *rdr bco* from 1834). The non-round denomination in *rdr bco* was due to the common use of *riksdaler riksgälds*, *rdr rg*, as an accounting unit using the convertibility rate from 1803:  $1.5$  *rdr rg* = 1 *rdr bco*, so the  $3\frac{1}{3}$  *rdr bco* note represented 5 *rdr rg* relabeled as 5 *rdr rmt* in 1858 and 5 *SEK* in 1873 (*femma*). The size of the *Riksbank* note supply for different denominations is available in *Riksbanken* (1931, pp. 44–47).

80 This was the lowest denomination issued by *Skånes Enskilda Bank* from 1831, which became the minimum denomination in subsequent charters before 1846, see Platbärzdis (1965, p. 62).

81 Platbärzdis (1963, p. 28).

82 The composition of the boards coincides with the “aristocratic-bureaucratic” character of the government during the 19th century as described by Nilsson (1981). An exception was the first *enskilda bank*, *Skånska Privatbanken*, which was founded and owned by businessmen, see Kock (1931a, p. 56).

83 Brisman (1934, p. 229) characterized the owners as wealthy individuals.



**Table 2.5.** Shares in per cent of number of individual owners and number of stocks of *enskilda banker* and *filialbanker* according to social group.

	Owners		Stocks	
	<i>Enskilda banker</i>	<i>Filialbanker</i>	<i>Enskilda banker</i>	<i>Filialbanker</i>
Farmers	9	16	4	9
Estate owners	12	14	16	22
Iron ore owners	10	3	21	7
Merchants, manufacturers, artisans	18	34	15	30
Other social classes	51	34	44	32
Total	100	100	100	100

Source: Finanskommittén (1860a, Table XIII and XIV).

Note: The figures for *filialbanker* refer to 1860, for the *enskilda banker* the average of 1847–1859.

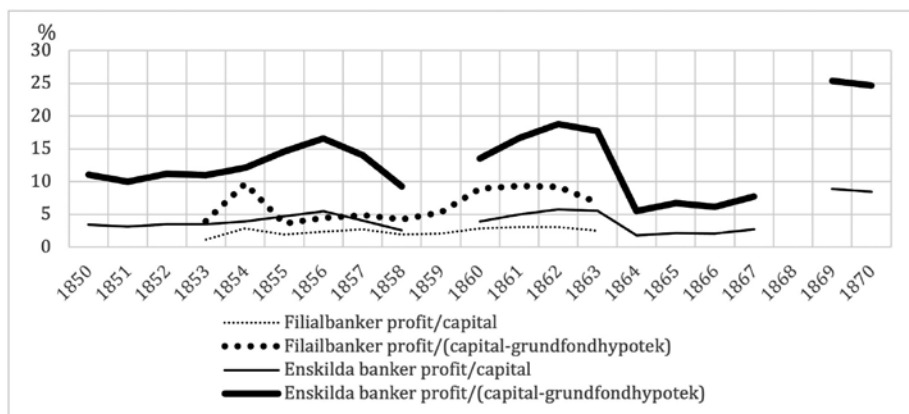
**Table 2.6.** Key indicators of *enskilda banker*, 1831–1856 and *filialbanker*, 1852–1859.

<i>Enskild bank</i>	Period	Losses/paid-in capital, %	Net profit/(paid-in capital + reserve fund), %	Reserve fund/paid-in capital, %	Use of note issue right, %
Skåne	1831–1840		9		84
	1842–1846	0.2	21	3	93
	1847–1856	0.0	20	8	n/a
Wermland	1834–1841	0.0	13	10	55
	1842–1846	1.0	11	5	78
	1847–1856	0.1	13	7	67
Kopparberg	1836–1847	0.0	13	19	48
	1848–1858	0.5	12	16	n/a
Östgöta	1837–1847	0.1	15	15	74
	1848–1857	1.1	16	11	73
Örebro	1838–1847	0.0	16	4	77
	1848–1857	0.0	15	5	68
Småland	1838–1847	0.0	20	13	76
	1848–1857	0.3	15	4	66
Mälare	1848–1857	0.7	12	10	81
Göteborg	1848–1857	0.0	10	14	n/a
Mean: <i>Enskilda banker</i>	1831–1857	0.3	16	9.5	72
Mean: <i>Filialbanker</i>	1852–1859		5.3	5.4	

Sources: *Enskilda banker*: Finanskommittén (1860a), Table VIII. Skåne 1831–1840: Kock (1931a, p. 183); *filialbanker*: Finanskommittén (1860a), Table IX.

Table 2.6 shows profitability for the eight *enskilda banker* before 1857 calculated as net profits divided by paid-in capital plus reserve funds, that is, total equity (capital) minus *grundfondhypotek*. The yearly profit rates for *enskilda banker* and *filiabanker* 1850 to 1870 is shown in Figure 2.14. Kock (1931a, 1937) and Brisman (1937) use the slightly different net profits measure divided by paid-in capital. The difference though is small since reserve funds were low in the first decades due to the short ten-year charters. The standard measure of return on total equity (ROE), results in significantly lower profitability (Figure 2.14), since total equity includes the *grundfondhypotek*, the largest part of total equity. The character of this illiquid part of the equity as collateral in the case of bankruptcy, while still being owned individually and yielding a return, is reason to exclude it from the calculation of the profitability of the bank.<sup>84</sup>

**Figure 2.14.** Profitability of *enskilda banker* and *filiabanker*, 1850–1870.



Sources: *Enskilda banker*, 1850–1858: Finanskommittén (1860a, Bihang, Tables II and III), net profit/paid-in capital, with paid-in capital = *grundfond - grundfondhypotek*; 1860–1865: Bankbyrån (1860–1865) and Statistics Sweden (1866–1867), with paid-in capital equal to “tilllottägare – *grundfondhypotek*”, *Filiabanker*, 1853–1859 Finanskommittén (1860a, Bihang, Table V, litt. B, with paid-in capital (*lottägarna tillskjutet kontant*)). Smålands Bank: Kock (1937, Table 1, p. 194).

### Funding and the *enskilda banker* as creators of money

Table 2.7 shows the balance sheet items. Funding of lending before 1857 consisted mainly of private notes paid out for loans, that is, credit-created money. The note-lending ratio varied around 100 per cent between 1836 and 1856 after which it decreased to 40 per cent due to the rapid rise in deposit financing. The ultimate

<sup>84</sup> According to Nilsson (1981, p. 391) owners who provided cash instead of *grundfondhypotek* received 5 per cent interest.

source of income from the note issue was the seigniorage paid by the note holders by foregoing interest income.

**Table 2.7.** *The balance sheet of enskilda banker.*

Assets	Debt and Equity
Owners' mortgages ( <i>grundfondhypotek</i> )	Interest-bearing deposits ( <i>depositionsräkning</i> )
Loans	Non-interest-bearing deposits ( <i>upp- och avskrivningsräkning</i> )
Reserves:	Notes
<i>Riksbank</i> notes	Equity:
<i>Riksbank</i> deposits*	<i>grundfond</i>
Bonds and stocks	<i>reservfond</i>

\* From 1855.

For the public to accept the notes, the ready convertibility of private notes to *Riksbank* notes was vital, in particular to pay taxes and other public fees as the private notes were not legal tender. Convertibility of private notes into *Riksbank* notes was not mentioned in the charters and the ordinance of 1846. The 1864 ordinance (SFS 1864:31, §28), however, required convertibility and in case it was not upheld, that the depositor should receive 5 per cent interest on the amount (like the Scottish bank option clause before 1765). The government could in that case revoke the charter. Convertibility of private notes to *Riksbank* Banco notes, in turn convertible to silver (*riksdaler specie*) at the *Riksbank*, was a *sine qua non* for the *enskilda banker* from the beginning, no matter legal requirements. Their notes were inscribed: “[Name of bank] exchanges this note for [denomination] Riksdaler Banco”.

The note issue required costly efforts to keep them in circulation. One cost was the payment of commissioners at locations outside the bank's residence to exchange private notes for *Riksbank* notes. At the same time, the banks strived to keep their notes in circulation by spreading them as widely as possible by giving businessmen and shopkeepers interest-free loans as note distributors (*sedelspridare*), who collected *Riksbank* notes in exchange for private notes.<sup>85</sup> The farther away from the bank's residence and the smaller the denomination, the longer they circulated. The banks also paid tax and custom collectors for receiving private notes, which the bank then changed to *Riksbank* notes. Other costs were the printing of notes and clearing arrangement with other banks, which included arranging safe transports of notes by post. The banks gradually increased cooperation by accepting each other's notes, which decreased, but did not eliminate, costly transports of notes.<sup>86</sup> A more efficient clearing system evolved after the first *enskilda* bank, *Stockholms Enskilda Bank*, was

<sup>85</sup> Brisman (1934, p. 24).

<sup>86</sup> Kock (1931a, pp. 170–176), Söderlund (1964, pp. 95–98).

established in Stockholm 15 October, 1856, which became an exchange agent for many of the banks.<sup>87</sup>

Ultimately, the note issue was determined by the public's demand for notes as a medium of exchange and their willingness to hold private rather than *Riksbank* notes. The share of private notes in the total note supply gradually increased over the period and reached 50 per cent in 1860 (Figure 2.15). Behind the increase in the demand for private notes was increased acceptance of private notes for tax payments, and increased acceptability of all private notes at *enskilda banker* from bank cooperation. Improved printing quality may also have contributed as forgeries were common. On the other hand, it appears that many banks accepted forged notes of decent quality in exchange for *Riksbank* notes to sustain their reputation.<sup>88</sup>

The banks learned from experience the amount of notes they could keep in circulation by lending and by the replacement of *Riksbank* notes with their own notes. Kock (1931a, p. 80) quotes the audit report of 1863 from *Skånes Enskilda Bank*: "The notes return at a more or less constant rate and it is not possible to keep notes in circulation by more than 500,000 *riksdaler*". The bank reduced its equity by 20 per cent the same year to maximize profits from its equity, when they realized that they could not use all their equity and reserves to back up lending. Brisman (1924, pp. 129–132) summarizes by saying that the amount of lending was determined by the note issue demanded by the public, not vice versa. In that case, the size of note issue was self-regulating such that the note issue limitations appear not to have been binding; vindicated by the relatively low share of issued notes to the maximum allowed (Table 6).

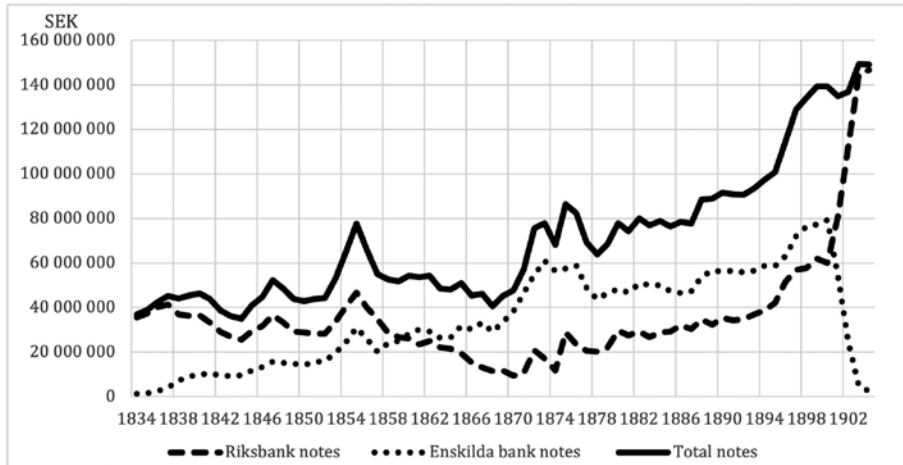
Figure 2.15 shows how the *Riksbank* note issue decreased between 1834 and the final year of private notes in 1904, while the *enskilda bank* note issue increased. The private note issue grew on average by 7 per cent per year from 1834 to 1870, while the total outstanding note issue grew by 0.7 per cent per year. This suggests that the *enskilda bank* notes mainly replaced *Riksbank* notes, rather than contribute to the

87 The history of *Stockholms Enskilda Bank* and its role as a transformer of banking practices is discussed by Gasslander (1962) and Nilsson (1981). Its role in note clearing was taken over from 1864 by *Skandinaviska Kreditaktiebolaget*, see Söderlund (1964, pp. 115–120).

88 Brisman (1934, p. 25) and Platbärzdis (1965, pp. 39–43). Forgeries of private notes were legally treated as fraud until 1845, when an ordinance, SFS 1845:11, prescribed hard labor for 1 to 3 years. Forgery of *Riksbank* notes carried the death penalty according to the text printed on the notes until 1858 "den som denna sedel efterapar eller förfalskar skall warda hängd ... enligt förordningen 1754/1818" (he who imitates or forges [changes denomination] this note shall be hanged according to the ordinance of 1754/1818), see Lindgren (1968, pp. 65–68, 157–159).

growth of the total note issue. In that case the *enskilda banker* to a large extent were funded by seigniorage appropriated from the *Riksbank*.<sup>89</sup>

**Figure 2.15.** *Riksbank and Enskilda bank note issue held by the public 1834–1904.*



Source: *Riksbanken V* (1931), *Finanskommittén* (1860a), *Bankbyrån* (1860–1865), *Statistics Sweden* (1866–1904).

Note: *Riksbank* note issue held by the public = *Riksbank* notes – *Riksbank* notes held by private banks. *Enskilda bank* note issue held by public = *Enskilda bank* notes – *Enskilda bank* notes held by other private banks.

Sight deposits (*upp- och avskrivningsräkning*) were offered by most banks from the beginning with a limit in the charters to a maximum of 3 per cent interest. Time deposits (*depositionsräkning*) first appeared in 1856 at yields from 4 to 5 per cent. They were issued with a preassigned maturity between 1 to 6 months or with a stipulation of due notice between 2 and 6 weeks, or some combination thereof with a minimum amount. Sight and time deposits were predominantly issued against receipts of the individual deposit, that is, without an account book.

Deposits increased from less than 10 per cent of total funding in 1856 to 40 per cent by 1870. Until 1857, banks generally considered deposits too unstable and rationed their access by setting minimum and maximum amounts. The informal

<sup>89</sup> Seigniorage calculated from the bank's perspective is equal to the interest earned on lending with notes minus foregone interest on reserve holdings of *Riksbank* notes and the costs of producing and spreading the notes. Since seigniorage may be considered a rent, the cost of spreading the notes incurred by the *enskilda banker* to drive out the *Riksbank* notes can be considered rent-seeking costs, which dissipate a portion of the seigniorage. A tax of 0.2 per cent per year on private note issue was imposed in 1860, Rosenberg (1878, p. 48).

market with high-yielding promissory notes was an established alternative for lenders. In 1857, the majority of *enskilda banker* followed the lead of *Stockholms Enskilda bank* by expanding time deposits as a funding source as seen by comparing Figure 2.16 and Figure 2.18. Behind the change to deposits with high interest was the gradual erosion of the 6 per cent interest ceiling described in the next section. Another factor was the international crisis of 1857, which made bank deposits safer than the promissory notes in the informal market. Rosenberg (1878, p. 17) reports that the two major categories of time deposit holders were individuals who lived on a small capital, like widows, and frugal workers outside the cities. A third category were *publika kassor*. Finally, public and parliament opinion demanded reforms to increase the supply of loanable funds through increases in deposit finance to spur economic development.<sup>90</sup>

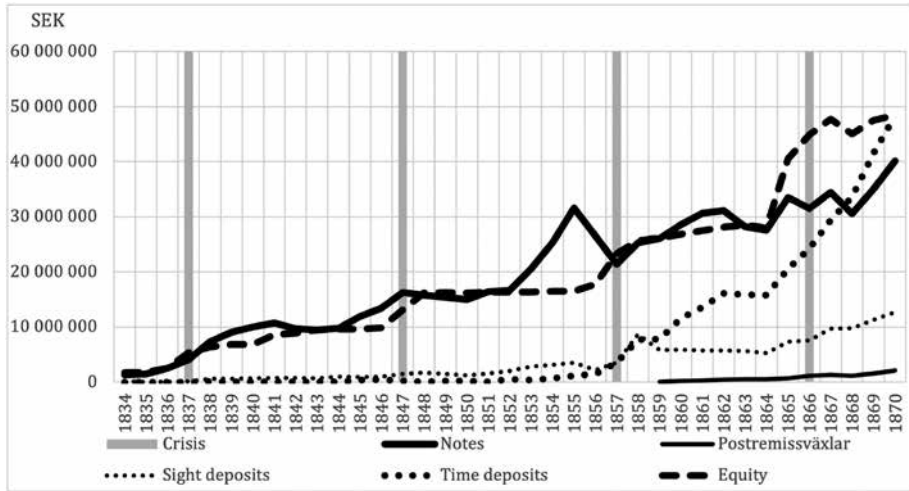
Did deposits constitute money? In principle, the deposit receipts were bearer securities which could be transferred.<sup>91</sup> The transferability and hence moneyiness of deposits was hampered by an initial lack of a general clearing system which would restrict payments without notes to within a single bank, in contrast to England and Scotland, where payments with check clearing across banks were common. The increase in deposit finance after 1856 was followed by a new clearing instrument – the banker's bill (*postremissväxel*). They were introduced by the *Riksbank* in 1855 for payments between its offices. From 1859, *Stockholms Enskilda Bank* established itself as clearing node through agreements between other banks. The banks accepted each other's banker's bills, which were cleared by *Stockholms Enskilda Bank*. They reduced the cost of money transfers considerably compared to the costly transport of notes as they were payable on demand without interest or taxes, only subject to stamp costs. Payment with banker's bills could thus be made without the use of cash across the country.<sup>92</sup> The increasing use of banker's bills thereby increased the moneyiness of sight deposits in particular and simultaneously reduced the demand for notes. Still, after the initial jump in deposits between 1857 and 1860 in both sight and time deposits, the money supply, measured as media of exchange for immediate use, M1 (notes and coins plus sight deposits of *enskilda banker*), grew slowly at 1 per cent over the 1857–1870 period.<sup>93</sup>

90 Brisman (1934, pp. 30–44) and Lilja (2010).

91 The properties of different deposit accounts and the mechanics of payments are described in Rosenberg (1878, pp. 16–27).

92 See Söderlund (1964, pp. 95–97) and Nilsson (1981, pp. 233–239) on the origin of *postremissväxlar*.

93 Nominal GDP, from Edvinsson (2014), also grew by 1 per cent 1857 to 1870, so M1-velocity (nominal GDP/M1), remained constant. Edvinsson and Ögren (2014) report the components of the money supply, but only the broad M3 and the narrow M0 totals. They also include deposits from *sparbanker* in M3, excluded here. The constant M1-velocity could be the result of increased monetization which decreases velocity and increased financial sophistication, which increases velocity, from the increased use of time deposits (not included in M1) relative to notes (included in M1) as a store of value.

**Figure 2.16.** Liabilities and equity of all Enskilda banker, 1834–1870).

Source: Finanskommittén (1860a, Table III, IV), Bankbyrån (1860–1865), Statistics Sweden (1866–1870).

Note: *Postremissväxlar* (bankers bills), a minor item, are included in deposits.

## Lending

Loans were initially issued as discount loans (*diskontlån*) or cash credit (*kassakreditiv*). The discount loans were secured with short-term promissory notes (*revers*) with a maximum of 6 months maturity, usually with cosigners (*borgenslån*), with the interest deducted at the start.<sup>94</sup> The discount loans included rights to reschedule part of the loan, so that its maturity could reach up to three years. The interest rate for loans was set at 5 per cent in the charters, following the *Riksbank*, which had lowered its lending rate in 1824 to 5 per cent.

Cash credit was issued as a credit line with a maximum amount. The inspiration, including its name *kassakreditiv*, came from Scottish banks. It was intended for use by businesses that needed ready cash intermittently and was granted against a fee and collateral in the form of cosigners or mortgages. A limit to the fee was set to 0.5 per cent by the 1846 ordinance, which was scrapped in 1857. After 1857, the banks could raise the effective interest rate above 5 per cent. An added advantage of the cash credits was the practice of requiring repayment at the end of each year, which let the banks exchange *Riksbank* notes for their own notes.

<sup>94</sup> According to Finanskommittén (1860a, p. LIV), about 80 per cent of all lending was covered by cosigners and 15 per cent by personal security. Curiously, its tables do not include mortgages as security. Brisman (1934, p. 46) expressed skepticism against these figures and ventured that a large portion of the loans were actually covered by mortgages either directly or indirectly through mortgages of the cosigners.

A third form of lending, discounting of bills (*växeldiskontering*), was first introduced in 1854 by *Skånes Enskilda Bank* and grew from 1857 as a share of lending. Lending against bills was not subject to the interest maximum, since the law classified the lending against bills as purchases of assets, not loans. In addition, it was discovered that the 5 per cent lending rate only applied to loans with interest paid at the start of the loan, so the banks could lend at the maximum legal rate of 6 per cent, simply by changing the form of the loan.<sup>95</sup> These changes eroded the effect of the legal 6 per cent interest ceiling before it was lifted in 1863.

The shift in lending through cash credit and bills was pioneered by *Stockholms Enskilda Bank* (Figure 2.17 and Figure 2.18). Thus the changes in funding and lending practices from 1856 were both parts of a program initiated by *Stockholms Enskilda Bank*. As most of the direct lending was local, the types of borrowers reflected the main local economic activities; agriculture in the south of Sweden and iron ore industry in mid-Sweden in the early period.<sup>96</sup>

The evolution of the three lending categories is shown in Figure 2.17. A fourth type of lending arose from the development of the bond market in the 1860s. *Stockholms Enskilda Bank* began intermediating bonds in 1861, which also involved outright purchases of bonds in addition to selling bonds on commission.<sup>97</sup> Comparing Figure 17 with Figure 2.18, we see that virtually all of the bonds held by *enskilda banker* belonged to *Stockholms Enskilda Bank*. The bonds were issued by the state, cities and industries. Most bonds held before 1861 were issued by the *hypoteksföreningar* and by the state from 1856.

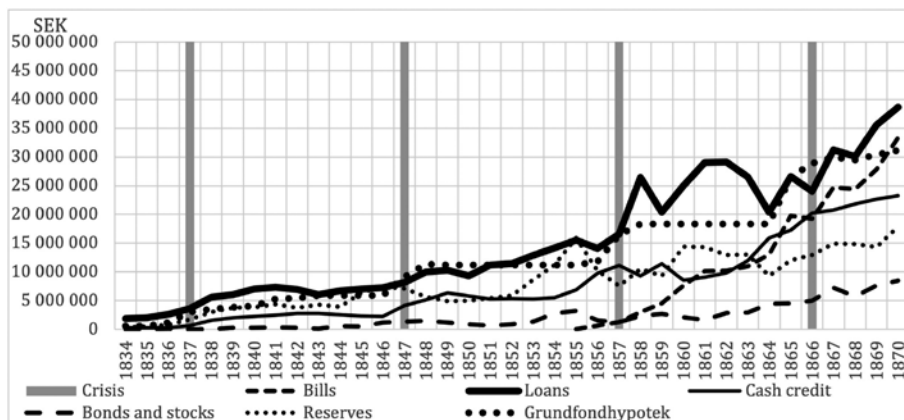
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95 The change occurred when it was discovered and confirmed by the government that the 1846 ordinance only set 5 per cent if the interest was paid at the *beginning* as a discount on the loan amount, which was the general custom. By charging the interest at the *end* of the loan, the interest could be raised to the legal limit of 6 per cent. On this and the evolution of deposits from 1857, see Brisman (1934, pp. 30–44). Finanskommittén (1860a, p. LIV) reported that almost all banks charged 6 per cent after 1857.

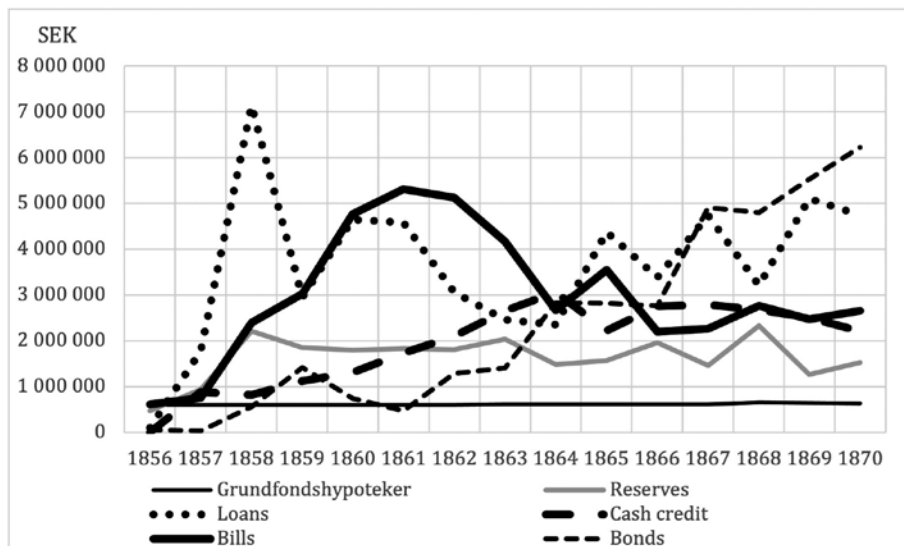
96 See Brisman (1924, pp. 137–141) on the relative use of lending forms and borrowers.

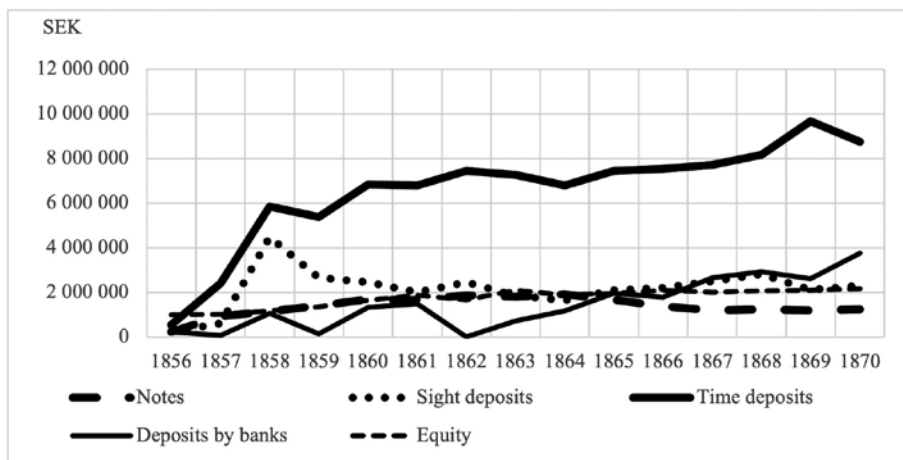
97 See Gasslander (1956, pp. 64–67).



**Figure 2.17.** Assets of all Enskilda banker, 1834–1870.

Sources: Finanskommittén (1860a, Table III, IV), Bankbyrån (1860–1865), Statistics Sweden (1866–1870).

**Figure 2.18.** Stockholms Enskilda Bank: Assets (top) and liabilities (bottom), 1856–1870.



Sources: Finanskommittén (1860a, Table III, IV), Bankbyrån (1860–1865), Statistics Sweden (1866–1870).

### Liquidity management

The banks had to manage temporary changes in the public's demand for *Riksbank* notes.<sup>98</sup> The seasonal changes due to tax payments and interregional and international trade could be foreseen, but increases in demand due to business cycles could not.

The cyclical changes emanated from Sweden's main trading partner Great Britain, which imported iron and timber products and from the 1850s agricultural products. The international crises are marked in Figures 2.16 to 2.23. They hit Sweden in two ways at the same time: a decrease in export earnings and a decrease in foreign credit. To accommodate the reductions in foreign exchange, the public demanded *Riksbank* notes at the banks, which were converted at the *Riksbank* into silver and sent abroad as payments for imports and to creditors. To prevent their reserves from decreasing too fast, which could precipitate a run, the banks reduced notes by rationing new lending. They sometimes borrowed reserves in crisis from *publika kassor* and from abroad, using credit lines with foreign trading firms or banks. Another method was to sell short-term bonds. From 1855, they also kept reserves in interest-yielding accounts at the *Riksbank*.

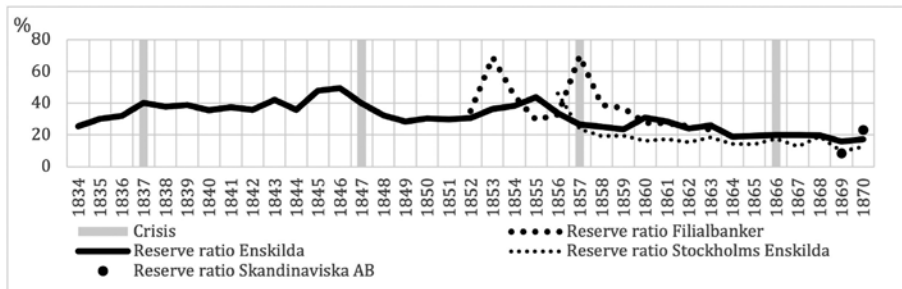
The yearly data mask sudden changes during the year. The movements in reserve and solvency ratios are modest in connection with crises as seen in Figure 2.19 and Figure 2.20. The international crisis in the fall of 1857 instigated the only bank panic that struck the *enskilda banker* before World War I.<sup>99</sup> The worst hit was *Skånes*

<sup>98</sup> See Brisman (1934, pp. 107–110) on liquidity management during normal times.

<sup>99</sup> Brisman (1934, pp. 104–107).

*Enskilda Bank*, which received a loan from the *Riksbank* in December 1857.<sup>100</sup> Further loans were arranged by the government who took up a foreign loan of 12 million SEK, which was lent at 8 per cent in February 1858 to *enskilda banker* and *hypoteksföreningar* through the *Riksbank*. These efforts contained the panic, and the crisis ended in the summer of 1858, with negligible credit losses.

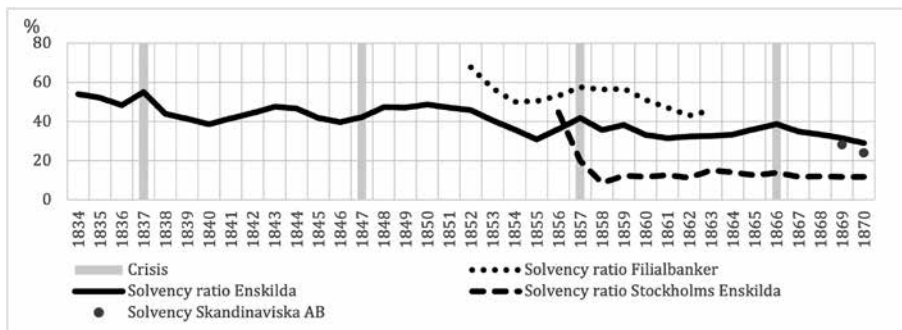
**Figure 2.19.** Reserve ratios of *enskilda banker*, *filiabanker*, *Stockholms Enskilda Bank*, and *Skandinaviska Kreditaktiebolaget*, 1834–1870.



Sources: 1856–1859: Finanskommittén (1860a); 1860–1865: Bankbyrån (1860–1866); 1866–1870: Statistics Sweden (1866–1870).

Note: Reserve ratio =  $(\text{Riksbank cash} + \text{Riksbank deposit}) / (\text{notes} + \text{sight deposits} + \text{bankers' bills} + \text{time deposits})$ .

**Figure 2.20.** Solvency ratios of *enskilda banker*, *filiabanker*, *Stockholms Enskilda Bank*, and *Skandinaviska Kreditaktiebolaget*.



Sources: 1856–1859: Finanskommittén (1863); 1860–1865: Bankbyrån (1860–1866); 1866–1870: Statistics Sweden (1866–1870).

Note: Solvency ratio =  $\text{equity} / \text{total assets} = (\text{grundfond} + \text{reserufond} + \text{outdelade vinster}) / \text{total assets}$ .

<sup>100</sup> The loan was granted against collateral of bonds issued by *Skånes hypoteksförening* and with A.O. Wallenberg, the founder of *Stockholms Enskilda Bank*, as cosigner. The bonds issued by *Skånes hypoteksförening* were in turn lent by *Skånes Hypoteksförening* to *Skånes Enskilda Bank* against collateral in loans issued by *Skånes Enskilda Bank*. The event testifies both to the fear of contagion and to the solvency of *Skånes Enskilda Bank*, see Kock (1931a, pp. 164–169).

## Joint-stock, unlimited-liability, *Riksbank*-affiliated banks – *filiabanker*

A new type of bank was created 1852 at the initiative of the Riksdag, regulated by an ordinance of 1851 (SFS 1851:39), the joint-stock, unlimited-liability, so-called *filiabanker*.<sup>101</sup> The parliament offered subsidized 3-per cent loans from the *Riksbank* to make up for the lack of the right to issue notes, which is why they were called *Riksbank*-affiliated banks. The farmer and clergy estates in the Riksdag had become critical of the *enskilda banker*, who they thought unfairly gained from the seigniorage income of their note issue and mostly favored wealthy property owners who could present mortgage collateral for the required statutory equity. One purpose was to spread *Riksbank* notes at the expense of *enskilda bank* notes. The *filiabanker* were funded by equity and deposits in addition to the *Riksbank* funds. The initial equity (*grundfond*) was made up of paid-in capital (*kontant inbetalt*) and collateral (*grundfondshypotek*) according to the same rules as for the *enskilda banker* from 1846. Paid-in capital was close to the minimum requirement of 25 per cent (Figure 2.13).

The *Riksbank* provided funds to the *filiabanker* as loans and cash credit. The cash credit was used by the banks to pay out loans with assignations (*invisningar*) on the *Riksbank*, which were issued by the banks in fixed denominations. The assignations had a higher minimum denomination (100 *riksdaler banco*) than the *enskilda bank* notes and were a minor source of funds.<sup>102</sup> The development of their funding sources is shown in Figure 2.22. The *filiabanker* were thus funded as the younger *diskonter* with equity, *Riksbank* credit, deposits, and outstanding assignations.

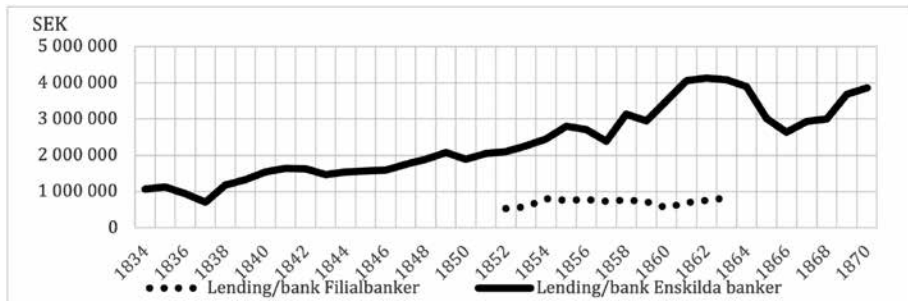
Though their total lending increased substantially between 1857 and 1860, the lending per bank was small as the number of banks increased from 7 in 1857 to 22 in 1860 (Figure 2.21).<sup>103</sup> This increase implied that almost all cities had at least one commercial bank by 1860 in addition to *sparbanker*. Figure 2.22 and Figure 2.23 show their assets and liabilities.<sup>104</sup>

101 This section builds on Brisman (1924, 1934) and Nygren (1981).

102 Platbārzdīs (1964, p. 50).

103 The *filiabanker* did not experience severe liquidity problems in the 1857 crisis due to their credit line with the *Riksbank*, see Brisman (1934, p. 106). The *filiabanker* stood out by issuing loans against security in bonds and stocks (*publika papper*) with a maximum of 48 per cent in 1858. *Finanskommittén* (1860a, p. LIV) noted that some banks had advanced cash credits to their owners against security in their stock holdings in the bank, representing between 30 and 80 per cent of the total cash credit.

104 The balance sheets in *Riksbanken* (1931) include from 1852 the item “Advances to *filiabankerna*”, which disappear in 1863. They were not fully dismantled until 1874.

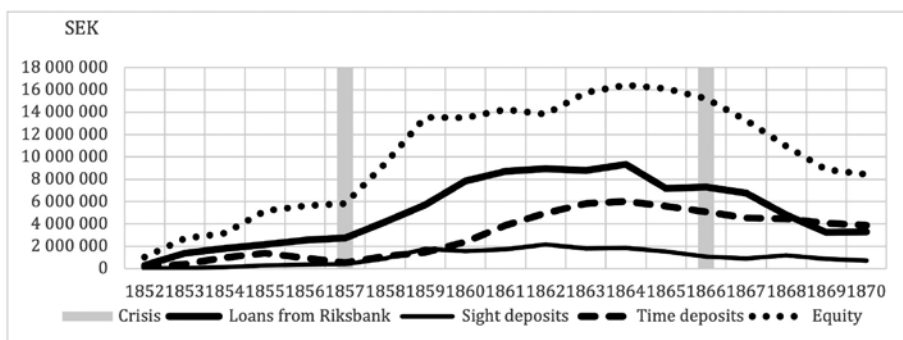
**Figure 2.21.** Lending per bank: *filiabanker* and *enskilda banker*, 1834–1870.

Sources: See Figure 2.9, Figure 2.17, and Figure 2.23.

Deeming them inefficient and expensive, the Riksdag decided to dismantle them from 1862.<sup>105</sup> This was also the recommendation of Finanskommittén (1860a). As is evident from Figure 2.8 and Figure 2.21, they had not lived up to expectations as their total size as well as their individual sizes remained small compared to the *enskilda banker*. They were, however, profitable, as shown in Figure 2.14. The main motive for dismantling them was the cost of supporting them by subsidized *Riksbank* loans. The *Riksbank* had begun a redirection of its own lending towards commercial lending away from subsidized lending and thus the funds used by the *filiabanker* could be more profitably used by the *Riksbank* through their own cash credits and discounting of bills. A contributing factor was the failure of the *filiabanker* to increase the circulation of *Riksbank* notes. Instead, they helped to spread the *enskilda banker* notes by cooperating with them. They issued assignments to the *enskilda banker* in exchange for *enskilda bank* notes, and then spread them through their lending. There was also a concern expressed by Finanskommittén (1860a) that the part of the *Riksbank* funding to the *filiabanker*, given as cash credit, may threaten convertibility. In a crisis, the *filiabanker* could increase their lending by borrowing at the *Riksbank* up to the credit limit. Finally, the opposition to *enskilda banker* from the 1840s and the early 1850s had waned.

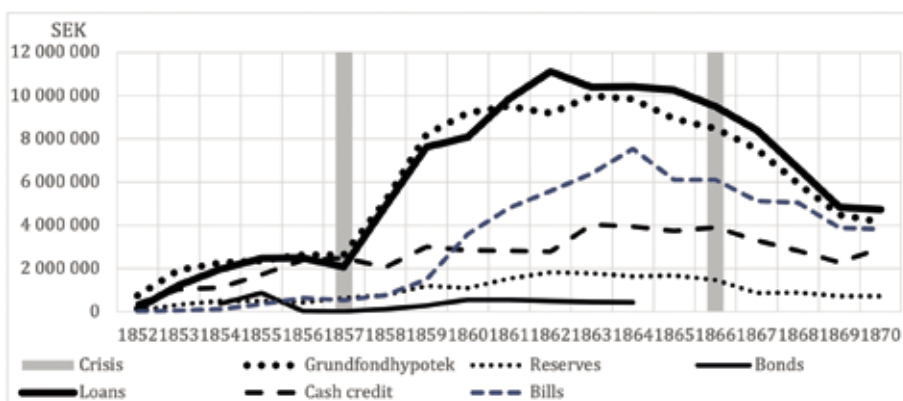
Finanskommittén (1860a) and leading politicians considered that the banks' main function should be to collect the public's savings through deposits to finance economic development. This the *enskilda banker* proved able to do from 1857. The government encouraged the founding of new *enskilda banker* through the granting of charters to all that qualified from 1864, many of them *filiabanker* which reorganized themselves as *enskilda banker* (Figure 2.9).

<sup>105</sup> See Brisman (1934, pp. 111–122).

**Figure 2.22.** Liabilities and equity of filialbanker, 1852–1870.

Source: 1852–1859: *Finanskommittén* (1860a), Table V, litt B; 1860–1864, 1865–1870: Bankbyrån (1860–1866). Statistics Sweden (1872).

Note: Equity is calculated as: *grundfond + accumulated reservfond + profit for the year*.

**Figure 2.23.** Assets of filialbanker 1852–1870.

Source: 1852–1859: *Finanskommittén* (1860a), Table V, litt B; 1860–1864, 1865–1870: Bankbyrån (1860–1866). Statistics Sweden (1872).

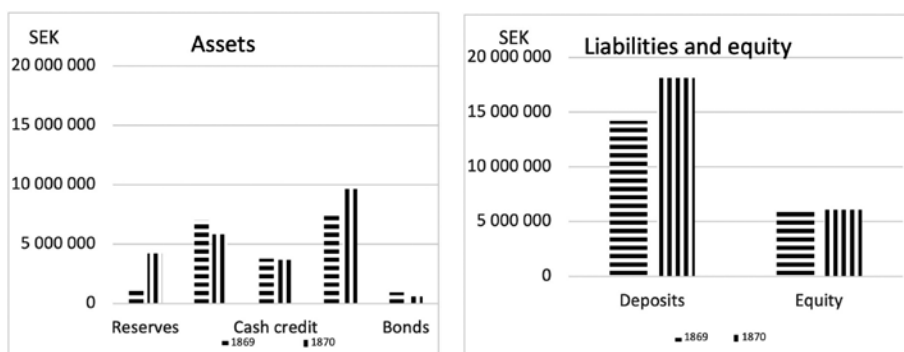
## Joint-stock, limited-liability banks – *kreditaktiebolag*

*Skandinaviska Kreditaktiebolaget* was founded in Gothenburg in 1864 as the first joint-stock bank with limited liability.<sup>106</sup> The government had announced in 1863 that banks could be established as limited-liability corporations according to the lim-

<sup>106</sup> This section builds on Söderlund (1964).

ited-liability company act of 1848, but not issue notes.<sup>107</sup> A supplementary reform was the scrapping in 1863 of the 6 per cent interest limit on lending rates. *Skandinaviska Kreditaktiebolaget* was from the beginning geared to long-term financing of industrial activities through direct lending, lending against industrial bonds or buying bonds. It established a branch in Stockholm in 1865 and became a competitor of *Stockholms Enskilda Bank*. It grew fast and quickly took over *Stockholms Enskilda Bank*'s central bank function with clearing and rediscounting to banks. It also took the lead as an investment bank handling new bond and stock issues. Complete balance sheet data are only available from 1869 as shown in Figure 2.24.<sup>108</sup> In 1870, its total balance sheet of 25 million SEK made it the second largest bank behind *Skånes Enskilda Bank* at 28 million SEK, but larger than *Stockholms Enskilda Bank* at 18 million SEK. Figure 2.25 shows that the profitability of *Stockholms Enskilda Bank* was double that of *Skandinaviska Kreditaktiebolaget* in 1865–1870.

**Figure 2.24.** Assets (left) and liabilities and equity (right) of *Skandinaviska Kreditaktiebolaget*, 1869 and 1870.



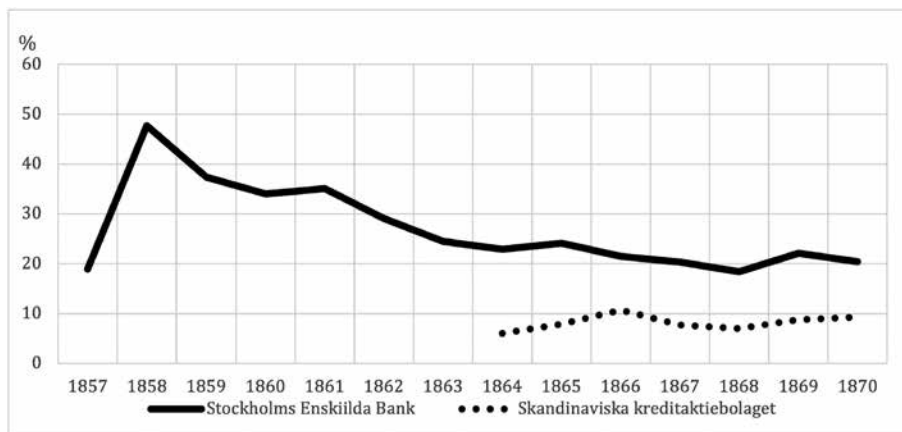
Source: Bankbyrån (1866–1870).

Note: *Postremissväxlar* (bankers' bills), a minor item, are included in deposits. The small "other items" has been excluded.

107 Joint-stock, limited-liability banks in England were allowed from 1858, following the Joint Stock Companies Act of 1856.

108 Söderlund (1964, Table 15, p. 172) contains a table of equity, profits and dividends 1864–1879. Söderlund (1964, pp. 110–111) describes the banks' reporting to the *Bankbyrån* at the Ministry of Finance. It published quarterly balance sheets from 1866 of the *enskilda banker* available at Statistics Sweden (1866–1870). *Skandinaviska kreditbolaget* was included from 1869.

**Figure 2.25.** Profitability of *Stockholms Enskilda Bank* and *Skandinaviska Kreditaktiebolaget*, 1857–1870.



Sources: *Stockholms Enskilda Bank* Gasslander (1962, p. 43), *Skandinaviska Kreditaktiebolaget* Söderlund (1964, p. 172).

Note: Profitability is calculated as net profits/equity for *Skandinaviska Kreditaktiebolaget* and as net profits/(equity – *grundfondshypotek*) for *Stockholms Enskilda Bank*.

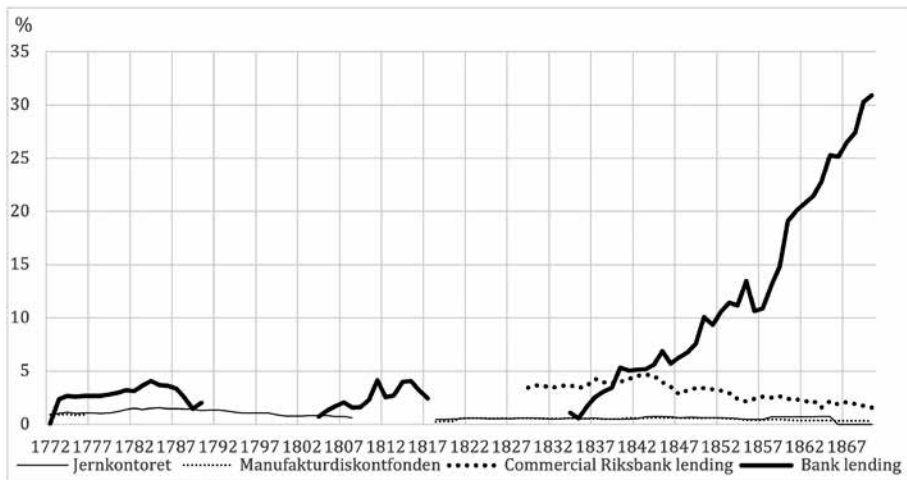
A second limited-liability bank *Industrikreditaktiebolaget* started in 1865 in Stockholm. Its activities are described by Söderlund (1964, pp. 311–324). No published data exist before 1875.



## 4. Estimates of financial development, 1772–1870

Financial development occurs in several dimensions. Three key aspects are depth, access, and efficiency, which can be measured with a number of indices. The first attempts to measure financial depth were made by Cameron (1967) and Goldsmith (1969) to analyze long-run financial development. Today the World Bank and the IMF maintain international databases with series starting in 1960. These measures only include the formal sector. The evidence from Swedish studies indicates that the absolute size of the informal and formal sectors grew at a similar pace, with the formal sector increasing its share of total credit. This implies that the measures of formal financial development overstate total financial development.

**Figure 2.26.** Lending as a share of GDP, 1772–1870.



Sources: Bank lending: *diskonter, sparbanker, enskilda banker, filialbanker, hypoteksföreningar* and *Skandinaviska Kreditaktiebolaget* (1869–1870) as described in the previous figures. Commercial Riksbank lending: Sveriges Riksbank (1931), vol. V. *Manufakturdiskonten* 1772–1776: Åmark (1961, Table 78), 1820–1865 Gårdlund (1944, Tabell 1); *Jernkontoret* Boëthius och Kromnow (1947, 1968a, 1968b); Nominal GDP: Edvinsson (2014).

Note: Lending of *Jernkontoret* and *sparbanker* are proxied by the sum of equity and deposits. The ratios for *Manufakturdiskonten* and *Jernkontoret* are close and vary between 0.5 and 2 per cent. *Riksbank* commercial lending as defined by Brisman (1931, p. 60): loans against collateral of registered iron (*vägförda effekter*), *löpande räkning* (loans on current account), *guld och silver, aktier och obligationer* (stocks and bills), *kreditiv* (cash credit), and *växlar* (bills).

## Depth

The key indicator of financial depth in the formal sector is private lending as a share of GDP shown in Figure 2.26.<sup>109</sup> The figure also shows the lending of *Jernkontoret*, *Manufakturdiskonten*, and the *Riksbank*.

The outcome is closely related to changes in the institutional set-up:

- The period 1772–1788 of the older *diskonter* reaching a depth of 4 per cent.
- The period 1803–1817 of the younger *diskonter* reaching a depth of 4 per cent.
- The period 1818–1831 with no joint-stock banks and *Jernkontoret*, *Manufakturdiskonten* and *sparbanker* as the only lenders reaching a total depth of 2 per cent.
- The initial period 1831–1846 of modern banking with slow growth of the new institutions *enskilda banker*, *sparbanker* and *hypoteksföreningar*, reaching a depth of 6 per cent on par with the previous *diskonter*.
- The period 1848 to 1870 with accelerated growth to 31 per cent depth by 1870.

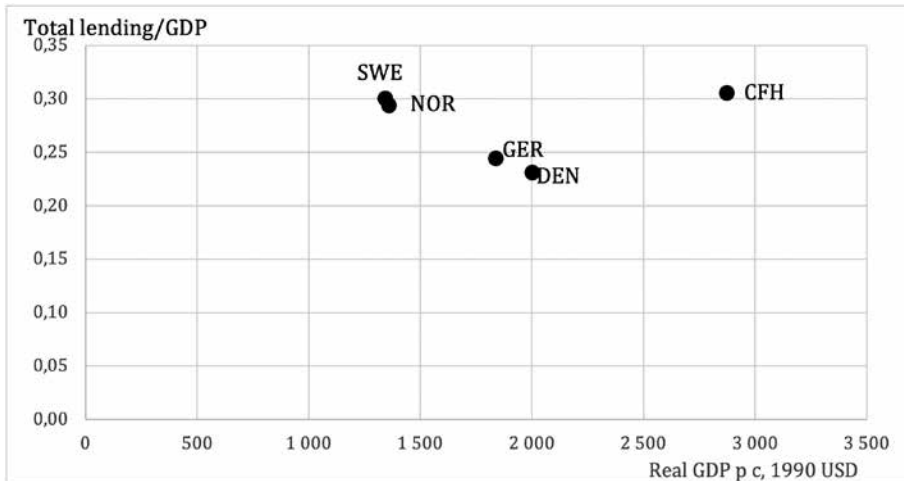
The overall conclusion is that the institutional sector did not grow significantly before the late 1850s. The growth in institutional credit intermediation implied better liquidity to borrowers and lenders with better access and security, and a social gain from the creation of a national money market with greater pooling of savings.<sup>110</sup> Yet the growth in financial depth of the total credit market, formal and informal, was lower than the growth in the formal sector due the replacement of informal with formal credit.

Sweden reached a financial depth in 1870 that was almost on the same level as Switzerland, a much richer country at the time (Figure 2.27). One explanation for the high level may be that the data for Sweden are more comprehensive due to high coverage of official statistics. Yet the high growth in depth from 1857 suggests that Sweden, still being a poor country in 1870, was well advanced by 1870 and in the words of Sandberg (1978) an “impoverished financial sophisticate”.

109 It is labeled “Private credit to the private sector by deposit banks and other institutions to GDP” by the World Bank, “Financial depth index for institutions” by IMF, and “Total Loans to GDP” by Jordà et al (2016). The early studies by Cameron (1967), Goldsmith (1969), Sandberg (1978), and Nygren (1983) use total assets of the financial sector, which include securities and cash reserves in addition to loans, and thus give higher estimates.

110 See Lobell (2010) on the growing financial integration domestically and internationally in Sweden, 1830–1890.

**Figure 2.27.** Financial institutional depth (Total lending/GDP) for five countries 1870 and real GDP per capita.



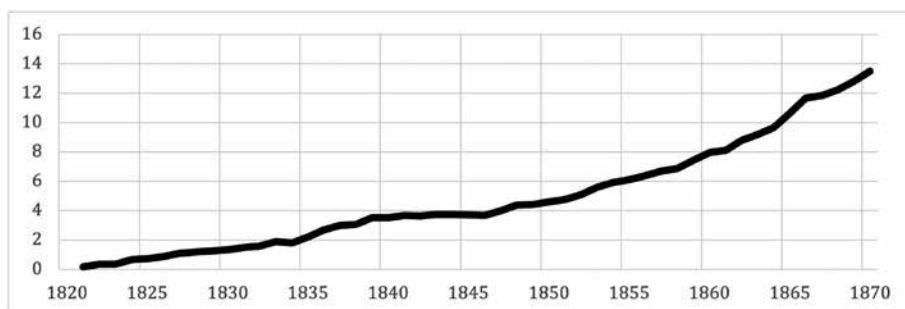
Source: Jordà et al (2016), [www.macrohistory.net/data](http://www.macrohistory.net/data).

Note: The financial depth for Sweden is calculated by me (not included in Jordà et al).

## Access

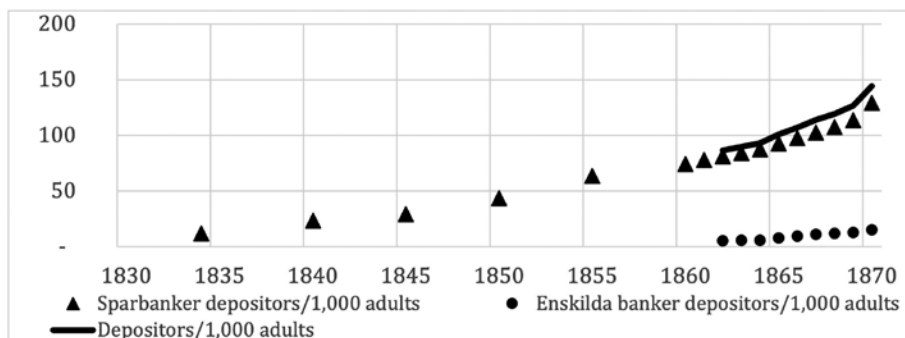
The financial deepening since 1820 is accompanied by increased access as measured by the number of bank offices per adult (over 15 years of age) (Figure 2.28). In 1860, there were 8 bank offices per 100,000 adults, which increased to 13 in 1870.<sup>111</sup> This is double the number in England and Wales in 1841, and two thirds of the number in Scotland in 1865 (Cameron (1967, p. 22, p. 66). The same relative growth occurred in the number of deposit accounts per thousand adults from 75 in 1860 to 145 in 1870 (Figure 2.29). Behind the growth in access is primarily the increase in *sparbanker* from 150 in 1860 to 234 in 1870, in addition to the increase in *enskilda banker* from 10 in 1864 to 25 in 1870. The growth occurred largely through new banks in new locations to such an extent that, by 1870, the country was covered by a geographically fine-meshed financial network.

<sup>111</sup> Fourteen bank offices per 100,000 adults correspond to a country rank of about 80 in the international comparisons published by the World Bank in 2018.

**Figure 2.28.** Bank offices per 100,000 adults 1820–1870.

Sources: Number of *enskilda banker* and bank offices: Brisman (1924, p. 245) and Brisman (1934, p. 219); *sparbanker*: Statistics Sweden (1960, p. 102), *filiabanker*: 1852–1859: *Finanskommittén (1860a)*, 1860–1870: Söderlund (1964, p. 103). Adult population: Statistics Sweden (1955).

Note: The series is calculated as the number of bank offices of *enskilda banker*, *filiabanker* and number of *sparbanker* divided by population. It has been assumed that *sparbanker* only had one office. Adult population is interpolated between 1820, 1830, 1840, 1859, 1860, 1870 from Statistics Sweden (1955, Table A16): Total population – population 0–14 years of age.

**Figure 2.29.** Number of depositors per 1,000 adults 1834–1870.

Sources: Sparbanker: 1834–1860: *Finanskommittén* (1863), 1861–1870: *Statistisk Tidskrift* (1866, 1871); *Enskilda banker*: 1860–1865: *Bankbyrån* (1860–1865), 1866–1870: Statistics Sweden (1866–1870), Adult population: Statistics Sweden (1955).

## Efficiency

A key measure of the efficiency of financial intermediaries is the spread between lending and funding rates. The spread is the main determinant of banks' profits. The more competitive the bank market is, the lower the spread and the more efficient are the banks. We first consider the joint-stock banks (*diskonter*, *enskilda banker*, *filiabanker*). The *diskonter* lent at 6 per cent, while the *enskilda banker* and *filiabanker* lent at 5 per cent. Before 1857, the deposit rate was set to 3 per cent for sight depos-

its, which was the dominant deposit type from the time of the *diskonter* until 1856. The interest-free sources of funds, assignments and notes, bore costs for production, handling, and distribution. Söderlund (1977, p. 19) estimated the cost of notes for the *enskilda banker* as “almost surely below 2 per cent of the total amount”, while Brisman (1924, p. 112) cited a higher cost of 2.37 per cent estimated by *Östgöta-banken*.

Thus, the spreads differed according to the sources of funds before the lending rate was set free. The spread for the old *diskonter* may be estimated as 3 per cent given the lending rate of 6 per cent and the predominance of 3 per-cent deposits. The use of interest-free assignments for the younger *diskonter* implies that their spread was higher than 3 per cent. The spread for the note-issuing *enskilda banker* may be calculated as the lending rate of 5 per cent minus a cost of issuing notes at around 2 per cent, which also gives a spread of 3 per cent. After 1856, the lending rate (loans, cash credits and bills) may be estimated at 7 per cent and the deposit rate on time deposits at 5 per cent for the next few years, that is, a spread of 2 per cent for deposit-funded lending and 5 per cent for note-financed lending. Since the note source of funds started to diminish from 1857 onwards, the average spread decreased towards 2 per cent in the 1860s. By 1866, when entry to banking had become essentially free in accordance with the ordinance of 1864, the lending rate settled at 6 per cent and the deposit rate at 4 per cent for the rest of the 1860s.<sup>112</sup> Thus, the dismantling of financial repression between 1857 and 1864 increased efficiency through the lowering of the spread from above 3 towards 2 per cent.

*Sparbanker* and *hypoteksföreningar* appear unaffected by the freeing of the interest rate as their lending rate remained at 6 per cent. *Sparbanker* continued during the whole period to offer 5 per cent on deposits. *Hypoteksföreningar* paid between 4 and 5 per cent yield on their bonds.<sup>113</sup> Being non-profit associations with low costs, they were run with slim interest rate margins between 1 and 2 per cent. From that perspective, they were efficient from the beginning, while their lending and deposits were rationed.

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<sup>112</sup> Statistics Sweden (1866–1870) contains quarterly reports of lending and deposit rates.

<sup>113</sup> Sommarin (1936, p. 113).

## 5. Conclusions

Several features of Swedish banking evolution appear to stand out in an international context:

- The early start of joint-stock chartered banks with unlimited liability in 1772.
- The causality from monetary stability to establishment of banks starting in connection with an announced return to convertibility 1772 (1777), 1804 (1803), and 1830 (1834), with convertibility year in parenthesis.
- The importance of legal protection for lenders for the robustness of the financial institutions with negligible credit losses and only two banking panics: 1817 with bankruptcies and 1857 without bankruptcies.
- Deposits as a funding source, starting with interest-bearing deposit accounts by the *diskonter* in 1772–1795 and 1804–1817, reappearing as a major source of funds from 1857.
- The involvement of the state through the *Riksbank* as a lender of funds to the *diskonter* and the *filiälbanks*.
- The *Riksbank* as lender of last resort to the *diskonter* during the crises of 1805–1817.
- The early issue by the younger *diskonter* from 1803 of private, fixed-denomination assignment notes, which provided an additional source of funds akin to private bank notes.
- The use of private bank notes from 1831 as a major source of funds for lending by *enskilda banks* competing with the state's *Riksbank* notes.<sup>114</sup>
- The early start of thrifts, *sparbanks*, in 1820 with lending to the private sector and nationwide coverage.
- The first general bank law in 1824.<sup>115</sup>
- The growth of lending by building societies, *hypoteksföreningar*, which became the largest lender, funded mainly by foreign bond issues.
- The gradual replacement of informal by formal credit with absolute growth in both sectors. The total growth in credit was thereby considerably lower than the growth of credit in the formal sector for the whole of the 19th century.
- The watershed year 1857 with the unrelated appearance of *Stockholms Enskilda Bank* and the international financial crisis, which led to the abandoning of the interest ceiling before it was legally scrapped in 1863 and to stable funding with transferable deposits.

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<sup>114</sup> Private, note-issuing banks after 1844 only existed in Switzerland and Germany, which lacked a central bank. The Bank of England received a virtual monopoly on note issue under the Banking Charter Act 1844 (Peel Banking Act).

<sup>115</sup> Grossman (2010, p.198).

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## Appendix tables A

**Table A2.1.** *Lending older diskonter 1772–1790 in rdr sp (= 1.5 SEK).*

	<i>General- assistanskontoret</i>	<i>General- diskontkontoret</i>	<i>Diskont- kontoret</i>	<i>Göteborgs diskontkontor</i>
1772	24 711			
1773	50 790		833 333	
1774	76 868		865 382	
1775	102 947		897 431	
1776	129 025		929 480	
1777	155 104		961 529	
1778	181 182		993 577	
1779	207 261		1 025 626	
1780	232 666		1 057 675	
1781	258 071		1 110 670	
1782	283 476		1 110 667	
1783	308 881		1 110 667	238 458
1784	383 421		1 110 667	279 370
1785	329 771		1 110 667	252 816
1786	319 548		1 110 667	258 803
1787	309 325		996 427	299 105
1788	309 325	86 465	588 653	258 571
1789		472 500		265 221
1790		1 072 655		

Source: See figure 2.6.

**Table A2.2.** *End-of-year assignments and deposits younger diskonter 1803–1818:in rdr bco (= 1.5 SEK).*

	<i>Göta kanal diskont</i>		<i>Göteborgs diskont</i>		<i>Malmö diskont</i>	
	<i>Assignations</i>	<i>Deposits</i>	<i>Assignations</i>	<i>Deposits</i>	<i>Assignations</i>	<i>Deposits</i>
1804			29 000	61 000	92 000	246 000
1805			285 000	235 000	110 000	453 000
1806			331 000	455 000	214 000	624 000
1807			314 000	514 000	223 000	646 000
1808			554 000	765 000	276 000	650 000
1809			570 000	790 000	536 000	837 000
1810	935 000	2 343 000	814 000	842 000	741 000	1 443 000
1811	925 000	2 755 000	628 000	724 000	697 000	1 257 000
1812	564 000	3 518 000	612 000	960 000	646 000	1 490 000
1813	851 000	4 930 000	552 000	922 000	496 000	1 897 000
1814	989 000	5 429 000	457 000	1 101 000	432 000	2 127 000
1815	733 000	5 433 000	601 000	846 000	718 000	1 365 000
1816	856 000	4 192 000	377 000	648 000	820 000	1 644 000
1817	844 000	3 472 000	296 000	500 000	106 000	1 197 000
1818	491 000	645 000	141 000	477 000	106 000	116 000

Source: Bankoutskottets akter, 1823, del III, p. 1639, Riksarkivet. Reproduced in Brisman (1924), p.244.

**Table A2.3.** *Yearly accumulated assignments, deposits and loans younger diskonter 1803–1818 in rdr bco (= 1,5 SEK).*

	Göta kanal diskont			Göteborgs diskont			Malmö diskont		
	Assignations	Deposits	Loans	Assignations	Deposits	Loans	Assignations	Deposits	Loans
1804				314 399		896 289	492 212	424 843	641 783
1805				866 220		1 703 671	1 331 184	1 378 326	1 145 728
1806				1 287 088		2 592 344	1 750 719	1 010 511	1 642 347
1807				1 117 346		3 252 954	1 966 207	767 195	2 046 272
1808				2 328 710		3 051 875	1 911 972	1 193 587	1 592 812
1809				328 043		3 592 055	2 231 241	1 318 283	1 623 465
1810	2 582 103	1 935 000	2 807 890	4 406 262	2 305 302	5 534 995	3 324 593	2 274 607	2 395 394
1811	2 516 108	7 631 090	7 861 633	2 950 752	2 063 765	4 808 398	3 564 880	2 379 267	3 052 275
1812	685 015	14 262 485	7 535 120	3 458 259	2 592 825	4 683 007	3 191 046	2 782 296	3 824 717
1813	1 670 509	19 694 065	8 783 187	3 934 200	2 555 205	4 557 616	3 277 686	3 902 750	4 093 813
1814	1 910 891	20 452 926	9 986 783	2 969 087	2 483 257	4 432 225	3 801 542	4 646 861	4 450 148
1815	1 431 797	18 510 287	8 656 800	3 577 428	3 051 764	4 438 938	5 477 668	4 238 413	5 517 738
1816	1 377 745	18 013 348	8 586 354	3 027 560	2 778 873	4 296 461	5 007 518	3 213 698	2 927 047
1817	881 700	9 827 150	6 539 120	2 191 600	1 722 036	3 818 918	3 724 738	2 256 050	1 647 220

Sources: Göta kanal diskont and Göteborgs diskont: Andersson (1983), Malmö: Andersson (1985).

Note: Loans Göteborgs diskont interpolated 1813, 1814.

**Table A2.4.** *Deposits and equity 1834–1870 sparbanker in rdr rmt (= SEK).*

	<i>Deposits</i>	<i>Equity</i>	<i>Total liabilities</i>
1834			2 333 536
1835			
1836			
1837			
1838			
1839			
1840			5 212 240
1841			
1842			
1843			
1844			
1845			7 722 825
1846			
1847			
1848			
1849			
1850			12 934 180
1851			
1852			
1853			
1854			
1855			22 095 552
1856			
1857			
1858			
1859			
1860	27 291 937	2 096 061	29 387 998
1861	29 772 670	2 309 290	32 081 960
1862	31 261 338	2 542 241	33 803 579
1863	32 494 403	2 807 222	35 301 625
1864	33 376 991	3 038 356	36 415 347
1865	35 983 636	3 132 644	39 116 280
1866	37 758 599	3 375 996	41 134 595
1867	40 069 366	3 570 403	43 639 769
1868	42 723 407	3 813 158	46 536 565
1869	47 128 320	3 980 327	51 108 647
1870	57 376 611	4 263 110	61 639 721

Sources: 1834–1860: Underdånigt betänkande angående Sveriges ekonomiska och finansiella utveckling under åren 1834–1860, tabell XXII.

1860–1865: Statistisk tidskrift 1865, andra bandet, Tabell nr 3, sid 335.

1866–1870: Sveriges officiella statistik, Sammandrag, 1870, 1872.



**Table A2.5.** Long lending building societies 1834–1858 in rdr rmt (= SEK).

Source table:	Hypoteksföreningarna			Bruksägarnas hypotekskassa		Total
	Tabell IV	Tabell IV	Calculated*	Tabell VI	Tabell VI	
	Amortization loans: original values	Amortization	Amortization loans: outstanding	Amortization loans: original values	Amortization loans: outstanding	
1834				36 000	35 773	35 773
1835				126 000	124 605	124 605
1836	132 150	27 750	132 150	3 355 500	3 347 793	3 479 943
1837	569 850	33 005	536 845	4 773 750	4 738 382	5 275 227
1838	996 750	35 561	928 184	5 862 750	5 767 188	6 695 372
1839	1 349 000	33 569	1 246 865	6 890 250	6 733 518	7 980 383
1840	1 550 850	41 027	1 407 688	8 523 000	8 289 544	9 697 232
1841	1 821 900	70 657	1 608 081	9 762 000	9 434 829	11 042 910
1842	2 546 763	44 757	2 288 187	11 245 500	10 808 009	13 096 196
1843	3 650 063	48 375	3 343 112	12 345 000	11 778 465	15 121 577
1844	3 997 523	50 250	3 640 322	12 508 789	11 768 109	15 408 431
1845	4 391 105	54 517	3 979 387	12 594 586	11 622 806	15 602 193
1846	6 930 332	161 848	6 356 766	12 594 586	11 428 319	17 785 085
1847	8 496 878	157 538	7 765 774	12 562 048	11 230 081	18 995 855
1848	10 771 308	135 948	9 904 256	12 320 628	10 799 905	20 704 161
1849	12 678 571	176 055	11 635 464	12 105 676	10 378 578	22 014 042
1850	16 768 681	181 419	15 544 155	12 008 020	10 081 532	25 625 687
1851	23 144 927	231 342	21 689 059	12 020 548	9 850 442	31 539 501
1852	34 111 401	344 049	32 311 484	12 302 026	9 921 707	42 233 191
1853	41 746 758	434 497	39 512 344	12 602 104	9 970 686	49 483 030
1854	46 639 238	538 447	43 866 377	12 597 564	9 747 828	53 614 205
1855	54 439 081	588 946	51 077 274	12 629 110	9 549 438	60 626 712
1856	57 479 194	688 333	53 429 054	12 911 110	9 588 207	63 017 261
1857	62 263 835	1 056 691	57 157 004	12 969 978	9 384 972	66 541 976
1858	67 702 008	933 735	61 661 442	13 030 926	9 175 082	70 836 524

Sources: Finanskommittén (1860b).

\* = previous year + change in original value – amortization.

**Table A2.6.** *Total lending building societies 1834–1870 in rdr rmt (= SEK).*

<i>Source table</i>	<i>Tabell XXVII</i> <i>Short lending</i>	<i>From Table A2.5</i>	
		<i>Long lending</i>	<i>Total lending</i>
1834		35 773	35 773
1835		124 605	124 605
1836	1 104 050	3 479 943	4 583 993
1837	1 509 740	5 275 227	6 784 967
1838	962 732	6 695 372	7 658 104
1839	1 327 750	7 980 383	9 308 133
1840	2 756 247	9 697 232	12 453 479
1841	4 149 313	11 042 910	15 192 223
1842	3 570 937	13 096 196	16 667 133
1843	2 303 326	15 121 577	17 424 903
1844	2 111 043	15 408 431	17 519 474
1845	2 041 422	15 602 193	17 643 615
1846	2 725 116	17 785 085	20 510 201
1847	4 242 414	18 995 855	23 238 269
1848	3 555 774	20 704 161	24 259 935
1849	4 758 653	22 014 042	26 772 695
1850	6 508 421	25 625 687	32 134 108
1851	8 874 057	31 539 501	40 413 558
1852	8 284 763	42 233 191	50 517 954
1853	8 393 045	49 483 030	57 876 075
1854	5 924 890	53 614 205	59 539 095
1855	6 497 843	60 626 712	67 124 555
1856	9 861 227	63 017 261	72 878 488
1857	5 660 365	66 541 976	72 202 341
1858	4 436 655	70 836 524	75 273 179
1859			
1860			
1861			
1862			
1863			
1864			
1865			
1866			
1867			
1868			
1869			
1870			158 849 000

Sources: 1835–1858: Finanskommittén (1860b).  
1870: Statistics Sweden (1960, Tabell 82).

**Table A2.7.** Debt building societies 1834–1870 in rdr rmt (= SEK).

Source table:	Hypoteksföreningar			Sveriges Allmänna Hypotekskassa		Total
	Tabell XXII	Tabell XX	Tabell XIX	Domestic bonds SAHB	Foreign bonds SAHB	
	Foreign bond debt	Domestic re-deemable bonds	Domestic long bonds			
1834						
1835	2 670 000	61 333				2 731 333
1836	3 935 333	562 850				4 498 183
1837	5 827 333	1 240 833				7 068 166
1838	5 759 333	1 945 850				7 705 183
1839	7 588 666	2 162 692				9 751 358
1840	11 548 666	2 273 509				13 822 175
1841	12 972 000	3 214 700				16 186 700
1842	13 457 333	3 580 367				17 037 700
1843	13 292 000	4 239 350				17 531 350
1844	13 541 333	4 174 891				17 716 224
1845	13 362 666	4 978 733				18 341 399
1846	14 474 049	6 516 417				20 990 466
1847	18 181 999	5 916 858				24 098 857
1848	17 703 333	6 969 041				24 672 374
1849	19 403 999	9 228 584				28 632 583
1850	25 261 998	9 976 327				35 238 325
1851	33 832 131	11 651 209				45 483 340
1852	46 333 264	13 740 167				60 073 431
1853	50 702 330	14 296 800	9 600			65 008 730
1854	50 340 430	13 908 808	2 914 800			67 164 038
1855	51 594 197	14 423 217	8 679 100			74 696 514
1856	50 954 696	15 024 100	11 982 100			77 960 896
1857	53 058 031	11 326 658	12 087 100			76 471 789
1858	59 538 711	9 860 225	12 824 900			82 223 836
1859						
1860						
1861					18 000 000	
1862					40 000 000	
1863					43 000 000	
1864				1 000 000	49 000 000	
1865				2 000 000	51 000 000	
1866				4 000 000	55 000 000	
1867				9 000 000	58 000 000	
1868				16 000 000	60 000 000	
1869				29 000 000	60 000 000	
1870				40 000 000	60 000 000	177 322 000

Sources:

1835–1858: Finanskommittén (1860b).

1861–1870: Sveriges Allmänna Hypoteksbank (1911), figure last page.

1870: Statistics Sweden (1960, Tabell 82).

**Table A2.8.** *Assets enskilda banker 1834–1870 in rdr rmt (SEK).*

	<i>Grundfond- hypotek</i>	<i>Loans</i>	<i>Bills</i>	<i>Cash credit</i>	<i>Bonds and stocks</i>	<i>Reserves</i>	<i>Other assets</i>	<i>Total</i>
1834	552 400	1 880 875		304 920	45 000	366 393	6 259	3 155 847
1835	552 400	2 053 720		248 053	52 500	483 631	37 382	3 427 686
1836	1 209 700	2 592 231		307 869	132 000	836 694	156 687	5 235 181
1837	3 040 810	3 617 897		682 446	12 000	1 718 925	718 562	9 790 641
1838	3 576 679	5 587 384		1 534 579	56 400	3 045 685	775 073	14 575 800
1839	3 857 854	6 041 500		2 036 857	274 980	3 771 894	589 895	16 572 980
1840	4 051 720	7 044 809		2 254 890	255 000	3 851 423	520 906	17 978 748
1841	5 267 853	7 295 415		2 515 620	371 516	4 362 506	888 797	20 701 707
1842	5 449 653	6 987 606		2 784 727	298 495	3 737 594	834 573	20 092 648
1843	5 880 920	6 045 300		2 773 999	156 813	4 296 878	806 769	19 960 679
1844	5 880 920	6 726 486		2 550 817	614 943	3 901 510	907 087	20 581 763
1845	5 880 920	7 051 787		2 304 501	506 850	6 384 526	830 857	22 959 441
1846	5 880 920	7 256 959		2 285 044	1 197 880	7 375 026	791 833	24 787 662
1847	9 148 122	8 169 850		4 133 580	1 351 457	7 128 875	1 089 910	31 021 795
1848	11 325 420	9 987 541		5 168 754	1 473 764	5 663 690	600 981	34 220 150
1849	11 201 195	10 286 193		6 325 140	1 175 743	4 869 881	658 120	34 516 272
1850	11 201 195	9 310 290		5 804 794	912 266	5 013 303	986 212	33 228 060
1851	11 201 195	11 236 743		5 284 868	640 076	5 413 524	921 343	34 697 749
1852	11 201 195	11 460 428		5 367 318	915 058	5 890 050	796 468	35 630 517
1853	11 201 195	12 843 183		5 302 074	1 334 608	8 597 269	1 043 599	40 321 928
1854	11 201 195	14 194 629		5 507 560	2 785 468	11 236 021	1 040 511	45 965 384
1855	11 201 195	15 554 694	42 990	6 841 200	3 219 041	15 878 104	774 782	53 512 006
1856	11 801 195	14 111 499	666 066	9 755 008	1 552 163	10 186 557	1 041 524	49 114 012
1857	16 437 420	16 559 314	1 249 593	11 105 011	1 271 785	7 596 719	1 425 359	55 645 202
1858	18 300 325	26 457 366	3 032 879	9 340 459	2 320 924	10 536 040	1 696 797	71 684 790
1859	18 307 985	20 376 795	4 560 527	11 424 908	2 705 240	9 318 536	1 622 175	68 316 166
1860	18 322 332	24 993 694	7 656 844	8 521 694	2 129 094	14 396 611	1 216 148	77 236 417
1861	18 329 082	29 009 000	10 111 930	9 062 236	1 623 734	14 308 454	1 714 542	84 158 978
1862	18 341 702	29 065 731	10 241 807	9 842 723	2 889 775	12 914 428	1 931 809	85 227 975
1863	18 353 890	26 498 384	10 943 481	11 937 112	2 936 660	13 048 577	1 578 255	85 296 359
1864	18 320 790	20 356 889	12 987 514	15 881 232	4 474 322	9 311 372	3 292 015	84 624 134
1865	26 505 050	26 631 093	19 733 974	17 265 462	4 525 263	12 048 982	5 083 984	111 793 808
1866	28 895 673	23 992 609	19 275 870	20 209 000	5 014 671	12 925 421	5 579 557	115 892 802
1867	29 936 179	31 258 534	24 707 903	20 780 319	7 255 456	14 901 845	7 585 566	136 425 802
1868	29 497 656	30 091 638	24 366 349	21 831 782	5 728 411	14 856 144	8 675 023	135 047 003
1869	30 386 967	35 558 016	27 843 758	22 647 253	7 647 214	14 294 096	10 287 425	148 664 729
1870	31 165 937	38 626 938	33 375 361	23 277 912	8 507 851	17 852 155	10 151 628	162 957 782

Sources:

1834–1859: Finanskommittén (1860a), Bihang, Tabell IV.

1860–1865: Bankbyrån (1860–1865).

1866–1870: Statistics Sweden (1866–1870).

**Table A2.9.** *Liabilities and equity enskilda banker 1834-1870 i rdr rmt (= SEK)*

	<i>Notes</i>	<i>Sight deposits</i>	<i>Time deposits</i>	<i>Equity</i>	<i>Other liabilities</i>	<i>Total</i>
1834	1 333 063	111 334	3 380	1 708 070	–	3 155 847
1835	1 512 783	99 150	750	1 783 448	31 557	3 427 688
1836	2 526 686	76 642	12 000	2 533 281	86 572	5 235 181
1837	4 085 812	174 492	24 380	5 395 798	110 158	9 790 641
1838	7 343 436	594 860	131 590	6 397 599	108 317	14 575 802
1839	9 073 782	584 515	46 460	6 861 934	6 291	16 572 982
1840	10 039 045	733 461	49 540	6 835 821	20 883	17 678 750
1841	10 762 294	813 342	61 910	8 626 162	438 000	20 701 708
1842	9 672 397	751 732	26 770	8 903 751	738 000	20 092 650
1843	9 449 819	713 187	28 370	9 469 304	300 000	19 960 680
1844	9 787 857	1 036 120	26 700	9 622 039	109 046	20 581 762
1845	11 959 038	966 715	386 960	9 601 729	45 000	22 959 442
1846	13 398 577	1 043 845	498 350	9 846 893	–	24 787 665
1847	16 253 444	1 451 640	203 000	13 113 714	–	31 021 799
1848	15 781 959	1 736 325	66 780	16 191 493	443 595	34 220 152
1849	15 399 805	1 505 277	233 240	16 255 608	1 122 345	34 516 275
1850	15 043 507	1 251 814	208 695	16 199 796	524 250	33 228 062
1851	16 455 456	1 589 961	48 135	16 334 199	270 000	34 697 751
1852	16 649 013	2 081 029	543 600	16 356 876	–	35 630 518
1853	20 545 657	2 806 421	366 165	16 373 767	229 920	40 321 930
1854	25 371 429	3 161 326	722 835	16 500 545	209 251	45 965 386
1855	31 608 183	3 505 418	1 153 275	16 522 095	672 138	53 461 109
1856	26 573 270	2 183 114	1 508 035	17 764 411	1 085 185	49 114 015
1857	21 405 736	3 540 338	3 557 930	23 286 361	3 854 839	55 645 205
1858	25 260 018	8 659 931	7 747 375	25 687 761	4 329 709	71 684 794
1859	26 138 348	5 817 242	7 802 750	26 120 353	2 437 036	68 315 729
1860	28 867 540	5 908 168	11 621 780	26 879 877	3 959 077	77 236 442
1861	30 947 646	5 728 043	13 603 700	27 537 444	6 342 148	84 158 981
1862	31 625 580	5 751 066	16 122 420	28 129 115	3 604 794	85 232 975
1863	28 747 474	5 647 480	15 912 495	28 523 898	6 459 013	85 290 360
1864	28 132 328	5 250 265	15 797 070	27 983 762	7 160 699	84 324 124
1865	34 195 578	7 312 577	20 564 172	40 532 045	9 189 437	111 793 809
1866	32 676 821	7 578 842	24 223 986	44 879 850	6 532 898	115 892 398
1867	35 852 915	9 740 712	29 387 670	47 752 135	13 692 370	136 425 802
1868	31 806 810	9 776 967	33 614 133	45 073 325	14 775 763	135 046 998
1869	36 574 350	11 272 357	41 514 955	47 508 418	11 795 392	148 665 472
1870	42 247 530	12 737 977	48 311 378	48 447 234	11 213 647	162 957 766

## Sources:

1834–1859: *Finanskommittén* (1860a), *Bihang*, Tabell IV.1860–1865: *Bankbyrån* (1860–1865).1866–1870: *Statistics Sweden* (1866–1870).

**Table A2.10.** *Assets Stockholms Enskilda Bank 1856–1870 in rdr rmt (= SEK)*

	<i>Grundfonds- hypoteker</i>	<i>Loans</i>	<i>Cash credit</i>	<i>Bills</i>	<i>Bonds</i>	<i>Reserves</i>	<i>Other</i>	<i>Total</i>
1856	600 000	100 750	–	607 879	50 900	463 709	406 684	2 229 922
1857	600 000	1 778 350	881 200	754 092	33 050	939 603	63 903	5 050 198
1858	600 500	7 135 200	812 200	2 395 778	556 442	2 205 909	24 698	13 730 727
1859	600 060	2 943 265	1 119 400	3 021 454	1 416 160	1 850 088	4 110	10 954 537
1860	600 720	4 641 226	1 303 300	4 764 587	745 520	1 792 650	140 649	13 988 652
1861	601 070	4 582 440	1 726 500	5 307 199	470 440	1 830 076	286 500	14 804 225
1862	600 370	3 057 700	2 096 200	5 128 204	1 285 658	1 811 583	763 974	14 743 689
1863	611 390	2 458 300	2 656 700	4 167 787	1 398 810	2 032 370	494 610	13 819 967
1864	610 990	2 351 750	3 057 500	2 660 471	2 829 132	1 479 157	496 721	13 485 721
1865	612 410	4 373 860	2 221 100	3 549 441	2 816 844	1 565 261	479 780	15 618 696
1866	612 400	3 387 765	2 756 800	2 195 493	2 765 589	1 961 160	1 332 532	15 011 739
1867	612 220	4 730 564	2 787 300	2 265 612	4 908 620	1 453 273	327 201	17 084 790
1868	650 100	3 208 748	2 676 400	2 762 631	4 795 098	2 324 248	829 704	17 246 929
1869	637 180	5 103 083	2 504 200	2 466 196	5 526 644	1 260 397	468 790	17 966 490
1870	635 960	4 745 190	2 213 500	2 653 575	6 225 354	1 522 444	496 190	18 492 213

Sources:

1834–1859: Finanskommittén (1860a), Bihang, Tabell IV.

1860–1865: Bankbyrå (1860–1865).

1866–1870: Statistics Sweden (1866–1870).

**Table A2.11.** *Liabilities and equity Stockholms Enskilda Bank 1856–1870 in rdr rmt (= SEK).*

<i>Liabilities and equity</i>							
	<i>Notes</i>	<i>Sight deposits</i>	<i>Time deposits</i>	<i>Deposits by banks</i>	<i>Equity</i>	<i>Other</i>	<i>Total</i>
1856	243 340	224 084	538 600	223 898	1 000 000		2 229 922
1857	930 000	623 141	2 415 700	73 038	1 008 319		5 050 198
1858	1 148 100	4 477 448	5 857 200	1 061 000	1 186 979		13 730 727
1859	1 394 090	2 661 633	5 387 300	146 210	1 365 304		10 954 537
1860	1 689 702	2 454 160	6 826 300	1 337 280	1 636 711	44 502	13 988 655
1861	1 664 887	2 014 401	6 796 100	1 492 714	1 875 285	960 787	14 804 174
1862	1 873 810	2 446 228	7 436 200	–	1 675 285	1 312 166	14 743 689
1863	1 811 564	1 857 722	7 269 800	734 849	2 086 756	59 273	13 819 964
1864	1 907 722	1 641 943	6 794 400	1 186 345	1 886 756	68 555	13 485 721
1865	1 667 946	2 094 272	7 439 800	1 964 642	1 966 179	485 867	15 618 706
1866	1 382 138	2 201 474	7 535 700	1 780 299	2 090 680	21 450	15 011 741
1867	1 206 992	2 494 633	7 717 700	2 655 039	2 005 116	1 005 311	17 084 791
1868	1 245 905	2 823 405	8 169 600	2 919 910	2 067 562	20 550	17 246 932
1869	1 203 874	2 109 763	9 659 300	2 607 456	2 101 215	284 882	17 966 490
1870	1 244 599	2 296 925	8 752 300	3 755 667	2 156 071	287 350	18 492 912

Sources:

1834–1859: Finanskommittén (1860a), Bihang, Tabell IV.

1860–1865: Bankbyrå (1860–1865).

1866–1870: Statistics Sweden (1866–1870).

**Table A2.12.** *Assets Filialbanker 1852–1870 in rdr rmt (= SEK).*

	<i>Grundfond- hypotek</i>	<i>Loans</i>	<i>Cash credit</i>	<i>Bills</i>	<i>Bonds</i>	<i>Reserves</i>	<i>Other assets*</i>	<i>Total</i>
1852	750 000	140 770	365 250	23 255		41 706	257 136	1 578 117
1853	1 931 650	1 218 428	1 034 520	47 198		320 324	286 593	4 838 713
1854	2 249 887	1 975 721	1 121 430	127 181	359 957	498 647	138 380	6 471 203
1855	2 354 425	2 473 707	1 725 715	336 829	857 125	491 448	2 172 295	10 411 544
1856	2 630 000	2 480 385	2 380 875	640 387	42 236	437 995	2 142 953	10 754 831
1857	2 630 000	2 074 155	2 486 533	529 893	22 025	640 764	1 884 852	10 268 222
1858	5 137 500	4 869 359	2 046 539	772 192	120 750	768 366	3 241 657	16 956 363
1859	8 209 051	7 626 914	3 003 483	1 483 340	292 183	1 196 914	2 146 251	23 958 136
1860	9 196 375	8 075 008	2 832 976	3 581 026	562 174	1 095 051	1 085 787	26 428 397
1861	9 521 704	9 845 117	2 816 159	4 799 034	554 706	1 534 689	1 169 654	30 241 063
1862	9 188 505	11 103 507	2 773 026	5 584 086	490 894	1 822 636	1 059 005	32 021 659
1863	9 985 784	10 381 852	4 035 681	6 394 145	450 113	1 781 002	1 513 320	34 541 897
1864	9 837 895	10 415 891	3 951 052	7 531 640	424 920	1 631 001	1 677 060	35 469 459
1865	8 933 491	10 271 406	3 738 256	6 105 043		1 680 974	2 378 729	33 107 899
1866	8 475 623	9 496 971	3 894 273	6 101 163		1 473 360	1 339 035	30 780 425
1867	7 518 688	8 409 378	3 292 195	5 118 513		861 446	2 485 707	27 685 927
1868	5 947 779	6 636 379	2 810 322	5 044 048		878 422	2 170 662	23 487 612
1869	4 477 268	4 836 168	2 269 173	3 882 690		730 413	2 564 583	18 760 295
1870	4 153 442	4 740 763	2 948 789	3 810 956		722 490	1 245 349	17 621 789

Sources:

1852–1859: Finanskommittén (1860a), Bihang, Tab V.litt. B.

1860–1864: Bankbyrån (1860–1865).

1865–1870: Statistisk Tidskrift (1865–1873).

\* Other assets are missing 1852–1859 (= Sum of liabilities and equity minus recorded assets).



**Table A2.13.** *Liabilities and equity filialbanker 1852–1870 in rdr rmt (= SEK).*

	<i>Liabilities and equity</i>							<i>Total</i>
	<i>Assignations</i>	<i>Loans from Riksbank</i>	<i>Sight deposits</i>	<i>Time deposits</i>	<i>Equity</i>	<i>Other liabilities</i>	<i>Loans to banks</i>	
1852	131 700	280 350	–	119 311	1 046 756		–	1 578 117
1853	284 400	1 379 100	64 500	400 677	2 710 036		–	4 838 713
1854	378 150	1 794 750	125 220	992 084	3 180 999		–	6 471 203
1855	501 159	2 139 300	282 500	1 382 823	5 176 111		929 651	10 411 544
1856	798 000	2 562 600	379 894	954 107	5 643 230		417 000	10 754 831
1857	664 500	2 759 250	389 385	529 148	5 808 939		117 000	10 268 222
1858	1 038 500	4 173 450	894 508	1 086 906	9 412 999		350 000	16 956 363
1859	1 217 600	5 695 750	1 780 790	1 455 278	13 538 690		270 028	23 958 136
1860		7 832 163	1 588 137	2 378 751	13 518 484	696 517	414 288	26 428 340
1861		8 711 302	1 734 539	3 881 222	14 249 139	739 868	925 000	30 241 070
1862		8 930 331	2 167 023	4 979 639	13 815 531	1 024 068	1 105 069	32 021 661
1863		8 795 168	1 808 767	5 833 863	15 760 158	1 371 914	972 329	34 542 199
1864		9 312 882	1 828 165	6 035 897	16 416 744	1 034 361	830 838	35 458 887
1865		7 199 290	1 531 357	5 582 905	16 115 896	2 678 451		33 107 899
1866		7 289 026	1 050 042	5 068 496	15 228 414	2 144 447		30 780 425
1867		6 751 783	927 771	4 529 256	13 282 060	2 195 057		27 685 927
1868		4 792 706	1 191 362	4 449 929	10 962 730	2 090 885		23 487 612
1869		3 239 038	866 775	4 076 414	8 869 777	1 708 291		18 760 295
1870		3 285 420	725 989	3 858 916	8 425 027	1 326 438		17 621 790

## Sources:

1852–1859: Finanskommittén (1860a), Bihang, Tab V.litt. B.

1860–1864: Bankbyrån (1860–1865).

1865–1870: Statistisk Tidskrift (1866–1873).

**Table A2.14.** *Number of banks.*

	<i>Sparbanker</i>	<i>Filialbanker</i>	<i>Enskilda banker</i>	<i>Enskilda banker branch offices</i>	<i>Hypoteks- föreningar</i>	<i>Bank offices per 100,000 adults</i>	<i>Population &gt;15 years</i>
1820	2					0,11	1 749 397
1821	3					0,17	1 756 666
1822	6					0,34	1 773 198
1823	6					0,33	1 797 004
1824	12					0,66	1 815 939
1825	13					0,71	1 841 403
1826	16					0,86	1 856 165
1827	20					1,08	1 860 047
1828	22					1,18	1 860 205
1829	23					1,24	1 857 637
1830	25					1,34	1 863 676
1831	28		1			1,54	1 884 147
1832	30		2			1,68	1 904 617
1833	32		2	2		1,87	1 925 088
1834	31		2	2	1	1,80	1 945 559
1835	39		2	2	1	2,19	1 966 030
1836	48		3	2	2	2,67	1 986 500
1837	49		6	5	2	2,99	2 006 971
1838	50		6	6	2	3,06	2 027 442
1839	59		6	7	2	3,52	2 047 912
1840	60		6	7	2	3,53	2 068 383
1841	64		6	7	2	3,68	2 093 057
1842	64		6	7	2	3,64	2 117 730
1843	66		6	8	2	3,73	2 142 404
1844	67		6	8	2	3,74	2 167 078
1845	67		6	8	2	3,70	2 191 752
1846	67		6	8	3	3,65	2 216 425
1847	71		7	11	3	3,97	2 241 099
1848	79		8	12	4	4,37	2 265 773
1849	81		8	12	4	4,41	2 290 446
1850	86		8	12	4	4,58	2 315 120
1851	91		8	12	5	4,75	2 336 650
1852	99	1	8	12	6	5,09	2 358 180
1853	109	4	8	12	7	5,59	2 379 710
1854	118	4	8	12	7	5,91	2 401 240
1855	122	6	8	12	7	6,11	2 422 770
1856	129	7	8	12	7	6,38	2 444 299
1857	133	7	11	14	7	6,69	2 465 829
1858	135	10	11	15	7	6,87	2 487 359
1859	143	17	11	15	7	7,41	2 508 889

	<i>Sparbanker</i>	<i>Filialbanker</i>	<i>Enskilda banker</i>	<i>Enskilda banker branch offices</i>	<i>Hypoteks- föreningar</i>	<i>Bank offices per 100,000 adults</i>	<i>Population &gt;15 years</i>
1860	151	22	11		7	7,27	2 530 419
1861	156	22	11		10	7,41	2 551 784
1862	167	22	11		10	7,77	2 573 150
1863	175	22	11		10	8,02	2 594 515
1864	179	21	11		10	8,07	2 615 881
1865	186	20	20		10	8,57	2 637 246
1866	195	20	23		10	8,95	2 658 611
1867	202	17	25		10	9,10	2 679 977
1868	215	14	24		10	9,37	2 701 342
1869	221	10	27		10	9,48	2 722 708
1870	234	9	27		10	9,84	2 744 073

## Sources:

Sparbanker: Statistics Sweden (1961), Tab. 83.

Enskilda banker: Brisman (1924, p. 245), Brisman (1934, p.219).

Filialbanker: 1852–1859: Finanskommittén (1860a), 1860–1865: Söderlund (1964, p. 103), 1866–1870: Statistisk tidskrift (1866–1873).

Hypoteksföreningar: Nordisk familjebok, andra upplagan, 1910.

Population: Statistics Sweden, (1955).

**Table A2.15.** *Bank accounts per inhabitant.*

		<i>Sparbanker</i>	<i>Enskilda banker</i>		<i>Total</i>
	<i>Population &gt;15 years</i>		<i>Sight deposits</i>	<i>Time deposits</i>	<i>Depositors/ 1,000 adults</i>
1820	1 749 397				
1821	1 756 666				
1822	1 773 198				
1823	1 797 004				
1824	1 815 939				
1825	1 841 403				
1826	1 856 165				
1827	1 860 047				
1828	1 860 205				
1829	1 857 637				
1830	1 863 676				
1831	1 884 147				
1832	1 904 617				
1833	1 925 088				
1834	1 945 559	22 964			12
1835	1 966 030				
1836	1 986 500				
1837	2 006 971				
1838	2 027 442				
1839	2 047 912				
1840	2 068 383	48 445			23
1841	2 093 057				
1842	2 117 730				
1843	2 142 404				
1844	2 167 078				
1845	2 191 752	64 170			29
1846	2 216 425				
1847	2 241 099				
1848	2 265 773				
1849	2 290 446				
1850	2 315 120	100 194			43
1851	2 336 650				
1852	2 358 180				
1853	2 379 710				
1854	2 401 240				
1855	2 422 770	154 229			64
1856	2 444 299				
1857	2 465 829				
1858	2 487 359				

		<i>Sparbanker</i>	<i>Enskilda banker</i>		<i>Total</i>
	<i>Population &gt;15 years</i>		<i>Sight depoists</i>	<i>Time deposits</i>	<i>Depositors/ 1,000 adults</i>
1860	2 530 419	187 675			74
1861	2 551 784	198 559			78
1862	2 573 150	208 343	2 140	9 832	86
1863	2 594 515	218 335	2 099	10 684	89
1864	2 615 881	228 249	2 216	10 739	92
1865	2 637 246	244 726	3 394	13 880	99
1866	2 658 611	259 707	4 131	16 922	106
1867	2 679 977	275 083	4 957	19 893	112
1868	2 701 342	289 557	5 159	22 219	117
1869	2 722 708	309 526	5 373	24 115	125
1870	2 744 073	354 357	6 266	29 446	142

Sources

See figure 2.29.

**Table A2.16.** Total bank lending 1772–1870 in SEK.

	<i>Bank lending</i>	<i>GDP</i>	<i>Lending/GDP, %</i>
1772	37 067	57 051 210	0,1
1773	1 326 185	56 100 997	2,4
1774	1 413 376	52 720 785	2,7
1775	1 500 567	58 217 366	2,6
1776	1 587 758	59 550 362	2,7
1777	1 674 949	62 944 795	2,7
1778	1 762 140	65 529 234	2,7
1779	1 849 331	66 553 451	2,8
1780	1 935 512	65 193 472	3,0
1781	2 053 112	63 897 850	3,2
1782	2 091 214	66 795 331	3,1
1783	2 487 008	67 745 707	3,7
1784	2 660 186	65 374 697	4,1
1785	2 539 880	68 996 329	3,7
1786	2 533 526	69 807 385	3,6
1787	2 407 285	71 686 689	3,4
1788	1 864 522	74 847 863	2,5
1789	1 106 582	76 596 237	1,4
1790	1 608 983	80 199 551	2,0
1791		79 259 569	
1792		82 607 724	
1793		88 461 544	
1794		101 168 280	
1795		110 193 758	
1796		113 730 491	
1797	203 145	115 161 762	0,2
1798	310 166	117 893 826	0,3
1799	237 588	136 188 633	0,2
1800	244 801	159 075 077	0,2
1801	266 574	166 313 858	0,2
1802	295 444	164 140 985	0,2
1803	246 993	162 743 549	0,2
1804	1 153 554	164 529 931	0,7
1805	2 137 049	166 872 922	1,3
1806	3 176 018	186 306 349	1,7
1807	3 974 420	192 679 486	2,1
1808	3 483 515	223 096 879	1,6
1809	3 911 640	241 938 513	1,6
1810	5 947 792	259 219 957	2,3
1811	11 791 730	284 213 149	4,1
1812	8 519 878	331 364 293	2,6

	<i>Bank lending</i>	<i>GDP</i>	<i>Lending/GDP, %</i>
1813	9 657 750	354 404 049	2,7
1814	14 151 867	353 605 413	4,0
1815	13 960 107	344 212 919	4,1
1816	11 857 397	368 889 751	3,2
1817	9 003 944	370 585 042	2,4
1818		375 883 440	
1819		391 386 797	
1820		387 025 083	
1821		357 310 461	
1822		344 771 699	
1823		351 749 437	
1824		368 958 249	
1825		375 110 736	
1826		400 068 648	
1827		403 747 691	
1828		387 267 082	
1829		397 014 044	
1830		404 736 996	
1831		436 940 463	
1832		456 197 062	
1833		442 168 023	
1834	4 513 818	424 108 914	1,1
1835	2 379 585	442 416 003	0,5
1836	7 429 934	454 501 309	1,6
1837	11 565 661	451 735 731	2,6
1838	15 302 895	498 441 948	3,1
1839	17 748 513	511 448 571	3,5
1840	27 383 129	512 634 258	5,3
1841	25 646 090	508 279 660	5,0
1842	27 094 289	526 584 905	5,1
1843	26 819 168	517 837 342	5,2
1844	27 389 403	487 288 585	5,6
1845	35 243 447	512 894 818	6,9
1846	30 655 925	538 302 015	5,7
1847	36 197 736	577 904 429	6,3
1848	39 458 752	583 012 851	6,8
1849	43 427 802	573 759 192	7,6
1850	60 273 202	599 352 307	10,1
1851	56 935 354	608 872 048	9,4
1852	67 956 241	640 884 134	10,6
1853	78 309 127	685 367 057	11,4
1854	82 447 738	738 524 907	11,2
1855	116 150 640	863 569 780	13,5

	<i>Bank lending</i>	<i>GDP</i>	<i>Lending/GDP, %</i>
1856	102 096 930	959 357 447	10,6
1857	102 739 793	944 324 124	10,9
1858	110 444 786	845 516 384	13,1
1859	123 149 664	831 221 035	14,8
1860	172 515 398	902 674 191	19,1
1861	192 028 407	955 528 551	20,1
1862	203 009 791	977 938 846	20,8
1863	214 197 150	999 914 777	21,4
1864	223 666 410	982 312 009	22,8
1865	245 070 545	970 141 325	25,3
1866	252 912 291	1 005 603 184	25,2
1867	272 519 540	1 030 139 438	26,5
1868	279 359 160	1 018 107 172	27,4
1869	315 647 640	1 042 153 551	30,3
1870	342 422 454	1 108 502 144	30,9

Sources: See figure 2.26.

Note: Missing values 1791–1796 due to missing data for Riksgäldsdiskonter. Missing values 1820–1833 due to missing data for Sparbanker.